



Afghanistan Extractive Industries Transparency Initiative Annual Progress Report

FY 2015

Afghanistan Extractive Industries Transparency Initiative Secretariat | June 2016

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ABBREVIATIONS

Abbreviations

ACCI	Afghanistan Chamber Of Commerce And Industries
ACSFO	Afghanistan civil Society Forum-Organization
AEITI	Afghanistan Extractive Industries Transparency Initiative
ASM	Artisanal Small Mines
CDC	Community Development Council
CNPCI	China National Petroleum Corporation International
DFID	Department for International Development
DG	Director General
EIDF	Extractive Industries Development Framework
EITI	Extractive Industries Transparency Initiative
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit German Society for International Cooperation
Gov	Government
HOLD	Humanitarian Organization for Local Development
HRRAC	Human Rights Research and Advocacy Consortium
IA	Independent Administrator
IWA	Integrity Watch Afghanistan
MCC	China Metallurgical Group Corporation
MDTF	Multi Donor Trust Fund
MoF	Ministry of Finance
MoMP	Ministry of Mines and Petroleum
MoTCA	Ministry of Transport and Civil Aviation
MSG	Multi Stake Holder Group
NSP	National Solidarity Program
PC	Provincial Council
SDNRP	Sustainable Development of Natural Resources Program
SOE	State Owned Enterprises
ToR	Terms of Reference
TWG	Technical Working Group
UNAMA	United Nations Assistance Mission in Afghanistan
US	United States
WADAN	Welfare Association For the Development
WB	World Bank

Foreword

The year 2016 commenced with a lot of challenges and opportunities in hold for AEITI; providing us with an opportunity to update our readers on the progress that has taken place or is underway.

This report looks at the progress during and after the completion of the 4th Reconciliation Report; the areas which were highlighted by the report e.g. Afghanistan Small Mining (ASM) sector and the key developments and recommendations for this sector especially attracting the attention of the Ministry of Mines and Petroleum , paving way for reforms within the whole extractive sector.

It gives me great pleasure and confidence to inform our readers of the accomplishments after the publication of the 4th Reconciliation Report. Finally the Government of Afghanistan has taken the recommendations of the AEITI reconciliation report into account and has formed a committee consisting of senior level officials of both Ministry of Finance and Ministry of Mines and Petroleum to work with MSG and Afghanistan AEITI to work on the said recommendations and update the MSG on its findings, which will help AEITI in implementing those recommendations.

We are greatly indebted to EITI international secretariat for always supporting Afghanistan EITI secretariat and MSG and also would like to extend a token of gratitude to the World Bank and GIZ for providing their unconditional support and assistance to us whenever we needed it the most.

Mahmood Anwari

National Coordinator,
Afghanistan Extractive Industries Transparency Initiative

Assessment of the year's performance

2015 has been a productive year for Afghanistan EITI. It set the foundation for the publication of the 4th reconciliation report covering two fiscal years of 2013 and 2014; the report has been widely acknowledged as a useful tool for reform in the sector. The report also discussed the establishment of committees for assessment and developing of an implementation plan for the recommendations by the Government of Afghanistan.

AEITI also hosted The EITI International Secretariat's mission to Kabul which followed a series of meetings and workshops with the representatives of the civil society organization and high-level government officials including H.E. the President and CEO of the country. Highlighting activities of the civil society organizations in the country; there have been extensive debates on the involvement of the civil society in the management of the sector and AEITI MSG. Nonetheless, AEITI communications department has carried out extensive public awareness campaigns throughout the country holding workshops, seminars and other individual meetings with stakeholders

Publishing of AEITI 4th Reconciliation Report

Fourth Reconciliation report of Afghanistan Extractive Industries Transparency Initiative was published on 4th of February 2016. The Reconciliation Report was published after approval of the MSG, it covers two fiscal periods 1391 (21st March - 20th December 2012) and 1392 (21st December 2012 - 20th December 2013).

4th Reconciliation report includes reconciliation of 97% of the revenue from extractive sector by reconciling payments of 9 companies and 2 state owned enterprises. The report also includes significant information on the Artisanal and Small Mining Sector which was not available in the previous reports.

The IA of the 4th AEITI reconciliation report has put forward recommendations in light of their assessment of the extractive sector in Afghanistan and key to EITI compliance status.

1. The Recommendations are majorly in six areas:
2. Record keeping: MoMP financial systems in MoMP and MoF
3. Assurance: government and companies
4. Completeness of data
5. Flows to sub national government
6. Chairmanship of the EITI process
7. Companies omitted from the MOMP list of reporting companies

Public Financial Management (PFM) reforms and AEITI:

AEITI is included in the inaugural 5-year rolling Fiscal Performance Improvement Plan by the Government of Afghanistan forms the basis of the PFM reforms outlined by the President and the Minister for Finance to the International Community in Kabul in late 2015.

The PFM is a vehicle for implementation of the public finance management roadmap II and presents a sequence based plan for reforms within a performance management framework. The development of this plan has been a Government driven process with a high degree of ownership over the proposed reforms. The Government recognizes that improvement in fiscal planning and management is crucial for the long-term development of Afghanistan. This plan covers the full spectrum of reforms, from developing a fiscal policy framework to guide the budget, analysis of fiscal space, adopting a medium term expenditure framework with a consolidated national budget, improved cash management and commitment controls, with upgraded systems that integrate procurement, contract management and cash management, and improved reporting and audit of public expenditure.

The plan is starting with the core departments managing public financial management in the Ministry of Finance (MOF) and two external agencies, AEITI and the National Procurement Authority. Over the next 12 months, the plan will incorporate other key agencies such as the Supreme Audit Office, the Central Statistics Office and the Independent Directorate for Local Governance. The performance management framework will include key line ministries from 2017 with a focus on budget planning, execution and reporting.

This plan recognizes that the challenges facing the Government in reforming public financial management are large and complex. Progress will take time and there will be set backs along the way. That is why this plan is set in a framework of 5-year rolling plans. Each year there will be a mid-year assessment of progress, an annual performance assessment with a published report on results, leading to a revised 5-year plan at the beginning of each year. This plan follows the budget cycle and integrates with the Government's established business processes.

EITI International Secretariat Mission to Afghanistan

EITI International Secretariat conducted a mission to Afghanistan from May 3rd to 5th 2016. The mission consisted of Mr. Pablo Valverde, Country Manager for Afghanistan and Mr. Jonas Moberg, Head of the International Secretariat. The mission carried out

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meetings with stakeholders and donors of the EITI in Afghanistan. Mr. Pablo Valverde met with the Deputy Minister of Admin and Finance and Acting Minister of Mines and Petroleum. During the meeting, Mr. Valverde was assured of the government's support to the process.

Mr. Valverde also conducted a workshop for the members of the AEITI MSG. Mr. Pablo's presentation in the workshop focused on: 2016 EITI Standard, Understanding the new procedure of Validation on the basis of the standard, Work Plan and Annual Progress Report, 5th Reconciliation Report, MSG Governance (Challenges and Opportunities) and Beneficial Ownership.

On 5th of May 2016, the European Union organized Anti-Corruption day in presidential palace, where Mr. Jonas Moberg was invited as a keynote speaker. Mr. Moberg and Mr. Pablo Valverde also met the leaders of the Afghanistan Unity Government. Mr. Jonas was assured of the support of the Afghan government to the EITI process by H.E. Ashraf Ghani, President of Afghanistan in a bilateral meeting. The mission also met the Chief Executive of the Country, H.E. Abdullah Abdullah.

Afghanistan Civil Society Organizations Debates

2016 has been an active year for the Afghan Civil Societies both involved and part of the EITI process and those willing to be part of it. There has been extensive debate on inclusion of a wider range of CSOs in the EITI process and governance of the MSG.

After multiple internal meetings, the CSOs conducted a meeting with Ms. Diana Kaissy, Regional Coordinator for Middle East and North Africa at Publish What You Pay to share similar experiences of other countries. The issue was also addressed by Mr. Pablo Valverde, Country Manager for Afghanistan in International Secretariat during his mission to Kabul. Mr. Pablo shared Case Studies and discussed how devising Terms of Reference for CSOs selection process, Collective Actions, Inclusiveness, criteria for selection process and Grievance Mechanism can assist the CSOs in achieving their common goal.

Donors Support to the EITI Process in Afghanistan and AEITI Secretariat

In order to bring different donor projects more regularly together for an exchange around the Mining Sector and their activities donors conducted a meeting with AEITI Secretariat to be updated of the 4th reconciliation report and discuss implications and recommendations for the sector.

Although issues as; focusing on policies and regulation only (system change) without tackling immediate challenges in the provinces cannot be successful and the need for coherent vertical alignment is necessary, donors Expressed their full support to the

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process, and agreed to regular exchange initiatives which would lead to achieving coherent and complementary approaches in programs which are fairly flexible in adjusting within their log frames.

Multi –Stakeholder Group

The Multi-Stakeholder Group as the governing and decision making body of the AEITI, held meetings and workshops on pressing issues, and in order to take action on the recommendations of the 4th reconciliation report and highlight areas of interest for government, private sector and civil societies. During the reporting period of this annual report, MSG also held a workshop hosting Mr. Pablo Valverde, who addressed the MSG on the recent improvements and changes in the EITI process.

Multi-Stakeholder Group Workshop

In the light of the recent developments and reforms within the EITI standard during the Lima Conference at Peru 2016; there was a need to address some of the questions regarding these new developments to AEITI MSG.

The workshop was organized in the wake of the EITI international secretariat's mission to Kabul to participate in the EU Anti-corruption day; nevertheless the secretariat took the opportunity to update the MSG members on current status of AEITI, upcoming Validation, 5th Reconciliation Report, MSG Work Plan and MSG Governance among other topics. EITI 2016 Standards, the new validation process, beneficial ownership among other important updates from the International secretariat.

The workshop was chaired by H.E. Ghazaal Habibyar, Deputy Minister of Admin/Finance and Acting Minister of Mines and Petroleum.

Multi-Stakeholder Group Meeting

MSG held its first meeting of 2016 on 11th of May 2016, following a workshop where Mr. Pablo Valverde addressed multiple important and pressing issues. Main agenda of the MSG meeting was to take firm action on the recommendations of the 4th reconciliation report by development of a matrix where required actions, responsible parties, timeline and other essential issues are highlighted.

The meeting was started by H.E. Ghazaal Habibyar-Safi, the Deputy Minister of Admin/Finance and Acting Minister of MoMP. Outlining the developments, within the MoMP, she said that there were issues with SOEs and its reporting and she became aware of the fact through the recently published 4th Reconciliation Report of AEITI, addressing the issue of SOEs, she said that an assessment will be carried to find out

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areas where the issues existed. Talking about the next important development, she said that there were technical issues with the development of database of Cadaster Department, but she was hopeful that soon a pilot project will be started as to see its results and those areas where technical issues existed. She said that there are many projects within the MoMP currently under evaluation and would be started soon.

Chair of the MSG, H.E. Moh. Ameen Habibi, Acting Deputy Minister of Policy at Ministry of Finance said that the Government's goal was the collection of the revenues and no doubt the revenue collection of MoMP was less but the Government was taking measures to improve it. He also mentioned that a Feasibility study of a Separate Account for the Extractive Sector will be initiated in order to assess the possibilities of such an account.

The MSG Stakeholders were asked to send their input on the 4th Report Recommendations Matrix and on how to address those recommendations to the secretariat for compilation by and further MSG Technical Working Group meetings and discussions should be held to work on it and later to be sent to the MSG for discussion and approval.

Communication and Public Outreach

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

Public Awareness and Debates: Communication team carried out Public Awareness Campaigns through workshops and trainings. After completion of the first round of the workshops in Northern and Eastern provinces, Communication team carried out awareness workshops for 8 relevant ministries and authorities. Campaign for southern provinces was carried out successfully, whereas western region will be targeted in July 2016. It is also worth mentioning that GIZ will conduct second round of its workshop for the MSG. the workshop will increase the capacity of the MSG and address pressing issues in MSG and its workplan.

AEITI team conducted a one day workshop on AEITI to the civil society members, reporters and representatives of the Kandahar media, senior officials of the Mines and Petroleum Directorate, representatives of Kandahar Finance Directorate (Mastofyat) and other prominent members of the society and extractive sector. The agenda of workshop included orientation of the participants to the EITI process, standards and implementation of EITI in Afghanistan.

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One of the main purposes of outreach to Kandahar was to bring government and civil societies to one table and discuss the challenges of the extractive sector in light of the EITI process and promotion of transparency. Following the mandate of EITI, and for the first time in Kandahar, AEITI team was able to bring Director of Finance and Director of Mines and Petroleum to participate in round table in presence of Civil Society representatives and activists to discuss challenges in extractive sector.

AEITI team in light of one of the objectives of the field visit brought its observation into a public document as follows: Lack of coordination between DoF and DoMP which affects the revenue collection from the mining sector. DoMP did not have systematic record keeping and contract management system which promotes illegal activities of contractors and warlords. DoMP did not have a well-coordinated system for tracking and monitoring extractive activities by contractors. DoMP is also unable to take control of farfetched sites of the province due to lack of security. Due to lack of coordination between DoF and DoMP many of the revenue streams were not paid by the contractors for which they are liable to DoMP and DoF. Findings of the field visit were shared with stakeholders of the AEITI and public.

Regional Training: The Regional EITI training for MSG members and National Coordinators of EITI implementing countries from Eastern Europe, Central Asia, Middle East and North Africa took place in Istanbul, Turkey.

Sessions of the Regional EITI training aimed to help participants explore what could be achieved by implementing the EITI Standard. It included discussing how to ensure that workplans and EITI reports contribute to addressing the most relevant and pressing issues in each countries' sector, as well as opportunities for making sure that EITI reports contain useful and actionable recommendations for reform, where relevant and needed. At the same time, sessions were also meant to reflect the need to get the basics right – a well-functioning MSG, an up-to-date workplan that reflects findings from Annual Activity Reports, etc. – in order to make the most of the EITI process.

30th EITI Board Meeting: AEITI National Coordinator also participated in the 30th Board Meeting of the EITI Board in Berne Switzerland as an observer and highlighted pressing issues in the implementation of the EITI in Afghanistan. The board and participating members were highly appreciative of his comments. Country Manager, Mr. Pablo Valverde also interviewed Mr. Mahmood Anwari, National Coordinator of Afghanistan as part of their series “Faces of transparency”.

7th Global EITI Conference: It should be noted that AEITI was part of the global movement preparing for the 7th Global EITI International conference held in Lima Peru in February 2016 which focused on the changes that resulted from the implementation

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of the EITI in implementing countries under the theme of “Reports to Results”. Major topics which were addressed in the conference were: EITI Standards 2016, the new EITI Board, regulatory and fiscal regimes, subnational reporting, beneficial ownership, transparency in commodity trading, Chinese investments in the sector, strengthening government and company systems, transparency in corporate reporting, lessons from multi-stakeholder governance, contract transparency and the artisanal and small scale mining sector.

The conference also had ten parallel sessions across two different time slots. Speakers discussed regulatory and fiscal regimes, subnational reporting, beneficial ownership, transparency in commodity trading, Chinese investments in the sector, strengthening government and company systems, transparency in corporate reporting, lessons from multi-stakeholder governance, contract transparency and the artisanal and small scale mining sector.

Mr. Rahimi, representing Afghanistan as speaker in the parallel session in Chinese Investment expressed his views of the extractive sector “The extractive sector has the potential to bring tremendous investment, infrastructures, taxation revenues and employment, in parallel to these benefits; it can also be of great source of environmental, social and political issues. Thus, it is vitally important to ensure greater transparency in the extractives governance to rebuff the mischievous angle.”

Apart from Plenary Sessions, Afghanistan was represented in Parallel Sessions of the Conference on “Making the most from the extractive sector”, “Digging down – disclosure and dialogue at the subnational and local level”, “Chinese overseas investments in the extractive sector”, “Country experiences of integrating transparency in government and company systems”, “Lessons from multi-stakeholder governance”, “using information to improve the artisanal and small scale mining sector” by Messrs. Mahmood Anwari, Mohammad Afzal Sherzad, Sefatullah Rahimi, Mohammad Aman Sultani and Samoon Tasmim. Mr. Mahmood Anwari also participated in Conference Side Events of “Data Storytellers Bootcamp, EITI Stakeholders’ Forum and National Coordinator’s Meeting.

Mr. Mohammad Afzal Sherzad, representative of the Civil Society Constituency of MSG had productive and insightful meetings with members of Civil Society Constituencies of other implementing countries (i.e. UK, US, Lima and Bangladesh) and Global Civil Societies like Publish What You Pay.

The conference also exhibited National Expo, where each country had a stand demonstrating progress and communications materials from their implementation. A

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wide range of participants, keynote speakers and high officials of the implementing countries visited Afghanistan Stall in the National Expo.

ASSESSMENT OF PERFORMANCE AGAINST TARGETS AND ACTIVITIES SET OUT IN THE WORKPLAN

Assessment of performance against targets and activities set out in the workplan

1. Publication of Complete and Accessible EITI Report: AEITI published its 4th reconciliation report for the fiscal years 1391 and 1392 in the year 2015, the report covered the ASM sector of Afghanistan for the first time and highlighted several areas which needed the close attention, including the gaps and weaknesses in the quality of data, financial systems within the ministries and areas to be covered accordingly with the newly amended EITI standard in the board meeting at Lima Peru. A positive attribute of the report was that it attracted the attention of the Government which responded with establishing a committee comprising of both MoF and MoMP to follow-up on the recommendations stated in the report and will report to MSG and both ministers.

The development process of the report started accordingly with the timeline provided by EITI; the MSG taking into consideration the deadline given by EITI pushed the process and every step of the development process was completed before as given within the timeline to meet the deadline but not compromising on the quality of the report. Where ever the MSG saw that the process will see a setback because of the time, i.e. some approvals of the MSG given during the development process; the MSG approved those steps through email. The MSG threshold and the reporting templates were decided in the MSG meeting based on the consultation of the representative of HART Group, seeing that 90 % revenue should be covered in the report. Another major decision was to make the report was for two years 1391 and 1392 consequently. During the process, the scoping and inception report was prepared and shared with MSG; the comments of the MSG were incorporated and the MSG was kept posted and involved in all other steps i.e. reconciliation and drafting of the report. The report was finalized and published in Feb, 2016. To make the reports easier to understand for the public, summary reports of the 4th reconciliation report has been produced.

The ToR for the next report has already been approved and the procurement process of the 5th reconciliation report as of now has started and is expected to address the challenges faced during the 4th report in consultation with the committee.

2. Communications and Outreach Activities: In light of the AEITI Communication Strategy and Annual Workplan, communication activities were successfully carried out in order to address the need of public awareness and increasing the

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participation of the masses in the EITI process in Afghanistan. Four regions and the center has been covered under the action plan, creating awareness about AEITI as a general and some newly introduced aspects of the then EITI standards.

Communication team carried out Public Awareness Campaigns through workshops and trainings. After completion of the first round of the workshops in Northern and Eastern provinces, Communication team carried out awareness workshops for 8 relevant ministries and authorities. Campaign for southern provinces was carried out successfully, whereas western region will be targeted in July 2016. Moreover some key ministries were also targeted during 2015 with the help of HRRAC, a civil society organization.

A three year communication strategy is already in place and every year a communication action plan is made to implement the core objectives of the strategy. The EITI website is up-to-date and the information is easily accessible to the public.

An outreach trip to Kandahar was carried out by the secretariat; one of the main purposes of outreach to Kandahar was to bring government and civil societies to one table and discuss the challenges of the extractive sector in light of the EITI process and promotion of transparency. Following the mandate of EITI, and for the first time in Kandahar, AEITI team was able to bring Director of Finance and Director of Mines and Petroleum to participate in round table in presence of Civil Society representatives and activists to discuss challenges in extractive sector.

The secretariat will soon be visiting Herat, another key province as part of its public outreach campaign.

3. Data Quality and Licensing: As mentioned above, the government has expressed its keen interest in bridging the gaps within the financial systems of both MoF and MoMP and has formed a committee to evaluate the financial systems in the light of the recommendations provided by IA in the 4th report and to provide its action plan on how those gaps can be filled. The committee will come with solutions to the challenges faced during the development of the 4th report. The Cadaster department of MoMP is currently being analyzed and it is expected that soon an upgrade of its licensing system will take place.

Currently the revenue department of MoMP is also considering upgrading their financial registering systems and is incorporating EITI revenue streams into their database to avoid conflicting systems within the MoMP. This database will enable EITI to easily get information from the revenue department of MoMP during the

ASSESSMENT OF PERFORMANCE AGAINST TARGETS AND ACTIVITIES SET OUT IN THE WORKPLAN

templates distribution process of the reconciliation. It will divide the revenue streams separately and will be very helpful.

The EITI has indeed been very helpful in identifying the gaps within the financial as well as audit systems both in the Government and private sector; it has promoted a culture of audit in the extractive sector of Afghanistan but still there are challenges around this area as some small companies not having been yet compliant with this requirement but the MSG has been taking concrete steps to address this issue; on temporary basis, the MSG have agreed to accept the financial records of the mentioned companies if they are attested by their senior officials. As for the government accounts, the Supreme Audit Office (SAO) is doing very well, all the government accounts are required to be audited as per the Government of Afghanistan's decree by SAO. Hopefully a more strategic approach towards addressing these challenges will be devised by the newly formed committee by the MSG chair and co-chair. The members of the committee will be minutely looking into the recommendations by IA in 4th Report and will make an action plan to overcome or address them.

4. MSG Governance: A new MSG ToR has been produced which has been approved by the MSG and is already in force. There have been some CSOs who are interested in joining the MSG and the secretariat is coordinating between the current member CSOs of the MSG and those interested to reach an accord peacefully.

Before finalizing the MSG ToR, the members were briefed on the duties several times; the EITI mission to Kabul consisting of Mr. Valverde, country manager for Afghanistan also were very helpful in providing an understanding on the ToR of the MSG. The MSG was trained on the process of making an MSG ToR and what were the responsibilities of each constituency. As mentioned above a mechanism for the participation of the members of the CSOs was discussed and agreed to be formed. This mechanism will be made in understanding with giving other CSOs a chance to be part of EITI and the secretariat and EITI international secretariat with Publish What You Pay will assist in coordinating meetings and facilitation. With kind support of GIZ, AEITI secretariat is arranging an MSG capacity building workshop in China in September 2016; this workshop will be held for the whole of the MSG members and will build their capacity on several areas including MSG governance. The workshop will also address the understanding of the members on the process of the 5th Reconciliation Report and will focus on the quality of the next report. Albeit the agenda of this workshop is still to be confirmed by the MSG, it is expected

ASSESSMENT OF PERFORMANCE AGAINST TARGETS AND ACTIVITIES SET OUT IN THE WORKPLAN

to train the MSG on some other areas newly introduced by EITI board in its Lima Peru global conference.

Note: please refer to the Annex: 1 for the progress against the workplan

Strengths and Weaknesses in the EITI Process

AEITI's fourth reconciliation report has been recognized as a useful tool for reforms in the sector both by government and civil society organizations. AEITI's 4th Reconciliation Report was presented to the President and Chief Executive of Afghanistan in bilateral meetings of the EITI International Secretariat's Mission to Afghanistan and both the leaders of the Unity Government of Afghanistan expressed their willingness to use the report as a tool for reforms. Furthermore, Civil Society Organizations have used the 4th report and its recommendations widely in their advocacy and public debate campaigns. Afghanistan EITI has been able to include information about Artisanal and Small Scale Mining in the fourth report, which will enable the government and CS organizations to incorporate the economic contribution of the ASM sector in the upcoming 5th reconciliation report.

The formation of the committee by the Chair of MSG is a very positive step and will help in tracking and following up the progress against the recommendations of the report; furthermore, as the letter regarding the formation of the committee states that it will report to the MSG is another milestone which will empower the MSG to independently track down the progress.

Nonetheless, there are certain weaknesses in the management of the extractive sector in the country that creates hurdles in the paced implementation of the EITI standards. These weaknesses range from; limitations and lack of capacity in the cadaster department of Ministry of Mines and Petroleum in regards with management and monitoring of the extractive activities around the country to, low prevalence of auditing culture in the extractive industry and limitations in the Information sharing and data integration between the Ministry of Finance, and Ministry of Mines and Petroleum. Though to some extent, after the announcement of the EITI implementation by Afghanistan's government has had some impact on general practices within the extractive sector i.e. EITI in the Mineral Law requiring the companies to comply with EITI requirements, which includes annual audits but this certainly will take some time to be fully met. As political will is very important for EITI to be implemented in a country, the leaders of the Unity government of Afghanistan have expressed their support for the sector and EITI in particular in their public addresses.

The secretariat in collaboration with EITI International, Publish What You Pay and Afghan CSOs is working on a mechanism to open the MSG membership for any interested CSOs at AEITI MSG. The talks are currently underway and setting-up

STRENGTHS AND WEAKNESSES IN THE EITI PROCESS

procedures regarding the membership are expected to be finalized soon with the mutual consent of CSOs.

TOTAL COSTS OF IMPLEMENTATION

Total Costs of Implementation

AEITI/MDTF-II Disbursement

S/No.	Activity Detail	Status	Total Estimated Cost In USD	Total Contracted Amount in AFN	Total Disbursement in USD
1	Creation of AEITI Website	Paid	5,000.00	185,000.00	3,059.37
2	Creation of Database for AEITI	Paid	10,000.00	530,000.00	8,153.85
3	Broadcasting of AEITI Video spots	Paid	45,000.00	3,114,240.00	47,911.38
4	Procurement of billboards (Ph#1)	Paid	35,000.00	2,000,000.00	30,769.23
5	Procurement of billboards (Ph#2)	Paid	20,000.00	709,200.00	10,910.77
6	Broadcasting of AEITI Radio spots	Under Procurement Process	20,000.00	-	-
7	Selecting a firm for printing AEITI Communication Materials	Paid	25,000.00	1,672,469.00	24,355.16
8	MSG Study Tour	Under Negotiations with EITI	60,000.00		
9	AEITI Staff Capacity Building Training	Paid	25,247.00	25,247.00	25,247.00
10	Hart Nurse Ltd. Workshop cost UAE Dubai	Paid	19,753.00	15,683.00	15,683.00
11	AEITI IOC	Paid	40,000.00	2,619,050.00	43,650.83
AEITI/SDNRP-II Current Disbursement Rate					
12	AEITI Staff Salaries	Paid		15,684,318.00	259,373.54
13	Reconciliation reports 1391 and 1392	Paid		257,285.00	257,285.00
14	AEITI Internet Services	Paid		705,270.00	11,663.14
15	TV adds	Paid		434,500.00	7,327.15
16	Printings	Paid		776,000.00	13,086.00
17	MSG Capacity Building	Paid		5,801.00	5,801.00
18	AEITI IOC	Paid		1,000,000.00	16,949.15

MEMBERS OF MULTI-STAKEHOLDER GROUP

Members of Multi-Stakeholder Group

Government Sector					
S/N	Name	Organization	Status	Phone No.	E-mail Address
1.	Mujeeb ur Rahman Sherzad	MoF-DG Revenue	Permanent	0798982574	shirzad.mujeeb@gmail.com
2.	Sayed Abdul Rahman Saeed	MoF-DG Customs	Permanent	0700590380	
3.	Abdul Wahid Zia	MoTCA-Admin/Finance	Permanent	0799352026	eng.zabdulwahed@gmail.com
4.	Eng. Fareed Ahmad Kazimi	MoMP-Policy	Permanent	0777822922	Fareedahmadkazimi@gmail.com
5.	Eng. Akbar Sallam	MoMP-Cadestre	Permanent	0799324586	mirsallam@gmail.com
6.	Abdul Wakil Motadain	MoMP- Admin/Finance	Permanent	0798167846	
7.	Hameed Sherani	MoF-Revenue	Back up	0778181022	haidersherani@yahoo.com
8.	Shamsul Ahad Alokozay	MoF-Customs	Permanent	0700606329	Shams_alz@yahoo.com
9.	Mohammad Ibrahim Joya	MoTCA-Admin Finance	Back up	0786820536	
10.	Haris Bromand	MoMP-Policy	Back up	0793823881 0788332702	Mharis.bromand@yahoo.com Mharis.bromand@gmail.com
11.	Eng. Ghulam Sediq	MoMP-Cadestre	Back up	0707154663 0752136082	Engineer.sediq@hotmail.com Engineer.sediq@gmail.com Smomand@mom.gov.af
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MEMBERS OF MULTI-STAKEHOLDER GROUP

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S/N	Name	Organization	Status	Phone No.	E-mail Address
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AEITI WORKPLAN			
Objective 1: Increase public awareness of the sector's current and potential contribution in order to enable a more informed, evidence-based public debate.			
Rationale: Afghanistan is endowed with significant mineral resource potential; however there is a misperception among some stakeholders that the extractive sector, and a number of high-profile large-scale projects, will provide a solution to Afghanistan's revenue shortfalls over the short to medium term. The EITI can play a valuable role in highlighting the current financial contribution provided by the sector to the national economy and the prospects for future growth.			
Governance-related challenges: 1. Current public extractive sector revenue assessments are unrealistic. 2. There is little understanding of how the sector is managed. 3. There is a lack of awareness of the scale and potential value to the government of improving the formalization of artisanal and small scale mining.			
Activities	Responsible party	Timeline	Key indicator
1.1 Publication of a complete and accessible EITI Report covering 1391 and 1391			
MSG to support the finalization of the scoping work undertaken by the Hart Group necessary to finalize the inception report for 1391/1392	MSG, IA	June 2015	Completed scoping template
MSG to agree on the scope, level of disaggregation and materiality thresholds for revenue and companies for the report	MSG, IA	July/August 2015	Scope agreed to by the MSG
Drafting and finalization of reporting template based on the level of disaggregation and materiality as agreed upon by the MSG	IA, MSG	July/August 2015	reporting templates Finalized by MSG
Conduct reporting template workshop for companies	IA, MSG	August 2015	training conducted by David to MSG and Fathi to Companies and MoF and MoMP Officials
Completion and submission of reporting template	IA, Secretariat, reporting entities	August-October 2015	Templets have been shared with companies and LMs later it will be submitted to IA
Reconciliation process	IA, Secretariat, reporting entities	November 2015	Reconciliation process is completed
Drafting of the report	IA, Secretariat, MSG,	August-November	Report drafted by the IA

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	development partners	2015	
Workshop / approval of the report	IA, MSG, Secretariat	End of November 2015	4 th Report was approved by MSG and Officially Launched on 4 th of Feb. 2016
Printing of the report	Consultant, Secretariat	Early December 2015	English Version of the Report is printed and disseminated
Production of summary report, popular version and translated versions	Consultant, MSG, Secretariat	Early December 2015	Summary report is produced and disseminated to public as well as CS Organizations
ToRs for IA for next EITI Report finalized	Secretariat, MSG	February 2016	ToR is finalized and approved by the MSG
Hiring of independent administrator to analyze the government and industry data for the next EITI report	IA, secretariat	March 2016	5 th Reconciliation Report I.A. recruitment process is initiated
1.2 Communications and outreach activities conducted, including to the regions			
Hire new Communications Specialist	Secretariat	July 2015	completed
Communications strategy is developed	Secretariat/ Communications Specialist/MSG	August 2015	Strategy is published on AEITI website
Maintain EITI website	Secretariat/ Communications Specialist	Ongoing	Information is up-to-date and website fully functional
Ministerial statement endorsing the findings of the report	Communications Specialist	December 2015	Statement released to the media
Report-launching ceremony	Secretariat	January 2016	Report was officially launched and dissemination and publically promotion of the report is in progress.
Conduct report analysis workshops in four regions.	Secretariat	January-March 2016	Workshops and seminars are conducted in northern, eastern and southern regions of the country
Minister of Mines and Petroleum or Minister of Finance tables the report in Parliament	MoMP/MoF	early 2016	Establishment of contacts in Parliament are initiated.
Summary reports, report findings, info graphics and other materials are produced in relevant languages	Secretariat/ Communications Specialist	January - March 2016	Developers and designers of the Infographics are recruited. Activity is in

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			progress.
Outreach activities and capacity building of local stakeholders (government, regional offices, communities and industry) on EITI implementation	MSG, Secretariat, regional offices, communities, industry sector	January - March 2016	Activity is in progress. Regional workshops are conducted. An extensive workshop for the Members of the MSG is being planned by GIZ
Objective 2: Highlight ongoing efforts and opportunities to improve revenue collection and sector management in order to build trust in the management of the sector and improve fiscal sustainability.			
Rationale: The EITI can be used as a diagnostic tool to identify gaps and/or weaknesses in the government's management of the sector across the value chain and provide recommendations for reform. EITI reports and communication activities can also be used to show-case the sector reform projects currently underway in Afghanistan which will improve the Government's ability to manage the sector in a more transparent and equitable way. Training and capacity building can also be provided to MSG members and wider EITI stakeholders on issues related to sector management.			
Governance-related challenges: 1. There is a lack of technical capacity within the Ministry of Mines and Petroleum 2. Coordination between the Ministry of Mines and Petroleum and the Ministry of Finance on licensing and revenue collection could be improved. 2. Most of Afghanistan's small scale and artisanal mines are currently informal and not paying taxes or royalties to the government.			
Activities	Responsible party	Timeline	Key indicator
2.1 Key findings of the report are identified and acted upon			
Report analysis workshop	Consultant/resource persons, MSG, secretariat	January 2016	The activity will be carried out in the Phase II of the GIZ Workshop for the MSG members
Communications training and dissemination of the report	MSG, TWG, resource persons, consultant, secretariat	January 2016	Activity is in progress. Three out of four regions are communicated.
Outcomes of report are actively followed up on by Gov. with stakeholders	MoF, MoMP, MSG	Ongoing from January 2016	MSG has devised Follow up Matrix for the recommendations of the 4 th reconciliation report.
2.2 Improving quality of data and addressing gaps from previous reports			

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Weaknesses in the financial data assurance process adopted for the current report are highlighted and recommendations for strengthening the accounting and assurance environment provided to the government	IA	December - January 2016	Recommendations of the IA in 4 th report will be taken into consideration
Future Independent Administrator ToRs include a capacity building component on auditing and professional accounting for MSG, secretariat and MoF personnel.	Secretariat	February 2016	SWAT Analysis Project is to be initiated by MSG for relevant departments of MoMP and MoF
2.3 Report highlights the wider reform needs and work in progress			
Include a chapter in the EITI report highlighting the range of activities currently being undertaken to improve sector management, and outline the government's plans for future reforms.	MoMP/MoF	December 2016	The governments input was incorporated in the 4 th reconciliation report. Information on ASM sector was included in the 4 th reconciliation report.
Include a case study/SWOT analysis of Afghanistan's current accounting standards and audit environment.	MSG/MoMP/MoF	December 2016	An assessment has been carried out by GIZ for the Companies, which was incorporated in the 4 th reconciliation report by the IA
2.4 Local accounting firm participation in future EITI reports is required to improve local ownership of the process			
Ensure that the ToR for future Independent Administrator contracts contain a requirement for the participation of Afghan accounting firms	Secretariat	February 2016	This point is consider for the 5th report and a local firm is taken as subcontractor of the IA for the 5 th Reconciliation report.
Objective 3. Improve the predictability and security of investments with an aim to increase wealth generation of the sector and contribute to Afghanistan's development.			
Rationale: The mining sector has the potential to provide a major source of foreign direct investment, economic growth and government revenues. However, this potential has so far not translated into significant revenue generation or large scale investment; the small number of major extractives contracts that have been awarded by the Government have been slow to progress towards resource extraction. Industry, government and civil society stakeholders have all highlighted the need to strengthen the governance of the sector in order to improve the predictability and security of investments, increase revenue generation and reduce corruption.			

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Governance-related challenges: 1. There is a need to clarify, assess and address gaps in the legal framework. 2. There is a lack of clarity on the government's infrastructure and investment policies, including the creation of resource corridor and value addition for products such as lapis and emeralds. 3. The mining cadaster, particularly for small and medium scale mines is fragmented and incomplete which threatens the legality of operations. 4. There is a lack of security.

Activities	Responsible party	Timeline	Key indicator
3.1 Investment, infrastructure and security			
Produce a two-page factsheet on the basis of the EITI Report on the mining law explaining its development, its importance, where it's at in the process and what the main areas being considered for changes are and why.	Communications specialist, MoMP communications department	February 2016	The activity is planned in the communication plan of the publically promotion of the 4 th report
Produce a one-page factsheet on the legal process for granting mining licenses for distribution in the provinces on the basis of the findings of the EITI Report.	Communication specialist, MoMP communication department	February 2016	The activity is planned in the communication plan of the publically promotion of the 4 th report
Conduct a workshop aimed at explaining the EITI to parliamentarians.	Secretariat, MSG	January 2016	Establishment of contact with Parliament is initiated
Clarify government policy on infrastructure and investment plans for the sector. Publish on the website.	MoMP/MoF	December 2015	EIDF document is MoMP initiative and share with AEITI but not finalized yet
Provide joint input to the EIDF.	Secretariat, MSG		MSG and AEITI has given the comments on EIDF
Highlight government reforms plans and initiatives such as the 100 days plans for MoF and MoMP	Secretariat		2 page from MoMP has been received and incorporated in 4th report
Include a chapter in the EITI Report about the security costs mining in the country, for example by conducting a survey among reporting companies.	ACCI	December 2015	GIZ has performed an assessment of systems in 14 companies.
The report includes a chapter covering the estimated size and value of artisanal and small scale mining activity in Afghanistan, with a focus on lapis lazuli and emerald production	World Bank/GIZ ASM program	December 2015	GIZ & MoMP present a presentation about ASM sector to MSG and MSG requested to add info in the 4th report. Which was accepted by the IA.

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3.2 Licensing issues			
Highlight the large proportion of artisanal and small scale mines that are currently unlicensed, unregulated and not contributing to government revenue generation	World Bank/GIZ ASM program	December 2015	Based on AEITI finding MoF/ MoMP has established a committee to look for unlicensed & unregulated mines & revenues.
Highlight the weaknesses in the current mining cadaster and the implications for security of tenure for mine operators.	IA, Secretariat	December 2015	The IA has highlighted the weaknesses of the system in 4 th report and suggested possible actions in the recommendations.
Objective 4: Improve MSG participation and ownership of EITI process in order to achieve the other goals in the workplan.			
Rationale: A well-functioning MSG is essential in order to put ideas into practice. This is something that has been found inadequate by the Validation and the Secretariat Review in the past, while there have also been concerns that the government was not sufficiently engaged. With a new government in place and with the transition to the Standard, a new look at how the MSG is governed and relates to the Government is desirable.			
Governance-related challenges: 1. Insufficient consultation and communication between representatives on the MSG and broader constituencies 2. Perception among constituencies that there has been insufficient political will in the past. 3. Unclear internal guidelines for decision-making and responsibilities. 4. Lack of ownership of the process by MSG members.			
Activities	Responsible party	Timeline	Key indicator
4.1 Revise MSG structure, function and processes			
Review the terms of reference regulating the relationship between the constituencies in the MSG	MSG	July/August 2015	The current ToR has been amended.
Re-examine the current structure of the MSG to improve the engagement of senior stakeholders	MSG	July/August 2015	Re-examination process is initiated by the CS constituency. Several internal and external meetings of the CS organizations are carried out.
Review the internal guidelines regulating how the MSG conducts its business	MSG	July/August 2015	MSG ToR is approved

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Adopt and publish updated terms of reference and internal guidelines	Secretariat, MSG	July/August 2015	MSG ToR Approved
4.2 Build the capacity of MSG, National Secretariat and key AEITI Stakeholders			
Hold follow-up MSG capacity building workshop	Secretariat, MSG	September 2015	Training was conducted in Dubai by GIZ & workshop was conducted in Istanbul by EITI
Training for MSG and Secretariat by IA on reporting process	IA	July/August 2015	IA conducted a training both to MSG & AEITI
International outreach and training	MSG, Secretariat	October 2015, February 2016	GIZ has planned a workshop for the MSG in the month of July.
Participate in existing transparency initiatives in the country and region	MSG, Secretariat	February 2016	CSO, PS & Gov participated in Istanbul workshops
4.3 Improve MSG progress monitoring and performance			
Assess progress against the last workplan.	Secretariat, MSG	September 2015	More than 70% of the Workplan is completed
Write draft Annual Activity Report reflecting progress against last workplan	Secretariat, MSG	June/July 2015	Annual report is submitted for 2015. Annual Progress Report for 2016 is drafted
Discuss draft AAR in MSG and suggest changes with emphasis on lessons learned.	MSG		Approval of the MSG will be sought after finalization of the draft AAR of 2016.
Finalize and publish AAR	Secretariat	January 2016	The 2016 AAR will be published after approval of the MSG
Modify and update workplan on the basis of the findings of the AAR	Secretariat, MSG	January 2016	The workplan will be updated on the basis of the actions in the 4 th Report Recommendations Matrix