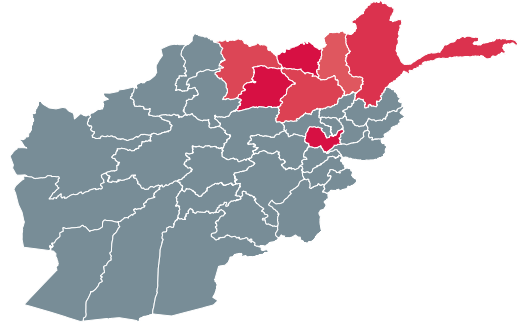


German Cooperation with Afghanistan

Sustainable Extraction of Mineral Resources



Context

Afghanistan is rich in mineral resources such as copper, lithium, iron, rare earths, gold and cobalt. The country could become one of the world's leading mineral exporters if it sustainably mined its deposits. Tax revenues from such mining activities could even enable Afghanistan to end its reliance on international financial donors. But this would require that the Afghan government manage the extraction and sale of its mineral resources in such a way as to ensure that the revenues actually flow back into the country and are used for its development.

In addition to the high number of illegal and informal mining activities, there are also shortcomings in terms of the transparent issuing and inspection of prospecting licences. Furthermore, state revenues from this sector are collected by two different ministries, which has a negative impact on financial management. The data collected by the Afghan Ministry of Mines and Petroleum (MoMP) on the extraction of raw materials and the resulting revenues is also very limited, and the Ministry does not publish any reports.

Overview	
Programme	Promoting Good Governance in the Extractive Sector in Afghanistan
Commissioned by	German Federal Ministry for Economic Cooperation and Development (BMZ)
Partner	Afghan Ministry of Mines and Petroleum (MoMP)
Implementing organisation	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Provinces	Kabul, Badakhshan, Baghlan, Balkh, Kunduz, Samangan and Takhar
Programme objective	Afghanistan's Ministry of Mines and Petroleum manages extractive activities in line with good governance criteria.

As a result of poor general conditions and insufficient regulation, there are very few international companies currently operating in Afghanistan's extractive sector. While mining activities are carried out by micro and small enterprises, these activities are largely unregulated by the state. MoMP is reaching its institutional, organisational and administrative limits, and this is greatly restricting its ability to act and carry out regulatory work.

Objective

Afghanistan's Ministry of Mines and Petroleum (MoMP) manages extractive activities in line with good governance criteria. Mining activities are carried out in a transparent and structured manner to ensure that state revenues are properly fed back into the development of the country and investing in the mining industry becomes a more lucrative prospect.

Measures & Results

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH has been working on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) since 2014 to advise MoMP on improving strategic regulatory capacity and carrying out effective mine inspections. This includes revising legislation and policies in the mining sector, developing the capacities of the administrative and mining inspection authorities, and promoting transparency in the extractive sector through the introduction of international standards.

Recommendations for legislative changes

Mining legislation passed in 2014 failed to create the necessary legal certainty. Inconsistent, ambiguous and, in some cases, insufficient regulations are facilitating corruption and dissuading investors. Consequently, the programme conducted a com-

prehensive analysis of the legislation and developed regulatory recommendations which are being fed into a revision process. MoMP is also receiving assistance with developing a gender policy.

Administrative and technical training

MoMP has transferred numerous administrative and supervisory functions to provincial authorities. To enable the staff of those authorities to perform these functions professionally, a total of 348 mining inspectors and administrative experts from Kabul, Badakhshan, Baghlan, Balkh, Kunduz, Samangan and Takhar participated in administrative and technical training courses. 261 inspectors were introduced to modern mining companies



21 training courses for **348** employees of MoMP and the provincial inspection authorities

and practices and mine inspection procedures in Turkey, Iran and South America, and trained in specialist and engineering topics. Ten inspectors were also prepared for their duties as trainers in the provinces. Additionally, 72 middle and senior management employees from MoMP, 25% of them women, took part in training. As a result, they are now in a position, for example, to process applications for mineral resource extraction licenses in a timely and professional manner. Fifteen employees from MoMP are also being supported as they complete a bachelor's degree to enable them to take on management positions in future.

Transparency

The programme is advising MoMP on the implementation of international mining standards. In this context, Afghanistan has been working towards full membership of the Extractive Industries Transparency Initiative (EITI) since 2010. The programme is assisting EITI with promoting cooperation between the extractive industry, the state and civil society. As part of this work, Afghanistan EITI organises dialogue forums to bring together actors from civil society, state authorities and the private sector. The results are fed into the state dialogue on sustainable extraction of the country's mineral resources. EITI standards are also addressed in national policies such as the Afghan National Peace and Development Framework.

Research Trip to Turkey

The Promoting Good Governance in the Extractive Sector in Afghanistan programme has been training Afghan inspectors since 2015 in a number of areas, including the correct identification of mineral resources, calculation of extraction volumes, contract management and mine inspection.

A concluding two-month training programme was held for 20 inspectors from July to August 2016. Specialist topics were taught, laboratory and field exercises carried out and visits offered to 10 mines with relevance to the Afghan mining sector as part of this training, which was delivered at Istanbul Technical University in cooperation with Freiberg University of Mining and Technology. Participants received instruction in many areas, including modern mining and processing technology, surveying and environmental technology, mine restoration, resource management, international mining law, mining administration and mineral economics.

Their newly acquired knowledge enables them to assess extraction practices used in Afghanistan more professionally, and monitor environmental and safety standards more effectively. The next step will see participants pass on their new knowledge to colleagues in the provinces through in-house training.

Afghanistan intends to regularly publish the ownership status of mining companies in line with EITI standards by 2020. To this end, a roadmap has been developed that is already in the early stages of implementation. Revenues from the extractive sector are also being published in annual reports.



Provision of advisory services with the goal of Afghanistan's full membership of the Extractive Industries Transparency Initiative (EITI)

Additionally, increased transparency and participation are boosting public confidence in the state. And the measures are helping to create a more stable and effective investment climate in the extractive sector.

Implemented by:
تطبيق کننده:

giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

KfW

January 2017

Contact:

Arnim Fischer

Programme Manager "Promoting Good Governance in the Extractive Sector in Afghanistan"

E arnim.fischer@giz.de