

Think-and-do-tank Govern4Afg on Good Governance in Afghanistan

# Mining Sector Governance

## What is Govern4Afg?

The two-year initiative ‘Governance Forum Afghanistan (Govern4Afg)’ has been launched by German and Afghan partners to establish a platform for policy dialogue on governance topics in Afghanistan. Govern4Afg brings together representatives of research, science, Governance practitioners and decision makers to discuss and further develop on governance related topics. Thereby Govern4Afg supports the Governance portfolio in Afghanistan in the implementation of the BMZ Country Strategy and contributes to overarching policy development and implementation aligned with Afghan context and needs.

Govern4Afg brings together representatives of research, science, Governance practitioners and decision makers to discuss and further develop on governance related topics prioritized by the Afghan and German partners. Govern4Afg, through expert teams, provides an inter-connected range of activities and results to relevant actors – e.g. research, open-dialogue-events, communication products, thematic factsheets and Discussion Papers. The expert teams serve as moderators and multipliers of the dialogue processes summarizing the inputs from exchange in Discussion Papers.

## Context

Assessment and development of an accounting, reporting and auditing system based on international standards and best practices related to the mining revenue is located at the center of the current Afghan strategies for development and is considered critical for sustainable development of the mining sector.

The Afghan government, in its strategic five-year plan; the National Peace and Development Framework (ANPDF) 2017 – 2021, has identified the mining sector as one of the main drivers of economic growth in the long-run. The document also recognizes improving governance of the sector as the main requirement to opening up the sector to investment and therefore, it calls for full compliance of the extractive activities to the Extractive Industries Transparency Initiative standards.

GIZ has initiated an assessment of the accounting, auditing and reporting systems and standards related to the mining revenue currently being used in the Cadaster and Revenue Departments of Ministry of Mines and Petroleum and Revenue Department of Ministry of Finance at the national and provincial level. This assessment will help inform establishment of an accounting, reporting and auditing system based on international standards and procedures including the need for capacity development and institutional arrangements for its implementation. Improvement of the accounting, reporting and auditing of the mining related



*Investment in the mining sector (right).*

revenues is a major piece of the puzzle of the governance of the mining sector and will significantly help improve transparency and accountability in the sector.

The recommended accounting, reporting and auditing system will be based on international standards and procedures, therefore these standards will make the technical framework of the assessment.

The key stakeholders of this assessment are the ministry of Mines and Petroleum and the Ministry of Finance. Both ministries are responsible for collecting, managing, reporting and auditing of the mining related revenues. Besides this, the private sector is also a stakeholder to this exercise. Some of the companies that are involved in the extractive sector are interviewed to learn from their experience and see what are the areas where they think urgent intervention is needed.

## Approach

A number of activities under this exercise will contribute to Govern4Afg's work to the above areas. An upgraded system of accounting, reporting and auditing based on international standards and procedures will be recommended as a result of this assessment. This will introduce a new perspective on the challenges of accountability and transparency and will help prevent loss of revenues from the mining sector.

Multiple stakeholders, both government and the private sector are involved in the data collection process of the assessment (research). Relevant government directorates within the Ministry of Mines & Petroleum and Ministry of Finance are interviewed and their feedback is included in the assessment. Companies that are involved in the extraction of mine will also be interviewed to get their feedback.

Following to the introduction of the standard accounting, reporting and auditing system, a number of workshops and meetings will be held to sensitise stakeholders and address questions and concerns, should there be any. This will help smoothen path for the implementation of the standard system. Specific recommendations on development of capacity of the relevant staff members in both ministries will also be provided that will directly engage the stakeholders and provide new perspectives to them on the financial management of the revenues.

## Expected Outcomes

Standardized accounting, reporting and auditing system will help improve governance of the natural resources and avoid loss of revenues. It will directly help improve efficiency and effectiveness of the Ministry of Mines and Petroleum and Ministry of Finance and will indirectly improve living conditions of the Afghan people through increased resources for service delivery.

It is too early to observe any effects since positive results will only be produced following the installation and implementation of the system. However, key government officials in relevant agencies have been sensitized with the idea and they now have been sensitised regarding the shortcomings of the current system and the potential to improve processes by means of a standardised system.

**Contact:** Bernd Messerschmidt  
Sector Coordinator: Good Governance  
bernd.messerschmidt@giz.de

[www.govern4afg.org](http://www.govern4afg.org) [www.ez-afghanistan.de](http://www.ez-afghanistan.de)

Published by Deutsche Gesellschaft für  
Internationale Zusammenarbeit (GIZ) GmbH  
Registered offices Bonn and Eschborn, Germany  
Sector project "Good Governance" Afghanistan  
Dag-Hammarskjöld-Weg 1-5  
65760 Eschborn, Germany  
pr-unit-afghanistan@giz.de  
www.giz.de

As at March 2017

GIZ is responsible for the content of this publication.

Implemented by

**giz** Deutsche Gesellschaft  
für Internationale  
Zusammenarbeit (GIZ) GmbH

**KfW**

Implementing and facilitating consortium GOPA Consultants mbH, Afghan Research and Evaluation Unit and JS Consultancy Services

On behalf of

Federal Ministry for Economic  
Cooperation and Development (BMZ)