

**Implementation Status & Results**  
**Afghanistan**  
**Sustainable Development of Natural Resources (P098118)**

Operation Name: Sustainable Development of Natural Resources (P098118)	Project Stage: Implementation	Seq.No: 6	Status: ARCHIVED	Archive Date: 21-Jul-2012
Country: Afghanistan	Approval FY: 2006			
Product Line: IBRD/IDA	Region: SOUTH ASIA	Lending Instrument: Emergency Recovery Loan		
Implementing Agency(ies): Ministry of Mines				

**Key Dates**

Board Approval Date	20-Jun-2006	Original Closing Date	31-Jul-2011	Planned Mid Term Review Date	Last Archived ISR Date	16-Jan-2011
Effectiveness Date	20-Sep-2006	Revised Closing Date	31-Dec-2012	Actual Mid Term Review Date	17-Jun-2010	

**Project Development Objectives**

Project Development Objective (from Project Appraisal Document)

- Enhance the governance of the mineral and hydrocarbon resources sector.
- Effectively regulate Afghanistan's minerals and hydrocarbons in a transparent manner.
- Foster private sector development.

Has the Project Development Objective been changed since Board Approval of the Project?

Yes     No

**Component(s)**

Component Name	Component Cost
Improving internal efficiencies	0.30
Developing regulatory capacity	10.60
Developing mineral resources	19.40
Enhancing sector governance	1.30
Program management and other	8.40

**Overall Ratings**

	Previous Rating	Current Rating
Progress towards achievement of PDO	Satisfactory	Moderately Satisfactory
Overall Implementation Progress (IP)	Satisfactory	Moderately Satisfactory
Overall Risk Rating	Substantial	Substantial

**Implementation Status Overview**

This ISR reflects on the findings and discussions of the World Bank's missions to Afghanistan in September and December 2011, as well as of March and April 2012. In its fifth year

of effectiveness, SDNRP1 continues to make satisfactory progress towards meeting its Project Development Objective (PDO) of assisting the Ministry of Mines in improving its capacity to effectively regulate Afghanistan's minerals and hydrocarbon resources sector in a transparent manner and foster private sector development. Major achievements with regard to the development objectives of SDNRP include:

- 1) Drafting a new mineral law based on international good practice, which has undergone extensive consultations and is currently under review at the Ministry of Justice,
- 2) Ensuring transparency and accountability in tender processes, highlighted by the successful Aynak and Hajigak transactions which was supported at all stages by the International Advisory Panel (IAP),
- 3) Implementing EITI and the complementary disclosure of mining-generated revenues,
- 4) Substantially increasing in the capacities of key sector institutions such as the Ministry of Mines, the Cadastre office and the Geological Survey, and
- 5) increasing enforcement capabilities of agencies such as the Mines Inspectorate and the National Environmental Protection Agency.

Private sector development is being supported through the adoption of policies, such as a good practice Resettlement Policy Framework, the continuous availability through the IAP which has expanded its expertise to include transport infrastructure, and the ability of the regulating agencies to answer on a variety of social and environmental issues. Furthermore, the project has put in substantial effort to promote the Aynak operation with a parallel emphasis on safeguarding the Mes Aynak antiquities, in close collaboration with cultural experts and scientists.

The project has also made satisfactory progress towards meeting its intermediate results, with most of them already having been met. Progress has been made in the following areas:

- 1) the recent transactions for both mining and oil were reviewed by the Ministry with additional support by the IAP,
- 2) the number of both exploration licenses and actual operations is continuing to increase, including for the petroleum sector.

Other key highlights during the recent months include substantial progress: i) around the archaeological recovery works in Mes Aynak; ii) significant improvements in the Government's monitoring capacity, reinforced by training of mining inspectors; iii) the modernization cadastre; and iv) the successful recruitment of a firm which will monitor the social and environmental contractual obligations of the Aynak operator. In addition, the project-supported tender process for the Hajigak mine has reached another milestone with the Government working on the ancillary infrastructure agreements. Compliance on environmental and social standards is on track, with two public workshops having been conducted for the Environmental and Social Management Framework (ESMF), which is currently in the final draft phase with the Ministry. The Ministry has also submitted the Resettlement Action Plan to the Bank, and the grievance redress mechanisms and institutions, including an ombudsman are being currently set up. The project remains also effective regarding the improvement of sector governance by increasing transparency, mainly through support to the EITI initiative. The latter is now in a very active phase, conducting the process towards production of its first independent reconciliation report, and also preparing the validation process.

However, given the complexities of working in the country and the need to adapt to continuously changing circumstances, procurement has been slow and disbursements low. For these reason ratings for progress towards achievement of the PDO and overall implementation progress has been downgraded. Plans are being developed to overcome those factors effecting procurement and disbursements that are under the projects control.

**Locations**

No Location data has been entered

**Results**

**Project Development Objective Indicators**

Indicator Name	Core	Unit of Measure		Baseline	Current	End Target
Transparency, competition, and fairness of mineral and hydrocarbon development agreements	<input type="checkbox"/>	Text	Value	Baseline = No process for transparent review of mineral contracts	New IAP positions taken and IAP operational; EITI validation process initiated EITI implementation on track	International Advisory Panel operational and reviews major (>\$20 mil) contracts. EITI adopted (validated)
			Date	14-Jun-2006	14-Jun-2012	31-Dec-2012
			Comments			
Strict adherence to the dispositions of the Minerals Law and Hydrocarbons Laws and associated regulations in the issuance of mining titles, licenses, and contracts.	<input type="checkbox"/>	Text	Value	Baseline = No competitive (or otherwise) assignments of mineral licenses.	Mining cadastre is working, and continues to be modernized and digitalized	all licenses issued through the mining cadastre
			Date	14-Jun-2006	14-Jun-2012	31-Dec-2012
			Comments			
Ability to attract new investments	<input type="checkbox"/>	Text	Value	Baseline = no major new investments in the sector.	Aynak tender completed; Hajigak negotiations ongoing with the winning bidder consortium; additionally, two petroleum operations and one gold mine have been successfully tendered Additional mid-size tenders (Baghlam gold, and one oil tender) have been successfully completed	Three new sector investments
			Date	14-Jun-2006	14-Jun-2012	31-Dec-2012
			Comments		USAID, in close collaboration with the Bank, has identified and collected data for an additional 9-12 tender packages.	

**Intermediate Results Indicators**

Indicator Name	Core	Unit of Measure		Baseline	Current	End Target
Effective review of licensing (mineral development agreements) by the Ministry with advice from the International Advisory Council	<input type="checkbox"/>	Text	Value	baseline = 0	Aynak and Hajigak development agreements have been drafted and reviewed with international support	100% reports on all major (> \$20 mil) transactions
			Date	14-Jun-2006	14-Jun-2012	31-Dec-2012
			Comments			

Issuance of mining titles consistent with the Mining Law and Regulations	<input type="checkbox"/>	Text	Value	Exploration licenses - 0 Quarry authorizations - 0 Exploitation Licenses - 0 Hydrocarbon licensing rounds - 0	Exploration licenses - 13 Quarry authorizations - 97	Exploration licenses - 37 Quarry authorizations - 210 Exploitation Licenses - 12 Hydrocarbon licensing rounds - 2
			Date	14-Jun-2006	07-Sep-2011	31-Dec-2012
			Comments			
Two new medium-size mines under development by 2010	<input type="checkbox"/>	Text	Value	baseline = 0	One medium sized gold mine and two oil blocks under development.	2
			Date	14-Jun-2006	14-Jun-2012	28-Dec-2012
			Comments			
Two hydrocarbon licensing rounds by 2011	<input type="checkbox"/>	Text	Value	0	Two hydrocarbon licensing rounds have been successfully completed by 2012	2
			Date	14-Jun-2006	14-Jun-2012	31-Dec-2012
			Comments			
Budget reflecting the priorities of developing regulatory capacity and mineral resources submitted to and approved by MoF	<input type="checkbox"/>	Text	Value	0		100
			Date	14-Jun-2006	14-Jun-2012	28-Dec-2012
			Comments			
Geological Information - infield district studies and promotional events	<input type="checkbox"/>	Text	Value	0		4 completed mineral district studies 5 sector promotions
			Date	14-Jun-2006	14-Jun-2012	28-Dec-2012
			Comments		Geological Survey Capacity building is now in second phase	

**Data on Financial Performance (as of 18-Jun-2012)**

**Financial Agreement(s) Key Dates**

Project	Ln/Cr/Tf	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P098118	IDA-H2380	Effective	20-Jun-2006	05-Jul-2006	20-Sep-2006	31-Jul-2011	31-Dec-2012
P098118	IDA-H5030	Effective	11-Jun-2009	20-Dec-2009	16-Mar-2010	31-Jul-2011	31-Dec-2012

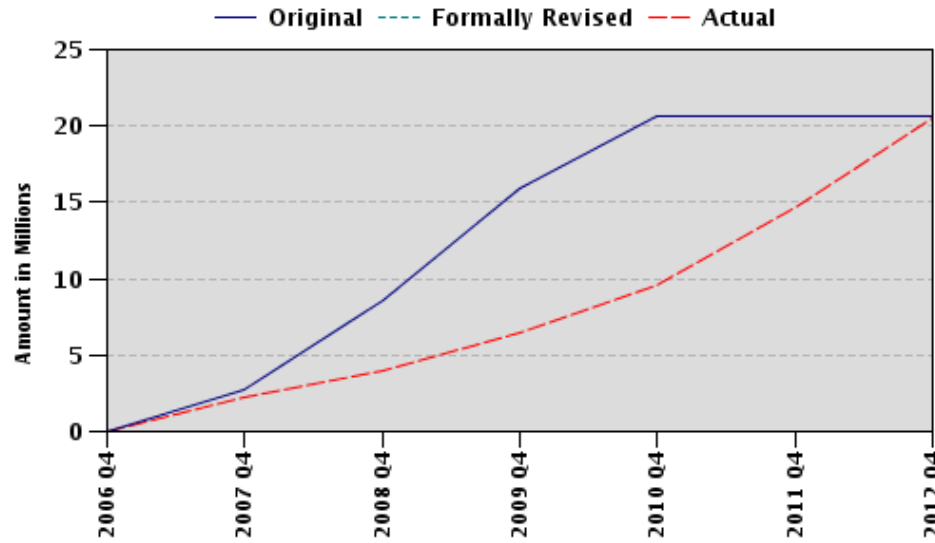
**Disbursements (in Millions)**

Project	Ln/Cr/Tf	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P098118	IDA-H2380	Effective	XDR	20.60	20.60	0.00	20.20	0.40	98.00

P098118	IDA-H5030	Effective	XDR	6.80	6.80	0.00	0.32	6.48	5.00
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**Disbursement Graph**

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**Key Decisions Regarding Implementation**

The following key decisions have been reached with the Government as part of the last supervision missions:

- Maintain focus on supporting archaeological recovery works in Mes Aynak, particularly in the area identified as the "red zone". All works to be conducted in close cooperation with the Ministry of Information and Culture, as well as with the wider scientific community.
- Implement media campaign to disseminate information to the public on the project and sector developments in general.
- Strengthen procurement capacities of the PMU.
- Supervise the EITI validation process.

**Restructuring History**

Level two Approved on 13-Jun-2011

**Related Projects**

P116651-Sustainable Development of Natural Resources - Additional Financing

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