Document of
The World Bank

Report No: ICR004223

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| IMPLEMENTATION COMPLETION AND RESULTS REPORT(IDA-H6990) ON AGRANTIN THE AMOUNT OF XDR 32.8 MILLION(US$ 52 MILLION EQUIVALENT)TO THEISLAMIC REPUBLIC OF AFGHANISTANFOR ASECOND SUSTAINABLE DEVELOPMENT OF NATURAL RESOURCES PROJECTFebruary 13, 2018Energy and Extractives Global PracticeAfghanistan Country OfficeSouth Asia Region |

CURRENCY EQUIVALENTS

(Exchange Rate Effective February 13, 2018)

Currency Unit = Afghani

 1.00 = US$ 0.00

US$ 1.00 = 69.00

FISCAL YEAR

July 01 – June 30

ABBREVIATIONS AND ACRONYMS

ADB Asian Development Bank

AE4D Afghanistan Extractives for Development

A-EITI Afghanistan Extractive Industries Transparency Initiative

AGE Afghan Gas Enterprise

ANDS Afghanistan National Development Strategy

ASM Artisanal and Small-Scale Mining

AusAID Australian Agency for International Development

CBR Capacity Building for Results

CDA Community Development Agreement

CHMP Cultural Heritage Management Plan

DAFA French Archaeological Delegation to Afghanistan

DFID Department for International Development

EFS Externally Funded Staff

EIA Environmental Impact Assessment

EIR Extractive Industries Review

EITI Extractive Industries Transparency Initiative

EIVC Extractive Industry Value Chain

ESIA Environmental and Social Impact Assessments

EPP Emergency Project Paper

ESMF Environment & Social Management Framework

GIZ Deutsche Gesellschaft für Internationale Zusammenarbeit

GoA Government of Afghanistan

GRM Grievance Redressal Mechanism

IAP International Advisory Panel

ICR Implementation Completion and Results Report

IMC Inter-Ministerial Council

ISR Implementation Status Report

HDI Human Development Index

IAP International Advisory Panel

IMF International Monetary Fund

M&E Monitoring and Evaluation

MAAP Mes Aynak Archeology Project

MFM Marco-Fiscal Management

MoIC Ministry of Information and Culture

MoM Ministry of Mines (over the course of project preparation, the title of the Ministry of Mines was changed to the Ministry of Mines and Petroleum)

MoMP Ministry of Mines and Petroleum

MTR Mid-Term Review

NCE Northern Coal Enterprise

NEIEP National Extractive Industries Excellence Program

NEPA National Environmental Protection Agency

NRVA National Risk and Vulnerability Assessment

PAD Project Appraisal Document

PAP Project Affected Peoples

PDO Project Development Objectives

PMU Project Management Unit

ROC Regional Operations Committee

SDNRP Sustainable Development of Natural Resources Project

SESA Strategic Environmental and Social Assessment

SIA Social Impact Assessments

T&C Trade and Competitiveness

TTL Task Team Leader

UNESCO United Nations Educational, Scientific and Cultural Organization

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| Regional Vice President: Annette DixonSenior Global Practice Director: Riccardo PulitiCountry Director: Shubham ChaudhuriSector Manager: Christopher SheldonProject Team Leader: Michael StanleyICR Team Leader: Noora Arfaa |

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| **AFGHANISTAN** |
| **SECOND SUSTAINABLE DEVELOPMENT OF NATURAL RESOURCES PROJECT** |
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| **CONTENTS** |

 |
| [1. Project Context, Development Objectives and Design 1](#_Toc504464649)[2. Key Factors Affecting Implementation and Outcomes 13](#_Toc504464650)[3. Assessment of Outcomes 25](#_Toc504464651)[4. Assessment of Risk to Development Outcome 40](#_Toc504464652)[5. Assessment of Bank and Borrower Performance 41](#_Toc504464653)[6. Lessons Learned 44](#_Toc504464654)[7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners 46](#_Toc504464655)[Annex 1. Project Costs and Financing 47](#_Toc504464656)[Annex 2. Outputs by Component 48](#_Toc504464657)[Annex 3. Economic and Financial Analysis 55](#_Toc504464658)[Annex 4. Other Donor Funded Activities 56](#_Toc504464659)[Annex 5. Bank Lending and Implementation Support/Supervision Processes 57](#_Toc504464660)[Annex 6. List of Supporting Documents 58](#_Toc504464661)[Annex 7: Map 59](#_Toc504464662) |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| **A. BASIC INFORMATION** |
| Country: | Afghanistan | Project Name: | Afghanistan: Sustainable Development of Natural Resources Project II |
| Project ID: | P118925 | L/C/TF Number(s): | IDA-H6990 |
| ICR Date: | 01/18/2018 | ICR Type: | Core ICR |
| Financing Instrument: | TAL | Borrower: | GOVERNMENT OF AFGHANISTAN |
| Original Total Commitment: | XDR 32.80M | Disbursed Amount: | XDR 24.73M |
| Revised Amount: | XDR 24.73M |  |  |
| **Environmental Category:** B |

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| **Implementing Agencies:**Ministry of Mines and Petroleum  |
| **Co-Financiers and Other External Partners:**  |

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| **B. KEY DATES** |
| **Process** | **Date** | **Process** | **Original Date** | **Revised / Actual Date(s)** |
| Concept Review: | 11/18/2010 | Effectiveness: | 09/17/2010 | 09/21/2011 |
| Appraisal: | 03/14/2011 | Restructuring(s): |  | 11/25/201406/30/2016 |
| Approval: | 05/31/2011 | Mid-term Review: | 01/27/2014 | 01/27/2014 |
|  |  | Closing: | 06/30/2016 | 03/30/2017 |

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| **C. RATINGS SUMMARY** |
| **C.1 Performance Rating by ICR** |
| Outcomes: | Moderately Unsatisfactory |
| Risk to Development Outcome: | Substantial |
| Bank Performance: | Moderately Satisfactory |
| Borrower Performance: | Moderately Unsatisfactory |

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| **C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)** |
| **Bank** | **Ratings** | **Borrower** | **Ratings** |
| Quality at Entry: | Moderately Satisfactory | Government: | Moderately Unsatisfactory |
| Quality of Supervision: | Satisfactory | Implementing Agency/Agencies: | Moderately Unsatisfactory |
| **Overall Bank Performance:** | Moderately Satisfactory | **Overall Borrower Performance:** | Moderately Unsatisfactory |

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| **C.3 Quality at Entry and Implementation Performance Indicators** |
| **Implementation Performance** | **Indicators** | **QAG Assessments** **(if any)** | **Rating**  |
| Potential Problem Project at any time (Yes/No): | Yes | Quality at Entry (QEA): | None  |
| Problem Project at any time (Yes/No): | Yes | Quality of Supervision (QSA): | None  |
| DO rating before Closing/Inactive status: | Moderately Unsatisfactory |  |   |

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| **D. SECTOR AND THEME CODES** |
|  | **Original** | **Actual** |
| **Major Sector/Sector** |  |  |
| Education |  |  |
|       Workforce Development and Vocational Education | 4 | 4 |
| Energy and Extractives |  |  |
|       Other Energy and Extractives | 10 | 10 |
|       Public Administration - Energy and Extractives | 51 | 51 |
|       Mining | 35 | 35 |

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| **Major Theme/Theme/Sub Theme** |  |  |
| Environment and Natural Resource Management |  |  |
|       Environmental Health and Pollution Management | 5 | 5 |
|             Air quality management | 5 | 5 |
|             Soil Pollution | 5 | 5 |
|             Water Pollution | 5 | 5 |
| Private Sector Development |  |  |
|       Business Enabling Environment | 17 | 17 |
|             Regulation and Competition Policy | 17 | 17 |
|       Jobs | 12 | 12 |
|             Job Creation | 12 | 12 |
|       Public Private Partnerships | 10 | 10 |
| Public Sector Management |  |  |
|       Public Administration | 17 | 17 |
|             Administrative and Civil Service Reform | 17 | 17 |
|       Rule of Law | 17 | 17 |
|             Legal Institutions for a Market Economy | 17 | 17 |
| Urban and Rural Development |  |  |
|       Rural Development | 12 | 12 |
|             Rural Infrastructure and service delivery | 12 | 12 |
|       Urban Development | 12 | 12 |
|             Urban Infrastructure and Service Delivery | 12 | 12 |

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| **E. BANK STAFF** |
| **Positions** | **At ICR** | **At Approval** |
| Regional Vice President: | Annette Dixon | Isabel M. Guerrero |
| Country Director: | Shubham Chaudhuri | Nicholas J. Krafft |
| Practice Manager: | Christopher Gilbert Sheldon | Paulo De Sa |
| Task Team Leader(s): | Michael C. Stanley | Michael C. Stanley |
| ICR Team Leader: | Noora Arfaa |  |
| ICR Primary Author: | Noora Arfaa |  |
|  | Michael C. Stanley |  |

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| **F. RESULTS FRAMEWORK ANALYSIS** |
| **Project Development Objectives (from Project Appraisal Document)**To assist the MoM and NEPA in further improving their capacities to effectively regulate Afghanistan's mineral resource development in a transparent and efficient manner, and foster private sector development.  |
| **Revised Project Development Objectives (as approved by original approving authority)** |

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| **(a) PDO Indicator(s)** |
| **Indicator** | **Baseline Value** | **Original Target Values (from approval documents)** | **Formally Revised Target Values** | **Actual Value Achieved at Completion or Target Years** |
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| **Indicator 1:** | Cumulative number of tenders for larger mining and hydrocarbon deposits. | **Indicator 1 :** | Cumulative number of tenders for larger mining and hydrocarbon deposits (Number, Custom) |
| Value quantitative or Qualitative) | 1 | 4 |  | 10  | Value quantitative or Qualitative) |  |  |  |  |
| Date achieved | 09/01/2011 | 09/01/2011 |  | 03/30/2017 | Date achieved |  |  |  |  |
| Comments (incl. % achievement) | The achievement for this target was exceeded. | Comments (incl. % achievement) |  |

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| **Indicator 2:** | Production data collected and reported for medium scale and for large scale mining and hydrocarbon. | **Indicator 1 :** | Production data collected and reported for medium scale and for large scale mining and hydrocarbon operations (Number, Custom) |
| Value quantitative or Qualitative) | 1 | 4 |  | 10 | Value quantitative or Qualitative) |  |  |  |  |
| Date achieved | 09/01/2011 | 09/01/2011 |  | 03/30/2017 | Date achieved |  |  |  |  |
| Comments (incl. % achievement) | The achievement for this target was exceeded. The production data is available in AEITI 4& 5th reconciliation reports. Both reports are publicly available at AEITI Website at http://aeiti.af/en. | Comments (incl. % achievement) |  |

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| **Indicator 3:** | Number of corporatization plans drafted. | **Indicator 1 :** | Number of corporatization plans drafted (cumulative) |
| Value quantitative or Qualitative) | 0 | 3 | 2 | 2 | Value quantitative or Qualitative) |  |  |  |  |
| Date achieved | 09/01/2011 | 09/01/2011 | 12/12/2014 | 03/30/2017 | Date achieved |  |  |  |  |
| Comments (incl. % achievement) | The change in the end target from 3 to 2 corporatizations plans was because of Shifting priorities. The corporatization of the fertilizer plant was no longer a priority for thegovernment. This target had a 100 percent achievement rate. | Comments (incl. % achievement) |  |

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| **Indicator 4:** | EITI Reconciliation Reports issued. | **Indicator 1 :** | EITI Reconciliation Reports issued (cumulative) |
| Value quantitative or Qualitative) | 1 | 3 |  | 5 | Value quantitative or Qualitative) |  |  |  |  |
| Date achieved | 09/01/2011 | 09/01/2011 |  | 03/30/2017 | Date achieved |  |  |  |  |
| Comments (incl. % achievement) | The achievement rate for this target was exceeded. | Comments (incl. % achievement) |  |

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| **Indicator 5:** | Field investigation reports for HSE compliance at medium and large scale mining and oil/gas operations(reports prepared, issued, corrective actions taken by operator).  | **Indicator 1 :** | Field investigation reports for HSE compliance at medium and large scale mining and oil/gas operations (reports prepared, issued, corrective actions taken by operator) (Number, Custom) |
| Value quantitative or Qualitative) | 1 | 5 |  | 8 | Value quantitative or Qualitative) |  |  |  |  |
| Date achieved | 09/01/2011 | 09/01/2011 |  | 03/30/2017 | Date achieved |  |  |  |  |
| Comments (incl. % achievement) | The achievement rate for this target was exceeded. | Comments (incl. % achievement) |  |

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| **Indicator 6:** | Percent of Women trained (as a percentage of total trained) in gemstone cutting, polishing and jewelrymaking.  | **Indicator 1 :** | Percent of Women trained (as a percentage of total trained) in gemstone cutting, polishing and jewelry making. (Percentage, Custom) |
| Value quantitative or Qualitative) | 1 | 40 |  | 72 | Value quantitative or Qualitative) |  |  |  |  |
| Date achieved | 09/01/2011 | 09/01/2011 |  | 03/30/2017 | Date achieved |  |  |  |  |
| Comments (incl. % achievement) | The activity related to gemstones was meant to target women as the primary beneficiary;At restructuring it was agreed that the corresponding indicator should be revised to be more explicit about this intended focus on female workers. Target exceeded. | Comments (incl. % achievement) |  |

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| **Indicator 7:** | Percentage of sites in Aynak Valley with antiquities where protection activities have started versustotal number of sites within the red zone. | **Indicator 1 :** | Percentage of sites in Aynak Valley with antiquities where protection activities have started versus total number of sites within the red zone (Percentage, Custom) |
| Value quantitative or Qualitative) | 10 | 50 |  | 90 | Value quantitative or Qualitative) |  |  |  |  |
| Date achieved | 09/01/2011 | 09/01/2011 |  | 03/30/2017 | Date achieved |  |  |  |  |
| Comments (incl. % achievement) | Project activities related to archeological preservation were originally designed to onlyfocus on the main zone of impact from mining activities, rather than the entireconcession area. Target exceeded. | Comments (incl. % achievement) |  |

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| **(b) Intermediate Outcome Indicator(s)** |
| **Indicator** | **Baseline Value** | **Original Target Values (from approval documents)** | **Formally Revised Target Values** | **Actual Value Achieved at Completion or Target Years** |
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| **Indicator 1:** | Publication of a new Mining Sector Development Strategy and new policies and plans regarding quarryingand ASM mining. |
| Value quantitative or Qualitative) | Overarching national Extractive Industries Excellence Program (NEIEP) published in draft | ASM Mining plan approved and published |  | One main and 18 individual policies including ASM have been made approved and published. |
| Date achieved | 09/01/2011 | 09/01/2011 |  | 03/30/2017 |
| Comments (incl. % achievement) | 100% achievement rate.http://policymof.gov.af/infrastructure-development-cluster/national-extractive-industry-excellence-programme/ |

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| **Indicator 2:** | % of new geodata collected as a percentage to total area. |
| Value quantitative or Qualitative) | 10 | 85 |  | 85 |
| Date achieved | 09/01/2011 | 09/01/2011 |  | 03/30/2017 |
| Comments (incl. % achievement) | The target for this indicator was reduced from 95% to 85% to reflect a more realistic target at thetime of the MTR. 100% achievement rate. |

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| **Indicator 3:** | Percent of licenses digitized. |
| Value quantitative or Qualitative) | 5 | 85 |  | 90 |
| Date achieved | 09/01/2011 | 09/01/2011 |  | 03/30/2017 |
| Comments (incl. % achievement) | The target for this indicator was reduced from 95% to 85% to reflect a more realistic target at thetime of the MTR. The achievement rate for this target was exceeded. |

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| **Indicator 4:** | Number of days to process medium scale licenses. |
| Value quantitative or Qualitative) | 180 | 90 |  | 90 |
| Date achieved | 09/01/2011 | 09/01/2011 |  | 03/30/2017 |
| Comments (incl. % achievement) | 100% achievement rate |

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| **Indicator 5:** | Number of trained mine inspectors. |
| Value quantitative or Qualitative) | 30 | 50 |  | 32 |
| Date achieved | 09/01/2011 | 09/01/2011 |  | 03/30/2017 |
| Comments (incl. % achievement) | This target was not achieved - 64% achievement rate |

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| **Indicator 6:** | Staffing and annual budget for the compliance office at NEPA. |
| Value quantitative or Qualitative) | None. | Additional staff positons identified and in the process of being filled. |  | Consultancy Services for Building Regulatory Capacity in the National EnvironmentalProtection Agency was successfully implemented over a two year period. |
| Date achieved | 09/01/2011 | 09/01/2011 |  | 03/30/2017 |
| Comments (incl. % achievement) | Staff was hired for the duration of the project only. Not achieved. |

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| **Indicator 7:** | Number of inspectors trained in inspecting appropriate mining techniques and environmental management. |
| Value quantitative or Qualitative) | 10 | 30 |  | 30 |
| Date achieved | 09/01/2011 | 09/01/2011 |  | 03/30/2017 |
| Comments (incl. % achievement) | 100% achievement rate. |

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| **Indicator 8:** | Number of Mining Regulations Promulgated. |
| Value quantitative or Qualitative) | 0 | 6 |  | 0 |
| Date achieved | 11/25/2014 | 11/25/2014 |  | 03/30/2017 |
| Comments (incl. % achievement) | Not Achieved. Regulations were drafted but not promulgated pending passage of amendment to the mining code. |

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| **Indicator 9:** | NEPA Promulgates sector standards for mining. |
| Value quantitative or Qualitative) | 0 | Final draft standard tabled for adoption. |  | Final draft prepared. |
| Date achieved | 11/25/2014 | 11/25/2014 |  | 03/31/2017 |
| Comments (incl. % achievement) | This outcome was not achieved. |

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| **Indicator 10:** | Annual Report for contract compliance monitoring for Aynak and Hajigak prepared and publicly disseminated. |
| Value quantitative or Qualitative) | 0 | 5 |  | 4 |
| Date achieved | 11/25/2014 | 11/25/2014 |  | 03/01/2017 |
| Comments (incl. % achievement) | This target was partially achieved at 80%. |

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| **G. RATINGS OF PROJECT PERFORMANCE IN ISRs** |
| **No.** | **Date ISR****Archived** | **DO** | **IP** | **Actual Disbursements****(USD millions)** |
| 1 | 05/12/2012 | Satisfactory | Satisfactory | 2.50 |
| 2 | 03/25/2013 | Satisfactory | Satisfactory | 3.80 |
| 3 | 11/02/2013 | Satisfactory | Moderately Satisfactory | 6.65 |
| 4 | 05/17/2014 | Moderately Satisfactory | Moderately Satisfactory | 9.34 |
| 5 | 12/13/2014 | Moderately Satisfactory | Satisfactory | 15.68 |
| 6 | 06/28/2015 | Moderately Unsatisfactory | Moderately Unsatisfactory | 21.16 |
| 7 | 12/31/2015 | Moderately Unsatisfactory | Moderately Unsatisfactory | 27.80 |
| 8 | 11/22/2016 | Moderately Unsatisfactory | Moderately Unsatisfactory | 33.12 |

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| **H. RESTRUCTURING (IF ANY)** |
| **Restructuring Date(s)** | **Board Approved PDO Change** | **ISR Ratings at Restructuring** | **Amount Disbursed at Restructuring in USD Millions** | **Reason for Restructuring & Key Changes Made** |
| **DO** | **IP** |
| 11/25/2014 | N | MS | MS | 14.94 | The first restructuring took place shortly after a mid-term review, and was aimed at eliminating duplication with other donor funded activities and realigning the project with evolving government priorities in the sector, and included the cancellation of a number of specific project activities, reduction in the allocated amount budgeted for other activities, resulting in a US $9 million cancellation in the grant amount. |
| 06/30/2016 | N | MU | MU | 30.28 | The second restructuring included the following: (a) a nine-month extension of the project closing date from June 30, 2016 to March 30, 2017 for several targeted priority activities; (b) partial cancellation of the remaining activities and funds in the amount of US $3.0 million; (c) and reallocation of resources among Project components and related changes to the financing plan. The aim of this restructuring was to ensure continuity of a number of critical activities under the project, particularly those related to safeguards and the EITI. |

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| 1. **DISBURSEMENT PROFILE**
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# 1. Project Context, Development Objectives and Design

**1.1 Context at Appraisal**

**1.1.1 Country Context**

1. Since 2002, the Government of Afghanistan (GoA) has been engaged in programs to build security, legitimacy, and the economy in Afghanistan. By 2011, the GoA had made remarkable progress in many areas such as primary education, basic health services, irrigation rehabilitation, and rural development. However, at the time, the country remained extremely fragile. Security was (and still is) a serious obstacle to the delivery of reconstruction assistance and implementation of reconstruction programs. Afghanistan’s poverty and social indicators were among the lowest in the world. The combination of poverty, insecurity, a significant dependence on foreign aid, a very low domestic revenue base, and poor governance meant the GoA faced daunting challenges in taking the reconstruction agenda forward.
2. Since 2002 there had been strong, though slowing, economic growth in Afghanistan, with annual GDP growth varying between 9 percent and 16.2 percent. The per capita annual income had increased from US$189 in 2002/03 to US$426 in 2008/09. However, despite ongoing reconstruction efforts Afghanistan remained one of the poorest countries in the world. In 2007, Afghanistan ranked 174 out of 178 countries on the global Human Development Index (HDI). According to the 2008 National Risk and Vulnerability Assessment (NRVA), 36 percent of the population was below the poverty line (i.e. AFN 1,942 per person per month in urban areas of central Afghanistan). While 36 percent of the population were unable to meet their basic needs, many more people were susceptible to becoming poor. Even a small negative shock had the potential to move many individuals into poverty. The vast majority of the poor (84 percent) and above 70 percent of the overall population lived in rural areas and were dependent on agriculture and livestock for livelihoods.
	* 1. **Sector Context**
3. Afghanistan has a large natural resource endowment, which includes oil, natural gas, copper, coal, marble, gemstones, construction materials, iron ore, gold, lithium and other industrial minerals – that provide the country with a diversity of development opportunities. In addition to this, the country has one of the oldest mining sectors in the world, tracing back to copper mining at Aynak and gold mining at Bamiyan (some 3,000 years ago). Thus, for millennia local people have utilized the mineral endowment for trade, energy, construction, and personal use. Natural gas production over the past fifty years has been at a larger industrial scale, while many smaller mining operations continue through inter-generational, family succession. Importantly, many of these smaller mining operations have not been formalized using modern licensing regimes or subjected to modern regulatory oversight[[1]](#footnote-1).
4. By 2010/11, development of Afghanistan’s minerals was identified as the single most important lever to diversify the economy, create employment and raise government revenues. Most widely discussed resources include (a) both the Aynak copper resource and the Hajigak iron ore deposits that have been partially inventoried, providing expectation for larger economic impact and development of associated infrastructure when developed, (b) numerous highly prospective mineral deposits which were ready to be tender for exploration, and (c) natural gas deposits in Sherbegon for which past investments have gone into assessing and producing these resources, but also required additional investments to make the sector more viable. Importantly, natural gas provided domestic energy for power, city gas distribution, transport, fertilizers and heat industries (cement and brick making).
5. With varying estimates of in-situ resource wealth estimated to be billions of dollars, the government’s tender of the Aynak copper deposit in 2007, with World Bank technical assistance, demonstrated the interest of international investors to further explore the nation’s mineral endowment.[[2]](#footnote-2) Emerging new geological data has also served to increase understanding of the potential for oil, gas and minerals production. The Ministry of Mines and Petroleum (MoMP) and the Afghan Geological Survey (AGS) promote this potential, emphasizing that Afghanistan is a global minerals warehouse that has missed a generation of modern prospecting technologies and for which discovery potential remains high.
6. Wealth in minerals, oil, and gas is not enough to attract international investors into countries such as Afghanistan to help it develop its resource sector and drive revenue generation. One of the main obstacles to sector development was (and continues to be) weak institutions, weak governance, poor infrastructure, and high-levels of corruption. There have been a many reports of wide-spread corruption throughout the country, including in the oil, gas and mining sector. The most substantiated claims have been regarding mining in the informal (Artisanal), small and medium-scale, and gemstone sectors, and oftentimes in areas of the country where the Ministry of Mines and Petroleum may have little direct oversight over mining operations. Claims have been made that in some cases parliamentarians and other government officials in resource rich parts of the country are directly involved in the extraction of minerals without making official royalty and tax payments to the GoA or have been awarded licenses without due process and a disclosure of ownership rights.
7. Moreover, according to a report published by the United States Institute for Peace (USIP, June 2017) [[3]](#footnote-3) “The bulk of this industrial-scale mineral looting—which has burgeoned over the past decade—has occurred not through surreptitious smuggling but openly, in significant mining operations, with visible transport of minerals on large trucks along major highways and across the Afghan border at a few government-controlled points.” This and other reports go on to claim that this widespread corruption, coupled with the lack of oversight and strong governance in the sector, serves to benefit and strengthen the power of warlords, partly funds the Taliban, and fuels both local conflicts and the wider insurgency.

*Status of Sector Development*

1. At the time of project preparation, the Government of Afghanistan’s development priorities and guides for mineral sector development focused on strengthening sector governance through the following four components:
* Strengthen institutional capacity
* Collecting geo-technical information and investment promotion
* Building regulatory, inspection, and contractual compliance capacity
* Fostering government collaboration and economic linkages to achieve shared value
1. This plan was designed to ensure that Afghanistan will have (a) a well-regulated, revenue generating extractive industries that attracts investment and supports responsible economic growth, supported by; (b) fully developed sector policies, laws and regulations to support transparent extractive industries growth in Afghanistan. The plan itself has higher level reforms that strengthen institutions, staff and development frameworks, but was largely silent on key pending actions on specific resource assets.
2. While the GoA had continuously collaborated with the World Bank and other key donors since 2004, in 2011 they requested additional support for the sector in anticipation of the scheduled closure of the first Afghanistan Sustainable Development of Natural Resources Project (SDNRP). At the time, donor support to mineral sector development included technical support for the Afghan Geological Survey (notably the U.S. Geological Survey and the British Geological Survey), provision of policy advice, regulatory support, administrative strengthening, and investment promotion. Also, the Asian Development Bank (ADB) was involved in conducting feasibility studies for railroads in the north of the country.
3. With assistance provided under the first IDA-supported SDNRP, the regulatory framework for the minerals sector was nearing completion; there was significant progress in institution building on the technical and revenue-generation aspects of mining, and the first stages of development of a world-class copper mine at Aynak were underway following competitive award procedures.
4. The Government further elaborated its strategy in two documents, namely, the Oil, Gas and Mining Sector Vision, and the National Extractive Industries Excellence Program (NEIEP), with the following goals:
* Fully developed sector policies and legislative reform to support extractive industries growth in Afghanistan
* A strong regulatory environment for responsible sector management, including environmental and social performance
* A modernized and strong MoMP able to deliver results
* An enabling business environment to attract private sector investment
* Reliable and updated geological information to support sector growth
1. The expected results from the NEIEP included strengthened, dynamic and efficient mineral sector which is imperative to stabilizing the Afghan economy and was expected to have positive widespread downstream effects on the people of Afghanistan. Job creation, revenue generation and alternative livelihoods could have considerable impacts at the local / provincial level. In addition, ensuring proper management of the extractives sector was expected to improve the environmental impact of mining nationally and help to provide gender benefits in some of the remote gemstone mining areas.
	* 1. **Rationale for Bank Assistance**
2. Notwithstanding the Government’s commitment and initial progress, Afghanistan faced significant challenges to successfully implement its strategy and achieve its goals for the minerals sector.
3. The GoA held a series of consultative discussions with the donor community on the NEIEP and requested donor support to assist with the implementation of the strategy. In the wake of increasing foreign investors’ interest in the minerals sector in Afghanistan, the most critical and urgently needed technical assistance pertained to expert advisory services and further capacity building of the key institutions (MoMP and NEPA) for governing the activities in the first two chevrons of the EI Value Chain, (i.e. Award of Contracts and Licenses, and Regulation and Monitoring of Operations). See the diagram on pg. 16 for more information on the EI Value Chain.
4. The second Afghanistan Sustainable Development of Natural Resources Project (SDNRP2) project was designed to respond to the Government’s request to provide immediate technical assistance needed to ensure the sector activities were being pursued on a transparent and sustainable development path. While the first SDNRP operation was responsible for putting in place many of the basic underlying frameworks and regulations, enforcement of these as well as the need to respond to the rapidly developing environment of the sector underscored the emergency nature of the project interventions. The World Bank with its global experience of assisting countries with a holistic approach to mineral sector development was uniquely positioned to continue to support the GoA to achieve its goal of maximizing the development outcomes of its mineral resources. The successful implementation of the original SDNRP project (which started in 2006 and closed in 2013) laid the foundations for further successful sector engagement.

**1.2 Original Project Development Objectives (PDO) and Key Indicators (*as approved*)**

1. The original project development objective (PDO) for this project is “*to assist the Ministry of Mines (MoM)[[4]](#footnote-4) and the National Environmental Protection Agency (NEPA) in further improving their capacities to effectively regulate Afghanistan’s mineral resource development in a transparent and efficient manner, and foster private sector development.”*
2. The key PDO level indicators at Board approval are as follows:
3. Cumulative number of tenders for larger mining and hydrocarbon deposits (completed to selection of preferred bidder).
4. Production data collected and reported for medium scale and for large scale mining and hydrocarbon operations.
5. Number of corporatization plans drafted.
6. View of key stakeholders such as local non-state actors, international companies and the donor community as to how well the sector is managed and how transparent are licensing decisions and approvals.
7. EITI Reconciliation Reports issued (cumulative).
8. Field investigation reports for HSE compliance at medium and large scale mining and oil/gas operations (reports prepared, issued, corrective actions taken by operator).
9. Number of workers in gemstone cutting, polishing and jewelry making, and percentage of women.
10. Percentage of sites in Aynak Valley with antiquities where protection activities have started versus total number of sites.

**1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification**

1. The PDO remained relevant and unchanged throughout the life of the project. The results framework was updated in November 2014 (an outcome of the Mid-Term Review), based on the experience of project implementation.
2. There were eight PDO Indicators which reflected a range of interventions necessary to achieve the PDO which spanned economy wide impacts of mining sector development and sector governance. The original PDO and Intermediate Outcome Indicators are shown in Table 1. The intermediate indicators were, for the most part, intended to relate to the progressive achievement of the core PDO Indicators.
3. The justification for the revisions at the time of project restructuring (RES #14038), based on the findings of the mid-term review, was in some cases to clarify and simplify the indicator and its intent when the project was originally designed. For instance, as set out in the Project Appraisal Document (PAD), the activity related to gemstones was meant to target women as the primary beneficiary; at restructuring it was agreed that the corresponding indicator should be revised to better reflect women as the target group. Similarly, project activities related to archeological preservation were originally designed to only focus on the main zone of impact (defined later by DAFA and the Ministry as the ‘Red Zone’). In addition, several other intermediate indicators were dropped since the corresponding activities were no longer relevant to the project or being implemented by other donors. See the table below for a detail on the revisions made to the results framework.

**Table 1: Revision to SDNRP2 Results Framework (as of November 2014)**

|  |
| --- |
| **PDO Level Indicators** |
|  | **Status** | **Indicator Name** | **Unit of Measure** | **Baseline** | **End Target** | **Rational for Revisions** |
| 1 | No Change | Cumulative number of tenders for larger mining and hydrocarbon deposits | Number | 1.00 | 4.00 |  |
| 2 | No Change | Production data collected and reported for medium scale and for large scale mining and hydrocarbon operations | Number | 1.00 | 10.00 |  |
| 3 | Revised | Number of corporatization plans drafted (cumulative) | Number | 0.00 | 2.00 | The change in the end target from 3 – 2 corporatizations plans was because of shifting priorities. The corporatization of the fertilizer plant was no longer a priority for the government. |
|  |  | Number of corporatization plans drafted (cumulative) | Number | 0.00 | 3.00 |  |
| 4 | Marked for Deletion | View of key stakeholders such as local non-state actors, international companies and the donor community as to how well the sector is managed and how transparent are licensing decisions and approvals | Number | 0.00 |  | The ministry and PMU did not have the capacity to undertake the evaluations necessary to measure this target.  |
| 5 | No Change | EITI Reconciliation Reports issued (cumulative) | Number | 1.00 | 3.00 |  |
| 6 | No Change | Field investigation reports for HSE compliance at medium and large scale mining and oil/gas operations (reports prepared, issued, corrective actions taken by operator) | Number | 1.00 | 5.00 |  |
| 7 | Revised | Percent of Women trained (as a percentage of total trained) in gemstone cutting, polishing and jewelry making. | Number |  | 40.00 | The activity related to gemstones was meant to target women as the primary beneficiary; at restructuring it was agreed that the corresponding indicator should be revised to be more explicit about this intended focus on female workers. The substance of the indicator largely remained the same. In addition, the target was revised downward to a more reasonable number given the increasing security constraints and resulting challenges to accessing women outside of the household. |
|  |  | Number of workers trained in gemstone cutting, polishing and jewelry making, and percentage of women | Number |  | 300.50 |  |
| 8 | Revised | Percentage of sites in Aynak Valley with antiquities where protection activities have started versus total number of sites within the red zone | Percentage | 10.00 | 50.00 | Project activities related to archeological preservation were originally designed to only focus on the main zone of impact from mining activities (defined later by DAFA and the Ministry as the Red Zone), rather than the entire concession area. |
|  |  | Percentage of sites in Aynak Valley with antiquities where protection activities have started versus total number of sites | Percentage | 10.0001-Sep-2010 | 50.0030-Dec-2016 |  |
| **Intermediate Level Indicators** |
| 1 | No Change | Publication of a new Mining Sector Development Strategy and new policies and plans regarding quarrying and ASM mining | Text | Overarching national Extractive IndustriesExcellence Program (NEIEP) published in draft | ASM Mining plan approved and published |  |
| 2 | Marked for Deletion | Number of Sub-Sector Strategies drafted | Number | 1.00 | 5.00 | This activity was implemented by another donor. |
| 3 | Revised | % of new geodata collected as a percentage to total area | Percentage | 10.00 | 85.00 | The target for this indicator was lowered to reflect a more realistic target |
|  |  | % of new geodata collected as a percentage to total area | Percentage | 10.00 | 95.00 |  |
| 4 | Revised | Percent of licenses digitized | Percentage | 5.00 | 85.00 | The target for this indicator was lowered to reflect a more realistic target |
|  |  | Number of licenses digitized | Percentage | 5.00 | 95.00 |  |
| 5 | No Change | Number of days to process medium scale licenses | Days | 180.00 |  |  |
| 6 | No Change | Number of trained mine inspectors | Number | 30.00 | 50.00 |  |
| 7 | Marked for Deletion | Time taken for NEPA to respond to sector environmental and social reports | Months | 9.00 | 4.00 | The indicator was no longer relevant since at the time no environmental and social reports were submitted to NEPA for regulatory review. The mining sector had not yet reached that stage of development. |
| 8 | No Change | Staffing and annual budget for the compliance office at NEPA | Text | 0 | Additional staff positons identified and in the process of being filled. |  |
| 9 | Marked for Deletion | MoMP uses the complete resource corridor data base to prepare an analysis of outward economic linkages for the resource corridor | Text | Baseline report is drafted | Outward linkage analysis completed | This activity is being implemented through another (donor funded) Bank project. |
| 10 | Marked for Deletion | Number of workers trained at the gemstone center and % who are women | Text | 50/15 | 500/40 | Duplicate indicator and was already being measured. |
| 11 | New | Number of inspectors trained in inspecting appropriate mining techniques and environmental management | Number | 0.00 | 30.00 | To strengthen the monitoring of impact from the project on the Ministry’s core regulatory oversite capacity which is directly linked to the PDO and an output of project activities. |
| 12 | New | Number of Mining Regulations Promulgated | Number | 0.00 | 6.00 | To strengthen the monitoring of impact from the project the preparation of regulations which is directly linked to the PDO and an output of project activities. |
| 13 | New | NEPA Promulgates sector standards for mining | Text | 0 | Final draft standard tabled for adoption | Measures outcome of the expanded support that was being provided to NEPA through the project |
| 14 | New | Annual Report for contract compliance monitoring of Aynak and Hajigak prepared and publicly disseminated | Number | Baseline is 0 - process of quarterly reporting summarized into an Annual Report | 5.00 | Measures outcome of the support that was being provided through a large contract |

**1.4 Main Beneficiaries**

1. The main beneficiaries identified in the PDO are the MoMP and NEPA, both of which received substantial capacity building and technical assistance. In addition to this, the National Secretariat for the Afghanistan Extractive Industries Transparency Initiative (A-EITI, housed at the Ministry of Finance) received direct support from the project to undertake their day-to-day activities. The Ministry of Information and Culture (MoIC) was later added as a direct beneficiary of the project, receiving technical assistance and capacity building from UNESCO on issues related to the intersection of cultural preservation and the development of the extractive industries. There are also four other indirect beneficiaries which were not specifically identified in the PDO. First, mine workers are beneficiaries of increased inspections to improve health and safety conditions at existing small mining operations. Second, people in mining communities, in particular in Logar Provine, where Aynak copper-gold deposit is located, were beneficiaries of the improved environmental and social protection capabilities of both MoMP and NEPA, and jobs as laborers from the archeological program. Third, civil society were beneficiaries from (a) the development of environmental guidelines and the capacity of MoMP and NEPA to monitor environmental performance and enforce standards as well as the protection of cultural heritage in the Aynak mining area; and (b) the improved government finances and more robust economy as a result of new mining investment and higher fiscal collections from the mining sector and the Aynak premium. Fourth, given the focus on improving the investment environment for private sector mining investment, another target group another private sector mining investors.

**1.5 Original Components (as approved)**

1. The project’s activities are summarized below:
2. **Component A: Award of Contracts and Licenses - Access to Resources (US$12.4m) -** i)*Development of Policy Frameworks including Resource Corridor Assessments* - preparationof sub-sector development policies by commodity to guide sustainable development. Thisincluded the policy frameworks for artisanal and small-scale mining (ASM), anddecorative stones and quarry development. Further, this sub-component addressed widerSector Development Policy to guide EI sector development (with a strong emphasis on creating an enabling environment for major projects with international investors for preciousmetals, strategic minerals, other ferrous minerals and industrial minerals). It was also design to assist in the provision of policy frameworks for planning Public Private Partnership schemes for infrastructure development, specifically for railroads, roads and energy, which are anunderlying necessity for successful deposit development, especially for iron ore.ii)*Tendering processes of deposits -* establishment of a Secretariat within the Inter-MinisterialCommittee that is charged with the processing of the tenders, and the provision of additional advisory assistance through the International Advisory Panel (IAP); also, this activity included continued support to execute the ongoing Hajigak tender process. iii) *Advancing Geoscientific* *Knowledge* - collection of new geodata and the digital capture of existing historical geodata for the development of a modern computerized geo-database in order to attract exploration interest that is necessary to sustain discovery of new deposits and sector growth.
3. **Component B: Regulation and Monitoring of Operations (US$22.0m) -** i) *Modernization of the Cadastre* - including the provision of up-to-date software to enable computerized cadastre management and related training for MoMP staff. *ii) Implementation of a Dynamic Inspection & Contract Compliance Regime* - strengthening of monitoring and enforcement capabilities covering all aspects of mining related activities, including the training of inspectors in Kabul and the decentralized offices, support for NEPA including preparation of environmental and social frameworks and instruments including a Resettlement Policy Framework for Hajigak and an Environmental and Social Management Framework; development of a national directive for the use of explosives; strengthening of contractual compliance monitoring in general, and for Aynak and Hajigak as a specific activity. Since monitoring of mining activities is a multi-stakeholder activity, local communities were also supported by drafting stakeholder participation frameworks. iii) *MoMP Mining Institute* - to provide relevant technical and vocational education and training. The Institute was to provide up to ten workshops annually after inauguration, including classroom courses, field courses and short courses. iv) *Improving the Business Environment and Reform of State Minerals Enterprises* – including first phase reform of gas, fertilizer and minerals extraction enterprises, complemented by appropriate training for relevant staff. This activity was designed to further be supported by a strong communication strategy to make the global investors community aware of the progress in the country. v) *Extractive Industries Transparency Initiative* - continuing to support for the implementation of the EITI, in close collaboration with other donors. Emphasis was to put on enabling the regular production of independent reconciliation of extractive industries revenues and the subsequent dissemination, as well as capacity building and training for the multi –stakeholder working group. vi) *Policy Framework for Mineral Revenue Management* - provision of policy frameworks and options in accordance with good governance practices in order to support stakeholder consultation with the goal to find sufficiently flexible rules that will direct use of mining revenues towards benefit sharing and spending on public goods.
4. **Component C: Preservation of Aynak Antiquities and Support for Alternative Livelihoods through Sustainable ASM (US$7.6m) -** i) *Aynak Antiquity and Artisan craft production* - Support the implementation of the Archaeological Recovery and Preservation Plan of the Aynak antiques for the recovery and preservation of the cultural resources of the Aynak valley (Mes Aynak antiquities) with emphasis on integration of the artifact recovery plan with the Aynak mining plan, and ensuring recovery in high-priority areas. The communities around Aynak were also be to supported with jewelry making programs, with an emphasis to boost women’s employment. ii) *Artisanal and Small-scale Mining Directorate* – drafting of a strategy for an ASM Directorate within the Ministry of Mine, and the subsequent establishment thereof. Training for staff working under this Directorate was also included. iii) *Training and Market Access for Gemstones* - direct technical assistance to the artisanal gemstone sector to support added value e.g. cutting and polishing, with a special emphasis on women’s employment in jewelry making and gemstone cutting. iv) *Support for ASM Communities and Mining Cooperatives through Technical Training* - Training (modern mining techniques, environmental management, small business management) was designed to be tailored according to the type of mineral mines, and can include market access strategies for gemstone and decorative stone miners.
5. **Component D: Project Implementation Support (US$10m) -** *To finance all the activities of the Project Management Unit (PMU)* needed to manage the project activities efficiently and effectively. This included funds to cover incremental operating costs, PMU staff costs, monitoring and evaluation of project activities, and compliance with Bank fiduciary and safeguards requirements. This component also financed direct capacity building for the Ministry of Mines to enable more effective public information disclosure as well as related public consultation processes.

**1.6 Revised Components and Other significant changes**

1. The SDNRP2 was restructured twice. The first restructuring took place in December 2014, shortly after a mid-term review, and was aimed at eliminating duplication with other donor funded activities and realigning the project with evolving government priorities in the sector. The restructuring included the cancellation of a number of specific project activities, reduction in the allocated amount budgeted for other activities, resulting in a US $9 million cancellation in the grant amount (See para 28 for more details).
2. The second restructuring took place in June 2016, and included the following: (a) a nine-month extension of the project closing date from June 30, 2016 to March 30, 2017 for several targeted priority activities; (b) partial cancellation of the remaining activities and funds in the amount of US $3.0 million; (c) and reallocation of resources among Project components and related changes to the financing plan. The aim of this restructuring was to ensure continuity of a number of critical activities under the project, particularly those related to safeguards and the Extractives Industries Transparency Initiative (which one of the commitments made by the government under the Mutual Accountability Framework from the 2013 Tokyo Conference) (See para 29 for more details).
3. Both restructurings were designated as *Level 2*, and as such did not require Board Approval.
4. Details of the first restructurings (December 2014) are as follows:

1. A US $9 million cancellation in the grant amount, from US $52 million to US $43 million;
2. A corresponding reduction of the allocation for a number of activities (and components) set out in the original project design. The revision in the project costs for some activities are based on actual/real commitments, while for other activities the rationale for the changes to the allocations are based on the need to reduce duplication and respond to changing government priorities. (Please see Table 1 below for the revised project costs and rationale for revisions to budget allocation).
3. A reallocation for US $1 million from the original grant to provide further capacity building at NEPA, in particular for implementation of key recommendation in the Strategic Environmental and Social Assessment (SESA);
4. Development of Sector and Sub-Sector Policy Frameworks, including transport corridor assessment: While activities under this sub-component were originally programmed under SDNRP2, the decision was later taken to implement them through the AusAID funded Resource Corridor (BE) Trust-Fund, and concurrent activities funded by DFID[[5]](#footnote-5) on specific sub-sector policies. On this basis, it has been agreed that this sub-component would be cancelled as part of the restructuring of the project.
5. By the midterm review in 2014, broader institutional strengthening including the preparation of a staffing and a business plan for MoMP had become a core activity of DFID, and this general assistance permitted a greater focus on core operational functions (such as mineral licensing Cadastre) under SDNRP2.

**Table 2: The First Restructuring of SDNRP2 - Original and Revised Project Cost (US$ million**)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Item** | **Original****Indicative Project Costs (million USD)** | **Revised****Indicative Project Costs (million USD)** | **Difference****(million USD)** | **Rational for Change in Allocation** |
| **Component A: Award of Contracts and Licenses** | **12.4** | **8.3** | **-4.1** |  |
| Development of Sector and Sub-Sector Policy Frameworks, including transport corridor assessment | 3.6 | 0.3 | -3.3 | Rationale: To avoid duplication - This activity is already being implemented through a DFID funded project and through a through the Bank-Executed AusAID-funded Resource Corridor Project. |
| Tendering processes of mineral deposits including Hajigak | 2.8 | 2.0 | -0.8 | Rationale: To avoid duplication and shifting government priorities. Another donor has provided extensive support in the tender of several deposits. Additional tenders are no longer a priority for the government at this stage. |
| Advancing Geoscientific Knowledge and Developing a Modern Geo-database | 6.0 | 6.0 | 0.0 |  |
| **Component B: Regulation and Monitoring of Operations** | **22.0** | **19.1** | **-2.9** |  |
| Modernization of Cadastre | 1.2 | 1 | -0.2 | Rationale: Budget allocation based on actuals |
| Implementation of a Dynamic Inspection & Contract Compliance Regime | 6.0 | 6.0 | 0.0 |  |
| NEPA Capacity building | 2.0 | 3.0 | 1.0 | Rationale: Requested by the government. Proposal to increase budget to support technical assistance towards the implementation of key indicators in the SESA |
| Aynak and Hajigak Monitoring | 7.4 | 2.8 | -4.6 | Rationale: Some of the activity expenditure covered from SDNRP-I |
| Ministry of Mines Mining Institute | 0.1 | 0 | -0.1 | Rationale: Avoid Duplication. This activity is now being funded by the Germen Government. |
| Improving the Business Environment and Reform of State Minerals Enterprises | 4.9 | 5.8 | 0.9 | Rationale: Budget allocation based on actuals |
| Support to EITI implementation | 0.2 | 0.5 | 0.3 | Rationale: Budget allocation based on actuals |
| Policy Frameworks for Mineral Revenues | 0.2 | 0 | -0.2 | Rationale: Avoid Duplication. This activity is now being funded by DFID |
| **Component C: Supporting alternative livelihoods through sustainable ASM and Preservation of Aynak Antiquities** | **7.6** | **6.6** | **-1.0** |  |
| Aynak Antiquity Safeguarding | 5.0 | 4.0 | -1.0 | Rationale: Some of the activity expenditure covered from SDNRP-I |
| Artisanal and Small-scale Mining Directorate | 0.4 | 0.4 | 0.0 |  |
| Downstream Development for Gemstone Sector and support for women gemstone cutters and jewelry producers | 1.2 | 1.2 | 0.0 |  |
| Support for ASM Communities and Mining Cooperatives through Technical Training | 1.0 | 1.0 | 0.0 |  |
| **Component D: Project Implementation Support** | **10.0** | **9.0** | **-1.0** |  |
| **Total** | **52.0** | **43.0** | **-9.0** |  |

1. Details of the Second restructurings (June 2016) are as follows:
2. i. All project activities would close **with the exception of select high-priority activities (see Table 3 below)**.
3. **US $3.0 million** were cancelled. Please see the activities costing table below for more details on revised project activities costing table.

**Table 3: The Second Restructuring of SDNRP2**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Component (PAD)** | **Financing Agreement** | **Activity to be Extend** | **Amount (USD)** | **Justification** |
| **Component B: Regulation and Monitoring of Operations:**  | Part B (4) | Support to EITI Implementation: (a) drafting, publishing and disseminating independently reconciled EITI reports; (b) training the MSG representatives on implementing the EITI. | 574,042.00 | Afghanistan EITI (A-EITI) has been defined as a target under the Tokyo Mutual Accountability Framework; the Bank is one of the few donors providing on-going support. Withdrawal of support at that time would have likely resulted in Afghanistan’s candidacy compromised. |
| **Component B: Regulation and Monitoring of Operations** | Part B (2), (iii) | Aynak and Hajigak Monitoring: review of the feasibility study for Aynak and possible negotiations support | 500,000.00 | Aynak mine is potentially the largest single investment in the country with a high-level is visibility. Part of this activity included monitoring the applications of environmental and social safeguards under the contract.  |
| **Component C: Supporting alternative livelihoods through sustainable ASM and Preservation of Aynak Antiquities** | Part C (1) | Aynak Antiquity[[6]](#footnote-6) Safeguarding | 1,665,958 | Aynak Antiquity Safeguarding serve to address critical and on-going safeguard issues related to the Aynak mine. Closing this activity would have posed a significant reputational risk for the Bank |
| **Component D: Project Implementation Support.** | Part D | Support to the Project Monitoring Unit (PMU), particularly in the areas of monitoring and evaluating project activities, complying with fiduciary and safeguards requirements, public information disclosure, and managing public consultation processes | 500,000 | A professional PMU needed to be maintained to ensure that the activities listed above were carried-out and in accordance with the Bank fiduciary guidelines. |

#  Key Factors Affecting Implementation and Outcomes

**2.1 Project Preparation, Design and Quality at Entry**

**2.1.1 Soundness of Background Analysis**

*Rationale/Alignment with Government’s Sector Strategy*

1. At entry, the project was well aligned with the strategy the government set out for the development of the extractives sector, *Infrastructure Development Cluster: National Extractive Industry Excellence Programme, NEIEP* (GoA, 2010). At the time, the overall goal of the NEIEP was “progressing Afghanistan’s financing independence through strategic partnerships with the extractive industries”. The expected timeline for the NEIEP was over a three to five-year implementation period. A broad sector reform program was outlined to achieve this goal through five objectives that mapped closely to the activities under the SDNRP2, and provided the rational for the project (See Table 4). For those of objectives where there was a gap, support was to be provided through other donors who coordinated closely with the Bank.
2. The expected results of the NEIEP were to strengthened, a dynamic and efficient mineral sector which will be imperative to stabilize the Afghan economy and would have positive widespread downstream effects on the people of Afghanistan. Job creation, revenue generation and alternative livelihoods will have considerable impacts at the local / provincial level. In addition, ensuring proper management of the extractives sector would improve the environmental impact of mining nationally and would also help to provide gender benefits in some of the remote gemstone mining areas.

**Table 4: NEIEP/SDNRP2 Comparison Table**

|  |  |
| --- | --- |
| **NEIEP Stated Objectives** | **SDNRP2 Activities** |
| 1. Fully developed sector policies and legislative reform to support the extractives industries growth in Afghanistan;
 | * Development of Sector and Sub-Sector Policy Frameworks, including transport corridor assessment (Component A)
* Policy Frameworks for Mineral Revenues (Component B)
* Complementary activities funded by the USAID (donor funded) MIDAS Project
 |
| 1. A strong regulatory environment for responsible sector management;
 | * Modernization of Cadastre (Component B)
* Implementation of a Dynamic Inspection & Contract Compliance Regime (Component B)
* NEPA Capacity building (Component B)
* Aynak and Hajigak Monitoring (Component B)
* Aynak Antiquity Safeguarding (Component C)
 |
| 1. A modernized and strong ministry of mines able to deliver results;
 | * Modernization of Cadastre (Component B)
* Artisanal and Small-scale Mining Directorate (Component C)
* Complementary activities funded by the DFID (donor funded) Extractives Project
 |
| 1. An enabling business environment to attract private sector investment; and
 | * Implementation of a Dynamic Inspection & Contract Compliance Regime (Component B)
* Aynak and Hajigak Monitoring (Component B)
* Ministry of Mines Mining Institute
* Improving the Business Environment and Reform of State Minerals Enterprises (Component B)
* Aynak Antiquity Safeguarding (Component C)
* Support for ASM Communities and Mining Cooperatives through Technical Training (Component C)
 |
| 1. Reliable and updated geological information to support sector growth.
 | * Advancing Geoscientific Knowledge and Developing a Modern Geo-database (Component A)
 |

*Lessons Learned in Project Appraisal Document*

1. The project benefited from lessons learned derived from the first SDNRP, which had begun implementation in 2006 (closed in 2013), and had been well advanced by the time SNDRP2 was at the concept stage. In addition to this, at the time of preparation there had been several projects executed by the World Bank in countries with high mineral resource potential and in similar circumstances. The PAD documented lessons which the team aligned with the project’s technical design including: 1) Importance of geological information; 2) Experience with mineral auctions; 3) Need for effective communication; and 4) Need to more fully align the government resettlement process with the Bank’s safeguard policies. The project could have perhaps benefited from further analysis and development of lessons learned related to the project implementation arraignments, such as the structure of the PMU vis-a-vis the Ministry, modalities for ensuring knowledge transfer and capacity building of ministry staff, provisions to strengthen the sustainability of activities, M&E, etc.

**2.1.2 Design**

*Project Development Objective and Result Indicators*

1. The overall formulation of the project development objective[[7]](#footnote-7) is clear, achievable and measurable. The project activities, particularly under components B and C were aimed at supporting the government in achieving the first part of the PDO on improving capacities to effectively regulate the sector, while the activities under component A, particularly transaction support, was aimed at fostering private sector development. The results framework could have better captured the concept of ‘*efficiency’* cited in the PDO, which was not well defined and does not appear to be measured in the PDO-level indicators.
2. The PDO was highly relevant at the time of project preparation and continued to be so throughout the life of the project. This is evidenced by its alignment to the Interim Strategy Note (ISN, 2009 - 2011) and to the expected outcomes from the government’s own sector strategy, the NEIEP referenced above. More specifically, part two of the PDO, which focused on private sector development aligned with Pillar III of the ISN on *supporting growth of a formal, modern and competitive private sector.* The PDO was designed to support achievements towards Strategy 1-2 of that Pillar: (i) continuing to address the overall constraints to private sector development through lending and advisory work; and (ii) identifying and addressing specific measures that catalyze business growth. Similarly, the first part of the stated expected results from the NEIEP - *to strengthened, dynamic and efficient mineral sector –* maps very closely to the first objective of the PDO. Moreover, while it would be difficult to ascribe attribution from SNDRP2 to the second part NEIEP expected outcome - “… *to stabilize the Afghan economy and will have positive widespread downstream effects on the people of Afghanistan”* – it is clear from the text in the PAD that this is one of the broader objectives of the project.
3. The results indicators were consistent with the activities set out in the PAD, measurable, and relevant to the PDO. There were several indicators where the language needed to be clarified and one duplicate indicator was removed at the MTR (see the restructuring section above), but these changes did not have a significant impact on project implementation or outcomes.
4. Consistent with technical assistance provided by the World Bank globally, the project design for Afghanistan reflects and understanding that establishing sector governance requires a long-term, sustained approach having many programmatic elements (as described herein).

*Components and Design Complexity*

1. The project included a relatively straightforward design, with three technical components and one component on project management. The rational for the design follows the World Bank‘s integrated approach to managing the full extractive industry value chain to transform mineral resource potential into sustainable development outcomes. The Extractive Industry Value Chain (EIVC) [[8]](#footnote-8) spans the sequence of interventions that a resource dependent nation moves through in transforming its mineral resource potential and mineral rents into lasting wealth (see figure below). From this perspective, the project’s design was well informed by an existing overarching technical and analytical framework, the EIVC methodology has been applied to most extractives projects after 2009 and has proven to be an effective and systematic tool.
2. Under the project’s components A - C, focus was ascribed primarily to the first two chevrons of the EIVC (*sector organization and contract awards and regulation and monitoring of operations)*, with some limited activities on last chevron through initial analytical work on resource corridors and ASM activities aimed at providing training for employment in the gemstones sub-sector. Support under chevron three and four, *collection of taxes and royalties* and *revenue distribution and management,* is typically provided through the Marco-Fiscal Management (MFM) GP (PREM at the time the project was prepared) and the IMF.



*Source: Extractive Industries Value Chain: A Comprehensive Integrated Approach to Developing Extractive Industries, World Bank 2009.*

1. The use of the EI Value Chain also provided team with an analytical framework to undertake a comprehensive assessment of gaps between support provided under the first SDNRP and the newly proposed SDNRP2. In the intervening years since SDNRP2 design, the Energy & Extractives Global Practice has since formalized the use of the EI Value Chain within a strategic sector diagnostic tool (MInGov), confirming that it is a very structured and logical framework around which all World Bank mining-sector technical assistance projects would be designed.

*Extractives and Environmental Consideration*

1. Two reports released by the United Nations Environment Programme (UNEP) and the National Environmental Protection Agency (NEPA) are helpful in broadly characterizing the state of the environment in Afghanistan, and the legal / regulatory processes that would guide extractive industries. The Environment Law 2007, and the subsequent adoption of the Afghanistan National Development Strategy (ANDS, 2008), identified the need for NEPA to address climate change, biodiversity and to strengthen regulatory capacity.
2. The ANDS includes a component concerning the ‘Environment Strategy’, which provided very little comment of direct relevance to the extractives industries. Indeed, environmental issues were only addressed tangentially in the Mines and Natural Resources Strategy (ANDS-MNRS, 2008), and this is considered to reflect the relative youth of the NEPA at the time that the ANDS was drafted. Aside from Environmental and Social Impact Assessments (ESIAs), the Afghan legislation did not create additional tools through which the authorities may address the environmental effects of the extractives industries. During the design of SNDRP2, three key recommendations became the guideposts for technical assistance on environmental issues:
* The Environment Law 2007 and the Environmental Impact Assessment (EIA) Regulations should be amended, to align more closely with international best practice, to cover social issues where necessary, to remove inconsistencies in terminology and the discussion of procedures, and to improve the content of the lists in Schedule 1 of the EIA Regulations.
* NEPA should produce Sectoral ESIA Guidelines for the extractives industry sector, recognizing its key importance to Afghanistan.
* NEPA should introduce additional requirements on operators in the extractives industries, to ensure that their ongoing activities are tracked more closely and that adverse impacts are minimized or eliminated. A requirement for periodic Environmental Audits would be particularly useful, and it is notable that this approach has worked well elsewhere.

*Extractives and Social Consideration*

1. Social issues related to natural resource extraction or use are found in the laws governing land (the Law on Land Expropriation of 2005 and the Land Management Law of 2008); and in the Labour Law of 2007. In addition, there are aspects of social regulation included in other laws of relevance to the extractives sector, namely the Environment Law (2007), and the Minerals Law (2015). The extractives industry sector and associated stakeholders are particularly vulnerable to confusing land administration legislation, policies and processes. When resettlement is required, the lack of clarity around the required oversight, the legislative mandates, and the preferred processes leads to lengthy delays, both for the communities involved (especially in terms of compensation) and for the companies (in relation to difficulties with compliance).
2. Social elements included in the Environment Law relate to social protection, and to the identification and mitigation of the effects of development on communities or on the general population. The Environment Law includes provisions for Social Impact Assessments (SIAs) and mitigation plans – although neither of these phrases is defined in the current legislation. The Law specifies requirements for public participation at various stages in natural resource development, including adequate dissemination of technical material deemed necessary for legitimate public input, particularly at the EIA stage of decision-making (Articles 6 and 19). The Law recognizes the validity of customary traditions and practices as constituting the ‘legal use’ of natural resources, and allows for organized community protests should natural resource development not proceed in a sustainable manner (Articles 5 and 7). Further, it seeks to achieve the sustainable use of natural resources, by involving local communities in activities related to protected areas.
3. The Minerals Law, provides for mitigation of negative social impacts from mining, and also for the determination of socioeconomic development obligations of the mining industry. Specifically, social issues are linked to sustainable development and also to peace and security objectives, through social and economic development activities in mining communities. This introduction to the Law sets the tone for a mineral development approach based on the consideration of the society in which the extractives sector operates, and links the rural developmental potential of this sector with issues related to peace and security. A Community Development Agreement (CDA) is required as a condition of allowing mineral development to proceed. The MoMP Social Policy Guidelines: Social policy guidelines have been prepared for the mining sector operating in Afghanistan (MOM, 2011b). The guidelines are divided into two major sections, these relating to on-mine issues (or labor), and off-mine issues (or communities).
4. The net result of this legislation is that socio-economic contributions of the extractives sector needs to take these priorities into account, with companies needing to balance their need for a local ‘social license to mine’, against the government’s requirement for development to be spread equitably across Afghanistan. As such, there is a recurring theme in many policy and strategic documents - to aim for long-term sustainable growth.
5. Against this backdrop, the project design was informed by the potential environmental and social impact associated with the development of the mining sector and sought to mitigate those impacts – and through the preparation two, sequential (and comprehensive) Strategic Environmental & Social Assessments and the implementation of a resulting action plan. Indeed, the need to strengthen the environmental and social sections of the PAD was highlighted by the Regional Operations Council (ROC) as a pre-condition for moving forward with appraisal and negotiations of the project. Given the government’s history with resettlement at the Aynak project affected areas and the innovative nature of the archeological preservation activities, detailed background information and analysis of the support provided to the government served to highlight criticality of these activities.
6. As elaborated in Part D and Annex 9 of the PAD, interventions under the project were designed with a deep understanding of the social and community dynamics in Afghanistan, and the implications for the extractives sector. Moreover, a number of the proposed interventions including facilitation of the resettlement process at Aynak, capacity building at NEPA and the MoMP, and archeological preservation, were initiated under the first SDNRP and then further elaborated under SDNRP2.
7. In recognition of the need to mitigate the potential environmental impacts of resource development, SDNRP2 formally referred to the strengthening the capacity of National Environmental Protection Agency in the PDO and designated them as one of the key beneficiaries of the project. In addition, there were several results indictors that monitored environmental and social mitigation measures supported through SDNRP2. The design of those activities targeting NEPA benefitted from and were largely based on pervious work undertaken under the first SDNRP. A sector wide Strategic Environment & Social Assessment (SESA) was being drafted at the time of project preparation, and Component B of the project, together with the Bank’s non-lending TA to NEPA, aimed to support the further development of the necessary policies and procedures to guide the project implementation. At the time, it was anticipated that early findings of the SESA would be incorporated into a project-related Environment & Social Management Framework (ESMF), including a Resettlement Policy Framework (RPF), and used to directly support building environmental and social capacity within MoMP as well as for NEPA. While the preparation of safeguard instruments as part of project preparation is considered good practice, there were many delays in the finalization of the SESA (due to the adequacy of the consultant’s outputs) and the ESMF, both of which were only finalized and disclosed mid-way into project implementation.
8. *Implementation Arrangements and Capacity:* At the time of project preparation, implementation arrangements were largely appropriately designed, carrying forward arrangements developed under the first SDNRP for the initial phase of implementation. The assessments of the capacity of the MoMP and the PMU were realistic, but required constant (re)adjustment to ensure there was a clear delineation between project management functions of the PMU on the one hand and the project implementation function of the Ministry on the other hand. The PMU, comprised of wholly of consultants, was responsible for the day-to-day management of project implementation and coordination, including FM, procurement, contracts management. The Ministry of Mines and Petroleum continued to have the overall responsibility for project implementation. It was also envisioned that oversight function will be performed by a Project Oversight Committee chaired by the Minister of the MoMP, which will be responsible for the overall policy, strategic planning and project oversight. The committee was to convene at least every quarter to review progress with implementation and review and approve work plans and budget.
9. One of the key challenges to the approach outline above was ensuring that “parallel structures” were not established and ownership of project implementation remain within the MoMP and NEPA. While the PAD detailed those departments/ministries which were responsible from the implementation of specific activities, nonetheless at times it was difficult to gain traction (details on these challenges will be address in other sections of the ICR) During the early stages of project implementation (See ISR for SDNRP dates back as early as July 2012 ), the Bank urged the Ministry to further integrate the PMU into the broader ministry structure with the aim of facilitating capacity building, sustainability, ownership and project management. While some functions, such as FM, were later integrated into the ministry, the PMU largely remained a parallel structure throughout the duration of the project.
10. *Adequacy of Government Commitment:* As discussed elsewhere in this document, at the time of project preparation, government commitment to the development of the extractive industries was high, as was their commitment to the success of SDNRP2. This commitment was evidenced in the national strategy, the NEIEP, in which they articulated their vision for the development of the sector. The project design is based on this vision. The GoA has requested donor support for the sector and had continuously collaborated with the World Bank and other key donors since 2004. In addition, on March 16, 2009 the Government endorsed the principles of the Extractive Industries Transparency Initiative (EITI), signaling its further commitment to transparent and accountable sector governance.

*Assessment of risks:*

1. Overall, the list of identified risks was comprehensive and the risk ratings appropriate. Given that this project was a follow-on to SNDRP, the task team had a deep understanding of the risks to implementation, and were very candid in the PAD of the high-risk/high-reward nature of mining in Afghanistan. The risk rating was substantial and it remained valid throughout the project.
2. A Corporate Risk Review (April 1, 2011) of the SDNRP2 noted that the mining sector is an important source of economic growth and identified several risks that were outside of the remit of the project while others included interventions from within the project, including i) *security risks* for which the Bank project had very little control, ii) *lack of adequate transport (i.e. railways in the case of iron ore) may impede further development of large scale or even medium scale mining projects*, which was mitigated through analytical work and policy dialogue on resource and transport corridors; iii) *Misinformation of the Bank’s interventions in the sector[[9]](#footnote-9),* which was mitigated by adding a Communication Specialist to the Bank team to support of preparation of a communications plan and key documentation (i.e. FAQ‘s) outlining activities in the sector, challenges and achievements; iv) *Governance and Corruption,* which was mitigated through support to EITI, establishment of the IAP, as well as other general activities designed to strengthen the overall governance of the sector; v) *Environmental and social safeguards compliance,* which was addressed through increased capacity building for NEPA, the implementation of the SESA, and the strengthening of the World Bank safeguard capacities through the provision of a senior Social Development Specialist in Kabul.
3. *Quality at* Entryrating*:* There was no QAG Quality at Entry rating for this operation.

**2.2 Implementation**

1. Over the course of the project, implementation ratings changed from a *satisfactory/moderately* rating during the first few years (May 2012 – December 2014) to a *moderately unsatisfactory* rating by the close of the project. Some of the factors led to the deterioration of project implementation were within the control of the Government, while others were as a result of dynamics outside of the governments control. During project implementation, the Bank offered various solutions to support the government including a comprehensive mid-term review of implementation and two project restructurings. The following paragraphs describe some of the factors that lead to the overall rating and key factors impacting project implementation: *Factors outside of government control*
2. **Commodity Cycle.** The tender of the Aynak deposit, followed by the preparation of SDNRP2 was at the height of a commodities super-cycle, with prices for minerals reaching record levels. Those high prices led to increased interest, by many leading mining companies, to frontier high risk/high reward locations such as Afghanistan, where there was weak sector governance but very high levels of prospectively. As prices began to decline precipitously in 2013, investor interest in countries with perceived high risk - regulatory, legal institutional, security - diminished, and many companies retreated to less risky better established mining jurisdictions. While prices are again improving, investor interest has not returned, absent a further improvement in sector governance. While project implementation was not wholly dependent on presence of an active mining industry, the effectiveness of many of the activities (such as Aynak monitoring, capacity building of MoMP and NEPA staff) was dependent on there being anchor mining operations.
3. **Security.** Security brought about challenges to development of the sector and project implementation through two related factors: the government’s ability to attract high caliber consultants for technical assistance and the risk appetite of mining companies.Although the government, through the Ministry of Interior, secured the perimeter of the Aynak mine with nearly 1,500 security personal, MCC continued to cite security concerns as one of the key justifications for delaying mine development and evacuating the site. In 2012/13, reports in the media alleged that MCC made the decision to close their camp and withdraw their personal from the site in response rockets landing close to their compound at Aynak. Similar concerns over security are likely to have influence the decision of other more experienced mining companies from operating in Afghanistan despite the opportunities. Similarly, as the security situation in Afghanistan deteriorated, it became increasingly difficult for the project to attract the highest caliber of firms and consultants to provide the necessary technical assistance. At one stage, one of the main contractors to the project, GIZ, made the decision to pull all of their staff out of the country until they could stabilize the security provisions for their staff. Similarly, in 2014, the Ministry of Mines and Petroleum took the decision to drawdown a large number of the international archeologists working at Mes Aynak due to security concerns. Lastly, insecurity also impeded Washington-based World Bank teams whose field supervision activities were often cancelled during missions and often had only reports of field activities to assess progress
4. **Donor Coordination and Management.** Changing donor priorities led to increasing or decreasing contributions of assistance to the extractives sector. As such, attention to mitigate gaps and overlaps through multi-donor assistance was constantly required. While the heads of various extractives teams met regularly to coordinate on ongoing activities (most all WB missions included a donor roundtable of activities and progress), much time was spent mitigating overlaps and seeking to address gaps. SDNRP2 funded a unit, to improve upon donor coordination and management, and this mitigated many potential overlaps.

*Factors within the government’s control*

1. Both the mid-term review (MTR) and regular Aide Memoires following each mission and shared with the government, have highlighted challenges to project implementation.Over the course of 30+ supervision missions and support through remote means, the Bank team worked with the government and PMU to identify the implementation challenges and find solutions to address them through activities such as policy dialogue, project restructurings, reinforcement of the PMU, etc. Below paragraphs highlight some of the key challenges to sector development and project implementation that this ICR assesses as *within the realm of government control.*
2. **Project Management (including FM and Procurement).** Early on during project implementation, the Bank cited concerns over the state of project management, in particular procurement processing and planning, contacts management, and as such recommended the gradual transfer of the core functions of the PMU to the ministry to ensure ownership and sustainability of project activities. The recommendation was initially established in the PAD, but since SNDRP2 ran in parallel to SNDRP1 it was agreed that the transfer of responsibilities would be gradual. Several attempts were made to improve the procurement functions of the PMU by hiring additional procurement specialists (national and international), encouraging the government team to migrate the procurement team to the ministry, and providing training and capacity building opportunities. While these actions led to some changes in project management, these improvements were short-lived, particularly as the relationship between the PMU and the Ministry shifted. As recorded in the December 2015 Aide Memoire, following a change in PMU leadership, the MoMP took the decision in August 2015 to retain the Acting Executive Director. With this change, a number of procurement activities that had been blocked previously began to move, resulting in an upgrading of the Project Implementation Support rating from *Moderately Unsatisfactory* to *Moderately Satisfactory*. By 2016, with the relationship between MoMP and the PMU deteriorated and resulted in a decision by the Ministry to withhold payment of invoices for several key consultancies. As documented in an official letter to the Minister of Finance, dated January 30, 2017, after several attempts to encourage the MoMP to resolve their payment issues, Bank team responded by informing the MoMP and MoF that they had taken the decision to delayed preparation of a proposed new IDA operation for the sector (Afghanistan Extractives for Development Project, AE4D, P159402) until a time when confidence in the Ministry’s fiduciary controls and commitment to implementation was rebuilt. It wasn’t until several months after project closure, when the backlog in payments was cleared.
3. **Ministry’s Leadership.** During the early years of its preparation and implementation, the project benefited from a ministerial leadership who championed SDNRP2 and leveraged it to meet the government’s agenda of resource development. Core to that approach was the cadre of young Afghan professionals who support project activities and who could benefit from capacity building. Beginning with the lead up to the 2014 Presidential election, the MoMP began to experience more rapid changes to leadership, with one Minister and several acting ministers – each more removed from the initial agreement on the design and the alignment of the project with broader sector development objectives. By close of SDNRP2, the project had four acting/interim ministers and one fully appointed minister who resigned prior to implementing his reform agenda. This led to significant project implementation and sector development challenges, particularly in light of the fact to each new minister sought to reassess decisions made by their predecessor This dynamic at times led to gaps in direction between the PMU and the Ministry, as the Ministry found it difficult to approve invoices for activities implemented under a previous Minister.
4. During this period, the PMU struggled to find an appropriate ministry counterpart to oversee specific activities, particularly as many of key staff left the MoMP departed the Ministry. The Bank restructured the project on two occasions in an attempt to meet the priorities of the new minister (acting), however this approach seemed to have little impact on increasing the level ownership.
5. While changing, leadership had an impact on project implementation, its impact on sector development was equally pronounced. To date, the Aynak deposit has yet to be developed, in part due to inaction on renegotiation of the contract – which was proposed by the project sponsor in 2013 (discussed below under Aynak Contract Monitoring). Similarly, contracts have yet to be signed for four mine deposits that were tendered through support from the USG’s Task Force for Business Stability and Operations (TFBSO) in 2014. The original design of the project recognized the importance of having credible third-party guidance on award of licenses for the larger resource assets, and included the establishment of an International Advisory Panel (IAP), tasked with providing high-level technical support during tender processes and also has the role of being an additional guarantor for transparency and conformity to reasonable standards of business practice. However, by 2014 the IAP was no longer functioning, to which the PMU cited procurement constraints.
6. **Mining Law and Regulations.** After a very lengthy process, a new mining law was approved by Parliament in 2014. While the revisions to the 2009 mining law were welcomed, soon after its approval, the Ministry launched a process of further amendments to the new mining law. During this period, the promulgation of several critical mining regulations was put on-hold. At close of the SDNRP2, amendments to the law and promulgation of complementary (draft) regulations remained pending. This has furthered uncertainty with the investor community, and on several occasions, the Bank team, through its sector dialogue, urged the government address these gaps by strengthening the regulatory regime (including promulgation of the strong set of regulations) and building implementation, monitoring and enforcement capacity (the core design of the project). Following three years of inaction, at the time of drafting of this ICR, MoMP is reporting some progress on finalizing revisions to the mining law.
7. **Social Safeguards, Communication and Citizen Engagement.** The initial decision to down-grade the project performance rate was because of poor implementation of the Bank’s social safeguards procedure particularly relating to resettlement. The MoMP established the Aynak, Hajigak and Amu Darya Authorities, in response to the need to move engagement with locally impacted communities to the front line. While this process was managed originally from Kabul, support through SDNRP2 and DFID (Resettlement Action Plan, land acquisition, engagement processes) it improved significantly with the shift to local offices and strengthening around World Bank safeguard processes. By early 2012 the Aynak Authority had become a principal interlocutor for assistance to project affected peoples, including for the resettlement process. However, as indicated in the safeguards section of this ICR, the government struggled with compliance to Bank’s policy on resettlement, specifically on implementation of the resettlement action plan (RAP) for Aynak. This was in part due to the poor relationship and communication between the Aynak Authority and the community[[10]](#footnote-10). Additional direct support was provided through two concurrent World Bank non-lending technical assistance activities (P150334 - *Afghanistan: Understanding the Drivers of Resilience and Conflict in the EI Sector* and P125556 - *Supporting Social Accountability for Improved Service Delivery in Afghanistan*) to further reinforce the Aynak Authority by providing lessons learned of a local Grievance Redressal Mechanism (GRM) and social audits, and support on social mobilization for Project Affected Peoples (PAPs) on the GRM and compensation process.
8. Based on lessons learned from the first SDNRP (see Lessons Learned Section from the PAD), the project recognized the need for effective communication to provide accurate and appropriate information and communications and in countering misleading statement. As such communications was included as a core activity in the original project design. On the Bank-side, a dedicated communications specialist was assigned to the Bank project to support to team on communications. However, the Ministry often under-communicated and outreach to CSO, communities, investors, and the broader Afghan society. In late 2014 Communications firm was procured through the project to build the capacity of the MoMP staff in the field of communication, both internal and external communication and to support the MoMP staff in implementing the communication plan. However, after just months, the contract was cancelled for a variety of reasons (including security constraints by the consultants who were not allowed to remain on the Ministry’s premises for long periods of time). This activity was never reinstated.

**2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization**

1. Throughout the life of the project, M&E design, implementation and utilization were not highlighted as a gap by either the government or the task team. Over the course of project implementation, the PMU hired an M&E specialist (who was also responsible for contract management) to collect data for the results framework. Data was collected on a periodic basis, typically at the request of the Bank team and connection with the bi-annual submission of the project’s Implementation Status Report (ISR). The results framework was revised at the MTR to further strengthen is linkage to project activities.

**2.4 Safeguard and Fiduciary Compliance**

*Safeguard Compliance.*

1. SDNRP2 triggered the following safeguard policies: Environmental Assessment (OP/BP 4.01); Physical Cultural Resources (OP/BP 4.11); and Involuntary Resettlement (OP/BP 4.12). The MoMP made a good faith effort comply with the Bank’s safeguard policies, but ultimately struggled on a number of fronts as described below. The Safeguards ratings were ‘*Satisfactory*’ in the beginning of the project, ‘Highly Unsatisfactory’ at MTR and ‘*Moderately Unsatisfactory’* at closure. The project had an Inspection Panel case which is described in the paragraph below.
2. At the Mid-Term Review, the Bank team took the decision to downgrade the Involuntary Resettlement (OP) (BP 4.12) safeguard compliance rating from a *Satisfactory* rating to *Highly Unsatisfactory* (HU), which in turn brought the overall rating for the project down to HU. The decision was taken based on MoMP’s slow and faltering implementation of the Aynak RAP, lack of observance of the policies and procedures set out in the RAP and the ESMF for the project (as reflected in the Financial Agreement of SDNRP2), poor performance in grievance redress handling and reporting / documentation, and slow re-staffing of the position of Social Adviser for the MoMP. While progress has been made on building capacity within the NEPA and in preparing the SESA and ESMF, by that time the performance of the project on social safeguards had begun to deteriorate.
3. **Environmental Assessment (OP/BP 4.01).** SDNRP2 has undertaken a series of activities to support the MoMP and NEPA to build capacity to manage environmental and social impacts and risks that may have resulted from project activities or mining more broadly. On environmental issues, these include (a) strengthening mining and environmental laws and regulations and the capacity to enforce them, both at the sectoral level and at the individual transaction level; (b) undertaking a Strategic Environmental and Social Assessment (SESA) for the sector, accompanied by an action plan; (c) preparation of a Environmental and Social Management Framework (ESMF), and (d) establishing a capacity building program within the National Environmental Protection Agency to support it in fulfilling its responsibilities.
4. Throughout the life of the project the rating for *Environmental Assessment (OP/BP 4.01)* was ‘*satisfactory*’. While there were some challenges to timely finalization of the SESA and ESMF for the project, the Government made a good faith effort to ensure quality outputs were prepared with sufficient consultation and an implementation plan.
5. Regarding the two SESA’s, the first was first completed in 2010 under the original SDNRP project, rigorously reviewed by MoMP / NEPA and found to be inadequate. A second revision by the Consultant was also rejected. The MoMP and NEPA then undertook a milestone event by commissioning a new, more extensive SESA under SDNRP2. That the MoMP and NEPA would do so is demonstrative of a commitment to achieving quality outputs within environmental and social safeguards and the drive for excellence in adoption of global norms. The SESA was subject to a deep consultation process with all relevant stakeholders. Upon successful completion of the SESA satisfactorily to the client and the Bank, the government began the process of implementing its key recommendation through SDNRP2 technical assistance and capacity building support to NEPA.
6. **Involuntary Resettlement (OP/BP 4.12).** Safeguards under this component included the preparation and implementation of the Aynak Resettlement Action Plan and the preparation of the Resettlement Policy Framework (as an annex to the ESMF). At mid-term review, when the decision was made to down-grade the safeguard ratings it was determined that the information provided to the Bank on resettlement was ‘sparse and confusing’, since there seems to limited connection to the RAP and the Project Effected Persons identified in both documents. Furthermore, according to their report, the MoMP had moved forward with the process of land acquisition and compensation for an access road close to the mine site without having followed due process in terms of a household survey, identification of losses and development of a second RAP. The MTR report included the following recommendations to remedy this issue: 1) Finalizing the procurement of the social specialist; and 2) Contract independent Third Party to review all processes and outcomes of acquisition/compensation/resettlement in Aynak; this activity could be undertaken through the on-going GAF Aynak compliance monitoring contract.
7. By the close of the project the safeguard rating was progressively upgraded from *Highly Unsatisfactory* to *Unsatisfactory* to *Moderately Unsatisfactory*. This was largely due to improvement made in the implementation of the RAP for Aynak, with improved documentation of GRM intake, clarification of discrepancies of names of PAP's, and stronger understanding of use of community organizers. However, several key deficiencies remained by the close of the project including the MoMP’s inability to procure a water pump for the new township/resettlement site (a barrier to completion of the resettlement) and agreement on the final list of PAPs entitled to the various levels of compensation.
8. It is important to note that some of the problem with the RAP for Aynak, originate with capacity weaknesses at ARAZI and ambiguities in *interpretation* of ARAZI’s own regulations. At the close of SNDRP2, the Bank team was continuing to seek clarification on ARAZI’s classification of various categories of eligible compensation for different PAP’s at Aynak and certainly strong administration of land issues remains a cross-sector challenge. In response to some of these unresolved issues, a project preparation grant (attached to the AE4D) has assumed responsibility for Mes Aynak RAP implementation.
9. **Key Lessons Learned on Compliance with OP4.01 and 4.12.**A key lesson learned is that compliance with environmental and social safeguards was greatly enhanced by the presence of a Kabul-based Environmental and Social Specialist on the Bank’s supervision team; supported by PMU Environmental and Social Specialists/Safeguards Officers trained in environmental and social issues, including World Bank safeguard policies. Throughout project implementation, both environmental and social safeguard compliance were monitored on a consistent basis by the team. The Kabul-based environmental / social team deserves much credit in identifying and mitigating potentially significant safeguard compliance issues. In particular, considerable work by the government has been required for environmental protection and for social safeguards at Aynak, including resettlement of villagers at the mining site.
10. **Physical Cultural Resources (OP/BP 4.11).** The compliance rating for 4.11 was satisfactory throughout the life of the project. As described above, a need arose for protection of physical cultural resources at the site of an ancient ruin of a Buddhist monastic complex, town site, temples, ancient copper mining galleries and hundreds of sculptures at Mes Aynak. Security risks had made archaeological work at the site nearly impossible for much of the past thirty years, until security at the site improved in 2010 when a security perimeter was established by the MoMP to help facilitate the company’s mining operations. Up until that time, much looting and destruction had occurred. SDNRP2 supported the MoMP and the MOIC in i) planning and undertaking the archeological excavation and preservation work at Mes Aynak, (in cooperation with French Archaeological Delegation to Afghanistan, DAFA) through the Mes Aynak Archeology Project (MAAP) and ii) the provision of capacity building and technical assistance from broader planning and management the intersection between archeology and the extractive industries in Afghanistan. Key achievements/compliance under *OP/BP 4.11 Physical Cultural Resources included* the preparation of five screening studies of known mineral deposits to advise the government on the presences of *Physical Cultural Resources,* capacity building and technical assistance to the MoIC, and excavation and documentation of the “Red Zone” at Mes Aynak.
11. *Key lessons learned have emerged on archeological preservations*. First, absent the initiative of the French Archaeological Delegation to Afghanistan (DAFA) to mobilize field investigation, the MoIC was ill equipped to apply the modern technologies required. DAFA gave initial definition to the site and mobilized support through the MoMP to work with the Bank team to design a *sustained* approach. Secondly, the mine became a catalyst for protection of the site, something that was widely misrepresented in the media given stories to the contrary. Communication on this issue was lacking through the MoMP, allowing for continued dissemination of misleading stories (see section above on communications).
12. Thirdly, MoMP was quick to establish a much-needed strong partnership with the Bank on this issue and mobilized assistance that was compliant with OP 4.11. Absent strong government leadership committed to the protection of physical cultural resources, execution of actions compliant with OP 4.11 would have been significantly impaired. While the Bank had an MOU with UNESCO, an agency whose expertise was needed to build capacity at MOIC, the Bank had no internal staff expertise on the intersection of mine development and physical cultural resource protection, and thus needed to rely on external archeological sources. Over time, UNESCO came be a critical stakeholder in advocating and raising awareness within Afghanistan and globally role that infrastructure and mine development can play in archeological preservation, using Aynak as a case study. Through the project and in cooperation with the MoMP and MoIC, they organized a global conference to this effect, drawing in experts from around the world to discuss these issues in May 2016.
13. By the close of the project, activities related to archeological restoration at Mes Aynak were still on-going and had not been fully concluded. Archeology may well be an on-going issue throughout the life of the mine and its management will eventually have to be transferred to the mine operator; however, in the absence of a renegotiated contract, the responsibility for archeological preservation continue to rest wholly with the Government of Afghanistan. The Bank has agreed to provide a Project Preparation Grant (for the AE4D Project) directly to the MoIC to support them in: the continued implementation of the 1) MAAP, including documentation and preservation of artifacts excavated over the course of the project and preparation of additional safeguard documents (such as the Heritage Impact Assessment/HIA and the Cultural Heritage Management Plan/CHMP ); and 2) Afghanistan Heritage & Extractive Industries Development Initiative through UNESCO, which includes (i) the introduction of preventive archaeology around six prioritized mining areas; (ii) the preparation of a comprehensive database of cultural sites in Afghanistan; (iii) the enhancement of existing governance and management national frameworks for safeguarding the exceptionally rich heritage of the country; and iv) preparation of a more comprehensive plan for archeological preservation at Mes Aynak.
14. Inspection Panel:Compliance with these safeguard policies underwent rigorous management review with the results reported through 2013 under *Management Response to Request for Inspection Panel Review of the* Afghanistan*: Sustainable Development of Natural Resources – Additional Financing and Sustainable* Development *of* Natural *Resources II (February 2013)*. The Management Response addressed all of the complaints raised by the requesters and stated that in Management’s view, the Bank had followed the policies and procedures applicable to the matters raised in the Request. The Management Response emphasized that the SDNRP2 did not finance any commercial mining and that the complaints stemmed from the Requesters’ failure to distinguish between the obligations of: (a) the Bank through its technical assistance support, under the Project; and (b) those of the government and the mine developer under the mining concession agreement. On April 23, 2013, the Inspection Panel submitted their Eligibility Report to the Bank Board, recommending no further investigation.

*Fiduciary Compliance*

1. By the close of the project both procurement and financial management were rated *moderately unsatisfactory*. Fiduciary compliance remained an obstacle to effective project implementation, principally as a result of indecision by each successive minister to migrate core functions of the PMU into the MoMP.  This was a recurrent issue cited by the team in Aide Memoirs and discussed extensively during the team’s implementation support missions. The inaction largely resulted from each new Minister or Acting Minister first seeking to directly assess the implementation modalities for the project (including the appointment of a new Project Coordinator from within the Ministry). However, by the time this assessment exercise was complete, it was overcome by yet another change of leadership before the agreed to reforms to the implementation arraignments could be made.  This was discussed above in the section on *Factors Under the Government’s Control.*
2. Early on during project implementation, the Bank began to cite deficiencies in the state of project management, in particular procurement processing and planning, contacts management, and as such recommended the gradual transfer of the core functions of the PMU to the ministry to ensure ownership and sustainability of project activities. The recommendation was initially established in the PAD, but since SNDRP2 ran in parallel to SNDRP1 it was agreed that the transfer of responsibilities would be gradual. Several attempts were made to improve the procurement functions of the PMU by hiring additional procurement specialists (national and international), encouraging the government team to migrate the procurement team to the ministry, and providing training and capacity building opportunities. While these actions did lead to some changes in project management, these improvements were short-lived, particularly as the relationship between the PMU and the Ministry shifted. As recorded in the December 2015 ISR, following a change in PMU leadership, the Minister took the decision in August 2015 to retain the Acting Executive Director. With this change, a number of procurement activities that had been blocked previously began to move, resulting in an upgrading of the Project Implementation Support rating from Moderately Unsatisfactory to Moderately Satisfactory.
3. By 2016, a new acting Minister was appointed and the relationship between MoMP and the PMU deteriorated, principally around the decision by the Ministry to withhold payment of invoices for several key activities implemented under the previous minister. The Bank team was primarily made aware that invoices weren’t being processed through reporting by consultants. Based on these complaints, the team would then immediately raise payment delays with the Ministry and PMU to seek out a resolution. As documented in an official letter to the Minister of Finance, dated January 30, 2017, after several attempts to encourage the MoMP to resolve their payment issues, Bank team responded by informing the MoMP and MoF that they had taken the decision to delay preparation of a proposed new IDA operation for the sector (Afghanistan Extractives for Development Project, AE4D, P159402) until a time when confidence in the Ministry’s fiduciary controls and commitment to implementation was rebuilt. It wasn’t until several months after project closure, when the backlog in payments was cleared.

**2.5 Post-completion Operation/Next Phase**

1. The 2012 IEG Afghanistan Country Program Evaluation highlighted that “Bank assistance has been critical in developing the mining sector as a potential engine of growth”. While the World Bank engagement has been facing significant challenges since 2014 (as highlighted in the ICR), it is critical to maintain some level of engagement, to be able to rapidly scale up engagement as soon as the political-economy environment becomes more conducive. In challenging sectors (i.e. high-risks/high rewards) and/or when undertaking complex institutional reforms, it is important to “stay the course” and to accept setbacks.
2. As raised elsewhere in this document, there remains a core challenge regarding capacity building of MoMP staff. Capacity within the MoMP remains very weak, resulting in significant delays in key decisions related to the sector development. Which each change of MoMP leadership a new set of advisors, deputy ministers, and directors would face interruptions in institutional knowledge, having to reassess and revaluate previous activities and decisions – absent many of the staff that were core to those decisions. The newly proposed project (AE4D) will include set of incentives, activities and implementation arraignments aimed specifically at maintaining capacity and institutional knowledge, including through the development of a Young Professionals Program at the MoMP, with strong links to the Capacity Building for Results Program (P123845).
3. There was very little equipment purchased under the project, and as such operations and maintenance is not expected to be an issue. Any equipment purchase for the Mes Aynak Archeological Program has reportedly been transferred from the MoMP to the MoIC for implementation of this next phase of the program.

# Assessment of Outcomes

**3.1 Relevance of Objectives, Design and Implementation**

***Rating: Moderately Satisfactory***

1. The project is rated as moderately satisfactory for overall relevance. This rating is based on the following assessments:
2. **Relevance of Objectives.** *Rating – Highly Satisfactory***.** The satisfactory rating for relevance of the PDO is based on the well-demonstrated need for the MoMP to continue on a path of reforms from an arm of government that owned and operated mining sector enterprises to a regulator with the necessary procedures, institutional structure and capabilities to effectively administer and oversee modern licensing systems designed to attract new large scale mining and hydrocarbon investments in an environmentally and socially acceptable manner. In addition to this, the PDO provided a path for support to NEPA, which is a critical stakeholder in regulating and managing the impact of sector development. The PDO was sufficiently relevant, remaining unchanged throughout the life of the project.
3. The PDO’s relevance is also evidenced by its continued alignment to the World Bank Group's new Country Partnership Framework (CPF) for Afghanistan (FY17-20). The CPF is organized under three pillars: (i) building strong and accountable institutions; (ii) supporting inclusive growth; and (iii) expanding and deepening social inclusion. The pillar on inclusive growth indicates that "support for extractive industries aims to improve governance and increase revenues, and to provide a base for more diversified growth in the longer term along key resource corridors". In particular, under Objective 2.5: Improved regulatory environment for extractive industries, the CPF acknowledges that although Afghanistan is endowed with a wide range of minerals and hydrocarbons, the sector currently makes a limited contribution to economic growth, revenue generation, or employment despite past support. Governance challenges remain, and the recent commodity price slump has dampened private sector investment. There is a need over a medium-term framework to improve the policy and regulatory capacity and provide 'proof of concept' investments that would test the governance and regulatory regime for mining and gas, and from which successful operations would then be incrementally grown. The framework commits the World Bank Group to supporting creation of an enabling environment by supporting improvement in policies, regulatory capacity, and infrastructure for transparent and sustainable development of the extractive sector as a future driver of broader development and growth.
4. **Relevance of Design Rating** – *Moderately Satisfactory*. The initial project design was strong in establishing the basic governance (transparency, policy, legal and regulatory) arrangements necessary for sector development and to provide support to the government around moving specific transactions forward. Most all the activities in the project remained highly relevant from a technical perspective throughout the project, with the expectation of those cancelled after the MTR. This assessment was confirmed in the MTR report. Activities were cancelled to reduce duplication with other donor funded programs that came on-line during SDNRP2’s implementation and in response to evolving in priorities resulting from a shift in ministry leadership. There were several activities (such as such as re-negotiations of the Aynak Contract and full institutional arrangements for the Afghan Petroleum Authority) that were not fully implemented, however the decision by the Government to do so was largely influenced by their potential impact on the political economy, rather than their technical relevance.
5. One of the weaker underpinnings of the project design was how it stress-tested some of the broader systems of government (see resettlement and compensation). While the project needed to address the issues of resettlement at Mes Aynak, this was done without the benefit of a corresponding technical assistance engagement on land administration and management. A project at ARAZI would have more effectively complemented the activities under SDNRP2. This changed in FY16 with support to the Afghanistan Independent Land Authority (P156225) being initiated with support from the Afghanistan Reconstruction Trust Fund. Similarly, given the board scope of the archeological preservation activities, this sub-component could have benefited from being designed as a standalone activity implemented through the MOIC, particularly for the implementation of related activities downstream of the mine site.
6. **Relevance of Implementation: Rating** – *Moderately Unsatisfactory* As discussed elsewhere in this document, it was originally envisioned that the management (FM, Procurement, M&E, etc.) and implementation of SNDRP2 would eventually migrate to the MoMP. However, the project documents and financing agreement failed to establish a set timeline (i.e. after the close of SNDRP1) and operational modalities for the migration of the project management from the PMU to the MoMP, and as such it was difficult to pressure the ministry to ensure that the changes were implemented. This deficiency in the implementation arrangements had an impact on the implementation, effectiveness, and sustainability of the project.

**3.2 Achievement of Project Development Objectives**

***Rating: Moderately Unsatisfactory***

1. The project is rated “*moderately satisfactory*” in achievement of the project development objectives. The analysis below provides the rationale for the rating and a description of achievements under the project. The PDO for the project was “*to assist the Ministry of Mines (MoM) and the National Environmental Protection Agency (NEPA) in further improving their capacities to effectively regulate Afghanistan’s mineral resource development in a transparent and efficient manner, and foster private sector development.”* Under this formulation, the PDO can be divided into two parts 1) improving the capacities of the MoMP to regulate (manage) the sector; and 2) fostering private sector development. Most of the activities under the project fell under Part 1 of the PDO, although each of these objectives do not stand mutually exclusive of the other, rather they are reinforcing of one another. In accordance with the Bank’s ICR guidelines, the two sub-objectives will be assessed separately below. The achievements by indicator are summarized in the datasheet above.
2. As recorded in the minutes of the PCN Review Meeting it was agreed that the indicators in the results framework (RF) would focus on achievable outputs rather than outcomes, given long lead times for sector development. However, this approach nonetheless makes the assessment of achievement towards PDO on the basis of the RF alone incomplete.

*Part 1.* *to assist the Ministry of Mines (MoM) and the National Environmental Protection Agency (NEPA) in further improving their capacities to effectively regulate Afghanistan’s mineral resource development in a transparent and efficient manner.* ***Rating: Moderately Unsatisfactory***

1. The project achieved the following results under Part 1 of the PDO (please note that this section includes analysis of the relevant indicators in the RF as well as other achievements not reflected in the RF):

***PDO Indicator 2: Production data collected and reported for medium scale and for large scale mining and hydrocarbon operations***

1. ***Hydrocarbon Production Data.*** The projectfully achieved the following results regarding publication of hydrocarbon data. The USGS and the MoMP have assessed the undiscovered conventional, technically recoverable petroleum resources of northern Afghanistan, resulting in an estimated mean of 1,596 million barrels of crude oil (mostly in the Afghan-Tajik Basin), 15,687 billion cubic feet of natural gas (mostly in the Amu Darya Basin), and 562 million barrels of natural gas liquids.
* In 2014, SDNRP2 supported a reappraisal of a 2012 report prepared on the northern gas fields by Gustavson Associates[[11]](#footnote-11) to provide an updated assessment of their medium-term production potential. The purpose of the original study had been to obtain an estimate the minimum volume of gas that could reasonably be extracted economically and with high confidence from fields already in operation in order to support investment decisions for infrastructure and off-taker projects.
* In July 2016, an assessment of existing field production data and contingent resources for the seven known gas fields was conducted under USAID’s Sheberghan Gas Development Program (SGDP), with associated policy advice on interpretation of the results provided by SDNRP2. McDaniel & Associates Consultants Ltd. was subcontracted to appraise all existing data and to prepare reserve estimates in accordance with the Petroleum Resource Management System (PRMS), the international standard for reserve evaluation. McDaniel conducted a resource assessment of seven fields (Jarquduq, Khoja Gogerdak, Yatimtaq, Khoja Bolan, Juma/Bashikurd and Shakarak); the company recommended against preparing a Report for the Jangalikolon and Chekhche fields due to lack of data. SDNRP2 contributed continuous policy advice to the above analyses, helping the government to assess and understand these results, and to plan hydrocarbon development accordingly.
1. ***Mineral Production Data****.* The projectfully achieved the following results regarding publication of mineral data for medium and large-scale mining. The most complete record of resource production, comes from the Central Statistics Organization, sourced from the Ministry of Mines & Petroleum, as reported by the SDNRP2-supported AEITI (Table 5).
* Data is now available through SNDRP2 support to AEITI. According to the most recent AEITI Report for 2015 production estimates are at $1,239,382 (million AFS), for which the contribution of the mining and quarrying sector was $8,610 (million AFS, current prices).
* Nearly a quarter of this contribution comes from reported profits for the Northern Coal Enterprise and Afghan Gas Enterprise (both SOE’s), an estimated 1,963 million AFS (2015) as recorded by the Ministry of Mines & Petroleum.
* Artisanal and small scale mining production data for construction minerals and dimension stone (marble) for domestic end-use markets[[12]](#footnote-12) While total actual production remains largely unknown, it is informative that the AEITI (2015) notes that in the period 2006 – 2007, approximately 8% of Afghanistan’s employed population was working in construction, mining, and quarrying sector. As such, these informal operations constitute a material piece of the Afghan economy and the full economic realization from existing operations has not been achieved.

**Table 5: Production of hydrocarbons and minerals, compiled by Central Statistics Organization, from MoMP and reported by AEITI.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Indicator**  | **Unit**  | **2015** | **2014** |
| **Total** | **Mn Afs** | **2,026.1** | **1,836.7** |
| Coal  | Thousand tons | 1,364.8 | 1,517.4 |
| Mn Afs | 955.4 | 1,062.2 |
| Gas  | Mn M3 | 146.2 | 141.9 |
| Mn Afs | 234.3 | 227.0 |
| Salt  | Ton | 88,183.2 | 87,014.0 |
| Mn Afs | 75.3 | 74.3 |
| Marble  | Ton | 31,035.6 | 42,756.2 |
| Mn Afs | 25.7 | 35.4 |
| Lime | Ton | 18,338.0 | 9,921.4 |
| Mn Afs | 11.9 | 6.4 |
| Stone mortar | Thousand M3 | 225.8 |   |
| Mn Afs | 7.7 |   |
| Sand and Gravel | Thousand M3 | 1,920.4 | 520.2 |
| Mn Afs | 54.9 | 17.6 |
| Other Minerals  | Mn Afs | 660.9 | 413.8 |

***PDO Indicator 3: Number of corporatization plans drafted***

1. SDNRP2 was fully satisfactory in meeting its’ target (revised from three to two at MTR) of preparing two corporatization plans. A corporatization plan for two state owned enterprises (SOEs) operating in the sector, the Afghan Gas Enterprise (AGE) and the National Coal Enterprise (NCE) were successfully completed through the project. The overall objective of the corporatization plans was to assess, value, and develop commercialization and corporatization options for the improvement of the technical, financial and operational aspects of the NCE and AGE. The plans could then be used by the government further inform the process of delineating the regulatory functions of the MoMP and the business/operating functions of the SOEs. The corporatization plan for the AGE served a particularly useful purpose of informing the design and preparation of the follow-on Afghanistan Extractives for Development (AE4D) Project, which includes subcomponent related to providing support to the AGE.
2. ***Afghan Gas Enterprise***
* Detailed review and documentation of the many prior projects relating to gas reform, but that have had limited impact. This review was able to identify key features and findings so as to provide a concise summary of key issues and expert opinions for future consideration.
* A thorough and detailed review of the status of Afghan Gas Enterprise, with the overall conclusion that all aspects of the business require reforms. In support of this is an inventory of personnel, assets and technical operations and reconciliation of financial management issues has been prepared.
* The first thorough market study culminating in the development of a market model for the domestic opportunity in the north, with relevant assumptions relating to volumes and prices. The model has been adapted and expanded to include detailed cost assumptions so that all options and potential development projects can be incorporated and assumptions can be modified to indicate impact on revenues, net cash flows and profitability.
* Preparation of a detailed strategy, based on the internal assessment and external market study as well as drawing on the consulting team’s wide array of experience in gas sector development and SOE reforms. This strategy is supported by detailed explanations and a suite or tool kit of plans and documents ready for implementation by new management.
* Discussions, consultations and training of findings, reports and working models with many stakeholders and specifically ministry personnel so as to improve understanding and develop momentum for reforms.
* Ultimately, the project has achieved its overall objective ‘to develop a strategy and plan for improving business performance of Afghan Gas’.
1. ***Northern Coal Enterprises***
* Preparation of a regional coal market assessment.
* Preparation of an initial environmental impact assessment of NCE mines.
* Transition work plan for NCE operations prepared including recommendations for immediate health and safety improvements.
* Workshop/seminar – HSE and environmental management.
* Prepared Draft ToRs for independent audit contract, proposed financial structure of NCE, reconciliation of NCE balance sheet is prepared, established new Chart of Accounts.
* Preparation of a two (2) year retrenchment and social mitigation plan.
* Assessment conducted of customer data base; recommendations for improvement and proposal for establishment of computer-based systems.
* Preparation of Articles of Incorporation and template for coal sales contract.
* Preparation of 3-year Business Plan for Northern Coal Company, including proposals for restructuring, divestiture, corporatization, transfer of assets (Part of Business Plan).

***PDO Indictor 4: View of key stakeholders such as local non-state actors, international companies and the donor community as to how well the sector is managed and how transparent are licensing decisions and approvals (*This indicator was dropped at MTR)**

1. SDNRP2 has contributed fully satisfactorily to this indicator through three separate channels (a) support of the AEITI Multi-Stakeholder Group and (b) industry investor perception surveys including the International Advisory Panel, and (c) creation of multi-donor tables consisting of immediate and 3-year actions for MoMP.
2. ***AEITI Multi-Stakeholder Group****.* The effectiveness of the AEITI multi-stakeholder group is best summarized by the evaluation of the EITI International Secretariat in Olso Norway, who at SDNRP2 project close reported that there was a feeling of cautious optimism for the sector that has been largely missing in past missions, bolstered by dialogue with government and civil society on what role the EITI could play in supporting the government’s reforms. Through strong concurrent support from GIZ, meetings were held with senior government officials at the highest level.
3. ***Industry Perception Surveys and the International Advisory Panel****.* For the first four years of SDNRP2, Afghanistan was not included in the Annual Survey of Mining Opportunities conducted by the Fraser Institute of Canada (see <https://www.fraserinstitute.org/sites/default/files/survey-of-mining-companies-2016.pdf>). However, following SDNRP2 support of the highly visible Hajigak and Aynak mineral tenders, combined with annual participation at the PDAC Global Mining Conference, in 2016 Afghanistan joined the survey. While it ranks 5th from the bottom in “Investor Attractiveness” (across 100 countries), importantly Afghanistan scores within 4 points (out of 100) of a large number of Africa’s resource-rich / resource-dependent countries – receiving similar World Bank technical assistance. As of the close of SDNRP2, investors were encouraging the MoMP to resolve outstanding contracts to send a further clear signal to investors and improve Afghanistan’s ranking.
4. Also from the perspective of industry, from 2012 – 2014 the International Advisory Panel provided to MoMP review of the processes used to negotiate development agreements and contracts; and the “fairness” of the terms and conditions of such agreements and contracts. In rendering its opinions to MoMP, the brought a perspective on good international business practices to its reviews processes in other countries. By the SDNRP2 mid-Term Review of 2014, the IAP had become inactive, partly as a result of pending processes around the Aynak and Hajigak transactions, and partly following a decision to refresh the Terms of Reference and re-compete the assignment.
5. ***Donor Views****.* Across the life of SDNRP2, donor meetings would review progress of individual projects. To consolidate and provide input to MoMP, in mid-2016 donors, led by the World Bank, prepared tables for immediate and 3-year actions on minerals and hydrocarbons. Importantly, these included resolving pending licensing transactions (noted above under Auctions), including publication of key decisions and publication of all licenses (also a recommendation of AEITI including issues of Beneficial Ownership and Contract Transparency).

***PDO Indicator 5: Number of EITI Reconciliation Reports***

1. EITI in Afghanistan is tasked to promote greater accountability in the revenue of the extractive sector. It encourages the government, extractive companies and the civil society to work together and develop the framework for the publication of payments and receipts from the extractive industries (through the publication of reconciliation reports); and improve the accountability of governments and companies to local civil society groups. The project exceeded the target of preparing three EITI reconciliation reports, publishing two additional reports over the course of project implementation[[13]](#footnote-13). While progress has been made on EITI implementation, throughout the life SNDRP2, the initiative has often struggled with finding a champion within the MoF or the MoMP to guide the process forward and ensure its relevance to boarder transparency and accountability within the sector in Afghanistan. At times, engagement between the relevant stakeholders within the Multi-Stakeholder Group (MSG) should have been stronger.
2. During the design phase of the SDNRP2, the cabinet of the Government of Afghanistan publicly endorsed EITI, committing to work with Civil Society and the Private Sector on EITI implementation. With initial support from the original SDNRP project and later by the new SDNRP2 project, a Multi-Stakeholder Group (MSG) was established to discuss early steps of EITI implementation. In 2011, a Memorandum of Understanding (MoU) was endorsed by AEITI stakeholders for successful implementation of EITI in Afghanistan.
3. Progress has been satisfactory, with Afghanistan AEITI encountering many of the same challenges as other countries with respect to the revised Standard of 2015. Here is a brief summary of progress under SDNRP2 support:
* With support of SDNRP2 and GIZ, AETI has published Validation Reports for: 2008-2010, 2010–2011, 2011–2012, 2013, 2014-2015
* AEITI is now preparing the fifth Validation Report, having published in January 2017 the Beneficial Ownership report.
* At the close of SDNRP2 in 2017, the International Secretariat undertook another in-country assessment and reported satisfactory progress on the fifth report, with recommendations relating to licensing allocations, contract transparency, improved reporting systems, and better monitoring of production.

***PDO Indictor 6: Investigation reports for HSE compliance at medium and large scale mining and oil/gas operations (reports prepared, issued, corrective actions taken by operator)***

1. The purpose of this indicator is to measure an increase in the sustainability of the mining sector by improving inspection and oversight, especially of environmental, social health and safety performance of the medium and large scale mining and hydrocarbon operations. The project exceeded the target number of field investigation reports prepared set out as in the results framework - the target was five and the actual number of reports filed were eight. According to the MoMP and NEPA, The Amu Darya Project Contractor has completed three Baseline Environmental Assessment (BEA) reports and three Environmental Impact Assessment (EIA) reports for Kashkari, Bazarkhami and Zamarudsy Blocks. While, the Afghan Tajik Project Contractor has completed a BEA report for each of Sanduqli and Mazar e Sharif Blocks. Note – under deteriorating field security conditions, investigation reports for HSE compliance were largely completed within Kabul.
2. The following summary relates to the foundational Cadastre work for HSE, preparation of regulations, and capacity building at NEPA and MoMP.
3. ***Cadaster Directorate of Ministry of Mines & Petroleum***
* The new Mineral Law was reviewed and all information related to licensing and cadaster procedures was highlighted;
* A basic outline of the license procedures was developed, which includes application, processing and issue of the license, life of license management;
* The ‘draft regulations’ were studied and used in developing the procedures;
* Cadaster procedures and is manual have been developed which follow the legal framework; and
* The mapping function was activated and the existing plotter was operationalized and maps can now be printed.
1. ***Following Mining Regulations were drafted***
* Mine Health & Safety
* Mechanical & Electrical Engineering, Ventilation & Surveying
* Coal & Fiery Mines
* Licensing & Use of Explosives
* ESIA
1. ***Aynak Monitoring compliance***
* Regular Comments were provided on Draft Feasibility study of Mes Ayank copper mine.
* Regular advice on Ayank re-negotiations were provided to senior management of Ministry of Mines and Petroleum.
1. ***National Environmental Protection Agency (NEPA)***Under the project, a consulting firm was procured to provide comprehensive capacity building and technical assistance to the National Environmental Protection Agency. The consultancy commenced its work shortly after the Strategic Environmental and Social Assessment (SESA) was approved, and as such much of their work focused on assisting the government implement the key recommendations from the SESA. Specific achievements related to this activity included: i) finalization of draft regulations for Environmental and Social Impact Assessments (ESIA); ii) capacity building to the ESIA Board of NEPA on ESIA procedures and evaluating ESIAs for the mining sector[[14]](#footnote-14); and iii) in house training and capacity development to NEPA staff in environmental monitoring and management in the mining sector. Specific assistance provided to NEPA and the MoMP on social and environmental management of the sector included the following:
* The policy and legal review of the existing policies and legislations
* Preparation of Strategic Environmental and Social Assessment (SESA-EI)
* Preparation of Environmental and & Social Management Frame work (ESMF)
* Preparation of Resettlement Policy Framework
* Preparation and implementation of Resettlement Action Plan
* Recommendations have been prepared on the legal, policy and administrative instrument available to the NEPA to enable it to fulfill its mandate.
* Assessment of current system and procedures has been completed. Accordingly, recommendations have been prepared for the NEPA’s long-term capacity building
* The ESIA board members has received training on “ESIA Procedures and Evaluating ESIA in Mining Sector” (i) ESIA procedures in the Mining Sector; (ii) Evaluating ESIA; and (iii) Evaluating Potential and Predicted Environmental Impact; (iv) Evaluation of the Proposed Mitigation Measures and Contingency Plans; (v) Evaluating Environmental Monitoring Plan; (vi) Evaluating the Reclamation and Closure Plan).
* 26 different training modules were completed by the end of the project. These training were conducted in Kabul for NEPA’s 16 provincial staffs. In Herat for 9 provincial staffs and in Mazar e Sharif for 9 provincial staffs
* Study tour to Russia to benefit from the experience of other countries to establish latest environmental and social management practices in mining industries was conducted with a total number of 23 participants from NEPA, AGS and MoMP

***PDO Indicator 7:* Strengthening the Formalization of the Artisanal and Small-Scale Mining (ASM) and Gemstone Sector including Number of gemstone cutting, polishing and jewelry making jobs, and percentage held by women.**

1. ***Strengthening ASM Formalization*** *-* On the activities related to Strengthening the Formalization of the Artisanal and Small-Scale Mining (ASM) and Gemstone Sector, SDNRP2 has been fully satisfactory in contributing to the following outcomes:
* Prepared Lapis Bourse concept and recommendations for ASM Law, including analysis of the current legal mining law to identify opportunities and obstacles to legalization of artisanal subsector;
* Introduced appropriate technologies to assist the Small Mines Directorate (SMD) spearhead the Ministry in developing extension services targeting artisanal miners;
* Trained the SMD female staff in Keyboard Skills and Google Earth Pro as virtual Outreach Services to offer backstopping in support of actual Outreach Services in the field;
* Used the Google Earth “time series of images” to detect 40 examples of destruction of arable farmland by brick clay quarries and its subsequent restoration to productive arable farming;
* Used Google Earth (GE). The GE kmz files held by SMD now include locations of about 2,500 unlicensed ASM/SME mines, including 200+ river mining operations, 100+ coal mines; 1,700 brick kilns and brick clay quarries, most lapis lazuli mines, most ruby mines, some alluvial gold mines, and many salt mines. In addition, the kmz files held by SMD include thousands of geohazards including >10,000 km of karez water tunnels, >2,000 rock avalanches, >100 mudflows and >20,000 km of surface faults and rock joints;
* Conducted fact-finding missions and study tours for MOMP staff to Sri Lanka and India in order to Learn ‘best practice’ for creating a vibrant artisanal mining sector (Sri Lanka) and a vibrant jewelry sector (Sri Lanka and India) and made contact with Gemfields’ emerald auctions in Jaipur to gain insight into the need for supply chain verification;
* Achieved access to the international marketing of Afghan jewelry produced in Turquoise Mountain Institute and selected Community Gemstone Jewelry Training/Making Centers. Positive feedback was achieved from high-value jewelry venues in a string of cities from the West Coast USA to the East Coast USA, and on a smaller scale in Europe.
1. ***ASM and Gender.*** As indicated in the sections above, at the MTR for the project, the decision was taken to revise and clarify the language of this indicator; its intent - to measure the increase the sustainability of the mining sector by supporting more value added from gemstones, especially for women - has remained the same. Seventy-two percent of those trained under the gemstone cutting program were women, while the target was 40 percent. In a context, such as Afghanistan this is considered a success. Under Component C, the project succeeded in delivering long-term training in jewelry making to a total of 100 women in northern Afghanistan in four Community Gemstone Jewelry Training/Making Centres: two in very insular remote villages in Balkh, one in Faizabad, capital of Badakhsan and one in the border village of Ishakim.
2. This success may be used as a pilot for disseminating know-how via training-of-trainers and contracting-to-trained-trainers on jewelry design and production to the 2,923 jewelry villages of Afghanistan. As indicated in the PAD, one of the activities in the project was to encourage female employment in jewelry making in Logar Province as social offset for the expected large number of male-dominated employment opportunities upon the opening of the Aynak Copper Mine. This task was not achieved due to the deteriorating security situation in Logar and the suspension of the Aynak Copper Mine until far beyond the life of our project. Other specific gender related results were:
* a comprehensive work plan for Gender Capacity Building
* Gender Assessment on Gender in term of recruitment and their capacity at MoMP
* Extensive assessment has been done on problems and challenges at MoMP and AGS
* Presented GMT (Graduate Training Management) presentation at MoMP
* Conducted Awareness on Law on Elimination of Violence Against Woman workshop at MoMP
* In coordination with HR Department Recruitment of English Language Instructor for MoMP Female civil servants to improve their English Language skill
* The project was involved in conducting gender and social inclusion related research and support the gender department in its role as focal point for the gender development issues and prepare gender related reports.
* Prepared assessment report on existing capacity among the female staff in the Ministry and prepare capacity building programs for them
* Organized and contributed to workshops on gender mainstreaming issues for Ministry staff and partners

***PDO Indicator 8: Percentage of sites in Aynak Valley with antiquities where protection activities have started versus total number of sites.***

1. *SDNRP2, with strong support from MoIC / UNESCO / DAFA, has been fully satisfactory in achieving the following outcomes - greater than 95% assessment of the Red Zone at Mes Aynak.* Specific details follow: Through the Mes Aynak Archeological Project (MAAP), initially implemented through the MoMP in cooperation with the MoIC and DAFA, nearly 90 percent of the red zone (originally identified main zone of impact from mining activities) has benefited from cultural protection activities (field assessment and/or archeological recovery), including excavation, conservation, restorations, and/or documentation activities. Following a reduction in 2014 of international staff given security concerns, and ongoing attrition of staff through non-payment and payment delays, new local and international archeologists and art conservators were procured to aid in speeding up the pace and accuracy of the recovery process. During the peak of excavation activities, an estimated 500+/- laborer were hired through the project to support the archeological program, providing an important employment generation opportunity for the community. Drawing on lessons learned over the last several years and after significant consultations with various experts and stakeholders, it was agreed that the MAAP project will focus on conservation and documentation activities until a time when the government reaches greater clarity from the operator on their plans for development of the mine. This shift in approach is a significant achievement in the project, as it demonstrates the government (MoIC) taking control of the archeological agenda rather than salvage archeology working to meet the investors deadline.
2. *Strengthening the capacity to manage the intersection of development and archeological preservation.* Over time, UNESCO has become critical stakeholder in building capacity and raising awareness within Afghanistan and globally on the role that infrastructure and mine development can play in archeological preservation, using Aynak as a case study. Through the project and in cooperation with the MoMP and MoIC, they organized a global conference to this effect, drawing in experts from around the world to discuss these issues in May 2016. In addition to this, UNESCO has begun to build the necessary institutional capacity within the MoIC to assume a more proactive role in managing the intersection between development and cultural preservation; so much so that once SDNRP2 closed, all activities related to cultural preservation at Mes Aynak were transferred to the MoIC through the AE4D PPG for implementation. Through the project, UNESCO has also commenced an innovative process for the country through: the introduction of preventive archaeology around six prioritized mining areas, the preparation of a comprehensive database of cultural sites in Afghanistan, and the enhancement of existing governance and management frameworks for safeguarding the rich heritage of the country.
3. ***Specific SDNRP2 supported contributions included:***
* Completed the archaeological screening in 6 prioritized areas, with the identification of some 800 unknown cultural heritage sites.
* Made the first digital database of heritage sites in Afghanistan, with some 2,090 cultural heritage sites inserted.
* Completed the Heritage Impact Assessment for the Hajigak mining site.
* Completed the framework for establishing Heritage Management Plans. This document should serve as a set of guidelines for the Ministry of Information and Culture (MoIC), including recommendations for the preparatory phase.
* Completed the proposal for the revision of the Afghan National Law for the Protection of Cultural Heritage. The current Law contains significant shortcomings that does not allow any heritage preservation programme to be properly integrated within the development and modernization processes in the country.
* Organized a high level International Scientific Symposium in May 2016 in Rome, Italy, to raise awareness and promote discussion about the possible integration between heritage protection and development initiatives. The Symposium saw the participation of senior Afghan authorities and their partners resulting in the adoption of a set of recommendations aimed at identifying critical actions to be undertaken in the future.
* Contributed to the enhancement of MoIC and MoMP technical capacity in dealing with the possible combination between heritage preservation and development initiatives in the country.
* Collected the available data coming from past eight-year excavations and created a database to re-organize all these documents.
* Produced a unique ID code and datasheet to report information about the architectural relics throughout the site. This system was completely missing, thus making it impossible to identify and analyze the conservation status of architectural relics still onsite, which are critical to make a conservation/removal plan.
* Produced a preliminary damage assessment report on the architectural relics still onsite. The report (one for stupas, one for wall paintings, one for sculptures) will be used to produce graphic documentation that will serve to design the required conservation measures.
* Completed the datasheets and graphic documentation for all the architectural relics still preserved on site MA045, as a case-study to develop a pilot project. This assessment phase is not only required for completing a scientific documentation, but it is also critical to complete the project: the decay maps will be turned into maps of interventions, including a list of priorities, timeframe, personnel required and estimated budget.
* Completed a first set of laboratory analyses on 32 samples of cultural properties collected onsite. These are the first laboratory analyses undertaken in Mes Aynak. Laboratory analyses are critical to understand the morphology of materials and plan proper conservation works accordingly.
* Assessed the current topographic survey and improvement of the existing topographic for the site MA045. A number of challenges have been identified, including the absence of unique topographic benchmarks.
* Provided technical advice to the Afghan authorities to implement temporary protection measures onsite, thus avoiding further damages during winter time.
* Made a preliminary study for the removal of architectural relics and prepared a framework for evaluating priorities in the possible removal process.
* Complete the conservation process on a sculpture from site MA045. The conservation process has provided the opportunity of testing suitable methodologies, especially for the specific problem of removing Paraloid B72. The sculpture is currently at the National Museum of Afghanistan.
* Preparation of a design plan for the exhibition of the sculpture at the National Museum of Afghanistan. The design has been completed and already shared with relevant Afghan authorities (especially National Museum of Afghanistan and Institute of Archaeology).
* Public Infrastructure Systems: A special task force of archaeologists has been assigned to specifically explore the religious structures within the city walls, the water system that used to run throughout the city, and the city walls that confined it. Project already have achieved incredible historical understanding of the site just from these three projects and expect to increase this understanding with several other similar projects in the future.
* Mapping: GIS mapping has been conducted in almost all archaeological areas have now been updated providing important information of their architectural layout, the location of major archaeological finds, and the occupation and construction phases so far identified.
* The aerial photography and 3D scanning project’s data was received and completed, including over 50,000 photographs have been taken to complement the photometry of the project.
* Carbon Dating:A collection of 20 botanical samples from all over the archaeological site and from different occupation phases, is ready to be submitted for analysis.
* Preservation and Conservators Work - the state of preservation of the archaeological material in-situ (sculptures, wall paintings and stupas), the ancient manufacture techniques employed in their assemble, the conservation techniques currently being used to preserve them, and the implementation of a digitized cross-reference database of this information, was conducted.

*Part 2.* *to assist the Ministry of Mines (MoM) and the National Environmental Protection Agency (NEPA) foster private sector development.* ***Rating: Moderately Unsatisfactory***

***PDO Indicator 1: Number of auctions for larger mining and hydrocarbon deposits (completed to contractual close)***

1. The SDNRP2 was fully satisfactory in contributing to mining and hydrocarbon auctions. Afghanistan has attracted and retained license holders across mining and hydrocarbons across a period when other developing countries have seen surrender of licenses and withdrawal of major license holders.
2. ***Mining***
* *Aynak Copper Tender:* The implementation of SDNRP2 began mid-stream in the contractual completion of the Aynak tender, and was instrumental in providing transaction support and contractual compliance supervision. Early on during project implementation, a major consultancy was procured to support the government in monitoring the compliance of the Aynak contract and providing oversight and advice to the ministry on the development of the mine. The contract was negotiated with MCC-Jiangxi Copper Consortium (MCC), consisting of China Metallurgical Group Corporation and Jiangxi Copper Company Limited. Under the terms of the contract commercial production to be achieved within 60 months of signing. Moreover, MCC was required to make US$808 million in premium / bonus payments: 10% paid at signing (which was paid); further 20% due upon MoMP approval of the feasibility study, and 70% upon the mine achieving Commercial Production. There were also several commitments on the infrastructure side including a 1) 400 MW coal-fired power plant, and 2) a railroad from Torkham at the Pakistan border, through Kabul (with a spur to Aynak), continuing north to Hairatan at the Uzbekistan border. Post-signing, MCC undertook considerable core drilling and reportedly doubled the size of the Aynak deposit.
* *Hajigak Iron Ore Tender:* On the strength of Aynak, MoMP with SDNRP2 support then undertook a tender of the Hajigak iron ore deposit, detailed as follows: For the four concessions offered for tender, 22 firms (including 15 from India and one from China) were invited to bid, with six companies responding. In 2011, at the start of SDNRP2, the preferred bidders announced, which included: 1) Block A - Kilo Goldmines Ltd, and 2) Blocks B, C, D - AFISCO consortium (Afghan Iron & Steel Consortium). Contract negotiations with the preferred bidders began early 2012 and continued in to 2013 with support from SDNRP2, during which time both parties envisioned US$10+ billion investment to develop large open pit mine producing iron ore for export to China starting in 2016, construction of dedicated 800 MW coal-fired power plant, and a 6+ MT/year steel plant (later scaled back to 1 MT/yr). However, the end of the commodity super-cycle and precipitous fall in the price of iron ore arrested further development of the sites during the SDNRP2 project life.
1. ***TFSBO Supported Minerals Tender of 2012 – 2015 requiring follow up SDNRP2 support***
* Again, capitalizing on the SDNRP2 technical and transactional support to Aynak and Hajigak, TFSBO supported MoMP in offering four tenders introduced at the London Mines & Money Conference in December 2011: Badakhshan Gold, Balkhab Copper/Gold, Shaida Copper, and Zarkashan Copper. In March 2012 - 41 firms submitted Expressions of Interest and in April 2012 – 25 International and Afghan firms approved as qualified bidders. A total of 14 bids received by MoMP from 11 different companies and in April 2014 – the government at the time deferred final decision on signing the contracts to the new administration (following the election). With the drawdown of TFSBO support in December 2015, SDNRP2 assumed partial role in continuing to provide policy advice on these assets – adding them to the Resource Corridor analytical work and presenting comprehensive results to MoMP.
1. ***SDNRP2 contributions to HydroCarbon Auctions***
* During SDNRP2 project design and preparation, initial hydrocarbon auctions were being designed by the Norwegian Agency for Development Cooperation. In 2009, the Kashkari (oil), Jangalikolon (gas), and Juma-Bashikurd (gas) blocks offerings led to eleven companies registering interest, and one bid received. That bid was rejected by the evaluation committee in April 2010, citing lack of a commercial market, lack of gas infrastructure, security, emerging legal/regulatory framework, unattractive terms and conditions, lack of incentives.
* Emboldened by this first test auction and recent success with Aynak and Hajigak mineral resource tenders, and supporting Bank work on Resource Corridors, the MoMP moved ahead with comprehensive auctioning of hydrocarbon blocks on the understanding that the Ministry was strengthening the mining & hydrocarbon frameworks, and seeking solutions for shared infrastructure (resources corridors).
* MoMP offered the Amu Darya Oil Tender of 2011 by auctioning a small local oil tender for production in the Angot Field of the Kashkari Block as a proof of concept. Thereafter MoMP marketed the Amu Darya Oil Tender at international conferences with one Exploration and Production Sharing Contract (EPSC) for three oil blocks (Gustavson Reserve Estimate 80 MM BBL).

**Other Project Activities (not measured as a PDO indicator in the results framework)**

1. ***GeoData Collection -*** *SDNRP2 was fully satisfactory in supporting the following outcomes:*
* Geological Capacity Building of Afghan Geological Survey was built; and the collected new geo data and digitalized capture of existing historical geo data for the development of a modern computerized geo-database in order to attract exploration interest that is necessary to sustain discovery of new deposits and sector growth.
* Geographical Information Systems (GIS) training course in February/March 2014 for 12 participating AGS staff using laptops
* A rock identification course was held for 28 geologists and engineers delivering more than 50 hours of training from November 2013 to April 2014.
* Between 45 and 60 of AGS technical staff attended seminar-style training in mineralogy in 2015.
* The Graduate Management Training (GMT) program was designed and approved by MoMP HR Dept. A training plan for 24 graduates (m16/f8) was developed and continued with in-house training complemented by courses offered by Swiss Dunya University (Kabul).
* The AGS Database upgrade created a Google-style full text search facility of AGS archives and databases. Integration of reports scanned by TFBSO and USGS is continuing. About 85% of all registered reports are available via the MoMP/AGS Intranet.
* Prepared of landslide risk analysis for Greater Kabul area, Takhar and Badakhshan Provinces in cooperation with University of Potsdam, Berlin
* General training in landslide identification and assessment of risk potential
* Local assessment of potentially dangerous rock falls and boulders in Kabul area
1. ***Support to the Afghan Petroleum Authority****.*  The SDNRP2 project did not contribute to support of the Afghan Petroleum Authority for the following reasons:

* The Afghan Petroleum Authority was established in 2012 after execution of the Amu Darya Oil Tender.
* In 2013 SDNRP2 agreed Terms of Reference for the following regulatory strengthening activities: capacity gap assessment, management of hydrocarbons resources including technical advisory services, contract negotiation including contract compliance and management, legal and financial advisory services, and sustainability of operations and human capital development.
* A Presidential Decree in 2013 allowed a Tashkeel and budget for the APA to provide a one-stop shop for the EPSC Operators (Technical Directorate – development and field issues, Finance Directorate – financial compliance, facilitate customs and tax related issues, Administration Directorate – All Operator communications, facilitate work permits, visas, and Hydrocarbons Register – Database for all hydrocarbons information).
* APA functioned smoothly with TFSBO having assumed lead support through the provision of a large cadre of consultants establishing initial institutional structures. SDNRP2 support was withheld while the Minister completed initial staffing through Tashqeel processes.
* In December 2015, most APA employment contracts terminated and staff numbers were reduced from roughly 50 to now less than 10 following TFSBO quickly drawing down support activities. Concurrent with that event, proposed new revisions to the Hydrocarbon Law (2009) to “authorize” an independent Afghan Petroleum Authority withheld further actions through the close of SDNRP2 in March 2017 (note: a new hydrocarbon law in October 2017 has since resolved this issue and building the capacity of the APA is now an agreed activity under new assistance). Importantly, five different Director Generals of the APA over the last 5 years has prevented the APA from having the authority required to make timely decisions.
1. ***Establishment of Secretariat for the Inter-Ministerial Council.*** The Inter Ministerial Committee (IMC) was established in 2008. The IMC is defined by the Law, Article 4, and includes the Ministers of Mines, Finance, Foreign Affairs, Economy and Commerce and the Director General of National Environmental Protection Agency.
2. The IMC made up of up of members from government Ministries, which conducted an evaluation process that focused on the technical merits of the bids. In addition, the main responsibility of IMC is to be involved in higher decision making process of the ministry which is beyond the authority of the ministry and require urgent decisions. The role of the IMC is to;

a) Monitor the bidding process of small and medium scale mining Contracts,

b) Approve the medium size mining contract,

c) Grant exemptions from surface rent as per the provisions of this Law,

d) Approve the royalty rate of mining operations as per Article 87 of Mining Law,

1. In 2011 the project supported creation of an IMC Secretariat having legal and engineering disciplines to support the IMC members. Under SDNRPII, IMC were staffed by local legal, Mining and policy specialists with objective Strengthened MoMP in house capability to address critical policy matters, Ad-hoc advice available to government for matters critical to sector developments. These specialists contributed to a draft policy paper clarifying the roles, functions and responsibilities of the IMC. They designed relevant training program for the IMC focusing on Legal & policy roles of the commission. In addition, they delivered regular technical & legal advice and prepared relevant technical documents for IMC.

**3.3 Efficiency**

***Rating: Moderately Satisfactory***

1. The Project was a technical assistance and capacity building operation, which, as such, did not lend itself to an economic and financial investment analysis. Similar to other World Bank-supported projects of this nature, the economic and fiscal analysis section in the PAD (Annex 10: Economic and Financial Analysis) did not contain Net Present Value/Economic Rate of Return or cost effectiveness calculation. The efficiency assessment in the PAD was based on assumptions around the potential direct and indirect economic benefits derived from construction phase of both Aynak and Hajigak, and the early operational phase of the former. The analysis assumed that Hajigak might just be ready for operation at the end of the project. During project preparation, it was estimated that Aynak copper production, starting 2014, will yield $250 million in direct taxes and royalties annually, and Hajigak iron, perhaps starting 2016, another $250 million per year. Indirect and induced impacts from Aynak and Hajigak are estimated to be significantly larger (further details are provided in Annex 10 of the PAD).
2. By the close of the project, however, Aynak had yet to move into the production phase and the finalization of the contract for Hajigak had fallen through. Below is a brief overview of the economic size of the extractives sector over the last few years. However, any growth or decline in the sector cannot be directly attributed to project activities.
3. According to the most recent data released by the MoMP, the contribution of extractives industries to Afghanistan’s GDP remains quite small, particularly relative to its potential, with both the mining and hydrocarbons sectors contributing to only 0.7 percent of GDP (AFN10.2 billion). This represents an improvement over the 0.1 percentage points contribution in 2002-03, but a lower contribution than 2011/12’s 1.2 percent. Nearly a quarter of this contribution comes from reported profits for the Northern Coal Enterprise (NCE) and Afghan Gas Enterprise (AGE, both SOE’s), an estimated 1,963 million AFS (2015) as recorded by the MoMP. Beyond payments from those enterprises, most other reported production is dominated by artisanal and small scale mining (ASM) of construction minerals and dimension stone (marble) for domestic end-use markets. While total actual production remains largely unknown, it is informative that the AEITI (2015) notes that in the period 2006 – 2007, approximately 8% of Afghanistan’s employed population was working in construction, mining, and quarrying sector. As such, these informal operations constitute a material piece of the Afghan economy and the full economic realization from existing operations has not been achieved.
4. Operating costs are another indicator of efficiency of implementation, particularly the ratio

of actual operating cost to total actual Project cost, which, at first glance, seemed to amount to nearly 22.5 percent of the disbursed amount under this Project. However, given the additional costs associated with security and the generally high wages those working with the donor community typically earn in nearly all projects, the operating costs are not outside of the norm for Afghanistan.

1. Project followed the World Bank procurement and consultants’ selection guidelines and

awarded vast majority of contacts on competitive basis. Least cost principle was thus consistently applied to procurement of all goods, works and consultant’s services. In consideration of explanations provided in this section, on balance, efficiency is rated Moderately Satisfactory.

**3.4 Justification of Overall Outcome Rating**

*(combining relevance, achievement of PDOs, and efficiency)*

**Rating:** ***Moderately Unsatisfactory***

1. Project relevance remained strong (at Moderately Satisfactory) throughout the life of the project. However, as described above, the remaining factors related to the overall outcome rating (including achievement of the PDO and efficiency) were weak at Moderately Unsatisfactory. The second part of the PDO indicator on *fostering private sector development,* was particularly weak as evidenced by the low efficiency rating. Several activities that could have improved the efficiency and the achievement towards the PDO were not fully implemented or absorbed by the MoMP, including (but not limited to) operationalization of the International Advisory Panel (IAP) throughout the full life of the project which could have increased the legitimacy of the (still pending) four TFBSO contracts to the new in-coming government at the time and the private sector, transaction support for renegotiation of the Aynak contract, and preparation of the communication plan and strategy which could have been instrumental in communicating to investors and addressing the challenges around community resettlement.
2. The Overall Project Outcome is rated Moderately Satisfactory on the basis that:
* the relevance of the Project Objectives and design is rated Moderately Satisfactory
* the overall achievement of Project Development Objectives is rated Moderately Unsatisfactory
* the Project efficiency is rated Moderately Unsatisfactory

**3.5 Overarching Themes, Other Outcomes and Impacts**

1. **Poverty Impacts, Gender Aspects, and Social Development**
2. The project had a limited direct impact on poverty. For a description of its impacts on gender and social development please review the sections above, specifically on safeguards (para 68 and section 2.4) and the description of outcomes under Indicator 7 (Para 119 – 121).

**(b) Institutional Change/Strengthening**

1. As describe more fully in the sections above, the MOMP struggled with building long-term human and institutional capacity. This assessment aligns with the findings of the Emergency Project Paper on the Capacity Building for Results Facility (CBR, P123845, currently active) approved by the Bank in December of 2011. Despite sustained donor support to building capacity within the institutions charged with managing the EI sector, human resource capacity remains weak.
2. In relation to the institutions charged with policy and oversight of the country’s mining and petroleum sector, the CBR facility specifically noted that the government's strategy for public administration capacity building relied on the injection of short-term capacity into line ministries and agencies to implement a diversity of donor funded projects and programs. This was achieved through direct financing of large numbers of national and international consultants in key functional and advisory positions. This largely ad hoc, project-based and donor-supply driven approach resulted in fragmented, uncoordinated and costly technical assistance, the creation of parallel program/project management structures and systems in line ministries, thereby, in effect, adversely impacting the civil service reforms they were meant to assist.
3. Critically, CBR noted that without a mechanism to attract and retain key qualified staff, as projects expire and/or donors’ priorities evolve, a sharp fall in the number of externally funded national staff who performed key tasks in line ministries, but received rates of pay far above those of the tashkeel (civil service), inevitably resulted in the eventual loss of said capacity in the ministries and other government agencies. As a result, as is the case with MoMP and its agencies, the capacity of line ministries remains weak despite significant donor support.
4. The Bank team on several occasions encouraged the ministry to strengthen its capacity to oversee the sector and absorb technical assistance through implementation of the CBR project. However, this approach was not pursued.

**(c) Other Unintended Outcomes and Impacts (positive or negative)**

None

# 4. Assessment of Risk to Development Outcome

***Rating:*** ***Significant***

1. Sustainability is considered high it terms of certain achievements, such as the preparation of the ESMF, SESAs, RAPs, capacity building of NEPA, archeological preservation and conservation activities, and the development of the corporatization plan that will be implemented through the AE4D project. But, given the country conditions of conflict and fragility, any project will have **Significant risks** to development outcomes. In the case of this project, there are several potentially significant risks to the development outcomes as outlined below. While the AE4D will continue to build the institutional strengthening of the MoMP and NEPA which will potentially contribute to sustaining the institutional development that has taken place so far and building and deepening it further, the risk to development outcome is rated high in view of the risks listed below.
2. **Long Process for Capacity Building.** Even with the additional financing and increased donor support, capacity building in Afghanistan will likely take a decade or more to achieve results, especially since there are presently no large-scale mining operations in Afghanistan for MoMP or NEPA staff to work on or learn from given that both Aynak and Hajigak are at the feasibility stage. The MoMP faces a substantial risk in terms of being able to hire and retain good staff and the progress in inspections, licensing and record keeping will be at risk if staff cannot be retained. Well-trained public sector staff often chooses to take better paid positions within the mining, oil and gas industry once those positions become available, making staff retention difficult.
3. **Renegotiating Contract Terms.** For those contracts that have been signed with high ad valorem rates before any feasibility work has been undertaken and once feasibility results are available, investors may seek to renegotiate contracts to lower royalty rates or seek tax holidays than previously agreed. This is currently the case with the Aynak contract, where the operator has requested renegotiation of the contract, and the government has yet to provide a comprehensive response.
4. **Public Release of Geological Data.** The public release of geological data is presently restricted by MOIC which is a significant barrier to grass roots exploration.
5. **Site Security.** Major investors may continue being unwilling to come to Afghanistan due to security and other related concerns. The operated for Aynak has already cited security concerns as one of the rationales for slow-down/stand-still in project implementation.
6. **EITI.** Over the last several years A-EITI has struggled with reaching compliance status. After several attempts of completing validation process, there is a possibility of Afghanistan being suspended from EITI subsequent to the validation process that will commence in November 2017. While the donors have placed a priority on the EITI process and there is support at the highest level, it’s unclear what a possible suspension would mean for the EITI in Afghanistan. In some cases, countries have taken the decision to walk away from the EITI process all together. Moreover, a move to suspend Afghanistan could have an impact on its perceived investment climate in the sector

# 5. Assessment of Bank and Borrower Performance

**5.1 Bank Performance**

**(a) Bank Performance in Ensuring Quality at Entry**

***Rating:*** ***Moderately Satisfactory***

1. **Bank Performance in Ensuring Quality at Entry Rating**: ***Moderately Satisfactory*.** Overall, the Project’s conceptual approach was appropriate and in line with World Bank experience and international good practice experience at the time for a fragile country in conflict seeking to attract international private sector investment. The scope of the proposed activities was very ambitious, but the design of components and activities along the chevrons of the EI Value Chain was simplified and straightforward. The implementation arrangements could have been better designed to ensure that the project was more fully integrated into the ministry and the capacity was built and sustained. The output nature of the M&E and results framework design, although fully endorsed by management, was inadequate to measure and monitor project results at the uptake of reforms level. The evaluations of risks where forthcoming and accurate.

**(b) Quality of Supervision**
***Rating:*** ***Satisfactory***

1. **Quality of Supervision Rating: *Satisfactory*.** The quality of supervision was robust throughout the life of the project, with strong support from the Bank’s management.
2. ***Missions and documentation.***The team undertook over 20 missions over the life of the project, with an average of 4 -5 missions per year, which goes far beyond the recommended two missions per year by the Bank particularly given the security challenges. Field work and mission travel in Afghanistan is carried out under extreme and risky security circumstances. In spite of these difficult challenges, the Bank team has made numerous field visits to the Aynak area, on those occasions when security permitted. Performance of the Bank under the above noted risks is considered exemplary. Senior management remained fully supportive of the team in addressing the need for increased precautionary measures, and has implemented a “no visit” policy to other Bank teams to lessen security risks. There were nine ISRs prepared during the life of the project (two per year), one MTR, 12 aide memoirs, and seven Bank-to-Office Reports, each of which were reviewed and cleared by Bank management. Based on an analysis of the content of the documentation provided, they were comprehensive in highlighting challenges and progress on implementation to both management (through the ISRs) and the client (through the Aide Memoirs).
3. ***Staffing.***The core task team members included the following: 1) *Task Team Leader (TTL) -*Throughout the life of the project (from preparation to closure) the Project was managed by the same TTL who had extensive experience in Afghanistan. 2) *Country-based Operations Analyst -* The team benefited from having an operations analyst on the ground who worked as the key interlocutor between the Bank to the government project team; he also worked in the project for its full duration; and 3) at least one Operations Analyst/Officer based in Washington DC who supported the team on operational matters related to the projects implementation and performance. Kabul based fiduciary and safeguards staff – procurement, FM and disbursement specialists, environmental and social safeguards specialist – provided consistent support during the entire project lifetime.
4. Not only was there strong technical support from the team, but there was also consistent support, which can be difficult to achieve in fragile environments such as Afghanistan where the burnout rate can be high. In addition to this, there was a great deal of collaboration from colleagues posted in the country office from various parts the Bank that helped to move the policy dialogue on the extractive industries forward, including from 1) Macro-Fiscal Management (MFM) who supported the overall policy dialogue issues related to the potential positive macro-fiscal impacts of the sector[[15]](#footnote-15); 2) Trade and Competitiveness (T&C) who provide support on the dialogue around the resource corridor approach particularly during the early phases of project implementation; 3) Social Development who provided critical support on the resettlement process, and the preparation and review of all safeguard related documents (SESA, ESMF/RPF, RAP); and Environment who also provided support on safeguard documents and compacity building at NEPA.
5. ***Safeguards****.* As mentioned above support on social and environmental safeguards was largely vary strong. For the duration of project design and a large part of implementation, the project benefited from the presence of two Sr. Social Development Specialist (One international hire with extensive experience in Afghanistan and local hire), who worked countless hours with the government on resettlement issues, implementation of the RAP, and refining the ESMF. Perhaps one deficiency in the area of social development is that although the project was held accountable for its implementation in accordance with OP4.12 on the Preservation of Physical Cultural Resources, there was no archeologist in particular within the Bank, who had expertise in upstream excavation and conservation, who could support the team and client in supervision and implementation activities. This lead to a lot of inefficiencies in project implementation and diverted the team’s dialogue with the ministry away from core technical issues related to resource development, to urgent challenges around archeology. This deficiency was raised with management several times, and it was agreed that for the new project (AE4D) the GP responsible for social development would take the lead on dialogue with the government and implementation of safeguards related to OP4.14.
6. ***Fiduciary.***Supervision of procurement under the project was satisfactory with the procurement specialists engaging with the client on a regular basis, providing timely advice, and participating in supervision mission with the broader team. Supervision of financial management was moderately satisfactory, with the FM specialist providing strong support to the team on MoMP’s review of project IFRs and audit reports, one challenge that persisted, largely in the last year of the project, were delays in processing payments to consultants. Because this is not reported in the IFRs the team was made aware of such delays from the consultants, and would work with the PMU to respond proactively.

**(c) Justification of Rating for Overall Bank Performance**

***Rating:*** ***Moderately Satisfactory***

1. Given the good quality of the project at entry, and the very strong and consistent technical and operations support from various parts of the Bank (particularly under severe capacity and security constraints) - including the core task team, the management team, the technical experts from other parts of the Bank, social safeguards, and procurement - an overall rating of moderately satisfactory for the Bank’s Performance in this project is justified.

**5.2 Borrower Performance**

**(a) Government Performance**

***Rating:*** ***Moderately Unsatisfactory***

1. The performance of the borrower has been discussed at length in the sections above (please see section 2.2 *Factors Under Government control)*.
2. The government’s performance in project implementation has been mixed and can be split into two phase: 1) the period preceding preparation for the 2014 Presidential Elections; and 2) The implementation period after the elections.
3. At the start of project implementation through to the period leading up to the Presidential elections, the Government’s role, in particular that of the MoMP as the lead implementing agency, would have been rated as satisfactory. During this period, there was still a significant amount of technical capacity within the Ministry (built through the first SDNRP and support from other donors). The MOM team was deeply engaged in the project, and the Ministry leveraged its planned activities to meet the broader of sector development at the time. For instance, during this period activities relating to the establishment of the Secretariat for the Inter-Ministerial Council (IMC, responsible for overseeing the tender and approval of mining contracts, including Hajigak), the functioning the IAP (which was a covenant under the project), and transaction support for contract negotiations were well under implementation. Soon after the minister at the time resigned (in late 2013), each of these activities which were designed to attract investment, lay the foundation for good sector governance, and critical to achieving the PDO, gradually began to fall away. The cited justification for closing implementation of these activities varied, but it was likely in response to a shift in strategy by the new President who had expressed concern that the focus on transactions before the necessary institutional capacity to manage the sector had been built could result in the resource curse[[16]](#footnote-16). The result lead to the significant delays in the renegotiations of the Aynak contract (which the government is contemplating now), questions on the legitimacy of the four mining tenders supported by TFBSO, and very little private investment in the sector.

**(b) Implementing Agency or Agencies Performance**

***Rating:*** ***Moderately Unsatisfactory***

1. Early on during project implementation, the Bank began to raise concerns over the state of project management, in particular procurement processing and planning, contacts management and the need to gradually begin to transfer some of the core functions of the PMU to the ministry to ensure sustainability as set out in the PAD. While over time some core functions of the PMU moved to the ministry, the decision by the Ministry leadership to fully migrate, including the appointment of Director or Deputy Minister as project coordinator, was never taken, despite extensive discussion and agreement. This was likely as a result of several factors, including that with each change in minister, the project became more remote to their priorities, and therefore taking key decisions on project management was simply not a priority. Several attempts were made to improve the procurement functions of the PMU by hiring additional procurement specialists (national and international), encouraging the minister to migrate the procurement team to the ministry, and providing training and capacity building opportunities. While these actions led to an improvement in project management within the PMU, it was generally short-lived. As recorded in the December 2015 ISR, following a change in PMU leadership, the team’s lead counterpart took the decision in August 2015 to retain the Acting Executive Director. With this change, a number of procurement activities that had blocked previously began to move, resulting in an upgrading of the Project Implementation Support rating from Moderately Unsatisfactory to Moderately Satisfactory. By 2016 with a change in ministerial leadership, a decision was taken to withhold payment of invoices for several key consultancies. As documented in an official letter to the Minister of Finance, dated January 30, 2017, after several attempts to encourage the MoMP to resolve their payment issues, Bank team responded by informing the MoMP and MoF that they had taken the decision to delayed preparation of a proposed new IDA operation. It wasn’t until several months after project closure, when the current Minister was appointed, that the backlog in payments was cleared.

**(c) Justification of Rating for Overall Borrower Performance**

***Rating: Moderately Unsatisfactory***

1. For the reasons cited above a moderately unsatisfactory rating for overall borrower performance is justified.

# 6. Lessons Learned

1. Key lessons learned from SDNRP2 that will be carried over in the next project follow three main themes – Technical, Institutional, and Implementation – and includes the following:

***Technical***

1. **Importance of grounding TA in concrete extractives operation.** One key lessons learned from implementation of SDNRP2 as well as implementation of other World Bank extractives projects is that technical assistance and capacity building is most impactful and sustainable when grounded in the development of concrete oil, gas or mining projects. This allows government counterparts to benefit from a “learning-by-doing” approach and gain practical knowledge and skills. The integration of these two components into the AE4D’s design is intended to build government capacity to catalyze concrete investments in gas-to-power and other gas related projects.
2. **Importance of small incremental proof of concept operations.** Afghanistan will benefit from an incremental approach to resource development, starting with smaller “proof of concept” investments that can stress-test regulatory, commercial, and fiscal systems; and progressively grow the sector using subsequent incremental investments. Such an approach provides the GoIRA greater control over sector development, ensuring full regulatory and contractual compliance; while also permitting adjustment to contractual terms & conditions if warranted.
3. Following the mineral commodity super cycle (2004 – 2014), during which higher prices led to proposed resource development projects in Afghanistan -- global investment patterns have returned to favoring traditional mining countries. This shift in investment patterns reflects lessons learned by investors that -- large and complex investment proposals in new mining countries – often encountered long delays and uncertainty regarding contractual and regulatory approval. The mining industry has returned to a practice of undertaking smaller incremental investments, in a staircase pattern. It is recommended to build a strong portfolio of resource development opportunities around initially smaller incremental investments in which each stage of investment tests regulatory functions, contractual compliance, fiscal regimes, and banking systems. This is to the advantage of the government and investor alike. The government can ensure full regulatory and contract compliance, and only authorize additional investment once satisfied that the operation is benefiting the broader development agenda. The investor has less capital at risk and can be satisfied that the operation is progressing in a structured “staircase pattern” of one investment followed by the next. Scalability is the key, designing gas and mining operations so that the first stage can be commercially viable, while also allowing for adjustments to the overall development scheme as needed. Within this approach, hydrocarbon development will support Afghanistan’s drive towards greater energy independence while mining yields revenues and infrastructure linkages.

***Institutional***

1. **Importance of Government Ownership.** A high level of ownership is a key element of implementation success, through direct participation of the Borrower at the technical, managerial and political levels. Over the last decade, the Bank has had the benefit of developing a strong and trusted partnership with the Ministry of Mines and Petroleum and the NEPA that has led to the overall strong implementation of SNDRP1 and SDNRP2. Frequent changes in the leadership of MOMP negatively impacted project implementation due to learning curve for each newly appointed Minister. And while new and frequent appointment of Ministers is beyond the Bank’s control, going forward identifying several additional champions at the Director and Deputy Minister levels, where there is greater stability, maybe a prudent approach.
2. **Importance of build sustained human resource capacity.** Not unique to Afghanistan, the importance of having a planned and structured approach to human resource development is critical for sustainability. While there were significant strides in the development of the oil and gas sector from 2010 to 2014, the combination of delayed elections, government administration changes, the departure of significant donors, and the delay of new donor programs caused a significant break in the momentum. Contracts for the majority of the Afghanistan Petroleum Authority staff expired, key MoMP personnel departed the Ministry, and one of the largest donor in the sector ceased activity without sufficient follow-through. Moreover, while contribution that many donor funded international advisors have made to developing Afghan oil and natural gas sector is valuable, linkages between these advisors expertise and transferring “know how” to their Afghan counterparts may be considerably improved. Similarly, transfer of “know how” from ex-pat Afghan to domestic Afghan, typically in the same language and along the same cultural and historic understanding, should be better coordinated with international advisory to be optimized. To address this issue, the newly proposed project (AE4D) will have to find new approaches to capacity within the AGE and MOMP on a more sustainable basis, despite possible frequent changes to ministerial leadership and inherent uncertainty of project implement in fragile context such as Afghanistan. One such tool could be the early adoption and systematic use of the Capacity Building for Results (CBR) facility by the ministry, which aims to improve the capacity and performance of priority line ministries and independent agencies.
3. **Importance of developing a Sector Strategy/Vision.** Having a strong vision for resource development, especially in a transition economy, enables government, investors and citizens to envision and embrace broader development opportunities that may integrate resource development with local economy, regional business and generally improved socio-economic conditions. The earlier in the resource development process that strategic priorities are agreed and published, the more likelihood to test financial, technical and other implementation practicalities and to modify strategy as may be needed. That being said, in dialogue with government, the Bank team can also stress the importance of the government to commit to implement the strategy that has been adopted.

***Implementation***

1. **Importance of developing a robust results and M&E framework designed to monitor reasonable outcomes over time.** As discussed elsewhere in this ICR, while it was agreed by management that the indicators set out in RF would focus on achievable outputs rather than outcomes, this approach nonetheless makes the assessment of achievement towards PDO on the basis of the RF alone incomplete. The rational for taking this approach was that long lead times for sector development, made it difficult to measure outcome attributable to project activities. The follow-on project, the AE4D, presents an opportunity to build on the achievements made under SDNRP2 and to better monitor medium-term outcomes.

173. **Need for long term engagement for sustainable reforms in the extractive industry sector**. A major lesson of the World Bank engagement in the extractive industry sector in Afghanistan is the need for long-term engagement, with patience and resilience. As mentioned in the ICR, the World Bank has been involved in the extractive industry sector in Afghanistan since 2004. The 2012 IEG Afghanistan Country Program Evaluation highlighted that “Bank assistance has been critical in developing the mining sector as a potential engine of growth”. While the World Bank engagement has been facing significant challenges since 2014 (as highlighted in the ICR), it is critical to maintain some level of engagement, to be able to rapidly scale up engagement as soon as the political-economy environment becomes more conducive. In challenging sectors (i.e. high-risks/high rewards) and/or when undertaking complex institutional reforms, it is important to “stay the course” and to accept setbacks.

1. **The Impact of Fragility, Conflict, and Violence (FCV) on project implementation.** The impact of the FCV dynamics permeated nearly every aspect of the project - from its design, including the activities that the government and Bank agreed to focus (or not focus on), to the ability of the Bank team to supervise the operation, to the ability of consultants together with government to implement. At the outset of project preparation, it is important to have a clear (to the extent possible) understanding of where these dynamics can be significant bottleneck to implementation, to design a project with realistic implementable set of activities that serve to mitigate risks, and to exercise flexibility during implementation. For instance, part of the scope of work related to ASM formalization, particularly those activities requiring field visits, became too risky to implement, and in response the consultants adopted an approach using new remote/online technologies to implement the assignment.
2. **Addressing Challenges to Absorptive Capacity and Disbursements.** As indicated in the restructuring section above, nearly US $12 million was cancelled from the original project amount of US $52 million (SDR Equivalent) between both project restructuring. The decision to cancel these funds was based on a number of factors including the absorptive capacity of the ministry, the decision not to move forward with full implementation of a few activities (such as communications), and to reduce donor overlap as some activities in the original project design were being addressed under other projects (i.e. on resource corridors). The challenges to absorptive capacity for the ministry was particularly burdensome, as at times the MoMP disbursement rate for its overall development budget fell below 30 percent, resulting from weak capacity and donor crowding in the sector. One of the lessons learned from this dynamic that will be incorporated into the follow-on project is:
* ***Programmatic Approach:***  the newly release *Multiphase Programmatic Approach* (MPA) provides flexibility to the Bank and the government to better manage challenges associated with a lack of absorptive capacity, slow disbursements, donor duplication, and the tying-up of IDA resources. Given the long lead times associated with sector development and the Bank’s corresponding commitment to providing incremental support to the sector over the long term in Afghanistan, the follow-on operation to SNDPR2 will likely be designed as an MPA.
* ***Donor Coordination:*** strong donor coordination at the outset of project preparation is critical to avoiding duplication and reducing the challenges to absorptive capacity amongst the Bank’s clients; this is particularly in the case of resource rich FCV countries, where there is likely to be significant donor crowding. Given the Bank’s strong technical expertise in the sector and our convening power, we are often best placed to take the lead.
* ***Project Restructuring:*** restructurings can be a necessary part of the project implementation cycle and an effective tool for taking corrective action as issues arise.

# 7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

**(a)** **Borrower/implementing agencies**

1. **The draft ICR was sent to the borrower for their comments. There is currently little institutional** memory **within the Ministry and the PMU has been dismantled.** **No comments have been provided to date.**
2. **Co-financiers:** Not relevant
3. **Other partners and stakeholders** *(e.g. NGOs/private sector/civil society)*: Not relevant

# Annex 1: Project Costs and Financing

**(a) Project Cost by Component (in USD Million equivalent)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Components** | **Appraisal Estimate (USD millions)** | **Actual/Latest Estimate (USD millions)** | **Percentage of Appraisal** |

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
| **Component A:** Award of Contracts and Licenses - Access to Resources | 12.4 | 6.3 | 51% |
| **Component B:** Regulation and Monitoring of Operations | 22.0 | 13.1 | 60% |
| **Component C:** Preservation of Aynak antiquities and support for alternative livelihoods through sustainable ASM | 7.6 | 11.6 | 153% |
| **Component D:** Program Management Unit / Direct MinisterialSupport through Experts / Goods & Services | 10.0 | 9.0 | 90% |
| **Total Baseline Cost** | 52.00 | 40.0 | 77% |
| Physical Contingencies |  0.00 |  0.00 |  0.00 |
| Price Contingencies |  0.00 |  0.00 |  0.00 |
| **Total Project Costs** | 0.00 | 0.00 |  |
| Front-end fee PPF | 0.00 | 0.00 | 0.00 |
| Front-end fee IBRD | 0.00 | 0.00 | 0.00 |
| **Total Financing Required** | 0.00 | 0.00 | 0.00 |
|  |  |  |  |

**(b) Financing**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Source of Funds** | **Type of** **Co-financing** | **Appraisal Estimate****(USD millions)** | **Actual/Latest Estimate****(USD millions)** | **Percentage of Appraisal** |
| Borrower |  | 0.00 | 0.00 | .00 |
| IDA Grant |  | 52.00 | 35.78 | .69 |

# Annex 2: Outputs by Component

|  |  |
| --- | --- |
|  | ***Evidence of Progress***  |
| **Component A. Award of Contracts and Licenses** |   |
| This component will support the preparation and management of competitive and transparent procedures for development and extraction of the country’s mineral resources. This will be accomplished through the development of policy frameworks and transport corridor assessments; establishing a Secretariat of the Inter-Ministerial Committee (IMC) to be responsible for competitive tendering of mineral deposits; and the provision of support to the Afghan Geological Survey (AGS) for the digital capture of existing historical geodata, the development of a modern computerized geo-database and for collection of new geodata | **Afghanistan Geological Survey*** Geological Capacity Building of Afghan Geological Survey was built; and the collected new geo data and digitalized capture of existing historical geo data for the development of a modern computerized geo-database in order to attract exploration interest that is necessary to sustain discovery of new deposits and sector growth.
* Geographical Information Systems (GIS) training course in February/March 2014 for 12 participating AGS staff using laptops
* A rock identification course was held for 28 geologists and engineers delivering more than 50 hours of training from November 2013 to April 2014.
* Between 45 and 60 of AGS technical staff attended seminar-style training in mineralogy in 2015.
* The Graduate Management Training (GMT) program was designed and approved by MoMP HR Dept. A training plan for 24 graduates (m16/f8) was developed and continued with in-house training complemented by courses offered by Swiss Dunya University (Kabul).
* The AGS Database upgrade created a Google-style full text search facility of AGS archives and databases. Integration of reports scanned by TFBSO and USGS is continuing. About 85% of all registered reports are available via the MoMP/AGS Intranet.
* Prepared of landslide risk analysis for Greater Kabul area, Takhar and Badakhshan Provinces in cooperation with University of Potsdam, Berlin
* General training in landslide identification and assessment of risk potential
* Local assessment of potentially dangerous rock falls and boulders in Kabul area

**Financial Management Information System*** Developed and implemented an Open-ERP system which helped MoMP to integrate all contract management functions, including Awarding, Invoicing, etc.
 |
| **Component B. Regulation and Monitoring of Operations** |  |
| This component will strengthen the process of putting in place comprehensive frameworks for regulating the complex activities in the mining and hydrocarbon sectors, and build the institutional capacity of the concerned government entities (particularly the Ministry of Mines and the National Environmental Protection Agency) for monitoring regulatory compliance. This will be accomplished through modernizing the mining cadastre; increasing the capacity of MoMP and NEPA to implement a dynamic inspection and contract compliance regime including in-depth support for oversight of the Aynak and Hajigak mining developments; preparing a national directive for the use of explosives; preparing environmental and social frameworks and instruments; establishing a MoMP Mining Institute; and preparing corporatization plans for state mineral enterprises. It will also support further implementation of the Extractive Industries Transparency Initiative (EITI) and consultation processes and analytical work needed as inputs to developing policy frameworks for mineral revenue management.  | * Cadaster Directorate of Ministry of Mines & Petroleum
* An in-depth study of the new Minerals Law was done.
* The new Mineral Law was reviewed and all information related to licensing and cadaster procedures was highlighted
* A basic outline of the license procedures was developed which includes; Application, Processing and issue of the license, Life of license management
* The ‘draft regulations’ were studied and used in developing the procedures
* Cadaster procedures have been developed which follow the legal framework.
* The AMCS was re-activated and a review of the information on the data-base was made. Most of this data is obsolete.
* The mapping function was activated and the existing plotter was operationalized and maps can now be printed
* A Cadaster Procedure Manual has been developed
* Following Mining Regulations were drafted:
* Mine Health & Safety: General
* Mechanical & Electrical Engineering, Ventilation & Surveying
* Coal & Fiery Mines
* Licensing & Use of Explosives
* ESIA regulations drafted
* Aynak Monitoring compliance
* Regular Comments were provided on Draft Feasibility study of Mes Ayank copper mine
* Regular advice on Ayank re-negotiations were provided to High management of Ministry of Mines & petroleum
* National Environmental Protection Agency:
* The policy and legal review of the existing policies and legislations has been completed.
* Strategic Environmental and Social Assessment (SESA-EI) Prepared
* Environmental and & Social Management Frame work (ESMF) prepared
* Resettlement policy framework prepared
* Resettlement Action Plan was prepared and under implementation.
* Recommendations have been prepared on the legal, policy and administrative instrument available to the NEPA to enable it to fulfill its mandate.
* Assessment of current system and procedures has been completed. Accordingly, recommendations have been prepared for the NEPA’s long-term capacity building.
* The ESIA board members has received training on “ESIA Procedures and Evaluating ESIA in Mining Sector” (i) ESIA procedures in the Mining Sector; (ii) Evaluating ESIA; and (iii) Evaluating Potential and Predicted Environmental Impact; (iv) Evaluation of the Proposed Mitigation Measures and Contingency Plans; (v) Evaluating Environmental Monitoring Plan; (vi) Evaluating the Reclamation and Closure Plan).
* 26 different training modules were completed by the end of the project. These training were conducted in Kabul for NEPA’s 16 provincial staffs. In Herat for 9 provincial staffs and in Mazar e Sharif for 9 provincial staffs.
* Study tour to Russia to benefit from the experience of other countries to establish latest environmental and social management practices in mining industries was conducted with a total number of 23 participants from NEPA, AGS and MoMP.
* State Owned Enterprises (SOE).
* Afghanistan Gas Enterprise:
* Detailed review and documentation of the many prior projects relating to gas reform, but that have had limited impact. This review was able to identify key features and findings so as to provide a concise summary of key issues and expert opinions for future consideration,
* A thorough and detailed review of the status of Afghan Gas Enterprise, with the overall conclusion that all aspects of the business require reforms. In support of this is an inventory of personnel, assets and technical operations and reconciliation of financial management issues has been prepared,
* The first thorough market study culminating in the development of a market model for the domestic opportunity in the north, with relevant assumptions relating to volumes and prices. The model has been adapted and expanded to include detailed cost assumptions so that all options and potential development projects can be incorporated and assumptions can be modified to indicate impact on revenues, net cash flows and profitability,
* Preparation of a detailed strategy, based on the internal assessment and external market study as well as drawing on the consulting team’s wide array of experience in gas sector development and SOE reforms. This strategy is supported by detailed explanations and a suite or tool kit of plans and documents ready for implementation by new management,
* Discussions, consultations and training of findings, reports and working models with many stakeholders and specifically ministry personnel so as to improve understanding and develop momentum for reforms,
* Ultimately, the project has achieved its overall objective ‘to develop a strategy and plan for improving business performance of Afghan Gas’.
* Northern Coal Enterprises
* Regional coal market assessment is conducted
* initial environmental impact assessment of NCE mines is prepared
* Transition work plan for NCE operations prepared
* Recommendations for immediate health and safety improvements were prepared
* Workshop/seminar – HSE is conducted
* Workshop/seminar – Environment is conducted
* Prepared Draft Terms of Reference for independent audit contract
* Prepared Proposed financial structure of NCE
* Reconciliation of NCE balance sheet is prepared
* Established new Chart of Accounts
* prepared Proposal for division of corporate shares, reporting requirements
* Drafted A two (2) year retrenchment and social mitigation plan
* Assessment of IT on site and installation of improvements for improved
* Assessment conducted of customer data base; recommendations for improvement
* Proposal for establishment of computer-based systems
* Articles of Incorporation is prepared
* Template for coal sales contract is drafted
* Legal confirmation of NCE holdings + Facilitation of licensing of NCE holdings
* Prepared a Debt Recovery plan and Debt Payment plan
* Prepared materials for and conduct at least the first NCE Board of Directors’ meeting.
* Assessment and recommendations as needed for Coal storage, transportation and briquette production
* 3-year Business Plan for Northern Coal Company is prepared that includes Proposals for restructuring, divestiture, corporatization, transfer of assets (Part of Business Plan)
* International Advisory Panel on Resource Development of Afghanistan
* Monitored the bidding process for the Hajigak iron ore project up to the point where the evaluation of bids has resulted in a selection and recommendation of bidders by the Bid Evaluation Committee to the Inter-Ministerial Committee.
* Advised regular Minister and IMC on all stages of Hagigak bidding process
* Afghanistan Extractive Industry Transparency Initiative
* Published of 5 reconciliation reports
* Communication strategy developed and outreach activities in Nangarhar, Baghlan, Samangan, Mazar Sharif, Kandahar and Kabul; Western and Central Region were conducted on EITI finding, gaps etc
* Discrepancies report on 3rd reconciliation report developed
* Multi Stake Holder Group (MSG) Participated in various international Trainings & Study tours in Azerbaijan, Dubai, Mongolia, Peru, Indonesia etc.
* Organized several workshops for the MSG, Government Officials, Parliament members, Private Sector and CSOs to introduced AEITI and build their capacity
* Drafted open data policy
* AEITI -ASM report is developed
* Regular Annual workplan is developed and traced with results
* Four‐day Training on understanding, analyzing and reporting on extractive contracts with objective of overall promotion of transparent, equitable and Sustainable extraction of natural resources in Afghanistan to Civil Society Natural Resources Monitoring Network
* On Audit and Compliance Services for the Amu Darya Basin Exploration and Production Sharing Contract
* Analyzed of the appropriateness, reasonableness and validity of WP & WPBs to ensure consistency of proposed and approved WP & WPBs with the terms and conditions of EPSC addressing the major exploration and field development activities.
* Analyzed and tested of the appropriateness, reasonableness, consistency and validity of WP & WPBs execution up to cut-off date of August 31, 2013
* Identified whether the Contractor has complied with EPSC in accounting for HCOE.
* Reviewed Report on HC Production, Sales and Revenue
* Chartered Accountants & Management Consultants
* Reviewed of the sub-contractor’s compliance with the EPSC prescribed processes and procedures pertaining to operations, procurement and accounting matters.
* EPSC based compliance review of the procurement cycle pertaining to major sub-contractors selected by Petroleum Authority to confirm the reasonableness of the value received and cost effectiveness.
* EPSC based compliance review for various covenants including training, employment, local content, reporting to MOMP, and health, safety and environment.
 |
| **Component C. Preservation of Aynak antiquities and support for alternative livelihoods through sustainable artisanal and small-scale mining (ASM)**  |  |
| This component will help to recover and preserve some of the artifacts and antiquities at Mes Aynak by supporting the implementation of the Archaeological Recovery and Preservation Plan of the Aynak antiques. It will also promote alternative livelihoods through improving the sustainability of ASM mining enterprises, with particular consideration on women’s employment in the gemstone, decorative stones and jewelry craft fields including reproduction of artifact replicas at Mes Aynak. This will be accomplished through establishing an ASM Directorate within the MoMP; developing a gemstone center and providing support and training for women gemstone cutters and polishers and jewelry makers and for ASM miners, cooperatives and communities | * Completed the archaeological screening in 6 prioritized areas, with the identification of some 800 unknown cultural heritage sites;
* Made the first digital database of heritage sites in Afghanistan, with some 2,090 cultural heritage sites inserted;
* Completed the Heritage Impact Assessment for the Hajigak mining site;
* Completed the framework for establishing Heritage Management Plans. This document should serve as a set of guidelines for the Ministry of Information and Culture (MoIC), including recommendations for the preparatory phase;
* Completed the proposal for the revision of the Afghan National Law for the Protection of Cultural Heritage. The current Law contains significant shortcomings that does not allow any heritage preservation programme to be properly integrated within the development and modernization processes in the country;
* Organized a high level International Scientific Symposium in May 2016 in Rome, Italy, to raise awareness and promote discussion about the possible integration between heritage protection and development initiatives. The Symposium saw the participation of senior Afghan authorities and their partners resulting in the adoption of a set of recommendations aimed at identifying critical actions to be undertaken in the future;
* Contributed to the enhancement of MoIC and MoMP technical capacity in dealing with the possible combination between heritage preservation and development initiatives in the country.
* Collected the available data coming from past eight-year excavations and created a database to re-organize all these documents.
* Produced a unique ID code and datasheet to report information about the architectural relics throughout the site. This system was completely missing, thus making it impossible to identify and analyze the conservation status of architectural relics still onsite, which are critical to make a conservation/removal plan;
* Produced a preliminary damage assessment report on the architectural relics still onsite. The report (one for stupas, one for wall paintings, one for sculptures) will be used to produce graphic documentation that will serve to design the required conservation measures;
* Completed the datasheets and graphic documentation for all the architectural relics still preserved on site MA045, as a case-study to develop a pilot project. This assessment phase is not only required for completing a scientific documentation, but it is also critical to complete the project: the decay maps will be turned into maps of interventions, including a list of priorities, timeframe, personnel required and estimated budget;
* Completed a first set of laboratory analyses on 32 samples of cultural properties collected onsite. These are the first laboratory analyses undertaken in Mes Aynak. Laboratory analyses are critical to understand the morphology of materials and plan proper conservation works accordingly;
* Assessed the current topographic survey and improvement of the existing topographic for the site MA045. A number of challenges have been identified, including the absence of unique topographic benchmarks. UNESCO has also improved the topographic survey for the site MA045, as basis for the pilot project;
* Provided technical advice to the Afghan authorities to implement temporary protection measures onsite, thus avoiding further damages during winter time;
* Carried out conservation tests to establish an appropriate methodology for the interventions to be implemented on the architectural relics. This activity responds to the necessity of finding a more compatible alternative to Paraloid B72;
* Made a preliminary study for the removal of architectural relics;
* Prepared a framework for evaluating priorities in the possible removal process;
* Complete the conservation process on a sculpture from site MA045. The conservation process has provided the opportunity of testing suitable methodologies, especially for the specific problem of removing Paraloid B72. The sculpture is currently at the National Museum of Afghanistan;
* Preparation of a design plan for the exhibition of the sculpture from site MA045 at the National Museum of Afghanistan. The design has been completed and already shared with relevant Afghan authorities (especially National Museum of Afghanistan and Institute of Archaeology). UNESCO is currently investigating local markets for selecting available materials and preparing a BoQ for future execution;
* Preparation of a pilot project for the site MA045. The project provided the relevant Afghan authorities with a complete set of documents supporting the two alternative solutions of onsite conservation (hypothesis A) and removals (hypothesis B), including relative cost estimations and timeframe.
* Public Infrastructure Systems: A special task force of archaeologists has been assigned to specifically explore the religious structures within the city walls, the water system that used to run throughout the city, and the city walls that confined it. Project already have achieved incredible historical understanding of the site just from these three projects and expect to increase this understanding with several other similar projects in the future.
* Mapping: GIS mapping has been conducted in almost all archaeological areas have now been updated providing important information of their architectural layout, the location of major archaeological finds, and the occupation and construction phases so far identified. The aerial photography and 3D scanning project’s data was received and completed. over 50,000 photographs have been taken to complement the photometry of the project
* **Carbon Dating:** A collection of 20 botanical samples from all over the archaeological site and from different occupation phases, is ready to be submitted for analysis.

***Preservation and Conservators Work**** The state of preservation of the archaeological material in-situ (sculptures, wall paintings and stupas), the ancient manufacture techniques employed in their assemble, the conservation techniques currently being used to preserve them, and the implementation of a digitized cross-reference database of this information, was conducted.

***National and Site’s Museums**** Large batches of pottery, bones and samples are also being transported from the site areas to the camp for analysis and, once documentation has taken place, they were returned for storage at the site’s museum.

***Gender**** Provided a comprehensive work plan for Gender Capacity Building.
* Gender Assessment on Gender in term of recruitment and their capacity at MoMP.
* Extensive assessment has been done on problems and challenges at MoMP and AGS.
* Presented GMT (Graduate Training Management) presentation at MoMP.
* Conducted Awareness on Law on Elimination of Violence Against Woman workshop at MoMP.
* In coordination with HR Department Recruitment of English Language Instructor for MoMP Female civil servants to improve their English Language skill.
* The project was involved in conducting gender and social inclusion related research and support the gender department in its role as focal point for the gender development issues and prepare gender related reports.
* Prepared assessment report on existing capacity among the female staff in the Ministry and prepare capacity building programs for them.
* Organized and contributed to workshops on gender mainstreaming issues for Ministry staff and partners.

***Strengthening the Formalization of the Artisanal and Small-Scale Mining (ASM) and Gemstone Sector**** Prepared Lapis Bourse Concept
* Prepared recommendation for ASM Law
* Reviewed ASM Legal Framework
* analyzed the current legal Mining Law to identify opportunities and obstacles to legalization of artisanal subsector
* Introduced Appropriate Technologies to assist the Small Mines Directorate (SMD) to spearhead the Ministry in developing Extension Services to enable mutual understanding, respects and benefits between the government and the artisanal miners
* Trained the SMD female staff in Keyboard Skills and Google Earth Pro as virtual Outreach Services to offer backstopping in support of actual Outreach Services in the field
* Used Google Earth (GE). The GE kmz files held by SMD now include locations of about 2,500 unlicensed ASM/SME mines, including 200+ river mining operations, 100+ coal mines; 1,700 brick kilns and brick clay quarries, most lapis lazuli mines, most ruby mines, some alluvial gold mines, and many salt mines. In addition, the kmz files held by SMD include thousands of geohazards including >10,000 km of karez water tunnels, >2,000 rock avalanches, >100 mudflows and >20,000 km of surface faults and rock joints
* Used the Google Earth “time series of images” to detect 40 examples of destruction of arable farmland by Brick Clay Quarries and its subsequent restoration to productive arable farming
* Conducted two fact-finding missions of MOMP staff to Sri Lanka and India in order to Learn ‘best practice’ for creating a vibrant artisanal mining sector (Sri Lanka) and a vibrant jewelry sector (Sri Lanka and India) and made contact with Gemfields’ emerald auctions in Jaipur to gain insight into the need for supply chain verification
* Prepared curricula storyboards for Lapis Lazuli, Emeralds, Rubies, Sapphires, Spodumene-Kunzite, Chinese Jade (Nephrite), Afghan Jade (Bowenite), Shungite and Afghan Onyx (Travertine); it became clear that extremely few Afghans are aware of the 6,500-year history of Lapis Lazuli from Badakhshan
* Delivered long-term training in jewelry making to a total of 100 women in northern Afghanistan in four Community Gemstone Jewelry Training/Making Centers
* Achieved access to the International Marketing of Afghan Jewelry produced in TMI and selected Community Gemstone Jewelry Training/Making Centers. Positive feedback was achieved from high-value jewelry venues in a string of cities from the West Coast USA to the East Coast USA, and on a smaller scale in Europe.
 |
| **Component D. Project Implementation Support** |  |
| This component will provide funding support for the Project Management Unit (PMU) to discharge its functions and responsibilities. Funding support will cover incremental operating costs, PMU staff costs, and consultant services to assist the PMU in carrying out day-to-day project management, public information disclosure and related public consultation processes, project fiduciary and safeguards management, and project monitoring and evaluation. The embedded technical expertise for environmental, social, cultural resource management, communications, and engineering disciplines will be a main mechanism for knowledge transfer around day-to-day activities within the MoMP. | The project kept project implementation unit with sustained Fiduciary, management, M& E capacity throughout the life cycle. The PMU procurement & Financial Management staff were migrated to relevant directorate and build Civil servants capacity in proper fiduciary management. |

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# Annex 3: Economic and Financial Analysis

*No economic or financial analysis was undertaken because this was an institutional strengthening TA and there were no direct investments.*

# Annex 4: Other Donor Funded Activities

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Project Name** | **Description/Expected result of project** | **Expected impact of project** | **Location** | **Start Date (Projected or Actual)** | **Projected Finish Date** | **Budget** |
| **USAID - Mining Investment and Development for Afghan Sustainability (MIDAS)** | MIDAS had three components: (1) Reforming mining policy and regulations (2) Strengthen Capacity at MoMP- provide Technical Assistance (TA) to develop MoMP expertise in geo-science field investigation and drilling activities (3) Community engagement and small enterprise development | Develop mineral mining sector to create jobs and increase royalty revenues for the Government of Afghanistan (GoA). Project was expected to develop technical capacity within MoMP and produce 10 - 12 mineral tenders over a 4-year period. | Kabul and various exploration sites around Afghanistan | 03/31/13 | 03/31/17 | 41 million USD off-budget 45 million USD on-budget |
|
| **GIZ- Promoting Good Governance in the Extractive Sector (MIN gov)** | Framework conditions for transparent and effective management of the mining sector are improved | MOMP- National and Sub-National Level Output A: The capacities of the MOMP for strategic deconcentrated line department of the MOMP (DOMP, Mining Inspectorates are strengthened). Mining inspectorate - National and Sub- National. Output B: Mining Inspectors technical expertise and capacities are strengthened so they can competently fulfill their roles and responsibilities on the national and subnational level. AEITI: output c: AEITI secretariat and MSG contribute to improved transparency in the sector concerning up to date, reliable, and accessible reporting. | Kabul: Balkh province Pilot, HR (National and northern provinces | 08/01/14 | 12/1/2017 | 5.2 million EUR (2.0 balance) |
| **DFID-Extractive Sector Support programme (ESSP)** | four work streams under ESSP: W1: organizational reform and cross cutting support: W2 supporting mineral and hydrocarbon fiscal regimes; W3: capacity development of contract management and inspection; W4 establishment and rehabilitation of geological laboratories in the AGS | Increased capacity in lead extractives industries Governance ministries and agencies to secure for the national, the financial potential of Afghanistan Extractive sector, while managing environmental and social risks. | Kabul and provincial MOMP directorate | 06/01/13 | 09/01/17 | 10.3 million pounds |
| **Finland - Cooperation in the sector of mining and exploration geophysics between the Geological Survey of Finland and AGS** | The overall objective of the project: AGS capacity for utilizing modern geophysical: the expected resultare:1) strengthened skills of AGS staff in using geophysical measurement equipment 2) AGS staff skills in data management and interpretation improved 3: organizational capacity of AGS strengthened in team field work 4) operational manual for geophysical field work produced and in use by AGS | AGS capacity for utilizing modern geophysical techniques for investigation of raw material deposits strengthened | Kabul, trainings are held abroad (Finland, India, Turkey and Iran) | 4/1/2013 | 12/01/17 | 3 million euros |

# Annex 5: Bank Lending and Implementation Support/Supervision Processes

**(a) Task Team members**

|  |  |  |  |
| --- | --- | --- | --- |
| **Names** | **Title** | **Unit** | **Responsibility/****Specialty** |
| **Lending** |
| Michael C. Stanley | Lead Mining Specialist | GEEDR | TTL |
| Noora Arfaa | Operations Officer | GEEDR | Operations |
| Ehsanullah Shamsi | Operations Analyst | GEEDR | Operations |
| Carlos Lopez | Sr. Oil and Gas Specialist | GEEDR | Technical Specialist |
| Andre Manfred Ufer | Operations Officer | SEGM2 - HIS | Operations |
| Asta Olesen | Senior Social Development Spec | GSURR | Social Development |
| Mohammad Yasin Noori | Senior Social Development Spec | GSU06 | Social Development |
| Shankar Narayanan | Senior Social Development Spec | GSU06 | Social Development |
| Mohammad Arif Rasuli | Senior Environmental Spec | GEN06 | Environment |
| James Orehmie Monday  | Senior Environmental Engineer | GEN06 | Environment |
| Raouf Zia  | Senior Communications Officer | SAREC | Communications |
| Deepal Fernando | Consultant | GGO03 |  |
| Jane T. Nishida | Senior Environmental Institution | SASDI - HIS |  |
| Kenneth O. Okpara | Sr Financial Management Special | SARFM - HIS |  |
| Helen Ba Thanh Nguyen | Program Assistant | GEEDR |  |

**(b) Staff Time and Cost**

|  |  |
| --- | --- |
| **Stage of Project Cycle** | **Staff Time and Cost (Bank Budget Only)** |
| **No. of staff weeks** | **USD Thousands (including travel and consultant costs)** |
| **Lending** |  |  |
| FY09 | 30.10 | 273,910 |
| FY10 | 9.10 | 40,950 |
| **Supervision** |  |  |
| FY11 | 14.20 | 129,220 |
| FY12 | 14.40 | 131,040 |
| FY13 | 12.50 | 113,750 |
| FY14 | 24.55 | 223,405 |
| FY15 | 25.65 | 233,415 |
| FY16 | 15.65 | 142,415 |
| FY17 | 15.50 | 141,050 |

|  |  |  |
| --- | --- | --- |
| **Total:** | 161.65 | 1,429,155 |
| **Supervision/ICR** |  |  |

|  |  |  |
| --- | --- | --- |
| **Total:** | 161.65 | 1,429,155 |

#

# Annex 6: List of Supporting Documents

|  |  |
| --- | --- |
| **Description** | **Document Date** |
| Aide Memoire | November 2011 |
| Aide Memoire | January 2012 |
| Aide Memoire | April 2012 |
| Aide Memoire | September 2012 |
| Aide Memoire | October 2012 |
| Aide Memoire | March 2013 |
| Aide Memoire | October 2013 |
| Aide Memoire | June 2014 |
| Aide Memoire | January 2015 |
| Aide Memoire | April 2015 |
| Aide Memoire | October 2015 |
| Aide Memoire | June 2016 |
| Archived ISRs | 10 cycles |
| Emergency Project Paper | May 6, 2011 |
| Finance Agreement | October 2011 |
| Mid-Term Review | January 24, 2014 |
| Restructuring Paper | November 25, 2014 |
| Restructuring Paper | June 30, 2016 |
| The Afghanistan Mining Sector as a Driver of Sustainable Growth | February 22, 2011 |

# C:\Users\wb257601\AppData\Local\Microsoft\Windows\INetCache\Content.Word\AFG33358.jpgAnnex 7: Map

1. While an important source of livelihoods and local economic contribution, a majority of mineral production remains unlicensed and informally operated and official production is neither reported nor audited. [↑](#footnote-ref-1)
2. Conclusion of the Aynak mining agreement resulted in a payment of US$80.8 million to the Government, as commitments totaling U.S. $808 million leading up to authorization for production. [↑](#footnote-ref-2)
3. https://www.usip.org/sites/default/files/2017-05/sr404-industrial-scale-looting-of-afghanistan-s-mineral-resources.pdf [↑](#footnote-ref-3)
4. Over the course of project preparation, the title of the Ministry of Mines (MoM) was changed to the Ministry of Mines and Petroleum (MoMP). Any direct reference to the PDO in this documents cites the MoM as specified in the Financing Agreement for the Project. [↑](#footnote-ref-4)
5. Please see Annex 4 for further details on other donor funded activities [↑](#footnote-ref-5)
6. At the time of restructuring the restructuring paper noted that additional funds may be needed for Part C (1) to ensure continuity of UNESCO’s work program beyond the currently budgeted amount. These funds would be taken from the US $3.24 million under the current restructuring, and no additional funding will be required for this activity under SNDPR2. [↑](#footnote-ref-6)
7. to assist the Ministry of Mines (MoM) and the National Environmental Protection Agency (NEPA) in further improving their capacities to effectively regulate Afghanistan‘s mineral resource development in a transparent and efficient manner, and foster private sector development. [↑](#footnote-ref-7)
8. Extractive Industries Value Chain: A Comprehensive Integrated Approach to Developing Extractive Industries, World Bank 2009. [↑](#footnote-ref-8)
9. A Corporate Risk Review (April 1, 2011) of the SDNRP2 II noted that the mining sector is an important source of economic growth and had been attracting high visibility in the media, therefore, it was recommended the Bank team develop an effective communications strategy to provide information and an effective platform to guide media reporting [↑](#footnote-ref-9)
10. While communication and lack of capacity was a significant challenge in the resettlement process, the Client also struggled with compliance because the Bank’s safeguards procedure were simply not aligned with government laws, rules and procedures on land acquisition. When possible the laws and regulations were circumvented through a presidential decree, but this took an enormous effort and time, and was not always under the control or remit of the Aynak authority. [↑](#footnote-ref-10)
11. Gustavson Associates, “Assessment Of The Potential For Gas-Fired Power And Its Contribution To The Resource Growth Corridor, Final Report”, IBRD Contract # 7161951, June 2012 [↑](#footnote-ref-11)
12. The greatest challenges facing EITI compliance are weaknesses in ministry systems for licensing extractives companies and collecting revenue. The success of the AEITI is inextricably tied to the success and effective functioning of the entities that must collect, file, and report information. [↑](#footnote-ref-12)
13. Afghanistan announced its intent to implement the EITI in March 2009 (during the SDNRP1), and became an EITI Candidate Country on 10 February 2010. The Afghanistan EITI (AEITI) secretariat was established within the MoF in July 2010. The GOIRA produced its first and second Reconciliation Reports for the fiscal years of 2008, 2009 and 2010 respectively and submitted a final Validation Report on 9 February 2013. Based on this report, the EITI Board concluded that Afghanistan had made meaningful progress in implementing the EITI and decided that Afghanistan will retain its status as a Candidate country for another 18 months (October 2016) by the end of which it must complete the remedial actions requested by the Board and demonstrate Compliance with the EITI Requirements. [↑](#footnote-ref-13)
14. The purpose of the capacity building was to strengthen the environmental management and monitoring capability of the ESIA board of the NEPA and project implementing organizations in mining sector. This activity was particularly important given that the project had anticipated that the ESIA for Aynak would be submitted to the government for their approval during the life of the project. There was therefore an urgent need to build the necessary capacity to review the assessment. However, given delays on the development of the deposit, a full ESIA has yet to be submitted to the government for regulatory review. [↑](#footnote-ref-14)
15. Based on analysis undertaken by the Bank’s macro-fiscal team, a report published, found that Afghanistan has very few sources of growth, and that its most viable option for growth is to leverage the extractives sector. These findings became a core element of the Bank’s policy dialogue with the Government of Afghanistan. [↑](#footnote-ref-15)
16. On several occasions, in the Bank team’s policy dialogue with the government it was explained that building capacity in the absence of tangible sector development would likely result in suboptimal outcomes. [↑](#footnote-ref-16)