



## **EXTRACTIVES HUB POLICY BRIEF FOR AFGHANISTAN**

**“Mineral Resources as a key driver of Socio-Economic Development in  
Afghanistan”**

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## 1. Introduction

Afghanistan is host to vast mineral and petroleum resources, including precious metals and stones, rare earth minerals, gemstones, dimension stones, industrial minerals, oil and gas<sup>[1, 3]</sup>. Development of these resources has the potential to significantly contribute to the country's Gross Domestic Product (GDP), create direct and indirect employment while also providing fuel for industry and power generation, materials for industry and construction, for both domestic and export markets. But unfortunately, and due to a range of factors, these resources are not yet currently fully utilized for the socio-economic development and welfare of Afghanistan, a country that continues to show the scars of nearly four decades of armed internal conflict<sup>[2, 4, and 5]</sup>.

Moreover, whilst these resources to some extent been explored, geoscience data indicates that more study is required to develop these resources.

Whilst there exists widespread informal/ illicit, artisanal, mining of gold, gemstones (including diamonds), construction materials, dimension stones these operations are variously linked to instances of unsafe working practices/ very poor occupational health, environmental degradation and providing a funding source for armed groups and violent conflict, alongside positive livelihoods impacts for the artisanal miners and their families<sup>[4]</sup>.

Additionally, informal artisanal mining, due to it being an illicit activity, does not generate fiscal revenues that can then be reinvested in mineral sector development and/or to meet pressing need in the funding of public health, education, infrastructure, and/or basic physical security.

The extent of formalized mining in the country, at whatever scale, has continually fallen short of its economic potential, and the overall minerals sector development of Afghanistan remains very much a work-in-progress.

Additionally, in Afghanistan there are approximately 2,000 students graduating from mining and geology-related faculties each year, however due to the nascent level of the mining sector's development, only approximately 1% of these graduates manage to secure employment in their chosen field of education here in Afghanistan.

This policy brief proposes specific policy measures to the government for the development of mineral resources of Afghanistan that includes:

- enhanced job opportunities for the available, and keen, pool of sector-qualified Afghan workforce;
- establishing a modern mining industry, developing stable and comprehensive legal and regulatory framework that not only regulates the mining industry but also is conducive for encouraging private investment, developing integrated infrastructures; and
- ensuring the existence of an accountable institution for good governance of the mining industry. Ultimately, the development and proper utilization of mineral resources of the country would greatly contribute to socio-economic development and welfare of the people of Afghanistan.

How can this be best achieved?

## 2. Policy Brief Objective

The objective of the Policy is to highlight how the minerals sector development challenges and barriers faced by the Afghanistan could be addressed through public policy, enacted legislation, and implementing regulation.

This policy brief is directed at the Government of the Islamic Republic of Afghanistan (the Government), in light of its ownership of Afghan subsoil resources and its stewardship responsibilities on behalf of the Afghan nation.

According to the Constitution of the Islamic Republic of Afghanistan (the Constitution), ownership of all subsoil mineral resources located in Afghanistan are the property of the Government.

Institutionally, the Ministry of Mines and Petroleum (MoMP) is the primary Government Ministry responsible for the administration, oversight and regulation of both the exploration and exploitation of subsoil mineral resources. The MoMP and its subsidiary Departments are responsible, *inter alia*, to set forth the parameters of mining sector policy, relevant legal and regulatory frameworks, be responsible for the licensing, registration and inspection of mines, revenue collection, geoscience data, and working with relevant government agencies to establish a clear fiscal and operating regime for the sector.

The initiative and power or action to improve this situation thus rests with the MoMP.

This Ministry has implemented several initiatives to spur mineral sector development, however the following barriers remain evident, namely lack of:

- a conducive environment for private sector investment;
- reliable, recent, geological data available to potential investors;
- legal and regulatory stability, combined with an inadequate legal and regulatory regime; and
- institutional capacity within the Government for the administration of the mining sector.

To ameliorate this situation, the MoMP could adopt specific measures that includes but is not limited to: establishing transparent and adequate legal and regulatory framework; proper structure for administration of the sector; environment and social safeguard policies; ensuring health and safety of employees; ensure the availability of adequate geological data; enhanced revenue collection and revenue management systems; and mainstreaming into the legal regime measures that would facilitate investment, build institutional capacity, all for the benefit of Afghanistan's communities, its environment, and economy.

Each of these measures is discussed in detail and recommendation are provided in these documents for the development of mining industry and utilize the mineral resources for the socio-economic development and welfare of the people.

## 3. Policy Brief Recommendations

### 3.1 Policy Measures

#### 3.1.1 Modern Development of Afghanistan Mineral Resources

The Government should adopt the policies to develop the Afghanistan's mineral resources in a manner that reflects the modern global mining industry and in accordance with international best practices, ensure environmental and social safeguards and financial return for the benefit of Afghan citizens.

It should encourage investment in the mining sector by investors with the technical and economic capacities required for the efficacious extraction of the targeted subsoil resources (minerals), always ensuring that only investors with demonstrably reliable and sound good governance are granted mineral licenses in the country.

In doing so, the Government should promote improved technical performance and improved international competitiveness of the Afghan mining sector.

Since mineral resources are non-renewable, policies should support the sound and responsible stewardship of Afghanistan's natural resource endowment, including through encouraging in-country mineral beneficiation where economically and technically feasible.

#### 3.1.2 Legal and Regulatory Framework

A stable and responsive legal and regulatory framework is key to the development of mineral resources. In the last two decades, the mining law and related regulation in the country has fundamentally in Afghanistan on four different occasions, leading to the impression of an instable legal and regulatory environment, deleterious to attracting private sector investment.

Just two years after the most recent Mining Law was promulgated, in 2018, it is already evident that this new law is full of ambiguities and deficiencies, e.g. a complicated and unnecessarily onerous requirements for the awarding of mining licenses, even for small-scale and/or for the extraction of construction materials extraction.

Therefore, the Government is recommended to develop a comprehensive legal and regulatory framework that is stable, responsive to need, commensurate in its administrative expectations, and provides an enabling environment for investment.

Additionally, environmental, labour and other regulations already in force and published in official Government Gazettes should be amended in line with internationally-recognised mining sector good practice. Furthermore, technical, financial, health and safety, environmental, and social regulations should be drafted in order to support this same objective, and that of good mining sector governance, including transparency, e.g. the adoption of the Kimberley Process Certification Scheme with respect to Afghan diamond mining.

### 3.1.3 Integrated Infrastructure Development

The policies for the development of mineral resources should be in line in a manner that integrates and optimises related infrastructure developments such as power generation and supply, roads and rail, and support other local services. The mineral resources development should be supported by national and regional resource/ investment programmes. The Government should encourage the use of public-private partnerships to construct infrastructure that not only supports mine operations but also the broader regional development objectives.

### 3.1.4 Social and Environmental Protection

As the mining operations directly affects communities, it is important for the Government to consider the highest standards of social and environmental protection in its policies and should develop the country's mineral resources in a manner that includes environmental and social safeguards measures that the government of Afghanistan is committed in international conventions such as conventions on biological diversity, the United Nations Framework Convention on Climate Change, the Vienna Convention for the Protection of the Ozone Layer, the Convention on Migratory Species, and the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal.

### 3.1.5 Institutional Recommendation

The implementation, oversight and enforcement of the laws and regulation is the responsibility of the MoMP. The (a) Cadastral Inspectorate and the (b) Geological Survey are the two key MoMP Departments accountable for (a) mineral sector contract awards, licenses, regulatory enforcement and oversight, and (b) geological data management, surveys and exploration, respectively.

Government policies should ensure an appropriate capacity is in place within these Departments. The policies should encourage a suitable number of mine technicians, commercial staff, government officials and other essential professional and technical people are employed, well-trained and supervised.

The MoMP should develop international partnerships that support mid-career internships, training and other professional development opportunities both in Afghanistan and abroad such as affiliation of Afghanistan Geological Survey with the British Geological Survey and the United States Geological Survey, and partnerships with specialist centres of excellence in UK Universities.

## 4. Conclusions

The Afghan mining sector has the potential to contribute to the socio-economic development and welfare of the people of Afghanistan. The country's natural resource endowment is very significant, but the Government need to adopt proper measures to develop. Desirable policy outcomes including an enabling and stable legal and regulatory framework, strong institutional body and strong political will, will encourage national and foreign investments which will result in generating revenue for the Government, create job opportunities for the people and the development of infrastructure, e.g. roads, bridges, and downstream power/ electricity. Ultimately, accountable and sustainable development of mineral resources is a gateway to the development of economy and prosperity.

## 5. References

List of references as follows:

1. Summaries of important areas for mineral investment and production opportunities in Afghanistan, prepared in cooperation with U.S department of defense task force for business and stability operations and the Afghanistan geological survey.
2. National Mining Policy (NMP) of Islamic Republic of Afghanistan ministry of mines and petroleum (MoMP).  
Preliminary Non-Fuel Mineral Resource Assessment of Afghanistan 2007 published by USGS.
3. Afghanistan extractive sector road MAP published December 2017 by MoMP.
4. Afghanistan peace development framework (ANPDF).