

Islamic Republic of Afghanistan

Ministry of Mines

Directorate of Policy

Metals Mining Policy

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## Definitions

**Alloy:** A compound that consists of two or more metals, or metals with a nonmetal.

**Metallurgy:** The science of extracting metals from their ores, purifying and alloying metals and creating useful objects from metals

**Minerals:** The building blocks of rocks. Geologists define a mineral as: A naturally occurring, inorganic, solid, crystalline substance, which has a fixed structure and a chemical composition that is either fixed or that may vary within certain defined limits.

**Ore:** A mineral/rock that contains metal that is valuable enough to be mined.

**Oxide:** An oxide is any compound of oxygen with another element or radical.

**Tailings:** The materials left over after the process of separating the valuable fraction from the worthless fraction of an ore.

**Beneficiation:** Improvement of the grade of ore by milling, flotation, sintering, gravity concentration, or other processes.

**Exploration:** The search for deposits of useful minerals or fossil fuels; prospecting

**Concentration:** The process of separating valuable fraction of an ore from worthless materials

**Reconnaissance:** A general, exploratory examination or survey of the main features of a region, usually preliminary to a more detailed survey.

**Value addition:** It refers to the additional value of a commodity over the cost of commodities used to produce it from the previous stage of production.

## 1. PREAMBLE:

The Metals Industrial sector is easily recognized as one of the most valuable sectors of an industrialized economy. For its linkage to other sectors of development and its enormous capacity to support and stimulate growth in virtually all sectors of the economy, the development of Metal and Mineral Sector is generally seen as a major index of national prosperity.

The metals mining sector in Afghanistan is very new but it has to reach its full potential particularly in the development of key metallic products as Copper, Iron, Steel, Chromium, Tin, Lead, Zinc etc. and key Precious metals such as gold, silver and Platinum Group Minerals. With the nation's capacity, potential and resource base, all these products can readily be developed and used to jumpstart the rapid industrialization, creation of employment, poverty reduction and economic growth of the country. Afghanistan is richly endowed with extensive deposits of Copper, Iron, Chromite, Lead, Zinc, Tin, Gold, Silver, Platinum group minerals and other metal ores some of which have been poorly extracted during the last three decades of instability and exported as low value ores.

For countries with such occurrences of base metals and precious metals, the development, exploitation, beneficiation, and exporting of those metals significantly increase and diversify their income resource base. Where economically viable, The Government of Afghanistan strongly supports the processing of metal ore endowments into primary metal or even final products, , rather than trading the crude ores. In view of this, the Policy encourages the establishment of smelting plants to produce metals if possible to fabricate the metals into semi-finished products within the country. The Government of Afghanistan is seeking to develop its Metals mining industry through exploration, opening up of mines, establishing metals concentration, smelting and refining plants, providing manpower training and the development of metallurgical processes and raw materials sourcing.

Geological surveys and reconnaissance activities in Afghanistan have indentified economic deposits of certain metal ores, limestone, and dolomite suitable for metal smelting and refining processes.

The Role of the State in Metals ore mining will be facilitation and regulation of investment in the sector that will support exploration, exploitation, concentration process, smelting and refining of Metals ore in the country. Through the relevant ministries such as Ministry of Mines, Commerce and Finance the State shall promote good governance and transparency in how the metals ore mining and its related industry is managed, revenue generated and social and environmental protections are in place.

## **2. OBJECTIVE:**

The Government of Afghanistan seeks to exploit the metal ore endowments spread across the nation in a strategic and systematic manner for increasing government revenue, generation of employment, reduction of poverty, promotion of rural economy and significant contribution to our Gross Domestic Product (GDP) by attracting private investment.

The overriding objectives of the Metals Mining Policy are to:

- Position Afghanistan as a major regional and global producer of copper, iron and other metals products
- Encourage the establishment of primary smelting and processing plants for value adding in downstream industries
- Creation of investment friendly environment for the metals sector
- Growth and sustainable development of the metals industry
- Local production of metals for domestic, industrial purposes and infrastructure development
- Promotion of export of value added metals and related products
- Creation of a legal and regulatory framework to guide operations in the metals mining sector
- Application of environmental and social best practices and mine safety
- Development of manpower to meet the challenges of the metals mining and its related industry

## **3. LEGAL AND REGULATORY FRAME WORK:**

The Metals mining policy has been developed in support of National Mining Policy. All the legal and regulatory provisions provided in the National Mining policy, Environmental and Social Policies for the mining sector, Mining Law, mining regulations and their amendments are applicable to the metals mining policy. As the Government of Afghanistan is committed to the creation of a stable and conducive business climate. In context of the legal and regulatory framework for the metals sector, this involves:

- an open, transparent and competitive bidding procedure for known mineral deposits;
- a predictable licensing system for unknown deposits, and
- clearly defined rules and regulations that:
  - Set out simple and transparent procedures for the allocation of mining rights
  - Stipulate the conduct of exploration activities
  - Define the transition from exploration to mining rights
  - Regulate the conduct of mining

- Guarantee security of tenure and the orderly carrying out of business, and
- Ensure exclusivity of specified mining rights over licensed areas.

#### **4. KEY INSTITUTIONAL PLAYERS**

The following government organizations are responsible for the administration, oversight, regulation, fiscal management, revenue collection, environmental management, human resource development, beneficiation, trade and contract evaluation of the metal ore resources.

- Ministry of Mines (MoM)
- Ministry of Finance (MoF)
- Ministry of Commerce and Industries (MoCI)
- National Environmental Protection Agency (NEPA)
- Ministry of Labor, Social Affairs, Martyrs and Disabled (MoLSAMD)
- Independent Directorate of Local Government (IDLG)
- Inter Ministerial Commission (IMC)

As may be deemed necessary, Government may establish, strengthened and/or restructure existing institutions in order to contribute to capacity building and the sound development of the metals sector.

#### **5. COMMITMENT TO TRANSPARENT OPERATIONS**

The Policy advocates providing the rights for Metals mining and its related industry investment and encourages private sector investment that may include Afghan or international corporations, joint ventures, public-private partnerships, sole proprietorships or any other legal structure allowed under Afghan Laws. The Government of Afghanistan is committed to providing information on available revenue and other benefits obtained from mining. To this end, it will adhere to the principles elaborated by the Extractive Industries Transparency Initiative (EITI).

#### **6. SURVEY AND EXPLORATION**

The government of Afghanistan is committed to attract and enable private sector investment in the reconnaissance and exploration of metal deposits such as copper, iron, chromite, lead and zinc, gold and silver etc. Geological data and mineral information will be made readily and widely accessible to prospective investors. Afghanistan Geological Survey (AGS) shall carry out survey and exploration activities in areas where private sector investment are not forthcoming. AGS shall produce reports and maps and maintain geological records of metallic mineral deposits for dissemination to various domestic and international stake holders. The Government seeks to redress obstacles and provide first of right to exploitation from exploration rights.

## **7. EXPLOITATION OF METAL ORES**

The exploitation of Metal ore deposits shall only be conducted by legally licensed operators that are in compliance with the terms and conditions of their mining license, lease, or contract. All exploitation activities shall be conducted in accordance with approved mine plans and shall not proceed without legally required permits and certifications issued by the relevant Government authorities that include but are not limited to environment, social protection and health and safety. This policy strictly prohibits the illegal mining of metal ore deposits in Afghanistan. Where illegal mining is discovered, appropriate legal action shall be taken.

## **8. VALUE ADDITION AND EMERGING MARKETS**

Value addition is a key imperative for Afghanistan's Minerals Industry as it seeks to increase its competitiveness on the international marketplace. Private sector investors should recognize the benefits of value addition for their own profitability, such as through increased competitive differentiation, reduced cost of exports, increased export revenues, increased sustainability. Nevertheless, while increasing the amount of value addition be a logical progression for local businesses, the government will continue to encourage this process.

There are additional benefits to the government from value addition in mining that are not necessarily considered by the private sector, such as job creation, foreign exchange revenues and tax revenues. The definition of value addition within a minerals industry context does not necessarily imply the transformation of a product into a finished goods. The concept additionally encompasses processes that increase the value per weight of materials through treating or processing materials to remove impurities.

Government of Afghanistan encourages the establishment of downstream metal processing, manufacturing and supporting industries, where economically appropriate, that can add value to local mined production and create local employment. These initiatives should be market-driven, based on the comparative advantage of the country and accompanied by enabling legislation. Free movement of materials through the region would aid this aim as would focus on improving infrastructure. Both these actions would improve the general investment climate which in itself would encourage investment in sustainable value addition in mining and across other sectors.

## **9. PROTECTION OF INVESTMENTS**

The Government is responsible for facilitating full and fair leasing rights and rights of way to land at which Metal ore deposits are located. In accordance with the Investment Law and other relevant laws of Afghanistan, the State can expropriate an Investment or the assets of a Registered Enterprise

for the purpose of public interest and shall provide prompt, adequate and effective compensation to the enterprise immediately before the expropriating action was taken.

Afghan and foreign investor shall be permitted to freely transfer out of Afghanistan without unreasonable delay distributions received from: a registered enterprise, foreign investment capital, profits associated with foreign investment, principal and other payments of foreign loans, in whatever foreign currency the Foreign Investor chooses at the prevailing exchange rate for that currency.

## **10. TECHNICAL OPERATIONS OF METAL ORE MINES**

As part of any exploration or exploitation License, state, quasi-state and private mining companies will be required to provide Mine Exploitation Plans to the Ministry of Mines prior to commence operations. Details to be included in the Mine Exploitation Plan will be provided in the Ministry of Mines procedures. At a minimum the plans will include: GPS coordinates of mine boundaries, resource estimate, description of the mine and approach for its development, production projections, mine rehabilitation plans, beneficiation processes, and timeline for operations. The mining plan will also include an Environmental Management Plan that will follow the NEPA requirements and will be updated every year for review and approval by the Ministry of Mines and NEPA.

Government supports the adoption of modern technology for Metal ores mining and its related industry that results in environmental protection and efficient and safe mining operations. This Policy supports the upgrading of scientific and technical research and development facilities in the country. A plan for proposed technology and equipment will be included in each Mine Plan. In the instance this plan is violated, the Ministry of Mines will have regulatory enforcement power to impose penalties.

## **11. FINANCIAL ASPECTS**

The Government shall formulate and implement a competitive mining fiscal regime that assures the country of fair value for its resources while offering sufficient incentives that will ensure fair and reasonable return to private investors.. The government shall institute a well-designed fiscal regime that encourages investment, optimizes economic linkages, exemplifies transparency, and captures reasonable and sustained revenue for the Afghan people. In formulating the fiscal regime, the government will aim to balance the country's interest with those of investors by ensuring that the mining taxation regime is equitable, stable and predictable, non distortionary and internationally competitive. In addition to being stable and predictable the fiscal policy regime will be designed to be promotionally competitive for attracting and retaining investment in the mineral sector. Furthermore, it will aim to increase government spending in the supportive services and physical infrastructure required for development of the mining sector. The Ministry of Mines will

develop, notify and modify fair and reasonable royalty schemes for extractive metallurgy that are competitive to the world market.

## **12. ENVIRONMENTAL STEWARDSHIP AND SOCIAL RESPONSIBILITY**

The Development of Metal mining Industries are essential for economic development but are also known to cause adverse environmental changes due to production and release of harmful wastes, acidic water drainage, effluents and toxic by-products into the environment. The discharge of these products, can adversely impact on human and animal health, aquatic and terrestrial flora and fauna in varying degrees.

This policy strongly supports the development of an integrated and multi-sectoral systems approach to resource and environmental planning. The application of this approach and these principles to decision-making relating to and the conduct and supervision of mineral operations requires compliance with the environmental protection law of Afghanistan and international best practices in the sustainable use of the natural resources. The National Environmental Protection Agency (NEPA) of Afghanistan is central to the formulation and implementation of relevant principles and guidelines and in this regard customized environmental protection guidelines for metals mining will be formulated jointly by the NEPA and the MoM.

No significant mineral operation will be permitted without an environment and social impact assessment having been conducted, evaluated and approved by the relevant government organizations. Plans for managing environmental and social impacts must be incorporated into the assessment reports. These must, right from the inception of the operation, include plans for redressing physical impacts upon closure of the mine as well as for sustaining community livelihoods thereafter. The conduct of impact assessments must involve early consultation with the potentially affected public and open hearings should generally constitute a part of the evaluation. The Government of Afghanistan is committed to nurturing an environment for compliance and enforcement with the international best standards of corporate social responsibility by entities involved in metals mining operations. The private sector shall make use of skilled and unskilled labor available in the host communities. The government in collaboration with mining companies shall promote community services including provision of medical, educational, agricultural, recreational and other infrastructural facilities etc in and around the vicinity of mining area.

## **13. HEALTH AND SAFETY:**

The metals mining companies shall obey all the provisions of labor law, health and safety regulations and relevant policies issued by MoLSAMD and MoM. The health and safety of workers engaged in metal mines is the priority for the government. The Ministry of Mines supports the upgrading and

capacity building of its inspection functions that include staff training, drafting of inspectorate procedures and establishment of an inspectorate staff certification program. The Inspectorate will maintain a qualified staff of mine safety inspectors who will conduct regular mine visits as well as spot checks. These Inspectors have the authority to implement penalties for health and safety violations as guided by the metals mining regulatory framework. Each employee is responsible for their own welfare and that of their fellow employee. Accident prevention is the responsibility of every employee.

## **14. DISPUTE RESOLUTION**

Disputes arising under or in connection with metals mining shall be resolved in the manner provided by Afghan laws, regulations and procedures. However, nothing in these legal acts shall prevent or limit the informal resolution of disputes between the Ministry of Mines and other Party or Parties by discussion, negotiation, or other informal means. Where dispute resolution is not possible, a court of law will be addressed as a matter of last resort.

## **15. RESEARCH AND DEVELOPMENT**

The Government recognizes the importance of research and development. Educational institutions and the Ministry of Mines with the cooperation of the international institutions will make it a specific part of their mandates to promote and encourage investigation into various issues of relevant industry. Areas of particular interest may include but shall not be limited to geological surveys to explore new areas, promotion of exploitation techniques, the utilization of waste from metals operations, the manufacture of value-added mineral-based products, the manufacture of aggregates for special applications, and marketing and promotion. The Government encourages technology transfer and the sharing of knowledge throughout the industry, particularly in sub-sectors that are of greatest benefit to the economy.

To encourage the continued development of the industry, the Government will promote research and development in respect of uncovering new resources, exploitation, processing and manufacturing technologies and commits to provide manufacturers of value-added mineral products with a range of facilities aimed at encouraging production and enhancing international competitiveness. The application of research and development to increase the range of value-added products is therefore encouraged.

The government is further committed to creating an enabling environment for modern methods of exploration, exploitation, land rehabilitation, Promotion of health, safety, environmental integrity, productivity, the efficient use of resources, Metals processing, beneficiation and the production of

metals-based Products thorough the strengthening of research organizations, tertiary institutions and companies' in-house research laboratories and research capabilities.

## **16. HUMAN RESOURCE DEVELOPMENT**

The government shall constantly review and upgrade existing facilities and the syllabus for basic and specialized training from time to time to ensure that adequately trained manpower at all levels is available for the development of mines and minerals. The Government in collaboration with mining companies shall provide capacity development, training and the development of local technology within the public and private sector. They shall provide specific and dedicated facilities to train persons for the industry. The mine operators shall also provide on the job training for young school leavers. The government of Afghanistan strongly advocates the employment of Afghan labor force in mining operations.

## **17. FOREIGN TRADE**

Minerals continue to be an important source of foreign exchange earnings. The policy does not preclude the export of metal ores but shall keep in view the dynamics of mineral inventories as well as the short, medium and long term needs of the country. Efforts shall be made to export metal ores in value added form as far as possible. The indigenous metal industry shall be attuned to the international economic situation in order to derive maximum advantage from foreign trade by carefully anticipating technology and demand changes in the international market for metals.

## **18. EFFECTIVENESS OF THE POLICY**

Metals Mining Policy is effective as of its approval by the Cabinet and is deemed to be the foundation document on which the Afghanistan Metals Mining Sector will operate and from which relevant legal and regulatory acts may be developed. The Policy shall be reviewed from time to time by Ministry of Mines to take cognizance of changes in standards, technology, markets, and any other matters that may arise from its implementation.