

An Assessment of the Mining Revenue Collection System in Afghanistan

Javed Noorani, Najibullah Ziar and Cornelius Graubner

June 2017



Technical Assessment Paper

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Abbreviations and Acronyms

AEITI	Afghanistan Extractive Industries Transparency Initiative
AFMIS	Afghanistan Financial Management Information System
ARTAS	Afghanistan Revenue Trend Analysis System
EITI	Extractive Industries Transparency Initiative
GoIRA	Government of the Islamic Republic of Afghanistan
IMF	International Monetary Fund
MoF	Ministry of Finance
MoMP	Ministry of Mines and Petroleum
NRC	Natural Resource Charter
OPAF	Open Policy and Advisory Fund
SITAS	Standard Integrated Tax Administration System

1. About the Assessment

This study was set out to assess the existing mining revenue collection and management system of the mining sector. The study primarily focuses on the revenue collection system that is currently in place at the two relevant Afghan ministries: the Ministry of Finance (MoF) and the Ministry of Mines and Petroleum (MoMP). The specific objective of the study is to conduct an inclusive assessment of the revenue-related accounting, auditing and reporting system and standards currently implemented at the Cadastre and Revenue departments of MoMP and the Revenue Department of the MoF to collect mining revenues, both at the provincial and national level. Based on this assessment, the study seeks to recommend a revenue collection and management system that is based on international standards and best practices.

To achieve this objective, the researchers conducted in-depth qualitative interviews with senior officials of both of the above-mentioned ministries in Kabul, Kandahar, Herat and Nangarhar. A separate set of questions were asked of the mining companies in Kabul to assess the system from the client's (i.e., tax payer's) perspective. The researchers collected a first round of data and then cross-checked and reconfirmed most of it to ensure the validity and accuracy of the collected data.

2. Background

Afghanistan is highly dependent on aid. An average high economic growth of 9.4 percent between 2003 and 2012 was mainly driven by the flow of outside aid, which accounted for as much as 50 percent of the gross national revenue (GNI) in 2007 and over 20 percent in 2015.¹ In addition to aid flows, spending by the international security forces added significant inflows to the country's economy. With declining levels of aid since 2014, economic growth slowed down to 3.7 percent in 2013, 1.3 percent in 2014 and 0.8 percent in 2015.² Afghanistan has set its goal of achieving self-reliance by 2025 and has identified the mining sector as one of the key sectors to drive the country's economic growth in its "*Realizing Self-Reliance*" paper, published in the London Conference in 2014. Improving revenue collection is central to Afghanistan's self-reliance agenda as is recognised in the Afghanistan National Peace and Development Framework.³ However, domestic revenues in 2015 reached only 10 percent of gross domestic product (GDP) while expenditures accounted for 26 percent of GDP.

The prospect of natural resource wealth is enticing. With external aid in decline and limited prospects for industrial or service sector activity, the development of the oil, gas and mining industries is expected to kickstart Afghanistan's economic development and provide more than 500,000 new jobs and 50 percent of the country's GDP by 2030. This is an ambitious goal. In addition to policies encouraging the sustainable development of the mining sector, equal priority must be placed on the reform of the extractive sector revenue collection system. Only with improved revenue collection can the sustainable development of the mining sector offer sufficient and reliable source of revenue to help government in its goal of achieving self-reliance in the long term.

Revenue management is a critical issue for mineral-rich countries because natural resources, especially oil and minerals, are exhaustible and revenue from the sector, due to price fluctuations on international commodity markets, is volatile. It is, therefore, imperative to implement a prudent revenue management system to be able to manage the revenue in a manner that leads to inclusive development of citizens and the state. The Natural Resource Charter (NRC), a widely accepted best practice governance and policy framework for resource-rich countries, emphasises the role of good revenue management practice in the extractive industries to achieve better shared future and development outcomes.⁴

The Organisation for Economic Cooperation and Development Corruption in the Extractive Value Chain toolkit states that corruption in the value chain of extractives is a major hurdle to development in developing countries. The report identifies key corruption risks in mining revenue collection and management as follows:

- inadequate legislative and regulatory framework for revenue collection;
- weak technical, financial and human capacity in revenue administration;
- lack of revenue collection-related data transparency and access;
- opacity of commodity trading transactions;
- opacity over ownership and governance structures of key actors involved in commodity trading;
- lack of transparency on commodity trading-related data; and
- lack of, or insufficient, corporate due diligence.

As the following pages will show, Afghanistan faces all of the above risks with varying level and scale. Especially inadequate legislative and regulatory framework for revenue collection and a lack of revenue-related data pose significant risks.⁵

1 <http://data.worldbank.org/indicator/DT.ODA.ODAT.GN.ZS?locations=AF>

2 "Country Economic Update", The World Bank.

3 Afghanistan National Peace and Development Framework, Ministry of Finance

4 "Natural Resources Charter", Natural Resources Governance Institute, http://www.resourcegovernance.org/sites/default/files/NRCJ1193_natural_resource_charter_19.6.14.pdf

5 OECD Development Policy Tools, "Corruption in the Extractive Value Chain" <http://www.oecd.org/publications/corruption-in-the-extractive-value-chain-9789264256569-en.htm>

2.1 The mining sector in Afghanistan

Afghanistan is rich in natural resources. Experts estimate the value of oil, gas and mining assets in Afghanistan, including gold, coal, oil, gas, cement, uranium, lapis lazuli, rubies, emeralds and tourmaline – to be between one and three trillion US dollars.⁶ To date, very few of these resources are extracted on an industrial scale, and most mining is artisanal.

2.2 Industrial resource extraction projects

The two biggest deposits that were awarded for industrial extraction are the Mes Aynak copper deposit in Logar Province and the Hajigak iron ore deposit that stretches over both Bamiyan and Maidan Wardak provinces. In the past, Afghan Gas, Ghorī Cement and Northern Coal Enterprises were large operations.

Chromium

Several chromium deposits were recently discovered. Nangarhar, Kabul, Parwan, Logar, Ghazni, Paktya, Khost and Zabul provinces all have chromite deposits but most of them are unexplored.⁷ However, the extraction of chromite has been observed in Kunar, Nangarhar, Parwan, Logar, Maidan-Wardak and Khost.⁸

Expensive metals

Afghanistan has occurrences of gold, uranium, platinum and silver deposits across several provinces. Some 112 gold sites are found within the country,⁹ and there are confirmed gold deposits in Badakhshan, Ghazni and Zabul provinces. The extraction of gold has occurred, under license, in Takhar and Baghlan provinces. Illegal extraction of gold occurs in Ghazni and Maidan-Wardak provinces.¹⁰ The rest of the gold sites have not been properly explored to estimate their economic feasibility.

Precious stones

Several precious and semi-precious gemstones are found in Afghanistan. The precious stones that have a strong global demand are Afghan rubies and emeralds. The emerald-bearing zone in the Panjshir Valley occupies an area 16 km long by 3 km wide, with deposits found at 3,000-4,000 m. The emeralds exhibit a rich green color and can occur in crystals up to 100 carats in weight.¹¹ The extraction of emeralds has been taking place in the absence of a contract awarded by the state. According to an undisclosed source, there are 15 sites of illegal emerald extraction in Panjshir Province. Observations of the informal gemstone market in Kabul and discussions with gemstone dealers indicate that both Nuristan and Laghman provinces have potential emerald deposits too.¹² With the right cutting and polishing skills, the occurrence of emeralds offers investment opportunities that can generate employment and keep the larger economic value within the domestic market.

Afghanistan is still well-known for its deep blue lapis lazuli semi-precious stone. “Lapis lazuli in Badakhshan is still regarded as the world’s premier source in terms of quantity and quality. It is mined on the ‘Blue Mountain’ on the right bank of the Kokcha River”.¹³

6 C. Choi. “\$1 Trillion Trove of Rare Minerals Revealed Under Afghanistan”, 4 September 2014 <http://www.livescience.com/47682-rare-earth-minerals-found-under-afghanistan.html>

7 Afghanistan Geological Survey. Ferrous Metals in Afghanistan. <http://www.bgs.ac.uk/afghanMinerals/femetals.htm>

8 “The Plunders of Hope”, Integrity Watch Afghanistan. <https://iwaweb.org/wp-content/uploads/2015/12/The-Plunderers-of-Hope.pdf>

9 British Geological Survey. Mining Journal. Afghanistan Special Edition. https://www.bgs.ac.uk/AfghanMinerals/docs/afghan_supp_final.pdf

10 Interview with a gold mining expert in Ghazni, 15 January 2017

11 British Geological Survey. Mining Journal. Afghanistan Special Edition. https://www.bgs.ac.uk/AfghanMinerals/docs/afghan_supp_final.pdf

12 Interview with Shokrullah, the head of mining department in Nuristan, 10 October 2015

13 British Geological Survey. Mining Journal. Afghanistan Special Edition, https://www.bgs.ac.uk/AfghanMinerals/docs/afghan_supp_final.pdf

Dimension stone

Afghanistan has a diverse variety of marbles. According to a report by the Afghanistan Investment Support Agency, there are 66 different deposits of marble and granite across Afghanistan.¹⁴ Mineral hunters have also discovered several colors of onyx across the country.

Rare earth element potential

Afghanistan has massive deposits of rare earth minerals, including lithium, which is found in Nooristan, Nangarhar, Laghman, Kapisa, Parwan, Panjshir and Badakshan provinces, and strontium, which is found in Helmand Province and adjoining areas. Some of these deposits extend for hundreds of square kilometers.¹⁵

The mining sector is a high-impact industry on both the micro- and macro-level: operations heavily affect neighboring communities and the large sums of money involved in big projects offer ample opportunity for graft and corruption. Without a solid foundation built out of effective management, good governance, accountability, social justice, and peace building, the development of the extractive resource sector in Afghanistan can exacerbate drivers of conflict and increase security problems, and lead to lasting environmental damage, social harm and human rights violations. Supporting the development of good governance and effective management of natural resources in the government and private sector, and of solid oversight capacities in civil society is of paramount importance to secure sustainable economic, social and political development of Afghanistan. The NCR is the lead agency, reporting that:

“For countries to benefit from resource wealth, citizens and their governments must make a broad range of decisions. Each decision requires governments to consider complex options and trade-offs and devise strategies to implement these policy choices.”¹⁶

An indicator of the need for governance reform in Afghanistan’s mining sector is the disparity between scope of operations and the impact extractive resource operations have on the country’s economic situation. The share of resource rents as a percentage of GDP has declined since 2011(see Table 1).

Table 1: Total natural resource rents (% of GDP), 2011-2015¹⁷

2011	2012	2013	2014	2015
0.77	0.69	0.74	0.73	0.70

In the meantime, income from extractive industries as reported by the Government of the Islamic Republic of Afghanistan (GoIRA) within the framework of the Afghanistan Extractive Industries Transparency Initiative (AEITI) has fluctuated wildly in recent years (see Table 2).

Table 2: Extractive resource revenues reported by the Government of the Islamic Republic of Afghanistan (in US\$, Persian calendar)¹⁸

FY 1387	FY 1388	FY 1389	FY 1390	FY 1391	FY 1392
\$78,957,512	\$6,218,676	\$18,669,480	\$81,753,783	\$58,000,000	\$ 18,500,000

14 Afghanistan Investment Support Agency. A Comprehensive Study of Marble Industry in Afghanistan. http://www.aisa.org.af/Content/Media/Documents/Marble-industry-AFG-AISA_20127112014173236730553325325.pdf

15 British Geological Survey. Minerals in Afghanistan https://www.bgs.ac.uk/afghanminerals/docs/RareMetals_A4.pdf

16 Natural Resources Governance Institute. Natural Resource Charter, Second Edition. http://www.resourcegovernance.org/sites/default/files/NRCJ1193_natural_resource_charter_19.6.14.pdf

17 World Bank (n.d). <http://databank.worldbank.org/data/home.aspx>

18 All figures taken from data published on the AEITI website: <http://aeiti.af/2012.html>.

Figures are reported in Afghani, conversion to US dollars was made with a rate of AFN 57.24 = USD 1.00 (Interbank rate of September 16, 2014). Financial years (FY) in Afghanistan are designated according to the Islamic calendar. For example, FY 1387 is March 21, 2008 to March 20, 2009 in the Roman calendar. The income reported to AEITI covers items such as royalties, fees, taxes, withholdings, penalties, duties and other income, and should cover at least 90 percent of all income during the respective year.

The figures of the natural resources rent as a share of GDP and the revenues reported by GoIRA indicate that either natural resources are not all that important in Afghanistan after all, or that revenues that are accounted for in official figures are only a small percentage of the actual economic activity of the mining sector. Whatever the case is, it is clear that with a multitude of challenges beyond graft and corruption - ranging from the security situation and lack of full control over the country's territory to investor skepticism and lack of expert capacity - the potential mineral wealth of Afghanistan has yet to be converted into monetary benefits for the country's citizens.

2.3 Future outlook of the mining sector

Natural resources provide a great potential source of funds for the development of the country, if properly managed and sustained. However, they also pose many governance, political and security challenges, and can become a curse should the country fail to develop the sector in a sustainable manner. GoIRA's long-term strategy for the development of the sector is defined merely through a three-paragraph text on its website.

The long-term goals of the Ministry are establishing an effective governance of natural resources, providing jobs, growing the economy, as well as encouragement of private investments in minerals and hydrocarbon sectors, and raising the level of revenue and improving the capacity of the Government.¹⁹

Critics of the government's strategy in civil society assert that the country vaguely defines the path with some focus on financial independence that indicates policy-makers' interest in cash while other critical elements associated with the management of the sector are either ignored or not imagined in the long-term objectives in the document MoMP has shared on its website for the management of resource wealth. The NRC's precept discusses national strategy as a top agenda item and says that:

effective and sustainable resource management requires an inclusive and comprehensive national strategy. To achieve this, the government must make a series of key decisions that will affect different groups and set choices extending far in to the future.²⁰

2.4 Transparent management of extractive resource revenues

GoIRA is committed to transparency, accountability and sustainable development within the mining sector. It has signed the Access to Information Law, the majority of active mining contracts are available on the MoMP website, and policy-makers engage civil society in the sector. In 2009, the country applied for membership of the Extractive Industries Transparency Initiative (EITI), a global coalition of governments, companies and civil societies working together to improve openness and accountable management of revenues from natural resources. EITI was first launched in September 2002 at the World Bank Summit on Sustainable Development in Johannesburg. The principles of EITI provide a solid guiding framework for the development of the sector.

At the same time, this high-level political commitment has not been consistently translated into substantial reforms in the mining sector. The MoMP – the main government agency responsible for the sector – has suffered from a stagnant reform process despite hundreds of millions of dollars of donors' investments while grabs of resources by local strongmen and insurgents, on the other hand, has increased. The MoMP has not yet come up with new policy initiatives to reform or improve the work of the ministry, although the appointment of a new acting minister brings high hopes for reforms to revive. The EITI requirements have not been institutionalised within the revenue management system. Implementation of EITI standards have taken more than six years and Afghanistan is still not an EITI-compliant country.

19 Objectives (2017, February, 15). <http://mom.gov.af/en/page/1357/objectives>

20 Natural Resources Governance Institute. Natural Resource Charter, Second Edition. Precept One.

2.5 GIZ support to the mining sector

Support to the EITI process in Afghanistan is one of the priorities of the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ). In the early days of AEITI, GIZ provided technical assistance and capacity building support to the nascent AEITI Secretariat through GIZ's Open Policy and Advisory Fund (OPAF). The support project was subcontracted to Adam Smith International, with a single expert advisor engaged for 90 days. In April 2014, the AEITI Secretariat approached GIZ to request support in drafting key strategic documents. GIZ agreed to provide support in the form of an external consultant as AEITI Advisor in support of the AEITI Secretariat, coordinated initially by OPAF and later by the project, "*Promotion of Mineral Governance in Afghanistan*". OPAF aims to contribute to improved governance at the central level in Afghanistan by strengthening the government's capacity to design and applying structural reforms in the field of governance.

The GIZ project "Promotion of Mineral Governance in Afghanistan" aims to support the improvement of the conditions under which greater development benefits can accrue from the mining sector in Afghanistan. The project focuses on strengthening the technical capacities and strategic management structures of MoMP in order to improve governance in regulatory oversight with an emphasis on establishing transparent and effective administrative structures. In one of its main components, the project supports the GoIRA in the implementation of the EITI process.

3. Legislative Framework

The legal framework for the mining sector is still incomplete. Although the Minerals Law, Hydrocarbon Law and its corresponding regulations, the National Mining Policy and several commodity-specific policies exist. However, the Mining Law requires significant revisions. It is imperative to underline that Afghanistan has had three mineral laws (2004, 2009 and 2014) and two hydrocarbon laws so far. These frequent changes have created a reputation of legal uncertainty and instability in the mining sector. This reputation, in combination with challenges around security and rule of law, deters serious investors in the sector and creates a situation where companies with poor records come forward, invest, and then manipulate the gaps in the legal framework and resort to stealing resources and evading tax payments to the state.²¹

3.1 The Mineral Law

The current Mineral Law (2014) was in debate in the Wolisi Jirga for a very long time because some stakeholders argued that the law was neither responsive to the current needs of the sector nor could it manage the emerging situations. During this period, civil society organizations met all members of the 18 commissions in the parliament.²² Activists from civil society met over 50 members of the Wolisi Jirga to inform them about gaps in the law, and provide alternative provisions to strengthen the law. Some of the major weaknesses of the Mineral Law that were pointed out during the discussions include:

- According to Article 2 of the Mineral Law, gold, precious and semi-precious stones are open to artisanal mining. The authority that awards artisanal contracts is MoMP. The contracting process of such high-value commodities should go to a committee. The original philosophical underpinning for allowing artisanal mining to strengthen the safety net of vulnerable citizens at the grassroots level and gradually elevate them from poverty will be lost.
- Article 7 mentions report submission by mining operators but it does not define what content needs to be included in these reports.
- Article 8, which outlines the obligations of MoMP, is short of a language requiring disclosure of contract. For greater transparency and accountability to check corruption and promote enabling environment in the sector, it is important to disclose all losing bids.
- Article 10, which defines the roles and responsibilities of the Inter-Ministerial Commission, needs to clearly mention the evaluation of bids as part of their tasks.
- Article 21 would help transparency if the beneficial ownership is a requirement.
- Article 26 must not allow transfer of license in order to encourage fair bidding and avoid corruption.
- Article 35 must mention the remedies available to an impacted persons and communities.
- Article 41 must mention the publication of a feasibility study, contract or Environment and Social Impact Report.
- Article 51 The use of water must be based on a proper plan approved by the MoMP
- Article 60 should mention employment of Afghan nationals.
- Article 84, which mentions the sharing of 5 percent revenue with subnational governments must be replaced by the establishment of a Sovereign Wealth Fund for the sake of sustainability, generational equity and to avoid a trap.
- Article 86 must include the extension of Grievance Redress to communities.
- Article 97 must have a clear provision against “Transfer Pricing”.

²¹ “The Plunders of Hope”, Integrity Watch Afghanistan, 2015.
<https://iwaweb.org/wp-content/uploads/2015/12/The-Plunderers-of-Hope.pdf>

²² Noorani who, along with Global Witness, advocated for stronger mineral law dated 2013-14

The Mineral Law does not provide space for women's participation as workers and consultation. The situation on the ground is far more fragile and the absence of specific provisions to promote women's interests and mitigate negative impacts on women allows the perpetuation of their vulnerability.

3.2 The Mining Regulation

The Mining Regulation details procedures for the implementation of the law and is an important tool at the disposal of the state to orient production methods, extraction and process. The Mining Regulation is reviewed here and the articles that have weaknesses have been highlighted.

Article 2: Objectives

One of the objectives of the Mining Regulation is the conservation, management, development and proper use of the nation's mineral resources. However, it fails to mention some elements that are key to responsible mining practices and inclusive growth such as the transparent and sustainable development of the sector.

Article 10: Qualification requirement of bidders

The requirements do not include the past records of the company on social and environmental issues.

Article 21: Disclosure

This article mentions that the law requires full disclosure, and full disclosure becomes important to inform the public about contracts, concessions and deals.

Article 22: Prohibition of exploration

This article discusses that company(s) must get written consent of the affected landowners but does not use the term "informed consent". This could lead to disillusionment among local people who may react by disrupting mining operations. The article makes the Mining Inspectorate Directorate as the recipient of the exploration data, whereas the Afghanistan Geological Survey is the technical body that should be the recipient.

Article 42: Responsibilities of exploitation license holder

License holders in cases of discovery of cultural heritage must inform both the MoMP and the Ministry of Information and Culture. The article also discusses the right to transfer an exploitation license. Under the current situation this is disastrous because it may lead to corruption and less competent companies to extract, or may encourage big companies to secure a license through the use of political networks.

Article 65: Processing or transformation of minerals

This article locates authority for allowing such an activity in the MoMP, which in reality should be the job of the Ministry of Commerce and Industries.

Article 97: Submission of disputes

The article requires the submission of a dispute within 90 days to MoMP where it is clearly missing the assessment of ability of some parties to dispute. For example, how can a powerless person from rural Afghanistan, who has little or no earnings, get themselves to MoMP in Kabul to seek justice? A local conflict resolution mechanism must be exhausted first.

The National Mining Policy

The objective of the National Mining Policy is articulated to provide a clear description of the priorities and practices endorsed by GoIRA to develop the Afghan mining sector.²³ The government seeks to develop the country's mining resources in a manner that reflects the modern global mining industry in accordance with international best practices to ensure environmental and

²³ Ministry of Mines and Petroleum, 2014, "National Mining Policy of Afghanistan"

social safeguards and fair financial returns for the benefit of Afghan citizens. The National Mining Policy seeks to encourage diversity in investment and technical and other mine development approaches that will depend on a variety of international experiences and skills. The government promotes improved technological performance and improved international competitiveness of the Afghan mining sector. The policy is oriented toward responsible private investment in the sector that would observe environmental and social safeguards. There are, however, some shortcomings of the policy and these are highlighted below.

Section 7: Transparency measures and creation of “Wealth Fund”

This section discusses measures of transparency and the creation of an Extractive Industries Wealth Fund but vaguely discusses allocation of extractive industry revenues. We have better models, among which the Norwegian Model of fund is highly successful.

Section 11: Artisanal and small scale mining

This section of the policy sets parameters for artisanal and small-scale mining but fails to set a ceiling for the extraction. Most gemstones are extracted under artisanal scale mining but in reality, the actors involved in the sector extract gemstones worth hundreds of millions of dollars every week. The section further allows the clustering of artisanal mines, which can lead to misuse.

Section 12: Technical operation of mines

The country would benefit more from mining if the policy mentioned integrated social and environment assessment. Further, the term “appropriate technology” can misinterpreted and, thus, it may be better to define the technology properly to encourage efficiency and reduction in pollution.

Section 13: Environmental and social management of mining

The policy must encourage an environment and social management framework for large-scale mining in Afghanistan in order to ensure harmony and social license for a company. The policy promotes mining within the gambit of “sustainable development” although this requires elaborate plans to assess the social and environmental dynamics of the mining site and to implement plans to extract resources without damaging the surrounding environment. However, of the 300 mining contracts issued so far, MCC has submitted an Environmental and Social Impact Report only on very few. The policy needs to stress the importance of informed consultations with affected communities and the creation of a Grievance Redress Mechanism so that local communities can work out their difference through dialogue.

Section 15: Financial aspects

The policy needs to recommend a sound fiscal regime in order to capture a fair amount of rent for the state.

Section 16: Protection of investments

While it is important to protect investments the government must also have critical measures in place to check against “transfer pricing”. Companies, if not checked, can transfer considerable profit guised as cost to external service providers and, thus, show less profit and, therefore, less tax to the government.

Section 18: Mine-related infrastructure

The policy must recommend the shared used of the infrastructure built by the company and the government.

Section 22: Support of mining sector development in Afghanistan

The policy should discourage insider-trading and strongly encourage the training of local Afghans across the job slots in the sector.

4. Findings of this Assessment

For accounting, auditing and revenue reporting, there are three key stages in the extractive industries governance value chain: 1) “Awards of Contracts and Licenses”, 2) “Regulations and Monitoring”, and 3) “Collection of Taxes & Royalties”.²⁴ This study is mainly concerned with the Collection of Taxes & Royalties aspects of the system.

Afghanistan’s fiscal regime has two components: 1) a royalty system (non-tax revenues) that is collected and managed by MoMP and 2) profit sharing (tax revenues) that is collected and managed by MoF. This is largely in line with the NCR recommendations for developing countries with natural resources endowments. MoF has made a significant amount of investments in building its institutional and human capacity in the last 15 years and, thus, employs an advanced, interlinked and digital platform of systems that allows the Ministry to communicate with other relevant government agencies as well as within the Ministry, such as the Afghanistan Financial Management Information System (AFMIS), which tracks all government revenues, expenditures and transactions; and the Standard Integrated Tax Administration System (SITAS), which has helped bring all tax-related information under one platform. The Automated System for Customs Data (ASYCUDA) has helped automate custom duties in most entry points of the country. System development of the Ministry has allowed MoF to connect different functions as an institution while revenue is being reported through a unified system, the Afghanistan Revenue Trend Analysis System (ARTAS) that is linked with SITAS, AFMIS and ASYCUDA. ARTAS allows the government to review the targeted and actual revenue for each ministry and report by predefined revenue codes and track performance of each ministry.

MoF has also established a functioning Public Financial Management (PFM) system. The legal framework underpinning PFM – the Public Finance and Expenditure Management Law and Public Procurement Law – has been established and the government’s PFM performance is generally portrayed as one which public finances are, by and large, used for their intended purposes as authorised by the budget. Effective PFM remains of key importance to the government, given the overriding current need to prioritise interventions within tight budget constraints.

While MoF has made good progress, MoMP needs further support to develop its institutional and human capacity. The Directorate of Cadastre of the Ministry is responsible for collecting and reporting non-tax revenues such as royalties, surface fees, penalties and premiums. While tax revenue collection is generally more streamlined and relatively simple, the collection of non-tax revenues is more complicated due to factors such as asymmetry of information between the records of the government and companies as well as involvement of large and different revenue streams.

There are a number of gaps in the system of collecting, reporting and auditing non-tax revenues. The current system is weak and fragmented and can easily be exploited to divert rents to personal pockets. First and foremost, the management information system that provides adequate information on each mining company is weak within MoMP. There is a need for a comprehensive information management system to register mining companies, with their contract number, contract value, and extraction volume to help enable revenue units within both MoF and MoMP to make accurate revenue generation forecasts at the start of each year, and track progress during the year. Second, the Cadastre Directorate has yet to computerise its system and digitise its data bank. The Afghanistan Mining Contract System (AMCS) has been developed with support from the Sustainable Development of Natural Resources project of the World Bank. However, due to three revisions to the Cadastre Law, the database has not been put into use. There is a serious need for digitizing reporting, collecting and auditing revenue from the mining sector. This has been confirmed by most of the interviewees of this study. Thus, this study proposes an integrated revenue management system that is informed by international best practices.

²⁴ The World Bank, “Extractive Industries Value Chain”, 2009. Washington, D.C, http://siteresources.worldbank.org/INTOGMC/Resources/ei_for_development_3.pdf

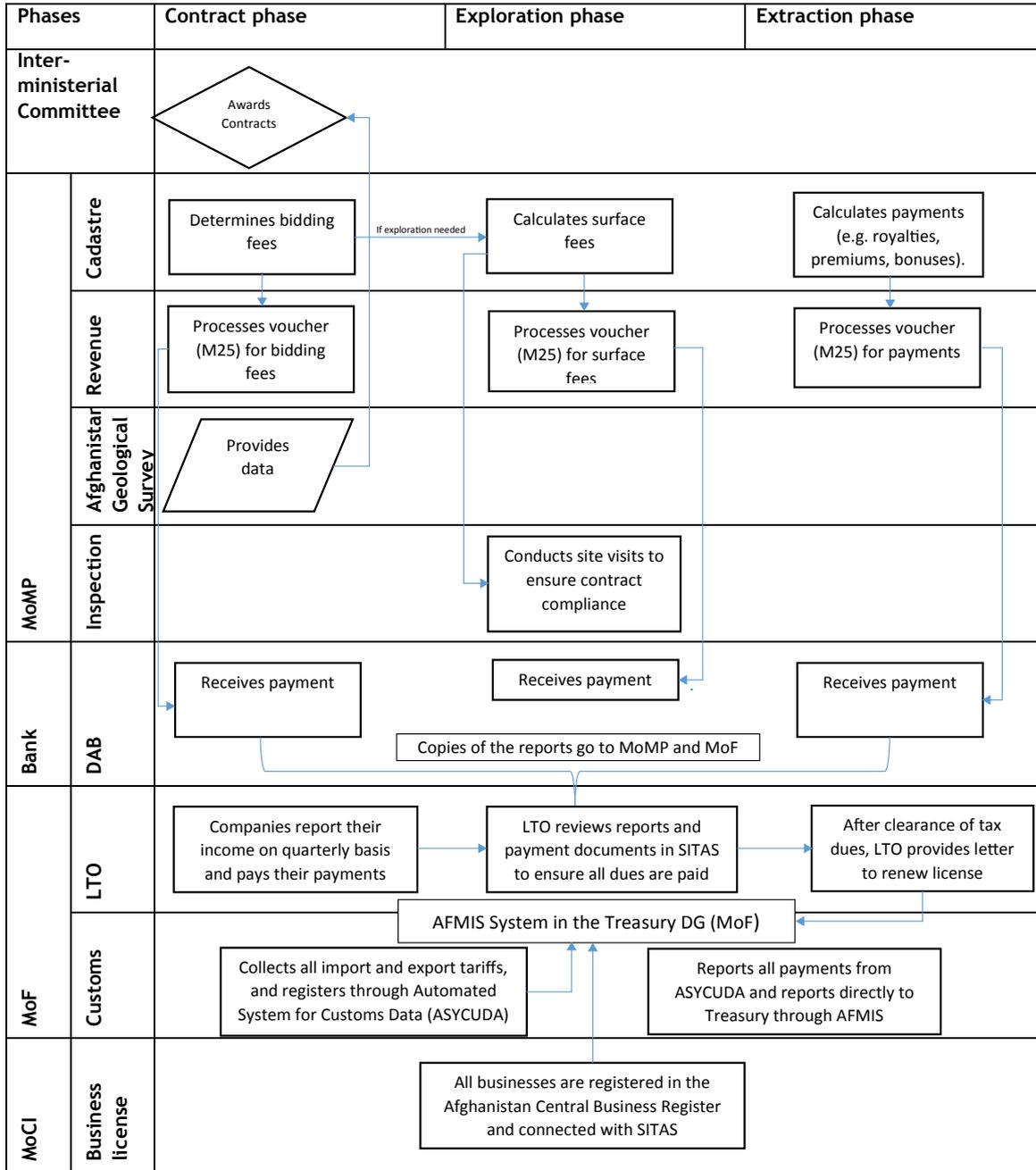
AMCS could help internally record all steps of a contract, from bidding all the way to its closure. It could also link different directorates within MoMP in Kabul and in provinces, and register data on each contract along the value chain, starting from the available data in the Cadastre up to the agreed production amount in the contract to the actual extraction and due payments of the contractor. This is also a requirement under EITI where, EITI implementing countries:

...must disclose production data for the fiscal year covered by the EITI report, including total production volumes and the value of production by commodity, and, when relevant, by state/region. This could include sources of the production data and information on how the production volumes and values disclosed in the EITI Report have been calculated.²⁵

Afghanistan has been an EITI candidate country since 2010. After a difficult start, the first reconciliation report was produced in 2012, and the validation process is underway to comply with the benchmarks set forth by the EITI Committee in Oslo. The fifth reconciliation report was published in April 2017. With the EITI framework and baselines now in place, this can provide a good starting point for MoMP to immediately apply the EITI reconciliation report.

²⁵ Requirement 3 of the EITI standards

Figure 1: Current revenue workflow



5. International Best Practices

The efficient administration of a country's extractive resource revenue collecting, reporting and auditing system presents a special challenge to resource-rich countries around the globe, especially those where overall governance and administrative capacity is weak.

In principle, administering government revenues from extractive industries follows the same principles and practices as administration of other taxes that governments collect. In practice, however, taxing extractive resource operations is complicated by a number of factors, including the: a) non-renewability of resources, b) asymmetry of information between governments and potential investors, c) exceptional rent-generation potential, d) substantial capital investment needs, e) long gestation and operating periods of projects, f) high volatility of prices on international commodity markets and hard-to-predict project prices, g) frequent transfer of ownership of assets, and h) high corruption risks. The revenue collection, accounting and auditing system is part of a larger fiscal management of the extractive resource sector, which is designed to contribute to the achievement of macroeconomic stability and generation of inclusive economic growth and poverty reduction within a framework of fiscal sustainability.

There is no global agreed on “one-size-fits-all” standard that provides a blue print of how governments should set up the process that transforms potential natural resource wealth into actual sustained economic development, and governments have come up with a variety of processes and fiscal tools that work well in some cases and less so in others. There are, however, a number of widely recognised standards and guidelines that draw on each other, and together they form a set of international best practices. The key documents in this regard include the EITI Standard 2016,²⁶ the International Monetary Fund Guide on Resource Revenue Transparency,²⁷ and the Natural Resource Charter Benchmarking Framework by the Natural Resource Governance Institute.²⁸

5.1 The Extractive Industries Transparency Initiative

EITI is a global coalition of governments, companies and civil society working together to improve open and accountable management of revenues from natural resources. EITI was first launched in September 2002 at the World Bank Summit on Sustainable Development in Johannesburg, and is governed by a not-for-profit association under Norwegian law. Stakeholders are the governments of implementing and supporting countries, companies and investors, and civil society organizations. EITI's functions include the EITI Conference, an international forum that includes Members' Meetings, which is held at least every three years, the EITI Board as the key decision-making body that is appointed during Members' Meetings, and the International Secretariat, which is based in Oslo and performs the day-to-day tasks necessary to keep EITI running.

EITI maintains the *EITI Standard*, a guideline for promoting transparency, accountability and better governance in countries that are rich in oil, gas and mineral resources. The latest version of the *EITI Standard* was published on 23 February 2016.

At a minimum, EITI requires participating countries to implement the following:

- effective oversight by a multi-stakeholder group that involves the government, companies and civil society;
- disclosure of information related to legal and institutional framework, including allocation of contracts and licenses;
- disclosure of information related to exploration and production;

²⁶ Extractive Industries Transparency Initiative (2016). EITI Standard 2016. Oslo: Extractive Industries Transparency Initiative https://eiti.org/sites/default/files/documents/english-eiti-standard_0.pdf

²⁷ International Monetary Fund (2007). Guide on Resource Revenue Transparency. Washington, D.C.: International Monetary Fund <https://www.imf.org/external/np/pp/2007/eng/101907g.pdf>

²⁸ Natural Resource Governance Institute (2016). Natural Resource Charter Benchmarking Framework. New York: Natural Resource Governance Institute https://eiti.org/sites/default/files/documents/english-eiti-standard_0.pdf

- comprehensive reconciliation of company payments and government revenues from the extractive industries, and a credible assurance process conducted by an independent 3rd party;
- disclosure of information related to revenue allocations;
- disclosure of information related to social expenditures and the impact of the extractive sector on the economy;
- ensuring that stakeholders are engaged in dialogue about natural resource revenue management by publishing information in a manner that is comprehensible, actively promoted, publicly accessible, and contributes to public debate; and
- compliance with deadlines and timeframes for disclosing information.

EITI participating countries are encouraged to go beyond these minimum standards where national stakeholders agree that this is appropriate.

Guidance for revenue collection, accounting, and auditing system is included in the publication *EITI Requirement 4 – Revenue Collection*. Requirement 4 focuses on comprehensive and correct revenue disclosure, including on taxes and revenues, sale of state’s share of production and other in-kind revenues, infrastructure provisions and barter payments, transportation revenues, transactions related to state-owned enterprises, and payments to subnational government entities.

5.2 International Monetary Fund Guide on Resource Revenue Transparency

The International Monetary Fund (IMF) is an international organization created for the purpose of standardizing global financial relations and exchange rates, and to facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. IMF has 189 member countries and is headquartered in Washington, D.C.

The IMF’s *Guide on Resource Revenue Transparency* is based on the IMF’s *Code of Good Practice on Fiscal Transparency*, but adapted to the specific fiscal transparency issues faced by countries that derive a significant share of their revenue from the exploitation of natural resources. It supplements the *Manual on Fiscal Transparency*, and was last revised in 2007. The overall intent in providing these guides is to establish a balanced regime that allows attracting outside investments to develop the extractive resource sector while at the same time ensuring that host governments - and, by assumed extension, the citizens of the respective countries - gain a fair share of the resource rents.

Pertinent parts of the *Guide on Resource Revenue Transparency* are found in paragraphs on Fiscal Regime – 1.1.2/1.2.4, Authority over Revenue Flows and Borrowing – 1.1.2, and Accounting for Resource Revenues – 2.2.1. The overall guidance provided by IMF stipulates that whatever specific system of revenue collection, accounting and auditing a government employs should be clearly established in laws, regulations and procedures that cover all stages of resource development, and that any policy frameworks and laws should be presented to the public clearly and comprehensively. The authors recognise two broad types of fiscal systems in use to determine the split of resource rents between governments and private companies. The first are tax- or royalty-based systems, in which companies are licensed to explore, exploit and sell extractive resource commodities and are taxed accordingly, while production-sharing contracts systems transfer a share of the physical production of extractive resource commodities to the host governments. In addition, various forms of additional tools, such as bonuses and indirect taxes, apply in many cases, and there is frequently a combination of both tax or royalty and production-sharing systems found in the fiscal reality of extractive resource-rich economies.

More specifically, paragraph 86 of the IMF guide states that resource revenues should be accounted for under the same system and rules as other revenues and expenditures, and based on an accounting system that allows accounting and reporting on both an accrual and cash basis. Paragraph 87 outlines the need for specific verification and reconciliation mechanisms

and institutions to improve the transparency of resource-related revenue, and refers to the EITI system of using standardised reporting templates that ensure consistency and transparency in the revenue information provided by companies and host governments.

5.3 Natural Resource Charter Benchmarking Framework

The Natural Resource Charter Benchmarking Framework is a benchmarking tool developed in 2011 to measure resource governance against findings from a large number of research papers on governance of the extractive resource sector. In 2013, the Natural Resource Charter (NRC) merged with the Revenue Watch Institute to form the Natural Resource Governance Institute, which has been publishing the framework since then.

The Benchmarking Framework follows the 12 precepts of the NRC, each of which addresses a specific area of policy and practice, and roughly follows the Extractive Industries Value Chain developed by the World Bank. It consists of 170 “yes” or “no” questions that cover the role of the government in setting national resource policy (Precepts 1-10), and those of extractive companies (Precept 11) and the international community (Precept 12).

Figure 2: The 12 precepts of the Natural Resource Charter



Precept 4 (Taxation) is the key part of the Benchmarking Framework in terms of revenue collection, accounting and auditing. While the authors emphasise that the optimal design of the fiscal regime is case specific and depends on a country’s circumstance and the government’s revenue collection objectives, it observes three broader principles of resource taxation. The first principle states that governments should seek to obtain the highest return for the state of depletion of its resources without deterring investment. Second, the fiscal regime should only expose governments to as much risk as the government’s ability to manage volatile revenue allows. Finally, the fiscal regime should be as simple as possible in order to limit the cost of compliance for companies, while balancing simplicity with the first principle of seeking to obtain the highest possible resource rents.

Precept 4 asks four primary questions to ascertain conformity with global best practice:

1. Does the fiscal regime secure a reasonable return on the investment while still attracting sufficient investment?
2. Does the legal framework of the fiscal terms provide sufficient accountability to citizens, stability for investors, and flexibility to respond to changing circumstances?
3. Do government authorities collect the full value of taxes and other payments owed to the state?
4. Is the government held accountable for setting and collecting taxes and other company payments?

5.4 Operationalizing international best practice in resource revenue collection, reporting and auditing

While the *EITI Standard 2016*, the *IMF Guide on Resource Revenue Transparency*, and the *Natural Resources Charter Benchmarking Framework* provide sufficient guidance on broader questions around fiscal regime design, they do not include “how-to” information at the practical level of setting up efficient and transparent resource revenue collection, accounting and auditing systems. However, together with other existing literature on fiscal regimes, revenue collection, and corruption risk mitigation in extractive, these standards allow some general statements on what an efficient system to administer fiscal regimes in extractive industries should look like. Core components include:

- building internal capacity for building and updating project economic models;
- limiting fragmentation and complexity of the revenue collection and accounting process; and
- utilizing an integrated digital platform to facilitate reporting on extractive resource revenues.

Figure 3: Revenue collection and revenue management in the extractive industries value chain



5.5 Project economic modelling

Key considerations in fiscal regime design include the: a) timing of revenues, b) interaction between volatility of government revenues and extractive resource commodity prices, and c) sharing the risk between companies and the government. Finding the correct balance between the government’s take and the company’s take, and determining whether a company take is fair or good for a particular project, is a complicated undertaking and is more often than not decided as a matter of negotiations rather than objective metrics.

For governments, developing an internal capacity to develop accurate and detailed project economic models should be a key objective. Investors and companies have very experienced project teams that are adept at modeling project revenues over the project lifetime and particular time spans under various scenarios. Unless governments can match these modeling abilities with their own, they are bound to “draw the short end of the stick” or put off and subsequently lose investors in negotiations. On a broader level, a well-developed internal economic modeling and scenario planning can help governments design better fiscal regimes and achieve better overall governance of the extractive resources of their countries.

5.6 Reducing fragmentation and complexity

Another governance and fiscal regime design challenge is the fragmentation of resource administration between different government agencies. Complexity is the enemy of efficiency, and the larger the number of government stakeholders involved in the collection, accounting and auditing of natural resource revenues, the more expensive the administration of the fiscal regime becomes. A standard framework involves a finance ministry for the collection of taxes, a natural resource ministry that collects revenues related to the operation and management of extractive resource projects, and a commerce and industry ministry that oversees the operation of state-owned enterprises. In addition, a transportation ministry would collect any transportation revenues that are accrued by moving extractive resource commodities along the supply chain.

Table 3: Fiscal tools and administering agencies

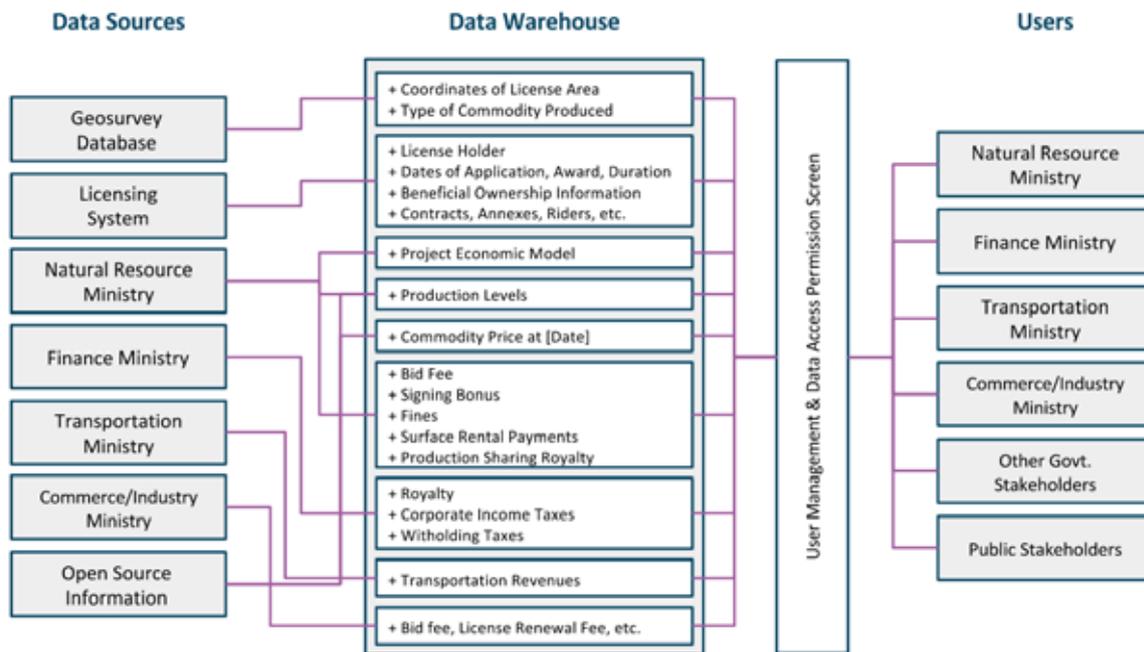
Administering agency	Fiscal tool	Explanation
Ministry of Finance	Royalties	Payment made in reference to the amount and value of the mineral produced. Determining royalty payments requires accurate measurement of output, well-defined timing rules, and measure of market value.
	Corporate income taxes	Tax assessed as a percentage of a net profit after deduction of allowable expenses.
	Withholding taxes	Taxes to payments extractive companies make to lenders and owners (e.g., on dividends).
Ministry of Mines and Petroleum	Bonuses	Lump sum payments (e.g., signing bonus, bonus when certain production levels are met).
	Production sharing	Sharing of physical production of extractive resource between company and state. More likely for oil and gas than for mineral resources.
	State equity participation	Government purchases or is granted equity (shares) in an extractive resource project.
	Resource rent taxes	Windfall profit taxes in case the rate of return of a project increases.
	Surface rental taxes	Payments to landowners (like national government, local government, private party) based on a fixed or per acre fee.
	Fines	Payments for violations of regulations (e.g., environmental and social).
Ministry of Transport and Civil Aviation	Transportation revenues	Taxes and fees for transportation infrastructure usage (e.g., bridges, highways, ports).
Ministry of Commerce and Industries	Administrative fees	Registration fees and bid fees.

5.7 Integrated reporting platforms

A related challenge to the efficient and transparent reporting on resource revenues is the lack of an integrated revenue accounting systems between the different governmental agencies. In most countries, ministries coordinate extractive resource revenue reporting using manual reporting systems based, for example, on Excel or paper-based systems. Only a few countries merge cross-ministry information on revenues and geological information in an integrated digital system. For example, Colombia uses an online Geoportal that combines cadastre and revenue information,²⁹ while Bolivia's Ministry of Economy and Finance and the Ministry of Hydrocarbons and Energy publishes disaggregated data on revenues and hydrocarbon production by field and company.

²⁹ See: <https://geoportal.dane.gov.co/v2/>

Figure 4: Simplified integrated reporting platform architecture



The next step would be the creation of fully integrated digital reporting platforms for resource revenue information. Figure 4 presents a simplified architecture for such a system. Data is sourced from existing systems such as the official geosurvey database or an online licensing system, government ministries and agencies, and open source information such as official commodity price information websites or databases from financial regulators. The data warehouse stores all pertinent information on extractive resource projects as required by laws, regulations, and international standards such as EITI in a centralised manner, and users such as government agencies or public stakeholders (e.g., EITI, non-governmental organisations, public information systems) can query information and generate reports according to their particular level of access authorization.

For example, the MoF could create a royalty assessment for an extractive resource project based on the latest production levels provided by MoMP and the spot price for the commodity produced by the project sourced from an authoritative open source such as the New York Mercantile Exchange. Provided all records on the particular project in the data warehouse are up to date, the generation of this report would take seconds, instead of days, which the generation of a manually produced royalty assessment usually takes. Another use case would be the generation of public information websites housed by the government ministry, where non-governmental organizations, journalists, researchers and other stakeholders could access information on extractive resource projects in real-time.

Efficiency and ease of access is not the only advantage that integrated reporting platforms provide. The integration of publicly available records would also allow double-checking of information provided by companies in real-time; for example, by accessing records on production levels sourced from regular financial reports publicly traded companies have to provide to financial regulators and comparing the information provided in these reports to the information filed with the natural resource ministry. Another advantage of integrated reporting platforms is that they can be useful to minimise the physical contact between ministry and company staff, which limits the opportunity for corruption. Key concerns for integrated reporting system would be data security, ease of use, and access authorization and user levels.

6. Recommendations

The authors make the following recommendations.

- a. Develop an integrated system that connects different parts of the government and records data. Adjust the AMCS based on the revised Cadastre Law and fully functionalise the system, including linking all 33 provinces with Kabul through this system.
 - i. Moving from reports to reporting, link back to EITI mainstreaming as proposed by EITI Secretariat and the World Bank.
 - ii. Provide technical training on MoF system, including AFMIS, ARTAS and SITAS in financial accounting, reporting and auditing procedures.
 - iii. An extractive industry information management system must be initiated by conducting a full census survey of the whole of the extractive industry including mines and production.
 - iv. All EITI compliance requirements should be included in the work plans of relevant government agencies.
 - v. A proper system of tracking and allocating revenues from the mining sector within the national budget should be developed to track where the revenues go and how they are being spent.
- b. Develop a digital payment system to reduce cash transactions to reduce opportunities for corruption and misuse.

Efforts should be made to develop electronic payment systems to avoid transactions in cash. In the short term, this will help improve the tracking of the expenditures reported by mining companies. In the long term though this will lay the foundation of a digital financial sector.
- c. Develop Contract Management capacity within MoMP in all phases of contract, including contract development, negotiations and implementation.

Parallel to digital system development, investment in building capacity of the civil servants should be a priority. Project-based injection of capacity should be avoided at least for the mid-, and long-term, with a focus on civil servants within the government structure (Tashkeel) to ensure sustainability. It is also recommended that most of the capacity building should take place at the Afghanistan Independent Administrative Reform Civil Services Commission). This will also help institutionalise civil service development within its relevant agency.
- d. Resource evaluation must be strengthened. A software programme is needed to know the gross rate of minerals royalty in field (extractive point) and international rate in markets.
 - i. Inspectorate and Cadastre Directorates should have the system and capacity to evaluate quantity and quality and price the commodities based on agreed mechanisms to ensure accurate royalty calculation,
 - ii. Inspection equipment when inspectors go for monitoring in the field.
- e. Strengthening the bidding system
 - i. The overriding principle in allocating licenses is that the method adopted should be transparent and accountable, and include not only fairness but also recourse to a fair and speedy adjudication in the case of a conflict. The two main practices used in most countries are first-come, first-served and tendering out licenses.

- ii. Development of an automatic system of confirmation of payment from the bank. A system on real-time management that the banks can automatically inform MoMP of bid deposits should be developed to avoid fraud and misreporting of bid deposits by bidding companies and ensure that companies have the financial resources.

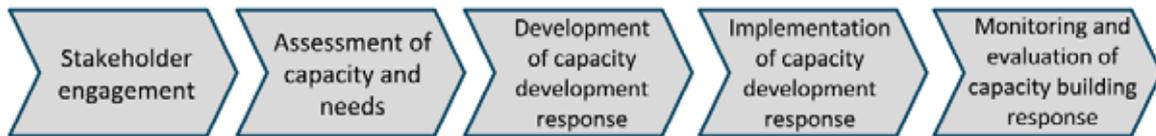
Trainings should therefore, in summary, focus on economic and financial modeling, evaluation, contracting, monitoring, production data collection, pricing and timely revenue collection.

Annex 1 Draft Capacity Development Plan

1. Introduction

Capacity development is the process through which individuals and organizations obtain, strengthen, and maintain the capabilities to set and achieve their own development objectives over time. Central to capacity building are the use of knowledge, learning, and innovation to advance change. This process is usually characterised by the need to formulate favorable policies, adapt regulatory framework and strengthen institutional framework.

The United Nations Development Programme Capacity Development Framework,³⁰ which is widely accepted as the standard for capacity development, posits capacity development as a strategic process with the following five consecutive steps:



The Capacity Development Plan presented here is based on the findings of steps one (stakeholder engagement) and two (assessment), and presents a first attempt at step three (formulation of response). It builds on earlier capacity development plans that were developed in the preceding years, including those by the Afghanistan Extractive Industries Transparency Initiative (AEITI) Secretariat at the Ministry of Finance (MoF) and the Ministry of Mines and Petroleum (MoMP).

1.1 Need for capacity development

In order to develop the mining sector in a sustainable manner and ensure that the people of Afghanistan benefit from extractive industry revenues, a well-functioning state institution and system needs to be in place to remedy the following problems:

- i. Insufficient policies and legal and regulatory frameworks to leverage much needed private investment in the sector;
- ii. Inadequate institutional structures, systems, coordination and capacities dedicated to properly manage the collection and allocation of extractive industry revenues (e.g., proper revenue projection, data sharing, management, utilization and maintenance system);
- iii. Complicated and bureaucratic administrative procedures and no clear guidelines for companies on paying their dues;
- iv. Lack of resources, planning and infrastructure for the training and capacity building of individuals and institutions (e.g., integrate resource planning and allocation).

1.2 Capacity Development Plan

The Capacity Development Plan should be read in conjunction with the narrative report of the *Assessment for Implementation of Globally Accepted Accounting, Auditing and Reporting Systems in Cadastre and Revenue Departments of MoMP and Revenue Departments of MoF*. It does not include activities that are part of regular staff development.

³⁰ "Capacity Development: A UNDP Primer", United Nations Development Programme, 2009. Download available at: http://www.undp.org/content/dam/aplaws/publication/en/publications/capacity-development/capacity-development-a-undp-primer/CDG_PrimerReport_final_web.pdf

2. Activities and Tools

For the purpose of this Capacity Development Plan, the following activities and tools are appropriate to achieve the capacity targets:

- **In-country workshops** – trainings and other one-off capacity building measures designed to transmit specific knowledge or information. These measures can be part of a series or stand-alone events, and are organised in Kabul or other appropriate locations in Afghanistan either by international or local service providers.
- **International workshops** – trainings and certification programmes designed to convey specialised knowledge that is not satisfactorily available in Afghanistan or online. These measures are implemented through reputable international organizations and other service providers.
- **Peer-to-peer capacity building visits** – short delegation visits to established EITI countries. These visits allow delegation members to learn from experiences and build sustainable networks that facilitate for ongoing exchange and learning. Delegation members are expected to share experiences and insights with Afghan partners through trip reports, discussion events, and other appropriate formats.
- **Mentorship programme** – recurring interaction between an experienced consultant and senior-level target staff over a long term to support capacity development in key issue areas. Unlike traditional consultancies, mentorships work through the informal transmission of knowledge and skills; the consultant acts as a partner, sounding board, as a reflector and facilitator of processes rather than as a classic issue expert. Mentorship interactions take place in the form of regular short-term visits of the consultant to Kabul, and as discussion meetings on the sidelines of conferences, meetings and other opportunities outside of Afghanistan other than get-togethers within a long-term timeframe.
- **Internships program** – two- to three-month visits of individual professionals working on EITI-related issues with established EITI partner organizations. Internships work as on-the-job training opportunities for key individuals, and as opportunities to observe established EITI partners at addressing specific issues, and as networking opportunities to facilitate sustainable exchange and learning.
- **Technical support** – delivery of specific services or products to target organizations by expert service providers over clearly defined timeframes. Service delivery usually includes on-off training to staff at target organizations and can include ongoing customer support for technical services and products.

All entries into the work plan in *italics* indicate draft entries that require further consultation, clarification or other follow-up with stakeholders, donors and other pertinent actors.

Annex table 1: Building government capacity

Capacity target	Outcome	Activities/ Tools	Timeline/ Milestone	Target audience	Budget	Provider
Commitments and implications of the Extractive Industries Transparency Initiative (EITI) Standard 2016	The commitments and implications of the EITI Standard 2016 are widely understood among pertinent officials and policy makers	In-country workshop		Up to 25 participants from government stakeholder groups whose professional responsibilities include EITI		External provider using Revenue Watch Institute training methodology (e.g., Natural Resource Governance Institute, AEITI) or expert non-governmental organisation from another regional EITI-compliant country)
International Financial Reporting Standards	Software and other integrated systems that are used to capture relevant revenue data are fully understood and sustainably operated in the Ministry of Mines and Petroleum (MoMP) and the Ministry of Finance (MoF)	International workshop		Up to five designated program managers from MoMP (Cadastre and Finance department) and MoF (Revenue and Customs departments)		International AICPA-certified training course provider
Forensic accounting	Key officials in MoMP and MoF use forensic accounting methodologies to analyse financial statements and other regular financial reporting, and formulate recommendations	Mentorship programme		Relevant departments at MoMP and MoF		External long-term consultant with extensive extractive resource revenues accounting and auditing experience, ideally from an EITI validated country
Mineral identification and evaluation	Custom officials can identify various minerals commonly found in Afghanistan and estimate their value	In-country workshop		Up to three officials from Cadastre, Legal, and Revenue departments at MoMP and MoF		International forensic accounting expert and educator
		In-country workshop		Up to ten officials from Custom Inspections and Cadastre departments. Custom inspection participants should be based at border points, airports, or other ports of entry and exit.		Experts from Afghan Geological Survey

Financial modeling for upstream oil, gas and mining projects	Key stakeholders in the MoMP and the MoF are fluent in economic modeling of extractive resource projects, and can assess scenarios based on robust analysis of project economics	In-country workshop		Up to 10 key stakeholders from MoMP and MoF	Specialised external service provider (e.g., OpenOil or NRGi)
EITI best practice – policy-making	Officials and policy maker working on extractive resource governance are aware of EITI best practice and networked with peers in other implementing countries	Mentorship programme		Relevant departments at MoMP and MoF	External long-term consultant with extensive experience in financial modeling of extractive resource projects
Communicating “big data”	Ministry websites and other tech tools are used to effectively communicate complex data sets (financial data, license registry data, maps) to expert and non-expert audiences	Peer-to-peer capacity building visit		Delegation of three to five senior-level officials and policy-makers from government stakeholder group	Visit facilitated by AEITI Secretariat in cooperation with global EITI Secretariat
Integrated Resource Revenue Data Collection System	Develop software and database architecture to collect and store all extractive resource project information in real time	Technical support		Communication departments of MoMP and MoF	Specialised external service provider (e.g. Open Data Institute, Five by Five Paris)
Digital contracts	Digitise all past and current contracts and other relevant information (e.g. revenues, production plan, timelines) in Integrated Resource Revenue Data Collection System	Technical support		Pertinent departments in MoMP, MoF, Ministry of Transportation, and Da municipalities, and Da Afghanistan Bank	Specialised external service provider
				Pertinent departments in MoMP, MoF, MoT, municipalities, and Da Afghanistan Bank	Local or international consultancy

Additional Resources

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