



# MINISTRY OF MINES

The Islamic Republic of Afghanistan

## **Business Plan 2010 – 2015**

### **Synopsis**

August 2010

***For the first time in its long and eventful history, Afghanistan has the opportunity to transform its vast mineral and hydrocarbon resources into great wealth for its current and future generations.***

*The Government is determined to convert the nation's mineral wealth into substantial financial capital for the benefit of all the people. The revenues generated will contribute to Afghanistan's financial independence and will be used to advance sustainable and equitable economic and social development. This will promote prosperity and peace within our country and build good relations with our neighbours.*

*The Ministry of Mines has the prime responsibility to ensure that Afghanistan's natural resources will benefit local communities, the country and the region.*

*Afghanistan is competing for inward investment with other mining nations. The Ministry has studied best practice from around the world on encouraging and facilitating mining and oil and gas development. That is why we are creating the conditions for a partnership with the private sector to mobilise the massive resources necessary for economic mining operations.*

*To make this partnership successful, the Ministry of Mines must change the way it does business. The Ministry can no longer be the owner and operator of mines; working in concert with other government departments, we are developing a policy of openness to attract private sector investors. We are also developing skills and competences in effective policy making, legislation and regulation.*

*The business plan of the Ministry of Mines sets out a comprehensive reform programme, which encompasses policy, regulatory, institutional and organisational dimensions. Our objective is to show our people and the world that Afghanistan is open for business and that the Ministry of Mines is a good steward of the nation's mineral potential.*

**Wahidullah Shahrani**  
*Minister of Mines*

## **MINISTRY OF MINES**

### **Vision and Mission**

The Ministry of Mines has a mandate to deliver on the Government's vision for sustainable, market-based, economically successful minerals and hydrocarbons sectors that encourages and protects private capital investments and enterprises as set out in the Constitution of Afghanistan and the Afghan National Development Strategy (ANDS).

The Ministry of Mines' **vision** is to be a leading economic ministry in the Government of Afghanistan, supporting national and local economic development and ensuring optimum revenues for Afghanistan from its mineral and hydrocarbon resources in a responsible manner.

Our **mission** is to be an enabler of the mining sector's development and steward of all mineral, hydrocarbon and ground water resources through the implementation of international best practice policies, regulations and procedures to encourage environmentally and socially acceptable private investment.

### **Strategic Objectives**

The **strategic objectives**, which the Ministry of Mines will pursue over the next 5-year period are:

- To contribute to the financial independence of Afghanistan through the development of its minerals and hydrocarbon sectors;
- To ensure that mining supports local and regional socio-economic development and contribute to peace and security; and
- To ensure extractive industries' compliance with social and environmental requirements in line with international best practice for sustainable development

# Towards a Globally Competitive Mining Regime

## • Policy Formulation

A core task of the Ministry of Mines is to ensure that appropriate policy frameworks are in place to meet the needs of a dynamic, extractive industry sector.

The Ministry will work with other government and non-government institutions, communities and international development partners to define, implement and monitor a Comprehensive National Mining Policy. In addition, the Ministry will develop specific evidence-based policy frameworks for mineral, hydrocarbons, environmental protection and social mitigation, strategic minerals, groundwater, artisanal and small scale operations and local value adding and business development.

The policy work of the Ministry will be informed by both Afghanistan's country specifics and international sector trends and best practices.

## • Investor Friendly Environment

The Ministry will make a key contribution to the process of improving private sector's access to Afghanistan's mineral resources. Through its policy and legislative work, the Ministry will enable and facilitate domestic and international private investment with the same rules for all, grounded in the Constitution and defined by statute.

The Business Plan envisages that the Ministry of Mines will work towards increased security of mining title by, for example, easing the transition between exploration and mining licenses. Bidding and contracting processes will be streamlined and made transparent and predictable.

The Ministry of Mines will also work with the Ministry of Finance to establish and communicate a fiscal regime for the mineral sector that is fair, stable and that generates optimal revenues for Government. Investor confidence surveys will be undertaken to assess relative weight of investment risk factors to further inform policy decision-making.

In addition, the Ministry of Mines will define and implement an open access policy to disseminate quality geo-scientific information and it will provide confidence in the security of information provided by mining companies to the Government.

## • State Owned Enterprises (SOE)

The Ministry of Mines will define and implement economically, socially and environmentally viable strategies for reform of the seven SOEs under its care.

In consultation with affected workers, communities and other government ministries, the Ministry of Mines will investigate transition options that include immediate transfer of ownership and operation to the private sector; commercialization of assets before privatization; or retention of part government ownership but transfer of operational responsibility of mining projects to the private sector. This will ensure that these enterprises add more value to the Afghan economy, private sector owner-operators are not crowded out of the sector and that the Ministry of Mines focuses on its core activities of performing

modern, regulatory, policy-making and private sector enabling functions.

## • Regulation Enforcement and Service Delivery

In order to ensure better monitoring and inspection of technical, environmental and social compliance of mining operations and to encourage formalisation of the existing, informal artisanal sector, the Ministry of Mines will formulate and implement policy for service delivery and oversight of mining activities at the provincial level.

The Ministry will establish a number of provincial offices and will reform the regulatory framework, so that inspection as well as licensing and mining extension services are delivered where the sector operates.

## • Transparency & Accountability

The business plan strongly emphasises activities for stronger governance of the mining sector. To improve transparency and accountability, in 2010 Afghanistan became an Extractive Industries Transparency Initiative (EITI) candidate country. The EITI is a global standard that promotes revenue transparency, which has a robust methodology for monitoring and reconciling company payments and government revenues at the country level.

EITI is implemented under the leadership of the Ministries of Finance and Mines. The Ministry of Mines has already published details over 100 mining contracts and it is committed to amending sector legislation in line with EITI and disclosing all future material payments made to the Government.

## • Technical and Vocational Education and Training (TVET)

In order to increase the capacity of the Afghan workforce, the Ministry of Mines, in coordination with the Ministry of Education and the Ministry of Labour and Social Affairs and with the consultation of the private sector, is assessing market needs and developing TVET institutions such as Afghanistan National Institute of Mining, Lapidary Institute (Rock School), and Oil and Gas Institute.

## • Infrastructure development and spin-off industries

Working with other government departments and the private sector, the Ministry of Mines will promote the development of resource corridors using mineral resources as "anchors" for infrastructure development along transport routes to market. The anchors act as nodes for development of infrastructure and the transport routes enable clusters of spin-off industries to form around goods and services provision.

## • Security Considerations

In coordination with the Ministry of Interior and other security agencies, the Ministry of Mines is establishing a Mining Protection Unit responding to security issues raised by investors.

# Improving Organisational Quality and Capacity

Lessons learned from other developing and post-conflict environments show that in addition to changes in the policy, legislative and regulatory regimes, institutional reform is a precondition to a healthy, robust and pro-development mining sector.

The Business Plan outlines the main reform processes, which will catalyse the Ministry of Mines' speedy transition from an owner/operator to enabler of private sector investment.

## • Ministry Restructuring

In line with the Business Plan, in 2010 the Ministry initiated a process of organisational restructuring and administrative reform with support from the IARCSC. It is expected that this process be completed in the first quarter of 2011.

The new organisational structure of the Ministry of Mines is built upon best practice in extractive industries sector governance and public sector reform from around the world. Similar models have been demonstrated to deliver better managed minerals and hydrocarbon sectors in other countries. The principles that underpin this model are outlined below:

- *Policy Portfolio*, which will enable the Ministry to better focus on its core function of policy-making and legislation formulation, as well as promoting private sector investment.
- *Regulation Portfolio* providing services in Kabul and the provinces. Separating policy formulation from implementation ensures that staff members cannot operate as both rule maker and enforcer.

- *Geoscientific Portfolio*, which produces research-based geoscientific and technical data sets in various formats with an open access policy to disseminate the information and attract investment.
- *Administration and Finance* responsible for quality and timely provision of key administrative services.

## • Attracting and Retaining Professional and Technically Qualified Staff

Managing the mining sector requires high calibre professionals. The implementation of administrative reform will allow the Ministry to streamline the organisation and increase current wage levels.

In addition, the Ministry of Mines is making full use of GoIRA special mechanisms for recruitment and retention of high calibre professionals in key roles.

## • Capacity Development

Capacity development is paramount to ensure that sector development meets national objectives and benefits the Government and people of Afghanistan.

With support of government and development partners, the MoM will address capacity gaps through interventions and programmes tailored for the Ministry of Mines' needs. All training and other capacity building activities will be aligned with MoM strategic objectives.

Below: The new organisational structure of the Ministry of Mines

