



د افغانستان اسلامي جمهوريت
د كانونو او پتروليم وزارت

جمهوری اسلامی افغانستان
وزارت معادن و پتروليم



Islamic Republic of Afghanistan
Ministry of Mines & Petroleum
Chief of Staff

No, 2891

Dated: 04/12/2018

رياست دفتر
آمریت اسناد و ارتباط

شماره: _____

تاریخ: / /

To: The EITI Board
Skippergata 22,
0154 Oslo, Norway

Subject: EITI Board Decision on Afghanistan Validation

Dear EITI Board Members,

Following the letter, I sent you on 24th October 2018 with the subject mentioned above, first I would like to thank EITI Board for deferring the decision on Afghanistan's validation result.

Second, I would like to draw your attention to the progress that we recently made in the areas where the validation report indicates no progress. Publication of export data and the required information on the extractive SOEs are the two areas with no progress before November 2017. However, there are efforts made in both areas in line with the EITI requirements. MoMP has now published all the relevant information and studies on extractive SoEs through the Ministry's website (available here: <http://mom.gov.af/en/page/transparency-information/soes>). We have also updated the action plans for the corporatization of the two SoEs (Northern Coal Enterprise and Afghanistan Gas Enterprise) and have assigned a team to implement them. Furthermore, we have facilitated the publication of export data on the extractives sector on the website of the Afghanistan Customs Department (available here: <https://customs.mof.gov.af/afghanistan-customs-statistics-reports/>). The said information has been drawn, and aggregated, from the internal Automated System for Customs Data (ASYCUDA). Export data for the year 2016-17 has been collected and disaggregated by the companies' export value and volume to be included in the 6th AEITI report.

Third, I would like to highlight the high degree of political commitment that Afghanistan has towards implementing EITI. H.E. the President of Afghanistan is personally committed to follow up on the progress of the EITI implementation, and on stakeholders' engagement pertaining to EITI, in our country. The Ministry of Mines and Petroleum (MoMP) has now been mandated to regularly update H.E. the President in this regard. This is, *inter-alia*, reflected in H.E. the President's decree number 1852 dated 2nd December 2018, which has mandated both MoF and MoMP to relocate the AEITI secretariat from MoF to MoMP in order to align the championship and secretariat of Afghanistan. The relocation aims to ensure the implementation of Afghanistan EITI ('AEITI') is streamlined, and more efficient, moving forward.

I understand that under Requirement 8.3 (a)(ii) of the EITI Standard, the EITI Board considers various factors in deciding the validation outcome of a country that implements EITI. These include, *inter-alia*: (i) barriers to meeting requirements such as, but not limited to, **state fragility** and recent or ongoing political change, and the extent to which the multi-stakeholder group has undertaken actions to resolve barriers encountered; (ii) the **good faith efforts** undertaken by the multi-stakeholder group

('MSG') to comply with the requirements; and (iii) any **plans agreed** by the multi-stakeholder group to address the requirements in the future.

Therefore, I am pleased to let you know of the eminent progress we have made on the implementation of the EITI Standard, following the completion of Afghanistan's first validation report:

1. **Streamlining the AEITI process:** We have taken a number of concrete steps to address procedural issues in implementing AEITI which were identified in the validation report:

(i) In addition to the transfer of Secretariat from MoF to MoMP, H.E. the President's decree number 1852, dated 2nd December 2018, also instructs the MSG members to participate in MSG meetings regularly and extend their cooperation and contribution, otherwise, their membership will be granted to other representatives of the same stakeholder group.

(ii) I personally will be the Chair of AEITI moving forward, and look forward to ensuring that the procedural aspects of AEITI are well implemented. This alignment of the Chair and implementation agency for AEITI will yield us improved results.

(iii) Significant improvement in the MSG participation and contribution from the MSG members is expected moving forward, following the above-mentioned decree. MSG engagement will be regulated through a newly drafted procedure, which has been presented to the members. The procedure is considered finalized, and will be approved in the next MSG meeting to be held after the Dubai Workshop, which will take place from 6th -8th December, 2018.

(iv) Civil Society members of the MSG are developing a procedure to ensure the transparency in election of the Civil Society MSG members. The procedure will be finalized prior to the next MSG meeting.

(v) The AEITI National Coordinator has been recruited through an open and transparent process, and the selected candidate will join the Secretariat on 4th December, 2018.

(vi) The Independent Administrator (IA) for the development of 6th AEITI report has been selected and at the moment, we are negotiating the contract terms with the IA. We will also be requesting an extension of timelines for the next AEITI Report, citing appropriate reasons, and thus publish our next AEITI Report in accordance with the requirements of the EITI Standard, 2016.

2. **Addressing data gaps in AEITI Reports:** We have already taken the following steps to address data gaps identified in the validation report:

(i) *Establishment of the extractives transparency portal:* The MoMP has established a transparency portal, which contains granular data across several data points required by the EITI Standard. This includes information on extractive licenses, beneficial owners of all the active contracts, and even records of individual payments. The portal draws data from the internal Mining Cadaster Administration System (MCAS), and Non-Tax Revenue System (NTRS) of the MoMP, and discloses it publicly. In order to establish a systematic approach in the collection and disclosure of data, we have identified the required EITI data which is currently not disclosed by the said portal, and are working with RDF, a consulting firm, to customize the system accordingly. The portal may be viewed here: <https://afghanistan.revenuedev.org/login>.

(ii) *Reporting of data on social expenditures:* As part of our ongoing customization of the above-mentioned transparency portal, we are also developing a feature for the disclosure of mandatory social expenditures for each contract. Currently, we are in the process of developing a community development model agreement, which will support prioritization of social services in consultation with, and with the agreement of, communities. It will also enable the MoMP and communities to monitor the social performance of the companies. These agreements, once finalized, will also be disclosed through the said portal.

3. **Mainstreaming of transparency into sector governance:** Using lessons learned from EITI implementation, we have undertaken/are undertaking the following measures to ensure transparent and accountable sector governance:

(i) *Integrated internal database for improved governance:* MoMP is working jointly with MoF, and Ministry of Industries and Commerce, to sync the MCAS and NTRS with Standard Integrated Government Tax Administration System (SIGTAS), the Automated System for Customs Data (ASYCUDA), Revenue Management Information System (RMIS) and Afghanistan Central Business Registry (ACBR) System. The technical assessment has been conducted, and the systems are compatible. At this point in time, the relevant organizations are working on preparation of required infrastructure to link these systems to create an integrated internal database. The said database will help inform improved governance and administration of the sector.

(ii) *Transparency requirements in legislations and day-to-day governance:* The new minerals law, enacted in 2018, and the new hydrocarbons law, enacted in 2017, both have detailed requirements for transparent disclosure of information periodically. Several of these data types are in fact covered by the EITI Standard as well. These laws have been drafted with a vision of making transparency an integral part of mainstream sector governance. For example, public disclosure of several data types on a periodic basis is now mandated upon the MoMP. In turn, the provision of several data types to the MoMP by companies is now an integral part of license applications. A standardized data collection format has been developed and circulated, to all provincial directorates of Ministry of Mines and Petroleum, to ensure data reporting on a regular basis.

Some of the EITI requirements are also included in the IMF's Sixth Review Structural Benchmarks, and State Building Contract benchmarks set by European Union in Afghanistan. We are also looking into the possibilities to include it in the World Bank Development Policy Grant benchmarks as well.

Several of the above-mentioned actions, identified and implemented under our action plan, address the EITI requirements where Afghanistan has demonstrated 'inadequate' or 'no progress', as well as the recommended corrective actions. In addition to the progress made so far, MoMP has also agreed with the EITI international secretariat to update the said action plan, aiming to achieve meaningful progress in all areas. In the meantime, I would also assure you that Afghanistan's request for the second validation assessment will be submitted as soon as mid-2019, preceded by the pre-validation process.

While Afghanistan is highly committed to implementing EITI, there are a number of country-wide challenges which have affected the process. Security concerns and fragility is at the top of the existing challenges. The data gaps and process gaps are mainly in the provinces with higher level of conflict and security constraints. Another major challenge has been the required 'soft infrastructure'. However, the Ministry assures the EITI board that it, and the AEITI MSG, have been taking several actions in good faith to implement the requirements of the EITI Standard, despite these challenges.


Transparent and accountable development of the sector has been a key cornerstone of our sector policies, laws and strategies. Afghanistan has viewed EITI not just as a process for public disclosure of data, but has also used it as a tool to facilitate data use for improved governance, both within the government, as well as externally. This approach has sometimes resulted in longer time periods for data gathering and reporting, and has meant that several of our vital actions were taken after the completion of Afghanistan's first validation report.

Therefore, on behalf of the MoMP, I would like to kindly request that Afghanistan's EITI validation be decided in the context of the information provided through this letter. **We also request that Afghanistan not be suspended from EITI, as we have put forth our best efforts in good faith to adhere to the EITI Standard, despite being a severely fragile and conflict-affected country.** During the Geneva conference last week, Afghanistan pledged to become financially self-reliant by the year 2024. Key to this is the development of the extractives sector, which would be impeded if Afghanistan is suspended from EITI. **Such suspension would adversely impact the**

international perception of our sector governance, and would also potentially harm investments as well as donor funding for the sector.

On behalf of the Government of Islamic Republic of Afghanistan, I would like to extend our appreciation for the regular support of EITI Secretariat in fulfilling Ministry's commitment to develop Afghanistan's extractive sector in a transparent and accountable manner.

Regards,


Nargis Nehan
Acting Minister of Mines and Petroleum
I.R. Afghanistan

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Office of H.E. President, I.R. Afghanistan
Minister Qayoumi, Minister of Finance, I.R. Afghanistan
AEITI MSG
EITI International Secretariat
World Bank, Afghanistan