



**Ministry of
Mines and Petroleum**
Islamic Republic of Afghanistan

Extractive Industries

National Priority Program

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Executive Summary

The National Priority Program (NPP) for the Extractives Industries outlines the Government of Afghanistan's development priorities for the sector over the next five years (1396–1400). The Government's overall development policy is to promote the sustainable creation of employment and to improve the welfare of the Afghan people. The NPP for the extractive industries highlights how the sector can significantly contribute to achieving this objective.

A well-managed extractive industry could play a key role in Afghanistan's long-term economic development. While the full extent of Afghanistan's resource endowment is unknown, the resources are generally considered to be significant, and represent one of Afghanistan's main prospects for economic growth and development. However, the extractive industries are a challenging sector and a variety of factors, including insecurity, and a poor investment climate, have meant Afghanistan has had limited opportunities in developing its extractive sector thus far.

The security situation in Afghanistan is an overarching concern that is being addressed by the Government as a whole and its coalition partners. Therefore, the development plan for the extractive industries focuses on sector-specific issues and has the following four components:

1. Strengthen Institutional Capacity
2. Geo-technical Information and Investment Promotion
3. Regulation, Inspection, and Compliance
4. Government Collaboration and Economic Linkages

Strengthening Afghanistan's institutional capacity to manage the sector is crucial in the responsible development of Afghanistan's natural resources. These efforts will be the focused of the Ministry of Mines and Petroleum, which has primary responsibility for managing and regulating the country's mineral and petroleum resources. The Ministry must improve its capacity to effectively allocate, negotiate, and administer resource rights and contracts and continue to develop and implement a transparent and accountable governance framework.

The extractive industries are capital and technology-intensive, which means that Afghanistan will need to attract significant private-sector investment to develop these industries. Therefore, improving the investment climate is a core component of the NPP. One method to attract investment is through easy access to complete geodata sets. This component will attract investment for the extractive industries through **improved geodata** and accessibility to this data, data acquisition programs and a targeted investment promotion program.

The third component of the extractive industry development plan is to **strengthen regulation, inspection and improve compliance**. Through improving the regulatory framework, license compliance and strengthening oversight and inspection functions the Ministry will have the capability to better manage the resource endowment of the country and responsible development of resource projects. While the key driver of economic development in the extractive industries will be private investment, the public sector also has a crucial role to play in ensuring that the Afghan people all share in the benefits of their country's mineral and petroleum endowment. The Ministry will achieve this by implementing a transparent and effective non-tax revenue collection process and a dedicated community development fund.

Finally, this NPP is intended to improve **government linkages and promote responsible economic growth**. The Ministry will take a leading role in cross government collaboration to improve regulation of the extractive industries. A major initiative is promoting local content and value addition, including a vocational training in extractive industry skills so that Afghans can be more gainfully employed in the sector. It will include a local content development strategy so that Afghan businesses can more actively participate in and benefit from investment and growth in the industry, and develop and implement an integrated infrastructure development plan for the extractive industries.

The components are designed to support and reinforce each other. The strengthened Ministry of Mines and Petroleum serves as the foundation for developing the extractive industries. This will enable an improved investment climate that will attract private sector investment and support economic growth and development.

It is important to note, however, that while the components are designed to build on each other, elements of each will be implemented concurrently so that progress in all areas can be realized as rapidly and efficiently as possible. The Ministry has developed an ambitious implementation plan for the NPP, which will require concerted effort within the Ministry, across government and with external stakeholders. The plan is designed to ensure that Afghanistan will have well-regulated, revenue generating extractive industries that attract investment and support responsible economic growth. The Ministry has developed indicative costings for this plan and identified areas where further support and assistance will be required.

Current Status of Afghanistan's Extractive Sector

The National Priority Program for the Extractive Industries is intended to support Afghanistan's self-reliance through the responsible and well-managed development of Afghanistan's mineral and petroleum resources. The program aligns to the Ministry of Mines and Petroleum's core functions and builds on work currently underway in the Ministry to enable the extractive industries to contribute to Afghanistan's broader development priorities. This section outlines the current status of the sector that the National Priority Program for the Extractive Industries will build on.

Afghanistan's resource endowment has attracted international headlines, as geological studies have indicated the country hosts large untapped mineral deposits. However, currently Afghanistan's mineral sector is characterised by small-scale, labor-intensive, low-value operations. These supply a limited, often illegal, export market as well as local industries such as coal for heating and cooking and marble and stone for construction and road building. The sector is serviced by limited infrastructure, is remote from international markets restricting export opportunities, and receives low levels of investment. In addition to this, there is an extensive informal artisanal and small scale mining sector, which poses unique risks to the environment and the safety of the miners, whilst being a potential driver of conflict and corruption and representing lost revenue for the Government.

Considering its prospects, Afghanistan has a low level of mineral sector activity, although historic and new geological information has highlighted a few key assets that have already been tendered. These include the Aynak copper deposit awarded to MCC-JCL Aynak Minerals Company and the Hajigak iron ore deposit. The Afghan Geological Service, a division of the Ministry, has also identified three major additional copper prospects: the Balkhab copper project in Sari-i-Pul, the Shaida copper porphyry deposit in Herat, and the Zarkashan copper and gold porphyry deposit in Ghazni. There are also prospective mineral belts for semi-precious and precious gemstones, coal, marble, copper, gold, iron ore, and chromite.

Coal mining in Afghanistan is dominated by the state owned enterprise, North Coal Enterprise (NCE) under the Ministry's mandate. NCE has a number of coal mines including Tala wa Barfak coal mines in Baghlan province, and Dehana-e-tor, Shabashak, and Abkhorak coal mines in Samangan province.

Natural gas production is managed by Afghan Gas Enterprise (AGE), a state-owned company also operated under the Ministry's mandate. In the early 1990s, natural gas was Afghanistan's largest export; however, conflict, resource depletion, and lack of maintenance have significantly reduced production since then. With donor support, the Government has invested in rehabilitating some of the Soviet-era gas infrastructure, including wells and most of the pipeline from Sheberghan to Kud Berg near Mazar-e-Sharif. They have also built a new amine plant to treat Sheberghan's high-sulfur gas. These investments have allowed AGE to continue producing about 500 mcm per day from the Sheberghan gas fields, although significant further investments will be required if production is to be increased or even maintained.

For petroleum, the Ministry issued its first exploration and production sharing contracts in 2011 and now has three contracts issued (Amu Darya and Totai Maidan in the Amu Darya Basin and Sanduqli in the Afghan Tajik Basin). However, only Amu Darya has entered production, and it has produced just 680,000 barrels of oil since 2011.

Production of resources provides the country with a non-tax revenue stream, through royalties. The production rate over the past three years has seen this fiscal revenue stream increase to a modest 400 million Afs (approximately \$6 million). If modern mineral or petroleum development are brought into production, this would add significantly to this revenue stream. However, such developments require many years and large capital investments, so investors will require Afghanistan to offer a secure, stable, and reliable investment climate.

Through investment into infrastructure, exploration, development, and value addition projects, Afghanistan's extractive industries have the chance to grow and benefit the country through economic development, including direct, indirect, and induced employment, power generation, diversifying exports and non-tax fiscal revenue. The Ministry of Mines and Petroleum has a major role to play as the institution responsible for regulation and management of the extractive industries, from allocation of resource rights, to collection of geological information and the collection of non-tax extractive industry revenue. With strong governance and the tools to regulate, the Ministry can build an extractive industry that can attract domestic and international investment in order to contribute to economic growth, employment and revenue.

Component 1: Strengthen Institutional Capacity

Whether extractive industry development will benefit Afghanistan largely depends on the Government; the quality and capacity of its institutions to manage the country's resources, enable development, and on their effective interactions with extractive industry companies and civil society.

The Ministry of Mines and Petroleum has the mandate to regulate and manage the extractive industries, allocate resource rights, collect geological information and collect non-tax extractive industry revenue. This component is designed to increase the Ministry's capacity to deliver on its mandate.

Whether through corruption, environmental degradation or other threats, the extractive industries can pose risks. Strong institutional capability and robust governance are fundamental to overcoming these risks. The Ministry intends to adopt a strong institutional and governance framework in order to help Afghanistan manage the sector responsibly. This includes providing clear policy direction for the extractive sector, and delivering improved extractive industry laws; reforming the state owned enterprises; and engaging with civil society. These activities are underpinned by a comprehensive plan to support the development of institutional and individual capacity.

The activities within this component will combine to provide a stable legislative regime, lower sovereign risk, and build a Ministry able to manage the country's resources for both current and future generations.

The sub-components needed to achieve this outcome are detailed below.

1.1. Develop Capacity of Ministry to Deliver its Mandate

The Ministry must have the institutional capacity to deliver on its mandate to establish and implement effective policies and regulations for the extractive industries. This is the first sub-component as it underpins the Ministry's key role in managing and regulating the sector and is crucial in implementing the National Priority Program. Each component requires significant technical and organizational capacity, and to deliver them, the Ministry must continue to develop and sustain this capacity.

The Ministry requires the technical and organizational capacity to implement a wide range of activities, from the development of a strong governance framework to ensuring compliance with complex contracts. These are extremely challenging tasks, but given the significant hope for Afghanistan's brighter future placed on the extractive sector, the Ministry must develop the capacity to overcome these challenges.

The first activity under this subcomponent is to conduct an organizational and capacity needs assessment. This will identify the additional capacity required for the Ministry to fulfil its mandate. Following this, the second activity will be to develop a plan to deliver the human resources necessary to develop and retain the staff required by the Ministry. The third activity will be to implement organizational reforms so that the Ministry is properly structured to fully deliver its mandate, including in the areas of policy, regulation, and investment promotion for both minerals and petroleum. The final activity will improve communication and coordination throughout the Ministry and its provincial offices.

The following are the key activities and expected outcomes from this sub-component:

No.	Activity	Purpose	Outcome
1.1.1	Organizational and Capacity Needs Assessment	Review and assessment of Ministry's capacity to fulfill its role and achieve its objectives.	Assessment of organizational structure required for the Ministry to fulfill its mandate. Assessment of gaps between the Ministry's current capacity and capacity required to fulfill its mandate.
1.1.2	Develop Human Resource Development Plan	Plan to access and deliver resources required to develop capacity of Ministry's staff	Comprehensive plan, with clear owners and implementers, to address gaps identified in capacity needs assessment. An efficient Ministry able to carry out its mandate
1.1.3	Organizational Reform	Implement organizational reforms identified in needs assessment.	Ministry reorganized to more effectively fulfill its role as policy maker and regulator for both minerals and petroleum sectors.
1.1.4	Provincial Coordination & Capacity Uplift Mechanism	Develop and implement plan to effectively utilize Ministry's provincial offices.	Provincial offices capable of implementing Ministry policy and procedures in the provinces.

1.2. Transparent and Accountable Governance Framework

Good governance is essential for the responsible development of Afghanistan's extractive industries. Whilst the sector can pose risk of corruption and resource conflict, the returns from tackling corruption can be vast. In order to tackle corruption and pursue the sustainable development of the sector, Afghanistan intends to embrace high standards of transparency to ensure the sector delivers its promised benefits to the Afghan people. Afghanistan is an EITI implementing country and intends to use this process to shine a light of the sector. The Ministry has also already taken steps to develop an anti-corruption plan, key components of which including transparent working procedures for; standard, transparent and accountable mechanisms for concluding contracts and licences; and transparent management and implementation of contracts and revenue collection. The elements of this plan are integrated throughout the NPP.

The following are the key activities and expected outcomes from this sub-component:

No.	Activity	Purpose	Outcome
1.2.1	Implement Anti-Corruption Plan	Increase public and investor confidence in integrity and transparency of Ministry.	Reduced corruption throughout the Ministry and Ministry's provincial offices Reduction of diverted funds Improved investment climate Improved government and community relations
1.2.2	Roadmap for Publication of Beneficial Ownership	Improve transparency in the sector and comply with EITI Standard.	Ministry has clear plan to enable publication of beneficial ownership, contributing to the Government's commitment to publication of beneficial ownership and compliance with the EITI 2016 Standard
1.2.3	EITI Compliance	Demonstrate commitment to transparency and accountability in extractive sector.	Transparent reporting of extractive industry revenues for both government and enterprises Transparent and accountable government

1.3. State Owned Enterprise Reform

Organisational reform includes addressing state ownership of enterprises (SOEs), of which there are currently four under the Ministry's mandate. The low capacity of technical personnel and lack of modern equipment are among some of the issues with the current SOEs.

SOE transitioning is critical for a transparent, private sector-led approach to extractive industry development. Through a reform process, the Ministry would improve the productivity of these enterprises for efficient extraction and utilization of the resource assets held by the enterprises.

The following are the key activities and expected outcomes from this sub-component:

No.	Activity	Purpose	Outcome
1.3.1	Review and Implement Afghan Gas Enterprise Restructuring Plan	Improve operation of and revenue from AGE.	A competitive SOE in the petroleum sector, efficiently utilizing its gas assets Viable national partner for international firms.
1.3.2	Develop Plan for Reforming SOEs	Assess options (privatization, commercialization, liquidation) and make recommendation for each Ministry-operated SOE.	SOEs operating as business responding to commercial drivers Efficient use of resource assets held by SOEs Competitive and productive SOEs

1.4. Policy and Legislative Reform

Building the legislative regime through public policy enables the regulators to administer the industry for the government's purpose.

Through policy and legislative reform the Ministry can outline the direction for the extractive industries and encompass these policies in law. This improves the rule of law, reduces sovereign risk, and attracts investment and its associated benefits including economic growth.

The Ministry is currently undergoing a period of policy and legislative reform. It is working on a minerals policy and has plans to develop a petroleum and coal policy. The Ministry also has amendments pending for the Minerals Law and the corresponding drafting regulations.

The following are the key activities and expected outcomes from this sub-component:

No.	Activity	Purpose	Outcome
1.4.1	Finalize National Minerals Policy	Create consistent policy-driven laws and regulations that investors can rely upon.	Clear policies that are reflected in the law and implemented in regulations. Clear policies to steer the direction of the mineral sector
1.4.2	Develop National Petroleum Policy	Create consistent policy-driven laws and regulations that investors can rely upon.	Clear policies that are reflected in the law and implemented in regulations. Clear policies to steer the direction of the petroleum sector
1.4.3	Develop National Coal Policy	Create consistent policy-driven laws and regulations that investors can rely upon.	Clear policies that are reflected in the law and implemented in regulations. Clear policies to steer the direction of the coal sector
1.4.4	Finalize Amendments to Minerals Law	Update law to be consistent with national minerals policy.	A consistent policy, legal, and regulatory framework that investors can rely upon to make investment decisions Reduced sovereign risk in the mineral sector
1.4.5	Review and Revise Petroleum Law	Update law to be consistent with national petroleum policy.	A consistent policy, legal, and regulatory framework that investors can rely upon to make investment decisions Reduced sovereign risk in the petroleum sector
1.4.6	Finalize Coal Law	Update law to be consistent with national coal policy.	A consistent policy, legal, and regulatory framework that investors can rely upon to make investment decisions Reduced sovereign risk in the coal sector

1.5. Increase Public and Civil Society Engagement

Afghanistan's extractives industries must be developed sustainably, for the benefit of the Afghan people and as such it is important that the Ministry effectively engages with civil society to understand the peoples' perceptions and concerns over the sector. Having an informed and effective civil society is vital in managing expectations around the sector and giving citizens the space have oversight over the sector and feed into policy and decision making.

The following are the key activities and expected outcomes from this sub-component:

No.	Activity	Purpose	Outcome
1.5.1	Establish an Extractive Industry Public Advisory Council	Increase ability of civil society and public to hold Government and private sector accountable for extractive sector policies, decisions, and actions.	A forum to inform, discuss and seek feedback on issues related to the extractive industries from external stakeholders Ministry and civil society engaged on and aligned on current developments and issues in the extractive industries
1.5.2	Extractive Sector Media Education	Improve capacity of media to investigate and accurately report on extractive industry issues to public.	Resources and dialogue to better equip journalists with the information needed to cover the sector. Media better informed and engaged to provide coverage of the sector Well-informed public capable of engaging with Government, private sector, and civil society on extractive sector issues
1.5.3	Develop Plan to Increase Involvement of Women in Extractive Industries	Broaden the stakeholder base and societal benefits of the extractive industry.	Engaged civil society interest in the extractive industries Empowered women through employment Greater diversity in the extractive industry

Component 2: Geo-technical Information and Investment Promotion

Developing the extractive industries requires the Ministry to attract investment from the private sector. In order to attract such investment, Afghanistan needs to significantly improve the investment climate for the extractive industries. Whilst work under the other components will contribute to an improved investment climate, including lowering sovereign risk, favourable regulatory regime and favourable fiscal terms, developing needed infrastructure and sector skills, one way to attract investment is through providing modern geological information to investors.

By building capacity in AGS, the Ministry intends to improve the Survey's understanding of Afghanistan's resource endowment and improve the Survey's facilities to provide geological data to investors. The intended outcome of this component is to improve AGS's capacity in geology surveying, geodata collection, and analysis. This in turn will drive exploration and extraction of Afghanistan's mineral and petroleum resources.

The sub-components needed to achieve this outcome are detailed below.

2.1 Expand Capabilities of AGS

Expanding the capabilities of AGS has two main benefits for the country. Firstly, it will improve the understanding of the geology of the country, which have flow on benefits not only for the extractive industries but also agriculture for example through better understanding of water resources and soils; and geo hazards, through better understanding of faults. Secondly, a more capable AGS can assist in the discovery of mineral and petroleum resources, regulation of the industry through environmental monitoring and as a commercial provider of data and services to the extractive industries.

The following are the key activities and expected outcomes from this sub-component:

No.	Activity	Purpose	Outcome
2.1.1	Develop Modern Geo-sciences Laboratory	Create geo-science capacity required to support policy and investment decisions	<p>Equipment and skills to analyze the geology of Afghanistan, including environmental impacts, earthquakes and prospective mineral and petroleum geological regions</p> <p>Ability to provide geological services to government agencies and commercial services to private companies</p>
2.1.2	Improve organization and technical capacity of the AGS	Establish AGS as integral component of Ministry's capacity to regulate and promote extractive industry	<p>An AGS with the organization, staff, and resources required to deliver the geological information and analysis required to support policy, regulation, and investment in the extractive sector.</p> <p>Improve the understanding of the resource endowment of Afghanistan, improve the understanding of mineral and petroleum deposits and make mineral or petroleum discoveries</p> <p>Delineate and reduce uncertainty of mineral and petroleum deposits for tendering</p>

2.2 Information and Investment

Ease of access to geodata facilitates investment into the extractive industries of a country. As such, having the infrastructure to host this data administered by the geodata custodian (AGS) is important for attracting new investment into the country's extractive industries. As is acquiring modern geodata, such as aeromagnetic and seismic data. Such surveys can be used to attract new investment into the country.

If the government is trying to stimulate its extractive industry for economic growth, it is important to have a dedicated arm of the government to attract investment in this sector. This unit should be well resourced and have strong linkages with AGS to leverage new interest from the investments made by the survey, such as data acquisition programs.

The following are the key activities and expected outcomes from this sub-component:

No.	Activity	Purpose	Outcome
2.2.1	Conduct Geological Data Acquisition Programs	Gather data necessary to inform policy decisions and attract investment	Modern geodata to improve the understanding of the country's geology Modern geodata to attract investment
2.2.2	Public Database of Geo-technical Information	Manage, analyze, distribute information necessary to inform policy decisions and attract investment	An information center able to gather, analyze, manage, and distribute information relevant to extractive industry stakeholders, including policy makers, regulators, and investors. Geodata infrastructure to attract investment into the extractive industries Better informed civil society and extractive industry stakeholders Transparent and accountable government
2.2.3	Improve Investment Promotion capacity	Increase private-sector investment in extractive sector	Capable and resourced Investment Promotion Directorate Attraction of new investment into the extractive industry, in turn driving economic growth

Component 3: Regulation, Inspection, and Compliance

A core function of the Ministry is to regulate the extractive industries. Strong regulation is imperative to building a responsible sector that generates economic growth and attracts investment. The Ministry has undertaken substantial work in this area that must be continued to build a regulatory regime to be the foundation for responsible sector development, through regulation, inspection and compliance.

This component will deliver clear regulations and guidelines for the extractive sector to function in a responsible manner within Afghanistan. This includes strengthening the allocation of mineral and petroleum rights through improved processes, including licensing and contract management, model contracts, and resource management through ongoing license compliance.

It is within the Ministry's mandate to collect non-tax revenue from extractive sector activities. It is intended the Ministry will collect this revenue in a transparent and effective manner through improved infrastructure and processes and formalization of the artisanal and small scale mining sector. In order to ensure the Afghan people benefit from the revenue generated by the sector, the Ministry must develop a revenue management and distribution mechanism.

The outcome of these activities provides a framework for a Ministry, with the capability to better manage the resource endowment and responsible development of resource projects of the country. It will build capacity throughout the Ministry, including improving the abilities of staff and inspectors.

The sub-components needed to achieve this outcome are detailed below.

3.1 Improve Regulatory Framework

To effectively regulate, the Ministry must have the correct tools in place. As such, this sub component concentrates on developing and implementing the extractive industry regulations and procedures needed to achieve this. Having the regulations in place defines how participants in the extractive industries operate and what is expected of them. Such requirements need to be clearly defined and so the Ministry needs to develop and implement these regulations fully. This will lead to stable extractive industry regulator regime and lower the country's sovereign risk.

The following are the key activities and expected outcomes from this sub-component:

No.	Activity	Purpose	Outcome
3.1.1	Continue Development of Mineral Regulations and Procedures	Provide the regulator with the tools to lead the sector in the Ministry's chosen policy direction	Improved and strengthened regulation of the mineral sector Stable mineral sector and lower sovereign risk Supporting and enabling mineral sector investment These outcomes could combine to attract new foreign direct investment
3.1.2	Continue Development of Petroleum Regulations and Procedures	Provide the regulator with the tools to lead the sector in the Ministry's chosen policy direction.	Improved and strengthened regulation of the petroleum sector Stable petroleum sector and lower sovereign risk These outcomes could combine to attract new foreign direct investment
3.1.3	Continue Development of Coal Regulations and Procedures	Provide the regulator with the tools to steer the sector in the Ministry's chosen policy direction.	Improved and strengthened regulation of the coal sector Stable coal sector and lower sovereign risk These outcomes could combine to attract new domestic investment
3.1.4	Adopt Guidelines to Implement International Labor and Human Rights	Review and select appropriate international standards to be adapted to Afghanistan's	Governance framework that incorporates international best practice with respect to

	Standards	context and streamlined into policies and procedures	labor standards and human rights in the extractives industries Enhanced safety and protection for those working in or affected by extractives industry operations
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3.2 Improve Licensing and Contract Compliance

The Ministry is responsible for the allocation and compliance of resource rights in Afghanistan. By standardizing these processes, the Ministry can reduce corruption, reduce administrative timeframes and build a strong regulator regime for the extractive industries. These outcomes can entice formalization of the industry and install confidence in the Ministry.

The following are the key activities and expected outcomes from this sub-component:

No.	Activity	Purpose	Outcome
3.2.1	Standardize Contracts	Increase transparency and reduce complexity of contract management	A set of standardized contracts for each type of licenses and authorizations A streamlined fair application and compliance regime for the extractive industries Reduced administrative burden on the Ministry
3.2.2	Improve Tendering Process	Streamline tendering process to achieve best return on assets offered	Reduced opportunities for corruption Transparent tendering process Lower sovereign risk and associated improved investment climate Government attempts to receive the best return on the assets offered
3.2.3	Improve Application Evaluation Capability and Process	Increase managerial and technical capacity to evaluate and select proposals that offer the Government the greatest long run return on mineral and hydrocarbon resources	A streamlined level application regime for the extractive industries Transparent and accountable process for evaluation of applications and bids
3.2.4	Improve Contract Compliance Management	Ensure that contract terms are enforced so that the Government receives full agreed value from resources	An efficient robust and accountable compliance regime for the extractive industries A compliant extractive industry
3.2.5	Establish Credible Dispute Resolution Process	Increase prospective investors' confidence in available dispute resolution options	Contract dispute resolution process that is transparent, credible, and binding

3.3 Strengthen Oversight and Inspection Functions

Developing the extractive industries requires the Government to enter into appropriate contracts with the private sector that enable the Government to further its development priorities and respond to the aspirations of the people. These contracts mean very little without the foundational structure to enforce the laws and terms and conditions of the contracts. To achieve this compliance, a well-disciplined and competent inspectorate with full responsibility and authority is the pillar of the industry.

Inspection and oversight functions are currently carried out through the Inspectorate and Cadastre Directorates, with direct inspection of extractive sights carried out by the relevant provincial offices. The Ministry has made great

progress in this area in the last few years, from an Inspectorate with no set contract management process or training for inspectors, to an expanding pool of competent inspectors, working to an established contract management system. However, there is still room for improvement in this vital function of the Ministry, to ensure all operations are inspected and contract terms are rigorously enforced.

The following are the key activities and expected outcomes from this sub-component:

No.	Activity	Purpose	Outcome
3.3.1	Increase Pool of Competent Mines Inspectors	Enforce regulations and contractual terms	Improved quality of mine and petroleum inspections and reporting by complying with a standard contract management system Improved effectiveness of mining through receiving assistance from mine inspectors Reduced rate of mining incidents through regular visits to mining operations
3.3.2	Implement Consistent and Standardized Inspection Processes and Templates	Enforce regulations and contractual terms	Improved quality of mine inspections and reporting by complying with the system Improved effectiveness of mining through receiving assistance from mine inspectors. Reduced rate of mining incidents through regular visits to mining operations
3.3.3	Initiate a centralized Contract Management System auditing function	Standardize templates and processes to Improve contract management capacity and transparency	Sustained, consistent use of the standard system throughout Afghanistan Continual improvement by monitoring potential improvements and upgrading the standard to suit.

3.4 Transparent and Effective Revenue Collection

The artisanal and small scale mining (ASM) sector in Afghanistan is vast and requires substantial human and financial resources for the Ministry to administer and regulate it. However, the majority of these operations are informal and not regulated by the Ministry and its provincial offices. Formalisation will improve the sector's management of health and safety and environmental issues, improve lost revenue collection, reduce conflict and spur growth.

The use of the complicated manual revenue collection procedures seriously hinders the ability of the Ministry to ensure transparent and effective collection of non-tax revenue from extractive sector projects. In order to improve revenue collection, the Ministry needs to implement streamlined revenue collection procedures. By implementing a fully functional Financial Management Information System (FMIS), the Ministry may efficiently collect, record, monitor and report revenues from the extractive industries.

The following are the key activities and expected outcomes from this sub-component:

No.	Activity	Purpose	Outcome
3.4.1	Update and Implement ASM Formalization Plan	Transition current illegal operators to legal firms subject to the regulatory regime administered by the Ministry	A compliant ASM sector, that the Ministry can monitor and regulate Improved health safety and environment management within the ASM sector Improved non-tax revenue collection from the ASM sector
3.4.2	Develop and Maintain Digital Mining Cadastre	Ensure that records of resource ownership, licenses, and contracts are accurately	Efficient allocation, compliance and non-tax revenue collection

		maintained, reliably updated, and publically accessible	Informed Ministry, industry and civil society
3.4.3	Implement FMIS	Develop and maintain effective tool for transparent extractive sector revenue gathering, reporting, and management	Transparent and effective revenue collection Efficient monitoring and reporting of revenue Increased non-tax revenue from the extractive industries Contribute to EITI compliance

3.5 Manage Revenue for the Benefit of the Afghan People

Government revenues from extractive industries represent a significant opportunity for Afghanistan to achieve long-run economic development and fiscal sustainability. However, extractive industry revenue can also be detrimental to economic growth and governance if not managed well.

With an increase in minerals, oil and gas production from the major projects being a real possibility in the next five years in the country, the Government will experience an increase in the revenue from the extractive industries, which it must manage responsibly. Currently, non-tax revenues generated through the sector are collected by the Ministry and deposited with the Ministry of Finance, and are spent through the national budget. There is no specific mechanism for the management and distribution of revenue generated from the extractive industries. This leaves the income vulnerable to mismanagement. It is therefore essential that the Government take appropriate steps now to be able to handle the inflow of larger revenues in future that will ensure the resource revenues are distributed and spent in a way that generates the highest possible benefits for the Afghan population.

The following are the key activities and expected outcomes from this sub-component:

No.	Activity	Purpose	Outcome
3.5.1	Develop Revenue Management and Distribution Mechanism	Create process to distribute extractive industry revenue in alignment with the government's objective of long term economic development and fiscal sustainability	A tool and process to collect, invest and distribute non-tax revenue from the extractive industries

Component 4: Government Collaboration and Economic Linkages

While the Ministry has primary responsibility for developing Afghanistan's extractive industries, it also recognizes that many of its activities will require collaboration and linkages with other organizations and institutions. This component therefore includes two sub-components: institutional collaboration and economic linkages.

Institutional collaboration includes increasing intra-government collaboration, such as with the Ministry of Finance over revenue collection and allocation and the Ministry of Interior over infrastructure development. Through mechanisms like the IMC and the joint environmental assessment and monitoring being under taken by the Ministry and the National Environmental Protection Agency, the Government has taken important steps in this direction. In addition, given the significant involvement of the donor community in the extractive sector, the Ministry will also establish a donor coordination forum for extractive sector activities. The economic linkages sub-component recognizes that to maximize the economic impact of extractive industries, they need to be linked to the broader economy. This can be achieved through promoting local content, establishing economic linkages, and supporting value-added industrial development.

The outcome of this component will be an extractive sector that is developed collaboratively to ensure the greatest economic and social development impact for the Afghan people.

The sub-components needed to achieve this outcome are detailed below.

4.1 Institutional Collaboration

Regulation of the extractive industries requires all the responsible government agencies to work together, collaborating to strengthen regulation. As the main government agency for the extractive industries, the Ministry will take a leadership role in institutional collaboration to improve information flow, regulation and to streamline economic development. Such linkages will also improve the efficiency and effectiveness of donor funding.

The following are the key activities and expected outcomes from this sub-component:

No.	Activity	Purpose	Outcome
4.1.1	Increase Intra-Governmental Collaboration	Coordinate extractive sector policy formulation and implementation across all relevant government institutions	Strong linkages between government extractive industry agencies Improved understanding across government of extractive industry activities leading to improved cross government regulation of the industry Integration of socio-economic benefits from the extractive industries into provincial development plans
4.1.2	Establish Donor Coordination Forum	Ensure that donor activities avoid duplication and are aligned with Government policies and priorities	More efficient use of donor funding by extractive industry stakeholders Sharing of and collaborating on donor research and deliverables to facilitate further develops within the extractive industries Better informed civil society

4.2 Promote Local Content, Economic Linkages, and Value Addition

In order to realize the greatest economic benefit from its resource endowment, the Ministry will promote local content provisions, economic linkages and value addition to maximize the economic multiplier effect from the extractive industries. Using its resource endowment in this manner will increase the standard of living for greatest number of Afghan people, help the economy to diversify away from the extractive industries and enable the government to provide improved services.

The Ministry understands that growth in the extractive industries offers the opportunity for employment opportunities (skilled and unskilled). As such the Ministry will pursue concerted coordination to develop the skills of the extractive industries workforce through vocational training improved the skill pool of local labor for employment with domestic

and international extractive industry companies. This will increase the ability of Afghan citizens and local businesses to participate in, benefit from, and add value to the extractive industries.

The Ministry will explore linkages through the integrated development of resource corridors, where supporting and ancillary industries are developed near extractive industry sites (or transit, in the case of TAPI). This integrated planning will also include linking extractive industry development with energy infrastructure development. The Ministry will build the capacity to negotiate industry partnerships for infrastructure with requirements for additional capacity for Afghans.

The following are the key activities and expected outcomes from this sub-component:

No.	Activity	Purpose	Outcome
4.2.1	Promote Local Firms participation	Expand participation of local firms in extractive industries, sequenced with development of operations	Local firms provide goods and services to the extractive industries Higher employment by local firms working in the extractive industries Improved sourcing ability and infrastructure
4.2.2	Promote Economic Linkages and Value-Added Industries	Increase multiplier effect of extractive sector on broader economic development	Demand for skilled labor able to work across industries Other industries able to benefit from investments into the extractive industries to drive broader economic growth Additional industries and infrastructure in the country providing additional employment opportunities Higher value output exported, strengthening governments the balance of payments
4.2.3	Extractive Industry Vocational Training	Broaden and deepen pool of Afghan labor able to participate in extractive sector	Improved skill pool of local labor for employment with domestic and international extractive industry companies Domestic labor displacing international labor in the extractive industries Domestic labor retaining higher skilled positions in the extractive industries
4.2.4	Integrated Infrastructure Development Plan	Maximize economic development impact of Afghanistan's mineral and hydrocarbon resources	Understanding of what resources and energy Afghanistan can provide to the domestic economy and the international market. The infrastructure needs to develop these resources and to deliver the resources to market. Ability to negotiate public private partnerships with extractive industry companies Ability to negotiate additional capacity to extractive industry infrastructure

Proposed Implementation Plan

The Ministry has developed a five-year implementation plan for the National Priority Program for the Extractive Industries. The plan is organized by components and is broken down into the activities that make up each sub-component.

The components are designed to build on each other, but elements of each are also intended to be implemented concurrently so that some progress in all areas can be realized as soon as possible. The plan is ambitious, with ten activities starting in the first quarter. The plan is designed to ensure Afghanistan will have a well-regulated, revenue generating extractive sector that attracts investment and supports responsible economic growth. The plan will require coordination across government and with external stakeholders, as well as continued support from the international community.

Indicative costing has been prepared for the National Priority Program and this costing and implementation requirements are set out in the following section.

The Ministry is in the process of developing its Five-Year Business Plan, which will incorporate a Monitoring and Evaluation Framework. It is intended that once the National Priority Program is approved, the Ministry will integrate the activities into the Business Plan and ensure they are monitored in accordance with the framework set out in the Business Plan, with clear and measurable performance indicators established for each activity.

Implementation Requirements

Implementing the National Priority Program for the Extractive Industries will be a significant undertaking and will require coordination across government and continued support from the international community to provide transfer of knowledge on international best practice and share lessons learned from other countries. This will include a continuation of on-going support as well as additional technical and material assistance in some areas. The following table summarizes the indicative implementation needs, including indicative costing. This costing does not include support the Ministry currently receives and the below reflects additional support.

Indicative Costs (USD)						
		Ministry	International TA	Equipment/ Other	Total	Areas of Assistance
Component 1: Strengthen Institutional Capacity		1,946,700	23,595,000	0	25,541,700	
1.1 Develop Capacity of Ministry to Deliver its Mandate						
1.1.1	Organizational and Capacity Needs Assessment	189,000	1,560,000		1,749,000	The Ministry requires support to conduct an organisational review and develop a human resource development plan. Following the review the Ministry will require support in implementing the reorganisation plan
1.1.2	Develop Human Resource Development Plan	189,000	780,000		969,000	
1.1.3	Organizational Reform	94,500	780,000		874,500	
1.1.4	Provincial Coordination Mechanism	94,500	780,000		874,500	
1.2 Create Transparent and Accountable Governance Framework						
1.2.1	Implement Anti-Corruption Strategy	283,500	1,560,000		1,843,500	The Ministry will require support in identifying the applicable option for identification and publication of ultimate beneficial ownership as it works towards EITI compliance.
1.2.2	Roadmap for Publication of Beneficial Ownership	94,500	780,000		874,500	
1.2.3	EITI Compliance	378,000	4,680,000		5,058,000	
1.3 SOE Reform						
1.3.1	Review and Implement AGE Restructuring Plan	94,500	1,950,000		2,044,500	Advice will be required to develop a clear roadmap and support the process of restructuring the SOEs
1.3.2	Develop Plans for Reforming SOEs	283,500	5,850,000		6,133,500	
1.4 Policy and Legislative Reform						
1.4.1	Finalize National Mineral Policy	9,450	195,000		204,450	Although capacity within the Ministry exists, technical support in the form of legal and governance expertise will be required to work with the Ministry in finalising these laws and policies.
1.4.2	Develop National Petroleum Policy	18,900	390,000		408,900	
1.4.3	Develop National Coal Policy	18,900	390,000		408,900	
1.4.4	Finalize Amendments to Mineral Law	18,900	390,000		408,900	
1.4.5	Review and Revise Petroleum Law	18,900	390,000		408,900	
1.4.6	Finalize Coal Law	18,900	390,000		408,900	
1.5 Increase Public and Civil Society Engagement						
1.5.1	Establish Public Advisory Council	47,250	1,170,000		1,217,250	The Ministry will require support from civil society and technical assistance to build a forum, a repository of resources to assist the media and advice on opportunities to better include women
1.5.2	Extractive Sector Media Education	18,900	780,000		798,900	
1.5.3	Develop Plan to Increase Involvement of Women	75,600	780,000		855,600	

Component 2: Geo-technical Information and Investment Promotion		831,600	17,160,000	22,250,000	40,241,600	
2.1 Improve Function of AGS						
2.1.1	Develop Modern Geo-sciences Laboratory	37,800	1,560,000	500,000	2,097,800	Current support in AGS must continue in order to procure necessary laboratory equipment and train staff on use. Further ongoing technical support to develop the capacity of AGS is also required
2.1.2	Improve organization and technical capacity of the AGS	75,600	2,340,000	250,000	2,665,600	
2.2 Information and Investment						
2.2.1	Conduct Geological Data Acquisition Programs	283,500	4,680,000	20,000,000	24,963,500	Funding is required to support Geological Data acquisition programme along with expertise to delineate areas, preferred data acquisition techniques and project management. Establishing a public database will require a broad range of expertise, including specialists in minerals and petroleum information management, economic and financial analysis, GIS, remote monitoring communications, ICT, and website design and administration. Improved investment promotion will require ongoing international assistance for the Investment Promotion Directorate and funding to promote the extract industries domestically and internationally.
2.2.2	Public Database of Geo-technical Information	56,700	2,340,000	1,000,000	3,396,700	
2.2.3	Improve Investment Promotion Capacity	378,000	6,240,000	500,000	7,118,000	

Component 3: Regulation, Inspection, and Compliance		2,334,150	35,880,000	1,370,000	39,584,150	
3.1 Improve Regulatory Framework						
3.1.1	Continue Development of Mineral Regulations and Procedures	56,700	1,560,000		1,616,700	Regulatory reform is an ongoing process that will require continued legal support, some of which is provided through existing support programs to the Ministry.
3.1.2	Continue Development of Petroleum Regulations and Procedures	56,700	1,560,000		1,616,700	
3.1.3	Continue Development of Coal Regulations and Procedures	56,700	1,560,000		1,616,700	
3.1.4	Adopt Guidelines to Implement International Labour and Human Rights Standards	56,700	1,560,000		1,616,700	
3.2 Improve Licensing and Contract Compliance						
3.2.1	Standardize Contracts	37,800	1,560,000	100,000	1,697,800	The Ministry requires significant support in this sub-component, including advice to implement a transparent tendering process and Ministry support to use the new process for future tenders. In addition, expertise is required for application evaluation to build capacity in the Ministry to assess applications; along with expertise in extractive industry compliance to build capacity in the Ministry to actively manage contract compliance, regulations and functioning databases. While donors are providing support for promoting rule of law in general, there will need to be specific support to establish a dispute resolution process for the extractive sector in order to attract investment.
3.2.2	Improve Tendering Process	56,700	1,560,000	100,000	1,716,700	
3.2.3	Improve Application Evaluation Capability and Process	28,350	780,000	50,000	858,350	
3.2.4	Improve Contract Compliance Management	56,700	1,560,000		1,616,700	
3.2.5	Establish Credible Dispute Resolution Process	189,000	3,120,000		3,309,000	
3.3 Strengthen Oversight and Inspection Functions						
3.3.1	Increase Pool of Competent Mines Inspectors	396,900	4,680,000	120,000	5,196,900	The Ministry receives support in this area and will continue to make use of this support in order to improve oversight and inspection functions, including requiring consistent use of processes and templates.
3.3.2	Implement Consistent Inspection Processes and Templates	132,300	1,560,000		1,692,300	
3.3.3	Initiate a centralized Contract Management System auditing function	151,200	780,000		931,200	
3.4 Transparent and Effective Revenue Collection						
3.4.1	Update and Implement ASM Formalization Plan	56,700	3,120,000		3,176,700	The Ministry requires advice to update the country wide ASM formalization plan and ongoing funding to implement the plan. The Ministry requires funding and expertise to update the cadastre system and FMIS.
3.4.2	Develop and Maintain Digital Mining Cadastre	453,600	6,240,000	500,000	7,193,600	
3.4.3	Implement Effective FMIS	453,600	3,120,000	500,000	4,073,600	
3.5 Manage Revenue for the Benefit of the Afghan People						
3.5.1	Develop Revenue Management & Distribution Mechanism	94,500	1,560,000		1,654,500	The Ministry currently lacks significant revenue to manage. However, in anticipation of this situation improving as investment increases in the extractive sector, the Ministry will require technical assistance to help develop a policy for non-tax fiscal revenue management.

Component 4: Government Collaboration and Economic Linkages		<i>945,000</i>	<i>18,720,000</i>	<i>5,000,000</i>	<i>24,665,000</i>	
4.1 Institutional Collaboration						
4.1.1	Increase Intra-Governmental Collaboration	75,600	1,560,000		1,635,600	Government and donor support will be needed to increase collaboration and coordination in the development of the sector.
4.1.2	Establish Donor Coordination Forum	75,600	780,000		855,600	
4.2 Promote Local Content, Economic Linkages, and Value Addition						
4.2.1	Promote Participation of Local Firms	75,600	1,560,000		1,635,600	Donors have already supported the development of value chain action plans, but additional resources will be required for enabling targeted value chain promotion and support. Extractive Sector Vocational Training will require assistance for curriculum development, a broad range of technical instruction experts, and Technical and Vocational Education and Training (TVET) administration. The World Bank and other donors have supported previous work on resource corridors and infrastructure and additional technical assistance will be required to integrate extractive sector development—primarily natural gas—with electricity generation.
4.2.2	Promote Economic Linkages and Value-Added Industries	75,600	3,120,000		3,195,600	
4.2.3	Extractive Sector Vocational Training	567,000	9,360,000	5,000,000	14,927,000	
4.2.4	Integrated Infrastructure Development Plan	75,600	2,340,000		2,415,600	
		6,057,450	95,355,000	28,620,000	130,032,450	