

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 23-10 Audit Report

Afghanistan's Extractives Industry: U.S. Programs Did Not Achieve Their Goals and Afghanistan Did Not Realize Widespread Economic Benefits from Its Mineral Resources



**JANUARY
2023**

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT SIGAR REVIEWED

The U.S. government initiated efforts to support the development of Afghanistan's extractives industry beginning in 2004. As of September 30, 2021, the United States had spent approximately \$962.6 million to fund mineral surveys, exploration, regulatory reforms, and capacity development.

SIGAR issued reports in 2015, 2016, and 2018 highlighting deficiencies in the coordination, implementation, and outcomes associated with programs implemented by the U.S. Department of Defense and the U.S. Agency for International Development (USAID) to support Afghanistan's extractives sector. Nevertheless, in 2018, USAID initiated two new programs intended to continue building Afghanistan's extractives industry, the \$18.2 million Extractives Technical Assistance (ETA) program and the \$19.9 million Multi-Dimensional Economic and Legal Reform Assistance (MELRA) program.

This audit's objectives were to determine (1) whether USAID, the U.S. Department of the Interior's U.S. Geological Survey (USGS), and the U.S. Department of Commerce's Commercial Law Development Program (CLDP) conducted required oversight of their extractives industry efforts in Afghanistan; and (2) whether the ETA and the MELRA programs achieved their goals and addressed prior challenges in building capacity in Afghanistan's extractives industry from January 2018 through September 2021.

SIGAR announced this audit in July 2021, prior to the collapse of the former Afghan government in August 2021. Due to the collapse, USAID terminated its MELRA agreement with CLDP but gave USGS approval to complete ETA program-related reports. The results of this report are relevant for understanding the persistent challenges in Afghanistan's extractives industry and why U.S. efforts to develop Afghanistan's mineral resources have not resulted in widespread economic benefits.

January 2023

Afghanistan's Extractives Industry: U.S. Programs Did Not Achieve Their Goals and Afghanistan Did Not Realize Widespread Economic Benefits from Its Mineral Resources

SIGAR 23-10 AUDIT REPORT

WHAT SIGAR FOUND

The United States has dedicated funding and implemented programs to develop Afghanistan's extractives industry since at least 2004. Despite more than 17 years and hundreds of millions of dollars spent, U.S. efforts could not overcome numerous challenges, and tangible progress was negligible and not sustained. Since 2015, SIGAR has repeatedly reported on the shortcomings and challenges to U.S. efforts in this area. These challenges include (1) Afghanistan's inability to reform mineral policies and regulations, (2) frequent turnover of Afghan officials, (3) corruption and artisanal and small-scale mining operations, (4) Afghanistan's suspension from the Extractive Industries Transparency Initiative, (5) lack of infrastructure, and (6) insecurity.

The U.S. government began its most recent efforts to develop Afghanistan's extractives industry in 2018. USAID, USGS, and CLDP implemented two programs to build capacity in Afghanistan's extractives industry and help make the former Afghan government more self-reliant and attractive to foreign investment. However, SIGAR found that U.S. agencies did not perform required oversight of the programs and that the programs did not meet their goals due, in part, to the same challenges that plagued previous U.S. efforts in the sector. First, SIGAR found that the USAID, USGS, and CLDP did not conduct required program oversight for ETA and MELRA. Specifically, USAID and USGS did not develop a Monitoring, Evaluation, and Learning (MEL) plan for the ETA program, including performance indicators, as USAID's Automated Directives System (ADS) required. USAID and USGS told us that, instead of establishing the required plan, they communicated frequently with each other. However, frequent communication does not exempt the agencies, particularly USAID, from following its own ADS oversight requirements. The failure of USAID and USGS to establish and implement an MEL plan prevents retrospective reviews of the ETA program's performance based on formal, complete, and standardized information, and limits the understanding of USAID and USGS officials' decision-making processes.

Although USAID and CLDP developed an MEL plan for the MELRA program, the plan did not comply with ADS guidance until October 2020—more than 2 years into the program—because the associated performance indicators were often incomplete, and many did not provide the information necessary to accurately measure performance. In addition, SIGAR found that CLDP revised the performance indicators three times in a 6-month period. The frequent revisions limited the ability of CLDP and USAID to assess the program's performance using consistent data. Because the MEL plan did not conform with requirements, CLDP and USAID could not

determine whether individual program activities were successful and contributed to overall goals or whether the MELRA program required adjustments to help ensure its success.

Additionally, USAID was unable to demonstrate that it reviewed and approved required deliverables for the ETA and MELRA programs. Furthermore, USGS and CLDP did not use, and USAID officials did not enforce, the requirement that deliverables be uploaded to and reviewed in the Afghan Info System and Training Results and Information Network (TraiNet). USAID told SIGAR that it was in constant communication with USGS and CLDP and relied on that channel of communication instead of the Afghan Info System or TraiNet. As a result, it was difficult for incoming USAID agreement officer representatives to obtain knowledge and ensure continuity of program activities during staffing rotations because program information was not centrally stored in the required systems. Because USGS and CLDP did not provide reports to USAID through Afghan Info System and TraiNet in accordance with USAID guidance, USAID did not have the necessary information to review the program's performance and determine whether it was contributing to the achievement of USAID's country strategy.

SIGAR also found that USAID, USGS, and CLDP made progress toward, but did not ultimately achieve all of their program goals. Specifically, while the ETA program helped build some technical capacity in Afghanistan's Ministry of Mines and Petroleum (MOMP), the program completed only one of its five program components. Similarly, USAID and CLDP's efforts through the MELRA program did not result in the Afghan government adopting a comprehensive set of regulations, procedures, and transactional documents. These efforts were intended to incorporate international best practices to ensure open and transparent operations in Afghanistan's mining sector and develop a durable and predictable contracting framework for mining licenses. The Afghan government's failure to implement sufficient legal reforms resulted in a lack of foreign investment in its extractives industry.

USAID, USGS, and CLDP provided written comments on a draft of this report. These comments are reproduced in appendices III, IV, and V, respectively. In response to these comments, SIGAR updated the report, as appropriate. USAID stated that it provided thorough oversight over interagency programs, held its partners accountable, and emphasized its commitment to conducting required program oversight that complies with USAID policy. USAID also noted that it continues to see promise in interagency efforts supporting Afghanistan's private sector to develop mineral resources, given the potential for job creation, wealth, and business generation. USGS claimed in its comments that certain criticisms contained in the report's draft assessment of the ETA program were "misleading or incorrect." Additionally, USGS asserted that, despite not adhering to certain monitoring and evaluation requirements, it led a successful program under highly challenging conditions. Finally, USGS claimed that Afghanistan realized economic gains from small-scale mining and disagreed with SIGAR's assessment that the MOMP could not sustain the gains USGS attributed to the ETA program. Similarly, CLDP also disputed whether the draft report accurately identified deficiencies related to the MELRA program. CLDP asserted that the draft report did not recognize the program's own internal monitoring and evaluation efforts, and misunderstood MELRA's goals. SIGAR disagrees with many of USGS's and CLDP's comments and maintains that this report provides an accurate account of U.S. oversight over the ETA and MELRA programs and of the performance of these programs. SIGAR provides a more detailed response after the respective agency's comments.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

January 5, 2023

The Honorable Dr. Gina M. Raimondo
Secretary of Commerce

The Honorable Samantha Power
Administrator, U.S. Agency for International Development

The Honorable Deb Haaland
Secretary of the Interior

Dr. Dave Applegate
Director, U.S. Geological Survey

This report discusses the results of SIGAR's audit of programs funded by the U.S. Agency for International Development (USAID) and implemented by the U.S. Geological Survey (USGS) and U.S. Department of Commerce's Commercial Law Development Program (CLDP) to develop and build capacity in Afghanistan's extractives industry. We announced this audit in July 2021, prior to the collapse of the former Afghan government in August 2021. Despite the collapse, the results of this report are relevant for understanding ongoing issues in Afghanistan's extractives industry and the reasons for Afghanistan's continued reliance on foreign aid.

We found that U.S. agencies did not conduct required oversight for either the Extractives Technical Assistance (ETA) program or the Multi-Dimensional Economic and Legal Reform Assistance (MELRA) program. In addition, we found that USAID, USGS, and CLDP made progress toward, but did not ultimately achieve, the goals for the ETA and MELRA programs. We also found that the challenges to develop Afghanistan's extractives industry that we first identified in 2015 continued to hinder the efforts of ETA and MELRA.

Following the August 2021 collapse of the former Afghan government, USAID suspended the ETA and MELRA programs. However, in February 2022, USAID approved the ETA program's continuation, and in March 2022, terminated the MELRA program.

We are not making recommendations because USAID ceased support for Afghanistan's extractives industry following the Afghan government's collapse in August 2021. However, the findings of this report can inform future efforts to develop Afghanistan's mineral resources for job creation, economic gain, and wealth generation. In particular, it underscores how agencies' claims of programmatic success may be unfounded unless they are supported by agencies adhering to established monitoring and evaluation requirements.

We received written comments on a draft of this report from the Mission Director for USAID's mission to Afghanistan, the U.S. Department of Interior's USGS Extractives Program Management Team, and the Department of Commerce's CLDP. These comments are reproduced in appendices III, IV, and V, respectively, along with our detailed responses, and the report has been updated as appropriate.



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SIGAR conducted this work under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended; and in accordance with generally accepted government auditing standards.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

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ABBREVIATIONS

| | |
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| ADS | Automated Directives System |
| AGS | Afghanistan Geological Survey |
| ASM | Artisanal and Small-Scale Mining |
| CLDP | Commercial Law Development Program |
| ETA | Extractive Technical Assistance |
| MEL | Monitoring, Evaluation, and Learning |
| MELRA | Multi-Dimensional Economic and Legal Reform Assistance |
| MIDAS | Mining Investment and Development for Afghanistan Sustainability |
| MOMP | Ministry of Mines and Petroleum |
| TFBSO | Task Force for Business and Stability Operations |
| TraiNet | Training Results and Information Network |
| USAID | U.S. Agency for International Development |
| USGS | U.S. Geological Survey |

The U.S. government estimated the territory of Afghanistan could hold more than \$1 trillion worth of mineral deposits, which could be used to generate potentially significant revenue for the Afghan government and support Afghanistan's economic development.¹ To spur economic growth and improve the ability of the former Afghan government to fiscally sustain itself, the U.S. government initiated a series of efforts to support the development of Afghanistan's extractives industry beginning in 2004.² As of September 30, 2021, the United States has spent approximately \$962.6 million to fund critical mineral surveys, mineral exploration, regulatory reforms, and capacity development for Afghan government entities involved in the extractives industry.³

We issued reports in 2015, 2016, and 2018, highlighting deficiencies in the coordination, implementation, and outcomes associated with programs implemented by the Department of Defense and the U.S. Agency for International Development (USAID) to support Afghanistan's extractives sector.⁴ Nevertheless, in 2018, USAID initiated two new programs, the Extractives Technical Assistance (ETA) program valued at \$18.2 million, and the Multi-Dimensional Economic and Legal Reform Assistance (MELRA) program, valued at \$19.9 million, to continue developing Afghanistan's extractives industry. Those programs supported USAID's goal of improving the former Afghan government's ability to sustain itself, as outlined in USAID's *Country Development Cooperation Strategy for Afghanistan, 2019–2023*.⁵

The objectives of this audit were to determine (1) whether USAID, the Department of Interior's U.S. Geological Survey (USGS), and the Department of Commerce's Commercial Law Development Program (CLDP) conducted required oversight of their extractives industry efforts in Afghanistan; and (2) whether the ETA and the MELRA programs achieved their goals and addressed prior challenges in building capacity in Afghanistan's extractives industry from January 2018 through September 30, 2021.⁶ Despite the collapse of the former Afghan government in August 2021, the results of this report are relevant for understanding ongoing issues in Afghanistan's extractives industry, as well as why the industry was unable to become a significant source of revenue for the former Afghan government, and contributed to a continued dependence on foreign assistance.

To accomplish our objectives, we reviewed federal laws and those portions of USAID's Automated Directives System (ADS) related to our objectives. We obtained and analyzed award documents, performance data, and other reports to determine U.S. agencies progress towards achieving the extractives programs goals. We interviewed officials from USAID, USGS, CLDP, the prior Afghan Ministry of Mines and Petroleum (MOMP), the prior Afghanistan Geological Survey (AGS), the United Kingdom Foreign Commonwealth and Development Office, the World Bank, the Extractive Industries Transparency Initiative, and relevant subcontractors.⁷ We conducted

¹ SIGAR, *Afghanistan's Oil, Gas, and Minerals Industries: \$488 Million in U.S. Efforts Show Limited Progress Overall and Challenges Prevent Further Investment and Growth*, SIGAR 16-11-AR, January 11, 2016.

² For the purposes of this report, we are defining "extractives industry" as the process of extracting raw materials from the earth and processing them for the consumer market. Further, for the purposes of this report, the term "extractives industry" is used interchangeably with "extractives sector," "mining sector," "mineral industry," and "mining industry."

³ "Minerals" are naturally occurring substances, which may be recovered from land and water, but excludes soil, water, liquid hydrocarbons, or natural gas.

⁴ SIGAR, *Afghanistan's Mineral, Oil, and Gas Industries: Unless U.S. Agencies Act Soon to Sustain Investments Made, \$488 Million in Funding is at Risk*, SIGAR 15-55-AR, April 24, 2015; SIGAR, *Afghanistan's Oil, Gas, and Minerals Industries*, SIGAR 16-11-AR, January 11, 2016; SIGAR, *Status of U.S. Efforts to Develop Extractive Tenders: \$1.25 Billion Spent Resulting in No Active Contracts*, SIGAR 18-58-SP, July 5, 2018. Our previous audits included U.S. efforts to develop Afghanistan's hydrocarbon industry, specifically, the Sheberghan Gas Generation Activity and the Sheberghan Gas Development Project. U.S. efforts to develop Afghanistan's hydrocarbon industry are outside the scope of this audit.

⁵ USAID, *Country Development Cooperation Strategy for Afghanistan, 2019–2023*, updated August 13, 2021, <https://www.usaid.gov/documents/1871/country-development-cooperation-strategy-afghanistan>.

⁶ On September 11, 2021, USAID suspended the ETA and MELRA programs due to the collapse of the former Afghan government. However, in February 2022, USAID approved the ETA program's continuation, and in March 2022, terminated the MELRA program.

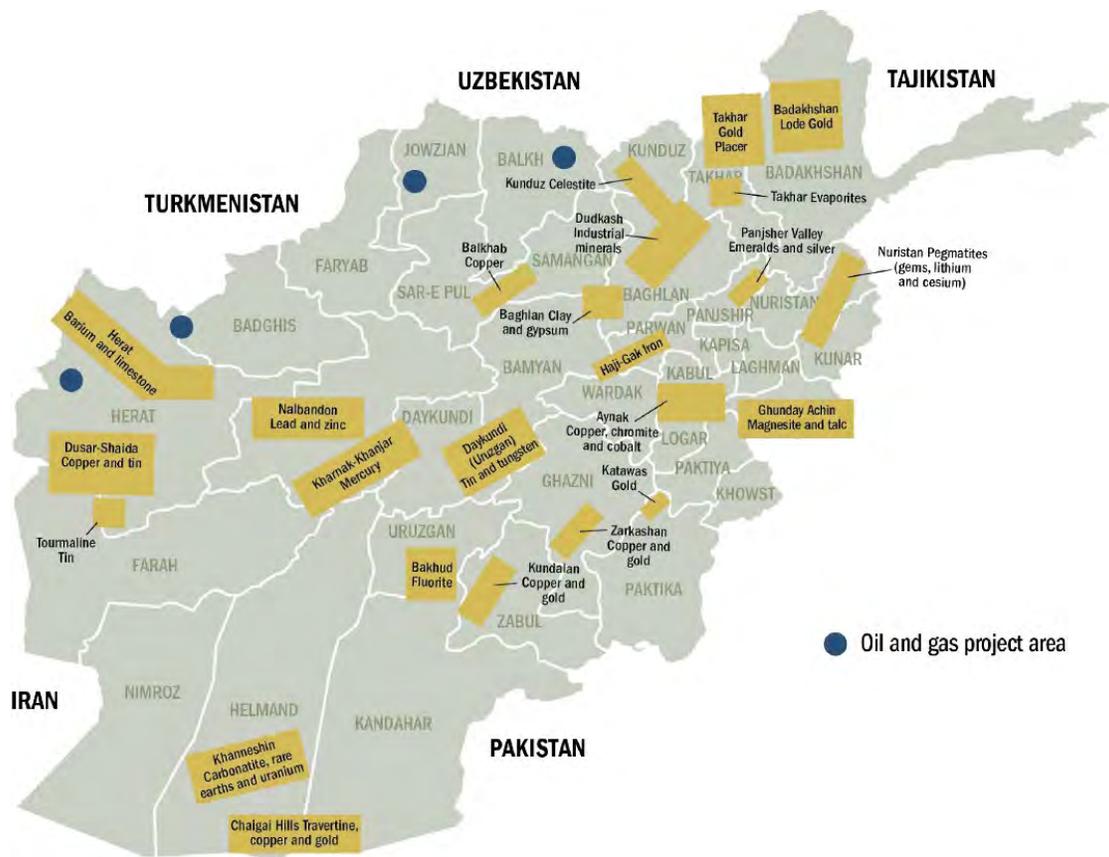
⁷ The United Kingdom Foreign Commonwealth and Development Office was formally known as Department for International Development. It is the ministerial department tasked with protecting and promoting British interests worldwide.

our work in Arlington, Virginia, from July 2021 through January 2022, in accordance with generally accepted government auditing standards. Appendix I contains a more detailed discussion of our scope and methodology.

BACKGROUND

In 2004, the USGS performed a preliminary assessment of Afghanistan's natural resources to confirm and update Soviet-era extractives deposit data; USGS published its results in 2007. In 2009, USGS began working with the Department of Defense's Task Force for Business and Stability Operations (TFBSO) to increase interest in developing Afghanistan's vast mineral resources, which resulted in an extensively detailed digital database of 33 high potential areas of interest across Afghanistan that were projected to hold large mineral deposits.⁸ These high potential areas of interest included base and precious metals, construction minerals, precious and semiprecious stones, and rare-earth elements including strontium, barium, beryllium, niobium, and tantalum, with wide-ranging applications for manufacturing mobile phones, laptops, electric vehicles, batteries, precision tools, medical equipment, satellites, aircraft, and missiles. In 2010, the U.S. government estimated the total value of Afghanistan's mineral and hydrocarbon deposits at more than \$1 trillion. Figure 1 shows USGS's most recent map of the high potential areas of interest in Afghanistan, dated March 2011.

Figure 1 - Map of Afghanistan's High Potential Areas of Interest, March 2011



Source: SIGAR map based on USGS data.

⁸ TFBSO was a small Department of Defense organization that focused on the development of economic opportunities, including private investment, industrial development, banking and financial system development, agriculture diversification and revitalization, and energy development. TFBSO ceased operations in Afghanistan in December 2014.

From 2010 and 2014, TFBSO spent approximately \$825 million across all of its operations in Afghanistan, with \$316 million spent on extractives projects, including \$33 million to USGS to develop Afghanistan's extractives industry, attract private investment, and create a sustainable Afghan economy.⁹ TFBSO pursued four program areas in Afghanistan's extractives sector: (1) mineral exploitation including supporting the MOMP in the tender process, (2) USGS and AGS mapping Afghanistan's mineral resources, (3) building relationships between Afghan universities and U.S. mineral-focused research universities, and (4) addressing mining in contested areas.¹⁰

After mapping extractive deposits and updating available data, U.S. assistance for Afghanistan's extractives sector primarily focused on increasing the Afghan government's capacity to develop and oversee the extractives industry, including at the MOMP and AGS. The MOMP was responsible for developing Afghanistan's extractives industry through the administration, oversight, and regulation of the exploration, exploitation, and mining of minerals, by identifying undeveloped large-scale mining areas, identifying artisanal and small-scale mining (ASM) activity, granting mining licenses, reviewing exploration programs and mining proposals, and maintaining mining areas' registers and survey maps. The AGS, a directorate within the MOMP, was responsible for mapping and assessing regional mineral resources and developing and maintaining reports from those assessments.

In 2013, USAID initiated the Mining Investment and Development for Afghanistan Sustainability (MIDAS) program, for which it disbursed \$34 million by the program's end in 2017. The goal of the MIDAS program was to assist the Afghan government in responsibly developing its extractives industry by (1) collecting \$2 billion in mining operation royalties, (2) expanding the extractives industry's skilled workforce, (3) implementing legal and regulatory reforms related to the extractives industry, and (4) providing technical assistance to the MOMP. In 2014, USAID expanded its extractives industry programming when it initiated a \$13 million agreement with the U.S. Department of Commerce's CLDP to build MOMP staff capacity and train the MOMP's legal department to implement regulations developed under Afghanistan's 2014 Minerals Law.¹¹

In 2018, USAID initiated two new programs to build capacity in Afghanistan's extractives industry. First, USAID began its ETA program, in collaboration with USGS, at an estimated cost of \$18.2 million. The ETA program consisted of five components, each with its own goals:

- **Component I:** The goal of Component I was to build the technical capacity of MOMP and AGS to analyze, assess, store data on Afghanistan's mineral deposits, and to publish that data under the authority of the MOMP and AGS. To achieve this goal, the program called for training of MOMP and AGS personnel to assess mineral data, mineral deposit types, required infrastructure, and the commodity value of various minerals to determine the economic value of Afghanistan's mineral and gemstone deposits.
- **Component II:** The three goals of Component II were to (1) create an online platform for hosting, discovering, accessing, and distributing mineral data; (2) build the capacity of MOMP and AGS personnel to maintain and further develop the online platform; and (3) "equip the AGS technical staff to support the expedited mineral sector development efforts."¹² To achieve these goals, the program required ETA personnel to "establish contacts and build relationships to help identify and establish responsibilities with necessary individuals and entities within Afghanistan and other entities involved in the project."¹³ ETA personnel were also required to define and construct necessary web components,

⁹ SIGAR, *DOD Task Force for Business and Stability Operations: \$675 Million in Spending Led to Mixed Results, Waste, and Unsustained Projects*, SIGAR 18-19-AR, January 4, 2018.

¹⁰ Tendering is the process whereby the government invites suppliers to submit bids for public contracts. The government provides publicly held data and documentation outlining project criteria and requirements, and the interested suppliers prepare documents outlining pricing, schedules, and unique competencies or qualifications, among other things. The government evaluates all submitted bids and enters into negotiations with the supplier whose bid is chosen.

¹¹ The 2014 Minerals Law governed Afghanistan's mining and extractives sector, including its fiscal regime and mining license processes.

¹² USAID, Award No. 72030618T00002, Participating Agency Program Agreement with USGS, December 28, 2017, p. 7.

¹³ USAID, Award No. 72030618T00002, agreement with USGS, p. 24.

conduct “knowledge transfer of essential data management practices and development of the role and responsibilities...in the areas of metadata development, metadata catalog management, and proper data management” for MOMP and AGS personnel, and train MOMP and AGS personnel in remote sensing and Geographic Information System technology.¹⁴

- **Component III:** The goal of Component III was to map ASM operations of specific gemstones, minerals, and commodities by using satellite or remote sensing imagery and to determine key indicators of ASM operations for each mineral type, mapping and monitoring areas identified by the key indicators, and compiling a geodatabase of ASM activity by mineral and commodity to estimate the value of the illegal activities.¹⁵
- **Component IV:** The goals of Component IV were to (1) ensure Afghanistan used sustainable mining practices to protect water and other environmental resources, and (2) to build the technical capacity of the MOMP and AGS in global best practices for mine permitting, development, and closure. To achieve these goals, the program called for ETA personnel to train MOMP and AGS officials on the regulatory and scientific framework for best mining practices, conducting and establishing pre-mining baseline studies, and facilitating educational outreach to universities.
- **Component V:** The goal of Component V was to educate the Afghan Ministry of Energy and Water and its successor, the National Water Affairs Regulation Authority, to better understand Afghanistan’s water resources through the improvement of water supply data monitoring and analysis. This component called for mentoring activities, revitalizing the Kabul River stream gaging network, improving modeling techniques, using analytics software to enhance water management, and updating the Kabul Basin aquifer map. In addition, this component’s completion would have assisted the Afghan government in analyzing and presenting water resources data available for extractives-related activities.

On September 11, 2021, USAID suspended the ETA program because of the Afghan government’s collapse. As of September 30, 2021, USAID had obligated about \$15 million for the ETA program, \$11.9 million of which was disbursed. On February 22, 2022, USAID approved USGS’s use of the remaining funds to complete ongoing research and publish reports related to rare-earth elements in Afghanistan. USGS officials told us they expect these reports to be completed by December 2022.¹⁶

The second program USAID initiated in 2018, in part to bolster Afghanistan’s extractives industry, was the MELRA program. USAID worked with CLDP to implement the program at an estimated cost of \$19.9 million. The MELRA program’s goal was to deliver economic and legal reforms to spur economic growth within Afghanistan. The MELRA program contained five components, one of which focused efforts on Afghanistan’s extractives industry. Within this component, CLDP sought to achieve legislative and policy reform at the MOMP and AGS, primarily by updating Afghanistan’s mineral laws and regulations. As of September 30, 2021, USAID had obligated about \$15.3 million for the program, of which \$10.9 million had been disbursed. USAID suspended the MELRA program on September 11, 2021, because of the fall of the Afghan government, and terminated it on March 26, 2022.

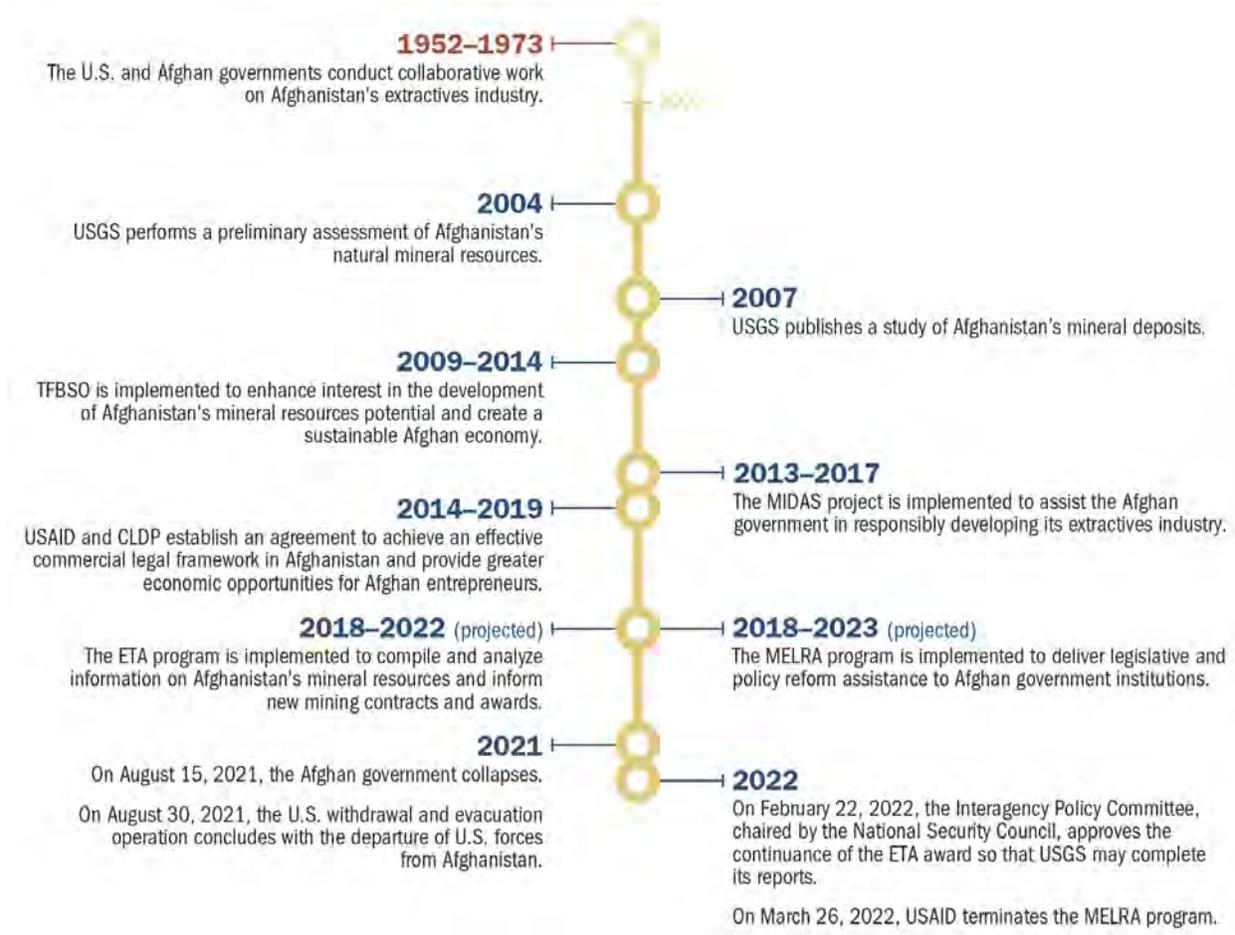
Figure 2 shows a timeline of U.S. agency extractives related efforts in Afghanistan.

¹⁴ Geographic Information System is a computer system that analyzes and displays geographically referenced information. Participating Agency Program Agreement between USAID and USGS, pp. 5–6.

¹⁵ ASM mining refers to the illicit or unlicensed mining by individuals, groups, families, or cooperatives with minimal or no mechanization. There is limited information on production, revenues, operations, and locations of ASM mining in Afghanistan.

¹⁶ In response to the draft of this report, USGS noted that the delayed restart of the ETA program negatively impacted its progress toward the completion of ETA program goals. However, USGS noted that it had been “...making considerable progress toward achieving as much of the ETA’s original goals as possible on its original timeline.”

Figure 2 - Timeline of U.S. Agency Extractive Efforts in Afghanistan



Source: SIGAR analysis of USAID data.

Agency Guidance and Award Agreements Require Oversight of Efforts to Develop Afghanistan's Extractives Industry; SIGAR Has Previously Evaluated Many of Those Efforts

U.S. efforts to develop Afghanistan's extractives industry were governed by USAID guidance, as well as the award agreements for each effort. Both USAID guidance and the award agreements emphasize the need to properly plan, manage, and monitor programs and outcomes. USAID's ADS provides guidance for the planning, delivery, assessment, and adaptation of development programming, and requires oversight of award agreements to ensure participating partners make appropriate progress.¹⁷ USAID's "Policy Framework Ending the Need for Foreign Assistance" translates the goals outlined in the U.S. government's "National Security Strategy and Joint Strategic Plan" specifically for USAID. Furthermore, USAID's Country Development Cooperation Strategy for Afghanistan, 2019–2023, set forth a high-level goal to "help establish the conditions necessary for peace and self-reliance... by focusing on long-term, broad-based development in Afghanistan and by transitioning to a more mature relationship" with the Afghan government "to help Afghanistan become a

¹⁷ ADS Chapter 201, September 21, 2021; ADS Chapter 306; ADS Chapter 303, Grants and Cooperative Agreements to Non-Governmental Organizations.

more inclusive, economically viable, and self-reliant country with which [the U.S. government] can better partner in [its] national security strategy.”¹⁸ Lastly, USAID’s individual award agreements outlined key performance requirements, including program management, oversight, and reporting.

In 2015, 2016, and 2018, we reported on the efficacy of TFBSO and USAID efforts to develop Afghanistan’s extractives industry. Our 2015 report found that TFBSO and USAID pursued divergent approaches in implementing their respective extractives projects, with the U.S. Embassy Kabul doing little to coordinate interagency activities.¹⁹ Our 2016 report found that MOMP never demonstrated the capacity to manage its funding or responsibly address transparency and corruption concerns.²⁰ Our 2018 report found that TFBSO and USAID extractives projects produced mixed results and wasted funding assistance due to interagency conflict, a lack of a clear mission and strategy, and poor coordination, planning, contracting, and oversight.²¹ The 2018 report also found that those programs consistently underestimated their time and cost projections, while simultaneously overestimating revenue projections. Another of our 2018 reports found that TFBSO and USAID extractives programs did not achieve their goals of developing mineral tenders or generating mining royalty revenue.²²

USAID, USGS, AND CLDP DID NOT CONDUCT REQUIRED OVERSIGHT OF THEIR EXTRACTIVES PROGRAMS

For this report, we found that U.S. agencies did not conduct all of the required program oversight for ETA and MELRA. Specifically, USAID and USGS did not develop a Monitoring, Evaluation, and Learning (MEL) plan for the ETA program, as required by ADS guidance.²³ Furthermore, while USAID and CLDP developed an MEL plan for the MELRA program in 2018, the plan did not comply with ADS guidance until October 2020, more than 2 years after the MELRA program was initiated. Additionally, USAID was unable to demonstrate that it reviewed and approved required agreement deliverables for the ETA and MELRA programs, such as monitoring and evaluation reports, quarterly reports, and training data, and USGS and CLDP did not use the required data management systems, Afghan Info System and Training Results and Information Network (TraiNet), to submit the requisite deliverables.²⁴ The inability of USAID, USGS, and CLDP to comply with the required oversight for their extractives programs prevented the agencies from being able to conduct timely and comprehensive reviews of the ETA and MELRA programs’ performances.

¹⁸ USAID, Country Development Cooperation Strategy for Afghanistan, 2019–2023, p. 2.

¹⁹ SIGAR, Afghanistan’s Mineral, Oil, and Gas Industries, SIGAR 15-55-AR.

²⁰ SIGAR, Afghanistan’s Oil, Gas, and Minerals Industries, SIGAR 16-11-AR.

²¹ SIGAR, DOD Task Force for Business and Stability Operations, SIGAR 18-19-AR.

²² SIGAR, Status of U.S. Efforts to Develop Extractive Tenders, SIGAR 18-58-SP. In response to a draft of this report, USGS noted that after to the publication of our 2018 report, four large-scale mining contracts were awarded. USGS also noted that all but one of these contracts were subsequently cancelled. USGS stated that the one remaining contract had proceeded to the exploration phase and was still active at the time of the Afghan government’s collapse in August 2021. USGS also noted that it can take many years for a large-scale mining contract to proceed from award to operating as a revenue generating operation, and stated that even one contract going to the exploration phase was a major achievement.

²³ Monitoring is the ongoing and systematic tracking of data or information relevant to USAID’s activities. Evaluation involves collecting and analyzing information to make informed decisions and improve programming to ensure accountability and improvement in outcomes. Learning involves the continuous process of analyzing a wide variety of information, including evaluation findings and monitoring data. (ADS 201.6.)

²⁴ Afghan Info System serves as the central repository for all performance implementation and monitoring data and administrative activity information. TraiNet is a reporting system for USAID-funded training programs.

USAID, USGS, and CLDP Did Not Properly Complete or Use Required MEL Plans to Oversee ETA and MELRA

USAID's ADS Chapter 201 requires the use of MEL plans to collect and analyze performance indicators, track progress towards planned results, make decisions, and inform course corrections, as needed.²⁵ The ADS also requires that (1) implementing partners submit an MEL plan to USAID within 90 days of signing an agreement, which must be approved and in place before "major implementation activities begin," and (2) that the plan include monitoring processes and at least one relevant performance indicator for each activity, including baseline values and annual targets.²⁶ To measure each performance indicator, USAID uses a Performance Indicator Reference Sheet, which contains key performance indicator information such as definitions, unit of measurement, method of data collection, measuring and reporting frequency, and the rationale for associated targets.²⁷ In addition, ADS Chapter 306 requires oversight of assistance agreements, which direct USAID to provide the necessary oversight and coordination for programs it finances, including the review of deliverables to ensure that implementing partners are making "appropriate progress."²⁸

USAID and USGS Did Not Develop an MEL Plan for the ETA program

USAID and USGS did not develop an MEL plan, as required, for the ETA program. USAID officials told us that USAID typically used USGS as a technical advisor, rather than as an implementing partner like it was on the ETA program. Further, USAID told us that it held weekly meetings and maintained communication with USGS via e-mail to discuss the progress of the program. However, that type of engagement between USAID and USGS did not exempt the agencies from the oversight requirements of ADS Chapter 201.

USGS officials stated they did not develop an MEL plan because USAID did not inform them of the requirement to develop an MEL plan and stated that they used quarterly reports as the primary method to report on ETA progress. USAID and USGS also told us that they were in frequent communication, held weekly meetings, and routinely discussed the progress of the ETA program.

We found that USGS quarterly reports did not contain any performance indicators or data to track progress towards planned results, make decisions, and inform course corrections. Moreover, the type of engagement between USAID and USGS does not absolve the agencies from the requirement to adhere to the ADS. The failure of USAID and USGS to establish and implement an MEL plan may hinder retrospective reviews of programming performance based on formal, complete, and standardized information, insights into how and why those indicators were modified, and an understanding of USAID and USGS officials' decision-making processes, which would be useful when making programming decisions for similar programs in the future.²⁹

USAID and CLDP Utilized Non-Compliant MEL Plans for the Majority of the MELRA Program

ADS 201 requires that MEL plans include performance indicator data. Additionally, the ADS provides further guidance on those performance indicators and their associated data in its Performance Indicator Reference

²⁵ ADS 201.3.1.2 and 201.3.4.10.

²⁶ An activity is a component of a program that contributes to the program's overall purpose. Each activity has performance indicators, which are the basis for observing progress and measuring actual results compared to expected results. A performance indicator includes a baseline value, the value prior to a program's implementation, and a target value, the planned level of result to be achieved within a specific timeframe with a given level of resources. An example of an ETA activity included training AGS personnel to manage and maintain the digital archives of extractives resources. An example of a MELRA activity included improving contract administration capacity at the MOMP. See, ADS 201.3.4.10.

²⁷ USAID Performance Indicator Reference Sheet Guidance & Template, a Mandatory Reference for ADS Chapter 201.

²⁸ ADS 306.2 and 306.3.2.21.

²⁹ In response to a draft of this report, USGS asserted that a lack of an MEL plan did not prevent USAID and USGS from accurately measuring ETA program outcomes because USGS updated USAID on ETA's progress. However, such updates did not relieve USGS and USAID from their obligation to develop an MEL plan.

Sheet.³⁰ The Performance Indicator Reference Sheet lists 16 requirements to which implementing partners must adhere when reporting their performance indicator data, including defining each performance indicator, its unit of measure, its targets and rationale for those targets, data collection methods, measuring and reporting frequency, and methods to ensure data quality and consistency. We determined that MELRA's MEL plans did not comply with ADS Performance Indicator Reference Sheet requirements until October 2020, more than 2 years after the MELRA program was initiated, because the associated performance indicators were often incomplete and many did not provide the information necessary to accurately measure performance. In fact, we determined that CLDP did not complete the 16 Performance Indicator Reference Sheet requirements 56 percent of the time. CLDP officials stated that they relied on USAID to ensure their MEL plans and Performance Indicator Reference Sheet requirements complied with USAID's guidance. However, CLDP's reliance on USAID does not exempt it from USAID's MEL plan requirements.

In response to the draft of this report, CLDP agreed that MELRA's initial MEL plan did not comply with ADS requirements. CLDP stated that it created its own internal oversight plan in 2018, which it referred to as a "Mining Logic Model" because it recognized that MELRA's initial MEL plan was deficient.³¹ CLDP stated that it utilized this logic model from early 2018 until it was incorporated as a part of an updated MEL plan in October 2020. Additionally, although both USAID and CLDP provided us copies of the October 2020 MEL plan, these MEL plans differed, further indicating the existence of discrepancies and inconsistencies surrounding MELRA's monitoring and document retention. Although we requested it, CLDP did not provide us with its 2018 logic model. Appendix II provides a summary of CLDP's reporting of MELRA's performance indicator data in its quarterly reports.

Our analysis of MELRA's MEL plans determined that although CLDP revised the performance indicators on three occasions during our audit, no single performance indicator was present in all three of the revisions. We found that only one performance indicator was the same between the first two versions of the MEL plan, and that two performance indicators were the same between the second and third versions of the MEL plan. Furthermore, USAID's Performance Indicator Reference Sheet requires that "changes to an indicator that substantively effect indicator reference information must be documented and justified."³² The MELRA MEL plan only documented the reasoning for 3 of the 14 performance indicator changes that occurred during the period covered by our audit. This lack of documentation prevented us from tracking the program's performance in a consistent manner and could also hinder an official not associated with the program from tracking the program's performance during a retrospective review. The July 2020 MEL plan had only one performance indicator after CLDP removed one other performance indicator from the prior version. The next MEL plan, dated October 2020, had a total of 13 performance indicators after CLDP added 12 new performance indicators to the prior version. Finally, the following MEL plan, dated January 2021, had a total of 2 performance indicators after CLDP removed 11 performance indicators from the October 2020 version. When asked about the frequent MEL plan changes in a short period of time, CLDP told us it revised MELRA's performance indicators because CLDP hired a full-time MEL specialist to initiate an organization-wide review of all CLDP MEL plans.³³ The extensive and frequent revisions to the performance indicators in MELRA's MEL plans limits the ability to assess the program's performance over time because of a lack of consistent data.

³⁰ ADS 201.3.5.6.

³¹ In response to a draft of this report, CLDP noted that it relied on its logic model instead of MELRA's official MEL plan. CLDP also claimed that its logic model was well developed and was better aligned to the MELRA program than the official MEL plan. CLDP did not provide us with its logic model, so we could not verify its claims.

³² USAID, Performance Indicator Reference Sheet Guidance & Template, p. 5.

³³ In response to a draft of this report, CLDP noted that its logic model included performance indicators not included in MELRA's MEL plans, including custom performance indicators developed by CLDP that it used for the duration of the MELRA program. CLDP did not provide us with its logic model, so we could not verify its claims. Additionally, CLDP noted that it is normal to change performance indicators during a program's life, and that any changes it made to performance indicators were to better track program performance.

USAID and CLDP confirmed that MELRA's initial MEL plan was deficient, yet it remained the official monitoring plan for the first 2 years of the program. Although CLDP created its own logic model instead of addressing the deficiencies of the official MEL plan, CLDP did not provide a copy of that logic model to USAID to include in its official record keeping system until it was included as an updated MEL plan in October 2020. Although CLDP tracked its performance with its logic model, this model was not the approved MEL plan and was not stored within USAID's official record keeping system, the Afghan Info System. Lastly, the extensive and frequent revisions to the performance indicators in MELRA's subsequent MEL plans limits the ability to assess the program's performance over time because of a lack of consistent data. Consequently, any analysis of MELRA program success, or the USAID and CLDP decision making process must rely on an MEL plan that both USAID and CLDP acknowledge as deficient.

In the absence of a consistent MEL plan and performance indicators, USAID and CLDP officials told us that they relied on quarterly reports, held weekly meetings, and maintained communication via e-mail to discuss the progress of the MELRA program. However, that type of engagement does not excuse the agencies from the requirement to meet the oversight requirements of ADS Chapter 201.

USAID, USGS, and CLDP Did Not Use Required Information Systems and USAID Could Not Show That It Reviewed Deliverables

USAID guidance requires implementing partners to submit required deliverables to USAID through the Afghan Info System for USAID officials to verify the accuracy of those deliverables and demonstrate that they verified the accuracy of those deliverables.³⁴ Furthermore, the ETA and MELRA agreements required USGS and CLDP to submit required deliverables, such as monitoring and evaluation reports and quarterly reports through Afghan Info System and USGS's training data through TraiNet, no later than 45 days after the end of each quarter.

We determined that USGS did not upload any of the required deliverables into the Afghan Info System or TraiNet, and that USAID contracting officials did not enforce those requirements. USGS confirmed that it did not use the Afghan Info System or TraiNet because the agency was unaware of the systems or the requirement to use them for data submissions. USGS officials stated that instead, they directly submitted required deliverables to the USAID contracting official.³⁵ USAID did not upload any of the required deliverables USGS sent to them or provide evidence it reviewed the deliverables.

Similarly, we determined that CLDP and USAID did not input any of the MELRA quarterly reports into the Afghan Info System, as required by a Mission Order.³⁶ CLDP officials stated they did not use the Afghan Info System, and USAID contracting officials neither enforced the requirement nor documented their review of CLDP's deliverables. CLDP officials told us that they had an understanding with USAID contracting officials that CLDP would provide the contracting officials with their deliverables and the contracting official would then upload them into any required systems. We found that USAID had all of CLDP's deliverables and provided them to us when asked. However, we found no evidence of any such agreement, and neither CLDP's deliverables nor USAID's review of them were present in the Afghan Info System. CLDP confirmed that it did not use TraiNet because it was unaware of the system or the requirement to use it for data submissions. USAID told us it was in constant communication with CLDP and thus, relied on that channel of communication instead of the Afghan Info System.³⁷ However, as mentioned above, this type of engagement between the two agencies does not

³⁴ ADS 201.3.4.10 and 201.6.

³⁵ In response to a draft of this report, USGS noted that it submitted quarterly reports timely to the USAID contracting official. USGS also noted that USAID told them that USAID was uploading those reports into the required document retention system.

³⁶ USAID Mission Order 201.05, Mission Order on Performance Monitoring, May 3, 2019.

³⁷ In response to a draft of this report, CLDP noted that it had multiple forms of formal engagement with USAID officials, including weekly meetings, to keep them informed on the MELRA program and seek USAID's input.

absolve USAID or CLDP from the oversight requirements of ADS Chapter 201, and their lack of adherence to ADS 201 hinders a retrospective and comprehensive evaluation of the MELRA program's performance.

As a result of the U.S. agencies' failure to use the Afghan Info System and TraiNet, we found that it may have been difficult for incoming USAID agreement officer representatives to obtain knowledge and continuity of program activities during cyclical rotations. USGS and CLDP officials stated that they briefed incoming USAID officials on the status and progress of the ETA and MELRA programs.³⁸ However, USAID did not retain USGS's and CLDP's reports in the Afghan Info System and TraiNet in accordance with USAID policies. As a result, USAID did not have the institutional information available to assess the long-term effects of its extractive sector programming.

Submitting and maintaining required deliverables, such as program MEL plans, quarterly reports, and training data, in the required information systems is critical for understanding a program's performance and any issues surrounding its implementation and for future programming in the same sector. Agreement officers, auditors, and other government officials need access to complete, accurate, and timely records, which document such items such as the program's performance and the reasoning behind key decision-making processes. Additionally, agencies are required to keep records of their activities, in part to protect the legal and financial rights of the government and persons affected by the government's activities. To help ensure compliance with these regulations and principles, USAID established internal controls to ensure that award files are complete and accurate.³⁹ In response to our May 2022 audit of USAID's termination of reconstruction awards in Afghanistan, which found lapses in document retention, USAID issued an administrative notice reminding contracting officers and their representatives of the regulations requiring document retention and the importance of adhering to those regulations.⁴⁰

ETA AND MELRA PROGRAMS MADE PROGRESS, BUT DID NOT ACHIEVE ALL OF ITS PROGRAM GOALS AND DID NOT ADDRESS PRIOR CHALLENGES IN AFGHANISTAN'S EXTRACTIVES INDUSTRY

USAID, USGS, and CLDP made progress toward, but did not achieve, most of the ETA and MELRA program goals. Furthermore, the challenges USAID encountered when implementing its previous efforts to develop Afghanistan's extractives industry continued to hinder the implementation and outcomes of ETA and MELRA. These challenges, combined with limitations caused by the COVID-19 pandemic and the collapse of the former Afghan government in August 2021, delayed the development of Afghanistan's extractives industry.

USAID and USGS Did Not Complete Four of the Five ETA Components

USAID's "Policy Framework Ending the Need for Foreign Assistance" called for increased self-reliance for Afghanistan, and stated that USAID should use proven assistance tools to "help reform-minded partners reach the point where they can tap into private-enterprise solutions."⁴¹ According to the framework, "Countries that have increased self-reliance have built human and institutional capacity across the economy, civil society, the government, and the population."⁴² Furthermore, USAID's Country Development Cooperation Strategy for

³⁸ In response to a draft of this report, USGS noted that it provided half- or full-day briefings with the most "direct and comprehensive knowledge" on Afghanistan's extractives environment. Likewise, CLDP noted that it "thoroughly [briefed]" incoming USAID officials on MELRA's progress and CLDP's institutional knowledge.

³⁹ ADS 502.1 and 502.3.

⁴⁰ SIGAR, *Contracting in Afghanistan: USAID Did Not Complete or Did Not Maintain Required Documentation for 8 of its 11 Terminated Awards*, SIGAR-22-21-AR, May 9, 2022.

⁴¹ USAID, "Policy Framework for Ending the Need for Foreign Assistance Summary," 2019, p. 4.

⁴² USAID, "Policy Framework for Ending the Need for Foreign Assistance Summary," 2019, p. 5.

Afghanistan requires USAID programs to develop a “transition plan” in support of building self-reliance and transitioning to a traditional bilateral relationship.⁴³ The strategy also recognized that Afghanistan needed to grow its legitimate economy. Therefore, USAID intended to assist the Afghan government by generating jobs and increasing government revenues through the extractives industry.⁴⁴ The ETA program’s goals were to build capacity within the MOMP to provide reliable data, expert technical advice, and oversight of the extractives industry, including ASM throughout Afghanistan. The ETA program, implemented between January 2018 and September 2021, included five programming components to achieve its overall goals.

USGS reported that while it made progress toward developing technical capacity at the MOMP, the ETA program did not achieve its goal of developing MOMP’s technical capacity to administer Afghanistan’s extractives industry. Further, when asked whether the Afghan government had the capacity to sustain achievements realized by ETA, USGS reported that the Afghan government was not self-sufficient.⁴⁵

After accounting for the cessation of ETA programming after the collapse of the Afghan government, we analyzed the quarterly reports that USAID and USGS provided and determined that the goals of only one of the five ETA components was achieved, as of September 2021. The following represents our finding for each ETA component.

Component I: Although USGS made progress toward meeting Component I’s goal, it did not achieve it.⁴⁶ Component I’s goal was to build the technical capacity of the MOMP and AGS in order to “normalize the storage, analysis, and assessment of Afghanistan’s mineral deposits and release of that data under MOMP/AGS auspices.”⁴⁷ USGS did conduct numerous capacity building activities with MOMP and AGS personnel. While USGS told us that the Afghan government had some capacity to analyze its extractives industry, it could not demonstrate that the MOMP had the capacity to “normalize the storage, analysis, and assessment of Afghanistan’s mineral deposits and release of that data under MOMP/AGS auspices.”⁴⁸ USGS also said that the Afghan government provided USGS with incomplete or inaccurate data, preventing it from compiling, analyzing, and assessing the mining datasets. Moreover, USGS said that it relied on the “suboptimal” practices of using past production statistics, the extrapolation of partial data, and levels of employment at various mines to create the necessary data.⁴⁹ However, Component I’s goal required USGS to assist the MOMP in building its technical capacity to compile, analyze, assess, store, and publish data on Afghanistan’s mineral deposits. USGS’s comments demonstrate that the MOMP did not have the technical capacity to “normalize the storage, analysis, and assessment of Afghanistan’s mineral deposits and release of that data under MOMP/AGS auspices.”⁵⁰

⁴³ USAID, Country Development Cooperation Strategy for Afghanistan, 2019–2023, p. 22.

⁴⁴ USAID, Country Development Cooperation Strategy for Afghanistan, 2019–2023, p. 21.

⁴⁵ In response to a draft of this report, USGS noted that it believes certain criticisms contained in our draft assessment of whether the ETA program achieved its goals were “misleading or incorrect.” USGS noted that the ETA program was a 5-year program with most of the program’s scientific reports to be completed in the fifth year. USGS noted that it is currently attempting to finish those reports by December 2022 but said that USAID’s suspension of the program as a result of the collapse of the Afghan government and USAID’s elimination of funding for ETA’s fifth year, has made it challenging to complete ETA’s goals by the scheduled timeline.

⁴⁶ In response to a draft of this report, USGS disagreed that the goals of this component were not met, noting that the data USGS collected and processed was used by the MOMP to issue hundreds of small-scale mining contracts, demonstrating the MOMP had built capacity.

⁴⁷ USAID, Award No. 72030618T00002, agreement with USGS, p. 3.

⁴⁸ USAID, Award No. 72030618T00002, agreement with USGS, p. 3.

⁴⁹ USGS also noted that the results of its work will be published in a report that features detailed maps and an accompanying GIS database and is the most comprehensive report to date on Afghanistan’s gemstone resources and the state of its extractives industry. This report is currently undergoing USGS review and was not published at the time of our report’s publication.

⁵⁰ USAID, Award No. 72030618T00002, agreement with USGS, p. 3.

Component II-A: Although USGS made progress toward meeting Component II-A's goal, it did not achieve it.⁵¹ The goal of Component II-A was to provide the MOMP and AGS with an online platform for hosting, accessing, and distributing data. USGS reported that the AGS could not obtain the resources necessary to acquire a cloud hosting service, which caused significant obstacles and delays.⁵² Although we acknowledge that USGS made progress toward achieving this goal, without the plan's approval from the MOMP Minister, the plan was not implemented and no online platform was created. We also acknowledge that obtaining this approval was outside of USGS's control.

Component II-B: While USGS made progress toward meeting Component II-B's goal, it did not achieve it.⁵³ The goal of Component II-B was to build the capacity for the MOMP and AGS to "support the expedited mineral sector development efforts" through the generation of field maps, collection and digitization of mineral sample data, and remote sensing data analysis.⁵⁴ Although USGS reported that it assisted AGS staff in the compilation of data packages, it also told us that the Afghan government did not appear to be self-sufficient. USGS noted that the MOMP issued small-scale mining contracts, demonstrating USGS's success in capacity building. However, none of USGS's required documents demonstrated that its efforts led to the issuance of those small-scale mining contracts. Furthermore, USGS had no MEL plan with accompanying performance indicators, nor did any of its required documents define or measure the issuance of small-scale mining contracts as a way to measure Component II-A's success. USGS documents showed that the MOMP and AGS did not have the capacity to generate field maps, collect and digitize mineral sample data, or perform remote sensing data analysis.

Component III: USGS achieved Component III's goal to map, monitor, or assess ASM activities.⁵⁵ In June 2021, USGS collaborated with the World Bank's Delve initiative to release a report on Afghanistan's ASM sector. The report provides up-to-date information about Afghanistan's ASM operations, key minerals, mineral governance framework, ASM formalization efforts, and obstacles limiting progress on the country's ASM sector.

Component IV: While USGS made progress meeting Component IV's goal, it did not achieve it.⁵⁶ The goal of Component IV was to (1) ensure Afghanistan used sustainable mining practices to protect water and other environmental resources, and (2) build the technical capacity of the MOMP and AGS in global best practices for mine permitting, development, and closure by training Afghan officials. ETA's agreement defined the achievement of these goals as MOMP and AGS personnel having a scientific knowledge base and expertise in several scientific disciplines to work competently and effectively in global best practices among developed countries for mine permitting, development, and closure.⁵⁷ To achieve these goals, the ETA program was to train MOMP and AGS officials on the regulatory and scientific framework for best mining practices, conducting and

⁵¹ In response to a draft of this report, USGS said that had secured the necessary support to achieve this goal from donors and the Afghan government but noted that it could not get the MOMP Minister to sign the plan agreement prior to the fall of the Afghan government. In its comments, USGS noted that the failure to achieve this goal was outside of USGS's control and "reflects an example where a high-level Afghan official was hesitant to act to the detriment of the MOMP's operational ability."

⁵² Cloud computing is the on-demand availability of computer system resources, especially data storage and computing power, without direct active management by the user.

⁵³ In response to a draft of this report, USGS disagreed that the goals of this component were not met. In its response, USGS noted that the MOMP actively issued small-scale mining contracts, which demonstrates USGS's success in capacity building and fulfilling USAID's priority of focusing on small-scale mining contracts to quickly generate revenue for the former Afghan government.

⁵⁴ USAID, Award No. 72030618T00002, agreement with USGS, p. 7.

⁵⁵ In response to a draft of this report, USGS disagreed that the goals of this component were not met. In its response, USGS noted that it successfully mapped ASM operations using high-resolution satellite imagery to collect the data as it would be dangerous for individuals to collect this information on the ground. USGS also said that it retains a comprehensive database of Afghanistan's ASM operations, and that information is of high value to the U.S. government.

⁵⁶ In response to a draft of this report, USGS disagreed that the goals of this component were not met. In its response, USGS noted that it conducted considerable training, which increased MOMP and AGS skill sets, and that AGS scientists collected baseline data on five areas of interests, marking the first time that baseline data was collected at mining sites.

⁵⁷ USAID, Award No. 72030618T00002, agreement with USGS, p. 13.

establishing pre-mining baseline studies, and facilitating educational outreach to universities. We acknowledge that USGS provided training to MOMP and AGS personnel. However, USAID and USGS did not have performance indicators nor a systematic method of measuring their progress toward the achievement of this goal. In response to a draft of this report, USGS noted that MOMP personnel completed five environment baseline studies; however, since USGS did not develop an MEL plan which would have defined the measures of success, it is unknown whether performing baseline studies was a measure of success. Furthermore, an aspect of Component IV's goal was to facilitate educational outreach to universities, with the purpose of adding courses in environmental sciences to their curricula over the long term. Our analysis of USGS deliverables found that USGS ceased reporting on educational outreach in April 2019 and never reported that this task was achieved.

Component V: While USGS made progress toward meeting Component V's goal, it did not achieve it.⁵⁸ The goal of Component V was to assist the Ministry of Energy and Water and its successor, the National Water Affairs Regulation Authority, in monitoring and analyzing Afghanistan's water resources in order to inform decision making regarding the design of water infrastructure, improve the quality and quantity of drinking water, and ensure compliance with Afghanistan's groundwater protection regulations by providing training on streamflow monitoring techniques. USGS told us training efforts increased the capability of National Water Affairs Regulation Authority personnel to conduct these activities, but also acknowledged that they "still have limited data analyses [sic] skills."⁵⁹ Additionally, USGS told us that while National Water Affairs Regulation Authority "...personnel have shown progression in most aspects pertaining to surface water hydrology, leading to advancements in their stream gaging network," USGS recognized that "personnel tasked with maintaining and operating Afghanistan's stream gaging network are still noticeably [and] severely in need of further guidance pertaining to all aspects of surface water hydrology..."⁶⁰ USGS told us that insecurity limited the training of National Water Affairs Regulation Authority officials.

In September 2021, USAID suspended all programming activities related to the ETA program. However, in February 2022, USAID approved USGS to complete reports on key minerals as requested by U.S. agencies and the National Security Council. USGS officials told us that they anticipate those reports will be completed by December 2022.

Given that only one of the components of ETA achieved its goals, the Afghan government did not acquire the necessary technical capacity to develop Afghanistan's extractives industry and adequately manage its water resources.⁶¹ Further, as stated above, USGS noted that the MOMP is unable to sustain the progress made under ETA. For example, trained MOMP and AGS officials, fearing for their safety, attempted to leave Afghanistan after the government's collapse, which contributed to the inability of MOMP and AGS to manage the country's extractives industry.⁶² Further, due to Afghanistan's political instability, there has been a significant reduction in international investment in Afghanistan's extractives industry. USGS officials stated that no major multi-national mining company would risk developing a large mine in Afghanistan. USGS said that this lack of reputable investment, coupled with the lack of technical knowledge within the MOMP and AGS, means that the development of Afghanistan's extractives resources will be vulnerable to exploitation, the Afghan people will be minimally compensated, and development will result in adverse environmental impacts. Lastly, the Afghan

⁵⁸ In response to a draft of this report, USGS disagreed that the goals of this component were not met, noting it started stream gaging training, but that the COVID-19 pandemic and insecurity in Afghanistan impacted those trainings. USGS also said that it can take many years of training and mentoring to go from a low level of competency to being competent.

⁵⁹ USGS response to SIGAR, October 21, 2022, p. 9.

⁶⁰ USGS response to SIGAR, October 21, 2022, p. 6. Hydrology is the science that studies the occurrence, distribution, movement, and properties of water and its relationship with the environment.

⁶¹ In response to a draft of this report, USGS noted that it does not agree with the assessment that none of the components of ETA achieved all of their goals. Furthermore, USGS noted that Afghanistan is facing many challenges that limit its ability to develop the extractives sector including conflict, corruption, and poverty.

⁶² In response to a draft of this report, USGS noted that since it has been one of the more successful agencies in assisting Afghanistan, and because of the prominence of USGS efforts, many of the skilled scientists and officials connected with USGS efforts are rightly concerned about Taliban threats.

National Water Affairs Regulation Authority's lack of hydrologic knowledge affects Afghanistan's water use and management.⁶³ Ineffective water management, in turn, has significant impacts on mining operations, as water is necessary to prevent hazards, manage dust production, process, cool, and transport minerals and gemstones, maintaining equipment, and meet human consumption and sanitation needs within mines.

The MELRA Program Did Not Meet All of Its Goals

MELRA's extractives sector goal was to "improve the MOMP's contract administration capacity of the MOMP." The program sought to achieve this by "collaborating with the MOMP to develop a durable and predictable contracting framework for mining licenses" through the adoption of the regulations, procedures, and transactional documents necessary to realize the vision of Developing Afghanistan's natural resources for the benefit of the nation and its citizens."⁶⁴ However, CLDP's efforts in Afghanistan's extractives industry did not produce or result in MOMP adopting a comprehensive set of regulations, procedures, and transactional documents. Similarly, MELRA did not result in the development of a durable and predictable contracting framework for mining licenses. Thus, CLDP did not achieve the goal of MELRA's extractives-related component. While the MELRA program's extractives-related component included a goal to develop a durable and predictable contracting framework for mining licenses, CLDP officials told us that to achieve this goal, they developed an internal "Mining Logic Model" for the MELRA program. According to the CLDP officials, this model contained four additional goals related to the program's extractives components:

1. Improving mining legal and regulatory framework
2. Administering mining regime effectively, consistently, competently, fairly, and transparently
3. Promoting international best practices, complying with international standards, and implementing and enforcing international agreements
4. Boosting international trade and competitiveness

However, CLDP was only initially tracking these goals internally, and they were not formalized until October 2020, when they were added into the approved MEL plan.

While CLDP worked toward these goals, its efforts were not always successful. For example, according to USAID and CLDP, the agencies provided comments to MOMP on drafts of the 2018 Minerals Law, the 2019 Mining Regulations, the Model Concession Agreement, the 2020 draft Hydrocarbons Regulation, and MOMP's Mining Industry Roadmap.⁶⁵ However, a June 2020 memorandum from USAID to the Administrative Office of the President of Afghanistan stated that the MOMP faced numerous obstacles to achieving the necessary legal and regulatory reforms to ensure open and transparent operations in Afghanistan's mining sector, including ignoring the recommendations from the U.S. and donor community.⁶⁶ Specifically, the memo stated, "The U.S. Government and the donor community also provided extensive comments on the Regulations and the Model Mining Concession, but these comments were not incorporated into subsequent drafts."⁶⁷ The memo concluded that a "sound legal framework needs to be developed with the input from the international donor community and the private sector," and recommended that the MOMP revise "...the Minerals Law in line with recommendations proposed by CLDP and other donors..."⁶⁸ This memorandum supported USAID's assertion

⁶³ In response to a draft of this report, USGS noted that while the National Water Affairs Regulation Authority has limited skills and expertise, Afghanistan's recent water scarcity and flash floods are a product of climate change, not a lack of infrastructure.

⁶⁴ USAID, Award No. 72030618T00001, agreement with CLDP, pp. 19, 29–30.

⁶⁵ The Model Concession Agreement was an integral part of the legal framework created by the 2018 Minerals Law, and its intended use was for awarding mineral exploration licenses after a competitive tender process.

⁶⁶ USAID, memorandum to the Administrative Office of the President of Afghanistan on the role of the MOMP and the management of Afghanistan's mineral resources, June 5, 2020.

⁶⁷ USAID, memorandum ... [on] the management of Afghanistan's mineral resources, June 5, 2020, pp. 1–2.

⁶⁸ USAID memorandum ... [on] the management of Afghanistan's mineral resources, June 5, 2020, p. 4.

that Afghanistan's 2018 Mineral Law was only implemented, enforced, and complied with when it served select Afghan government officials' political and economic interests.⁶⁹

Furthermore, corruption and political infighting within the former Afghan government created difficulties in gaining a consensus on which legal reforms to accept. Specifically, USAID and CLDP told us that some members of the Afghan Parliament's political and economic self-interest from their stakes in illegal ASM operations prevented the Afghan Parliament from passing extractives-related legislation, which necessitated the passage of Afghan Presidential decrees to progress extractives-related legislation. USAID officials also told us that Afghan stakeholders were interested in investing in Afghanistan's extractives industry but were cautious about the level of corruption within the sector. An MOMP analysis found that over 60 percent of Afghan Members of Parliament had beneficial interest in an Afghan mining operation. According to USAID officials, this made it very difficult for the Afghan government to make any changes to existing laws because Parliament would not pass any revisions to extractives legislation. CLDP and USAID also told us that members of Parliament benefitted from illegal mining and sought to prevent reforms affecting their ill-gotten gains. CLDP officials commented that it was common practice for laws in Afghanistan to be approved by presidential decree, and that there was a general perception within the Presidential Palace that Parliament was motivated by special interests.

We determined that CLDP did not facilitate the sustained formation of "an enabling policy environment for the extractives industry" due to the corruption within the Afghan Parliament and the lack of legislative reform.⁷⁰ Furthermore, USAID did not "strengthen Afghanistan's policy and investment infrastructure to capture revenue from extractives," in accordance with the Country Development Cooperation Strategy.⁷¹ Our determination is supported by an April 2019 USAID memorandum to other international donors, which stated, "It will not serve us, the broader donor community, and most importantly the Afghan people well if we again compromise to a watered down Law in which we believe neither regional or international investors will have confidence."⁷² Although some of CLDP's comments on Afghan law, regulations, and other documents provided to the Afghan government were accepted by it, most were largely ignored.⁷³

We also determined that CLDP did not achieve MELRA's goal of improving contract administration at the MOMP.⁷⁴ Although CLDP trained the MOMP on contract administration, its quarterly reports did not state whether MELRA demonstrated progress in achieving that goal. Further, CLDP told us that most of MELRA's progress was made in improving MOMP's regulatory reform, not in contract administration.

USAID and CLDP determined that the Afghan government's failure to make sufficient legal reforms to attract foreign investors, contributed to the Afghan government remaining reliant on international assistance.

⁶⁹ In response to a draft of this report, CLDP noted that it and other U.S. agencies and international donors provided MOMP with edits to its Mineral Law. CLDP stated that its objective was to improve, not perfect, Afghanistan's Mineral Law, and since improvements were made to the Mineral Law, CLDP contends it met its objective. Additionally, CLDP noted that Afghanistan's tax, labor, customs, and environmental laws also affect foreign investment, and that reforms to those laws are also needed to attract foreign investment.

⁷⁰ USAID, Country Development Cooperation Strategy for Afghanistan, 2019–2023, p. 22. In response to a draft of this report, CLDP stated that it did support efforts to enhance the enabling policy environment by helping to (1) pass the improved amended mining law and regulations, (2) improve the legal and technical capacity of the MOMP staff, (3) get Afghanistan reinstated to the Extractive Industry Transparency Initiative, and (4) facilitate other international best practices.

⁷¹ USAID, Country Development Cooperation Strategy for Afghanistan, 2019–2023, p. 22.

⁷² USAID, "Donors Memo: Combined Observations and Recommendations on Mining Regulations," April 2019, p. 1.

⁷³ In response to a draft of this report, CLDP noted that legislative reforms took place although Afghanistan's Minerals Law was not perfect. CLDP also noted that since Afghanistan's Mineral Law was passed by a Presidential decree, the corruption within Parliament would not have been a factor. Lastly, CLDP stated that it helped improve the "enabling Policy environment," and on that basis, CLDP claims to have met its objective.

⁷⁴ In response to a draft of this report, CLDP noted that it, USGS, and a U.S. university developed a long-term legal and technical course to build MOMP's capacity in contract administration. CLDP claimed that MOMP personnel assessments demonstrated increased capacity to administer contracts and an understanding of technical and legal topics. CLDP asserted that the MOMP personnel's improvement in contract administration demonstrates CLDP achieved its objective.

Despite U.S. Efforts, Prior Challenges to Developing Afghanistan's Extractives Industry Continued to Hinder Program Implementation

The United States has been working to develop Afghanistan's extractives industry since at least 2004. Despite more than 17 years and hundreds of millions of dollars spent, U.S. efforts could not overcome numerous challenges and made minimal progress that could be not sustained. Since 2015, when we began reporting on U.S. efforts to develop Afghanistan's extractives industry, we have repeatedly documented the challenges U.S. efforts encountered. Regardless of the restrictions caused by the COVID-19 pandemic and collapse of the former Afghan government in August 2021, these same challenges continued to hinder the implementation of the ETA and MELRA programs. The challenges included (1) Afghanistan's inability to reform mineral policies and regulations, (2) frequent turnover of Afghan officials, (3) corruption and ASM operations, (4) Afghanistan's suspension from the Extractive Industries Transparency Initiative, (5) a lack of infrastructure, and (6) insecurity.

Inability to Reform of Mineral Policies and Regulations: The Afghan government's inability, or refusal, to reform its mineral policies and regulations was a critical challenge and prevented the meaningful development of the country's extractives industry. Since 2005, Afghanistan has changed its principal mineral policies and regulations four times, with the 2018 Minerals Law and the 2019 Mining Regulations as the most recent iterations. USAID and CLDP officials said that Afghanistan's minerals policies and regulations were frequently changed, unnecessarily complex and burdensome, and that the Afghan government lacked the political will to address those complexities and burdens. This is not a new development. A German Agency for International Cooperation report on the 2014 version of the Minerals Law, produced by a subject matter expert, stated that the 2014 Minerals Law would not attract foreign investment due to potential investors' negative perception of the Afghan government's exploration and exploitation licensing process. This perception did not change with the 2018 version of the Minerals Law. In April 2018, we reported that amending mining laws to make them more business-friendly and resistant to corruption was a source of contention between the MOMP, Afghan Parliament, and executive offices.⁷⁵ Furthermore, in June 2020, CLDP reported that the 2018 Minerals Law reduced investors' confidence because of its tendering process, which removed MOMP's authority to issue mining licenses and created an 18-step process that required the approval of various Afghan government institutions. The U.S. government and international donors alerted the Afghan government of their concerns and suggested revisions to the law, but the Afghan government largely ignored those suggestions. We have previously reported on the lack of a sound, stable legal framework for Afghanistan's extractives sector, which continued to impede the implementation of the ETA and MELRA programs.⁷⁶

Frequent Turnover of Afghan Officials: Afghan institutions experienced frequent turnover in ministerial leadership positions and personnel, many of whom the international community trained. CLDP officials told us that constant turnover in MOMP's leadership slowed progress in Afghanistan's extractives industry as constant changes in direction left the ministry without a way to build and maintain capacity. Regular turnover within the Afghan government hindered the ETA and MELRA programs and represents an ongoing challenge within Afghanistan's extractives industry.

Corruption and ASM Operations: Although Afghanistan's mineral wealth could generate significant revenues and grow its economy, legitimate mining never meaningfully materialized, and ASM mining proliferated and continued as a key driver of instability. The illegal extraction of minerals prevented the national government from receiving royalty income from those mines. Further, ASM operations drove insecurity by funding and strengthening local warlords and the Taliban, fueling conflict and a wider insurgency. We have long documented the negative impacts of corruption and ASM operations on Afghanistan's extractives industry. In 2015 and 2016,

⁷⁵ SIGAR, *Private Sector Development and Economic Growth: Lessons from the U.S. Experience in Afghanistan*, SIGAR-18-38-LL, April 2018.

⁷⁶ SIGAR, *Afghanistan's Mineral, Oil, and Gas Industries*, SIGAR 15-55-AR; SIGAR, *Afghanistan's Oil, Gas, and Minerals Industries*, SIGAR 16-11-AR; SIGAR, *Private Sector Development and Economic Growth*, SIGAR-18-38-LL; SIGAR, *Status of U.S. Efforts to Develop Extractive Tenders*, SIGAR 18-58-SP.

we reported that Afghan agencies did not demonstrate the capacity to address anti-corruption concerns, and we specifically identified unregistered and illegal ASM operations as a continued source of civil strife, unrealized government revenues, and loss of economic output.⁷⁷ Additionally, in January 2016, we reported that political elites, warlords, military personnel, and the police controlled many mining operations, and in April 2018, we reported that the Afghan government estimated that it lost \$300 million in revenues annually from illegal mining.⁷⁸ Corruption and ASM operations have historically Afghanistan from realizing the full potential of its extractives industry, and continued to hinder the implementation of ETA and MELRA programs.

Suspension from the Extractive Industries Transparency Initiative: USAID funded Afghanistan's involvement in the Extractive Industries Transparency Initiative, which is a voluntary, global partnership between governments, extractive-industry companies, and global civil society organizations to promote the transparent and accountable management of oil, gas, and mineral resources. However, corruption and a lack of transparency in Afghanistan's extractives industry contributed to the country's suspension from the Initiative. The Initiative's research found that member countries have increased inflows of foreign direct investment, as investors saw the Extractive Industries Transparency Initiative commitment as an indication of the country's willingness to reform and promote transparency and accountability in the extractives sector. Afghanistan's implementation of the Extractive Industries Transparency Initiative standards had the potential to curb ASM activities, establish and maintain an up-to-date mining inventory, and increase Afghanistan's revenue. Afghanistan became an Extractive Industries Transparency Initiative member in February 2010, but in January 2019, the Initiative suspended Afghanistan as an implementing member because of poor performance. Due to CLDP's assistance, the Initiative lifted Afghanistan's suspension in October 2020. However, as of February 2022, the Initiative again listed Afghanistan as a "suspended" country on the Afghanistan Extractives Industries Transparency Initiative's website because of political instability, effectively undoing CLDP's efforts. Afghanistan's frequently changing membership status in the Extractive Industries Transparency Initiative was a focus of the MELRA program and was a constant challenge for the country's extractives industry in attracting foreign investment.

Lack of Infrastructure: Afghanistan's extractives industry lacked the necessary transportation, power, and water infrastructure. In January 2016, we reported that Afghanistan's road and rail networks were generally insufficient to support the needs of a robust extractives industry, as many roads were impassible by motor vehicles and only half were serviceable throughout the year. This made it difficult to move necessary equipment to mining sites, which are often located in remote areas. Additionally, we reported that Afghanistan's rail network was virtually nonexistent, and that the few existing lines were incompatible with each other and could not contribute to international trade. Rail networks are particularly important for Afghanistan's iron and copper commodities, as low-value minerals generally require transport by rail or port to be economically feasible.⁷⁹ A lack of extractives infrastructure continued to present a challenge during the course of the ETA and MELRA programs. An ETA subcontractor told us that when mining companies seek to invest in other countries, they consider the risks associated with a lack of extractives-related infrastructure. However, the subcontractor stated that Afghanistan's extractives industry does not have any sort of infrastructure, railway network, or water treatment system. A lack of infrastructure continued to impact the development of U.S. efforts to develop Afghanistan's extractives industry.

Insecurity: Insecurity, an issue that we documented in previous reports, remained an issue throughout the implementation of the ETA and MELRA programs. According to an ETA subcontractor, foreign direct investment in Afghanistan's extractives industry has been limited due to insecurity (as well as the other factors described herein). In January 2016, we reported that many mineral- and hydrocarbon-rich areas in Afghanistan were located in remote areas outside of government control, rendering them dangerous to exploration and

⁷⁷ SIGAR, Afghanistan's Mineral, Oil, and Gas Industries, SIGAR 15-55-AR; SIGAR, Afghanistan's Oil, Gas, and Minerals Industries, SIGAR 16-11-AR.

⁷⁸ SIGAR, Afghanistan's Oil, Gas, and Minerals Industries, SIGAR 16-11-AR; SIGAR, Private Sector Development and Economic Growth, SIGAR 18-38-LL.

⁷⁹ SIGAR, Afghanistan's Oil, Gas, and Minerals Industries, SIGAR 16-11-AR.

development. Additionally, we reported that other areas were contaminated by landmines and unexploded ordinance that required clearance before they were suitable for exploration.⁸⁰ Insecurity continued to impede the implementation of ETA, as USGS reported that planned field work under the program was canceled due to security concerns.

CONCLUSION

Afghanistan's extractives industry has never achieved its potential, despite years of U.S. development efforts. The U.S. government spent nearly \$1 billion to fund critical mineral surveys, mineral exploration, regulatory reforms, and capacity development for the former Afghan government. U.S. efforts in Afghanistan's extractives industry presented one of the greatest opportunities for the Afghan government to generate royalty income, grow its economy, and provide meaningful employment. Nonetheless, multiple factors hindered Afghanistan's ability to successfully develop its extractives industry. For example, corruption persisted throughout U.S. efforts to develop Afghanistan's extractives industry and political elites, warlords, military personnel, and the police controlled many mining operations—the former Afghan government estimated that it lost \$300 million in revenues annually from illegal mining. Further, illegitimate and unregulated mining was a key driver of instability because it provided significant revenue to insurgents. Afghanistan's extractives industry challenges, along with the COVID-19 pandemic, the collapse of the former Afghan government, and the lack of accountability and oversight, impeded sustainable progress in the development of the country's extractives industry.

While U.S. efforts led to significant information and data collected on Afghanistan's mineral deposits, the collapse of the former Afghan government negated all other progress made. USAID has chosen to continue its support programs to develop Afghanistan's extractives industry, despite the failure of prior USAID and Department of Defense programs to achieve their intended outcomes or address obstacles to success. The ETA and MELRA programs resulted in similarly marginal and unsustainable outcomes in building capacity within the MOMP to develop Afghanistan's extractives industry and reforming Afghanistan's extractives laws to better attract foreign investment. Given the former Afghan government's collapse, it is unclear how the United States will participate in future efforts to develop Afghanistan's extractives industry.

AGENCY COMMENTS

We received written comments from USAID, USGS, and CLDP in response to a draft of this report, which we reproduced in appendices III, IV, and V, respectively. In response to these comments, we updated the report, as appropriate, and included our responses to the agencies' comments in their respective appendices.

In its response, USAID stated that it provided thorough oversight over interagency programs and held its partners accountable. In addition, USAID noted that it modified programming activities as political, security, and economic conditions changed in Afghanistan, and it continues to see promise in interagency efforts to support Afghanistan's private sector in exploiting mineral resources for job creation, wealth, and business generation. Furthermore, USAID emphasized its commitment to conducting required program oversight, including the use of the MEL plans that comply with USAID policy.

In its response, USGS identified five criticisms of the ETA program contained in our draft report that USGS believed were "misleading or incorrect."⁸¹ First, USGS states that it mapped Afghanistan's mineral deposits in greater detail than any other country in the region, which resulted in 350 technical reports that are of benefit to Afghanistan and the United States. Second, USGS said its programming contributed significantly to increasing the skillset of MOMP and AGS personnel, who started with "zero capabilities," and that many of the MOMP and

⁸⁰ SIGAR, Afghanistan's Oil, Gas, and Minerals Industries, SIGAR-16-11-AR.

⁸¹ USGS response to SIGAR, October 21, 2022, p. 1.

AGS personnel are still working for their respective agencies after the fall of the former Afghan government. Third, USGS asserts that its programming was successful and highlights the MOMP issuing hundreds of small-scale mining contracts and one large-scale mining contract as being the direct result of its programming efforts. USGS noted that the small-scale mining contracts generated short-term revenues for the former Afghan government and that large-scale mining contracts are not usually expected to rapidly generate revenue because it takes about 5 to 10 years for such large contracts to generate revenue. Fourth, USGS contends that its MOMP and AGS personnel capacity building activities are being sustained after the collapse of the former Afghan government, noting that “a skilled workforce of Afghan geoscientists” continue to operate in Afghanistan.⁸² Fifth, USGS noted that the continuity of the management team who oversaw USGS’s efforts in Afghanistan since 2004 allowed the agency to successfully implement its programming, retain institutional knowledge, and brief U.S. agency officials at all levels of government.

Regarding USGS’s first assertion, we recognize that USGS mapped Afghanistan’s mineral deposits in great detail and acknowledge that sharing and reporting that data was beneficial to the Afghan and U.S. governments. We also acknowledge that USGS conducted training intended to enable MOMP and AGS personnel to perform such tasks. However, the goal of the ETA program was for USGS to build the capacity of the MOMP and AGS personnel to compile, assess, analyze, and report on Afghanistan’s mineral deposits. Instead, USGS itself performed the compilation, assessment, and data analysis, and then prepared the subsequent reports. By USGS’s own account, MOMP and AGS personnel provided USGS with “incomplete, inaccurate, or unavailable [no] data in many cases,” which required USGS to use various other data collection methods to compensate for MOMP’s failures.⁸³ USGS’s successful completion of its own tasks is important. However, it did not achieve its primary goal which was having the MOMP and AGS perform these tasks.

Regarding its second assertion, we recognize that USGS trained MOMP, AGS, and other Afghan personnel under difficult circumstances. We also acknowledge that Afghan personnel benefited from USGS’s training efforts in improving their skillsets. However, as we discuss in the report, ETA’s goals required that USGS build capacity so Afghan institutions could perform necessary tasks themselves. USGS reported that MOMP and AGS personnel were not self-sufficient, and ETA’s program deliverables noted that the MOMP and AGS did not have the capacity to generate field maps, collect and digitize mineral sample data, or perform remote sensing data analysis. Furthermore, USGS’s assessment of the Afghan National Water Affairs Regulation Authority personnel concluded that they “still have limited data analyses [sic] skills.”⁸⁴ Additionally, although USGS told us that while National Water Affairs Regulation Authority “...personnel have shown progression in most aspects pertaining to surface water hydrology, leading to advancements in their stream gaging network,” the agency also acknowledged that “personnel tasked with maintaining and operating Afghanistan’s stream gaging network are still noticeably [and] severely in need of further guidance pertaining to all aspects of surface water hydrology....”⁸⁵ Finally, USGS conceded in its own assessments that MOMP, AGS, and other Afghan personnel did not have the capacity to carry out the required tasks and USGS had to perform ETA’s tasks themselves, underscoring that USGS’s capacity building efforts were not successful.

Regarding USGS’s third assertion, we acknowledge that the U.S. sought to build Afghanistan’s ability to utilize its mineral deposits for job creation and wealth generation. We also acknowledge that the MOMP issued hundreds of small-scale mining and multiple large-scale mining contracts. However, all but one large-scale mining contract was canceled by the MOMP or foreign investors, and the one remaining large-scale mining contract was issued prior to the ETA program. Additionally, USGS did not develop an MEL plan to define metrics for ETA’s success. While we acknowledge USGS’s efforts in training the MOMP and that the MOMP’s ability to issue small-scale mining contracts demonstrates a level of capacity, that metric may not be the basis to

⁸² USGS response to SIGAR, October 21, 2022, p. 1.

⁸³ USGS response to SIGAR, October 21, 2022, p. 7.

⁸⁴ USGS response to SIGAR, October 21, 2022, p. 9.

⁸⁵ USGS response to SIGAR, October 21, 2022, p. 6.

determine whether USGS implemented the ETA program successfully. While small-scale mining contracts undoubtedly generated revenue for the Afghan government, they did not generate sufficient revenue that allowed for significant economic growth and wealth generation for Afghanistan.

Regarding USGS's fourth assertion, we took USGS's comment into consideration and updated the report to remove the statement that high employee turn-over within the MOMP and the collapse of the Afghan government prevented the MOMP from sustaining progress made under the ETA program.

Regarding USGS's fifth assertion, we acknowledge and commend USGS for the continuity of its teams who oversaw programming in Afghanistan. We also commend USGS's efforts to retain institutional knowledge and its ability to brief U.S. officials at all levels of government. However, USAID's failure to develop a compliant MEL plan and retain ETA's other program deliverables in a document retention system in collaboration with USGS, hinders a retrospective review of the ETA program by anyone who was not affiliated with the program. Without such documentation, institutional knowledge of programming decisions and results could be lost.

In CLDP's response to a draft of this report, it stated that our two criticisms of the MELRA program are inaccurate. CLDP asserted that despite not adhering to all required technical guidance, MELRA was a successful program that met its goals. First, although CLDP acknowledged that it utilized a non-compliant MEL plan, it asserted that it was nonetheless able to oversee and measure MELRA's performance. CLDP stated that in order to compensate for the "deficient MEL plan" created in September 2018, it developed and utilized an internal "Mining Logic Model." CLDP stated that its logic model measured and collected data on the MELRA program using standard and custom performance indicators aligned with the MELRA's goals, and that CLDP used the performance indicators throughout the MELRA program, allowing the agency to track MELRA's performance over time. Second, CLDP asserted that our report misunderstood and confused the goals of the MELRA program and their relationship between the inter-agency agreement and the MEL plan, and that CLDP achieved MELRA's goals. CLDP stated that it achieved its goals, for example, because Afghanistan's Minerals Law was amended, and MOMP contract administration capacity improved because MOMP personnel developed an increased understanding of technical and legal topics, and were able to understand and analyze the new Minerals Law. We considered CLDP's comments and updated the report, as appropriate.

Regarding CLDP's first assertion, we acknowledge that CLDP developed and utilized an internal "Mining Logic Model" from the onset of the program in September 2018. We commend CLDP for developing standard and custom indicators to measure MELRA's progress and adjusting those performance indicators as necessary. We also recognize that CLDP frequently updated USAID on MELRA's progress. However, CLDP and USAID acknowledged that the MELRA program had a "deficient MEL plan" during the first 2 years of programming. CLDP's decision to develop and rely on its logic model and to frequently engage with USAID in other ways did not excuse CLDP from its responsibility to develop a compliant MEL plan.

Furthermore, despite requests throughout our audit of the MELRA program, CLDP did not provide us with its logic model, nor was it stored in USAID's document retention system. By not providing its logic model, CLDP was unable to offer evidence that it was monitoring and measuring MELRA's performance. While we commend CLDP's efforts in passing on institutional knowledge to incoming contracting officials through its briefings, CLDP should have retained that institutional knowledge within USAID's document retention system instead of believing CLDP's staff in Afghanistan "presumably" did so. CLDP properly storing its deliverables within the document retention system ensures that MELRA's background, programming decisions, and other institutional knowledge are accessible to incoming contracting officers or other officials. Without such documentation, institutional knowledge of programming decisions and results could be lost.

Regarding CLDP's second assertion, we acknowledge that CLDP told us that its logic model contained goals which differed from those within the inter-agency agreement. We also acknowledge that CLDP and USAID told us that some of CLDP's comments were incorporated into Afghanistan's new Minerals Law, and that it conducted training with MOMP personnel, which improved their skillsets. However, CLDP did not achieve its goals for two reasons. First, according to USAID and CLDP, MELRA's improvements to Afghanistan's Minerals

Law were insufficient and lacked the necessary reform for Afghanistan to attract foreign investment to develop Afghanistan's resources. Second, CLDP's contract administration capacity building efforts did not result in the MOMP developing the capacity to administer contracts that would "realize the vision of developing Afghanistan's natural resources."⁸⁶ CLDP's quarterly reports did not state whether MELRA's training demonstrated progress in achieving the goal of improved contract administration. When asked about progress toward this goal, CLDP told us that most of MELRA's progress was in MOMP regulatory reform and not in contract administration. MOMP regulatory reform merely shows improvement in the rules that MOMP was supposed to follow and is not evidence of actual improvements in contract administration by the MOMP.

⁸⁶ USAID, Award No. 72030618T00001, agreement with CLDP, p. 29.

APPENDIX I - SCOPE AND METHODOLOGY

This report discusses the results of our audit of programs in Afghanistan’s extractives industry funded by the U.S. Agency for International Developments (USAID). USAID collaborated with the U.S. Geological Survey (USGS) and the Commercial Law Development Program (CLDP) to implement the programs and provide technical assistance and assist in regulatory reforms at the Afghanistan Ministry of Mines and Petroleum (MOMP) and the Afghan Geological Survey (AGS). Our objectives were to determine whether (1) USAID, USGS, and CLDP conducted required oversight of their extractives industry efforts in Afghanistan; and (2) the Extractives Technical Assistance (ETA) and Multi-Dimensional Economic Legal Reform Assistance (MELRA) programs achieved their goals and addressed prior challenges in building capacity in Afghanistan’s extractives industry from January 2018 through September 2021.

To achieve our objectives, we reviewed federal laws, policies, procedures, and other documentation that governs assistance to Afghanistan’s extractives industry. For example, we reviewed the Foreign Aid Transparency and Accountability Act of 2016, USAID “Policy Framework for Ending the Need for Foreign Assistance,” and USAID Automated Directives System. Additionally, we reviewed the ETA and MELRA agreements, quarterly performance reports, and Monitoring, Evaluation, and Learning (MEL) plans to identify additional oversight and performance requirements. such as performance indicators and targets.

For both objectives, we interviewed officials from USAID, USGS, CLDP, the prior MOMP, the prior AGS, Foreign Commonwealth and Development Office, World Bank, the Extractive Industries Transparency Initiative, and relevant subcontractors.

For the purpose of these audit objectives, we did not rely on computer-processed data, nor did we assess internal controls.

We conducted our audit work in Arlington, Virginia, from July 2021 to January 2022, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. SIGAR performed this audit under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended.

APPENDIX II - MULTI-DIMENSIONAL ECONOMIC LEGAL REFORM ASSISTANCE PROGRAM PERFORMANCE INDICATORS

The U.S. Agency for International Development (USAID) uses a Performance Indicator Reference Sheet to define indicators for its activities and ensure their data quality and consistency. According to USAID policy, a Performance Indicator Reference Sheet is required for all USAID program performance indicators and must be completed within 3 months of the initiation of data collection.⁸⁷ The Performance Indicator Reference Sheet contains 16 requirements for data reported on key indicators, including the definition, unit of measurement, method of data collection, reporting frequency, and the changes to each key indicator.

Table 2 includes information on use of the Performance Indicator Reference Sheet for all Multi-Dimensional Economic Legal Reform Assistance (MELRA) program performance indicators between January 2018 and September 2021.⁸⁸ We did not assess the use of the Performance Indicator Reference Sheet throughout the Extractives Technical Assistance (ETA) program because it lacked a Monitoring, Evaluation, and Learning (MEL) Plan, or its accompanying performance indicators for the ETA program, as required.

Table 1 - MELRA's Performance Indicators, January 2018–September 2021

| No. | MELRA Performance Indicator from Quarterly Report | Period Active | # of Quarters Active | # of Performance Indicator Reference Sheet Requirements Throughout Duration of the Activity* | # of Performance Indicator Reference Sheet Requirements Met | | % of Performance Indicator Reference Sheet Requirements Met |
|-----|---|--------------------------|----------------------|--|---|-----|---|
| | | | | | Yes | No | |
| 1 | Assisting the Afghan Ministry of Mines and Petroleum on revising Minerals Law, drafting implementing regulations, and drafting model mineral development contract | April 2018–June 2020 | 9 | 144 | 18 | 126 | 12.5% |
| 2 | Number of hours of training completed by Afghans participating in any CLDP programs, trainings, or workshops under extractives component | April 2018–December 2020 | 11 | 176 | 66 | 110 | 37.5% |
| 3 | Number of milestones reached towards the Extractive Industries Transparency Initiative Board's decision to reinstate Afghanistan as an Implementing Member | October–December 2020 | 1 | 16 | 6 | 10 | 37.5% |

⁸⁷ USAID Automated Directives System Chapter 201, Section 201.3.5.6, p. 93, September 21, 2021.

⁸⁸ The U.S. Department of Commerce's Commercial Law Development Program (CLDP) noted that it did not follow the Performance Indicator Reference Sheet requirements, but those requirements were USAID's, not CLDP's, and that its failure to meet technical requirements does not reflect its accomplishments with the MELRA program. However, any accomplishments CLDP claims the MELRA program made does not exempt it from following USAID guidance.

| | | | | | | | |
|--------|---|------------------------|---|-----|-----|-----|--------|
| 4 | Number of Multi-Stakeholder Group staff who demonstrate increased knowledge of Extractive Industries Transparency Initiative standards and best practices in implementation | October–December 2020 | 1 | 16 | 7 | 9 | 43.8% |
| 5 | Number of Extractive Industries Transparency Initiative workshops | October–December 2020 | 1 | 16 | 6 | 10 | 37.5% |
| 6 | Number of meetings held between an Afghan private sector company and a foreign entity | October–December 2020 | 1 | 16 | 6 | 10 | 37.5% |
| 7 | Number of Afghan private sector companies who meet with a foreign entity | October 2020–June 2021 | 3 | 48 | 48 | 0 | 100.0% |
| 8 | Number of deal documents signed between an Afghan private sector company and a foreign entity | October–December 2020 | 1 | 16 | 16 | 0 | 100.0% |
| 9 | Number of Afghan private sector companies trained in best practices | October 2020–June 2021 | 3 | 48 | 48 | 0 | 100.0% |
| 10 | Number of actions on current or proposed laws, regulations, model forms, and policies toward an investor-friendly and sustainable mining legal regime, in each stage of development (milestone) | October–December 2020 | 1 | 16 | 6 | 10 | 37.5% |
| 11 | Mining course participants' measured understanding of legal principles, international best practices, and technical issues | October–December 2020 | 1 | 16 | 6 | 10 | 37.5% |
| 12 | Number of trainings conducted by mining course participants | October–December 2020 | 1 | 16 | 6 | 10 | 37.5% |
| 13 | Number of small-scale licenses issued | October–December 2020 | 1 | 16 | 6 | 10 | 37.5% |
| 14 | Number of large-scale licenses issued | October–December 2020 | 1 | 16 | 6 | 10 | 37.5% |
| Totals | | | | 576 | 251 | 325 | 43.6% |

Source: SIGAR analysis of CLDP MEL plans.

*This number is determined by 16 Performance Indicator Reference Sheet requirements multiplied by the number of quarters during which the activity operated.

APPENDIX III - COMMENTS FROM THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



MEMORANDUM

TO: The Honorable John F. Sopko, The Special Inspector General for Afghanistan Reconstruction (SIGAR)

FROM: [REDACTED]

DATE: September 27, 2022

SUBJECT: Management Comments to Respond to the Draft Performance Audit Report Produced by the SIGAR titled, *"Afghanistan's Extractives Industry: U.S. Development Efforts Did Not Achieve Their Goals and Afghanistan Did Not Realize Economic Benefits from Its Mineral Resources"* (SIGAR 22-XX /SIGAR 151A)

The U.S. Agency for International Development (USAID) thanks the Special Inspector General for Afghanistan Reconstruction (SIGAR) for the opportunity to provide comments/feedback on the subject [draft report](#). Please find below USAID's management comments on the draft report, which contains no recommendations.

USAID/Afghanistan exercised thorough oversight over interagency partner programs and held them accountable for the activities. As political, economic, and security conditions in Afghanistan changed, activities were modified and adapted, while keeping the USG informed and meeting Congressional inquiries and reporting requirements. (Since August 2021, USAID has stopped providing assistance for the purpose of the reconstruction of Afghanistan and has dramatically changed the nature and scope of its activities in Afghanistan to focus instead on humanitarian aid and targeted assistance designed to help meet basic human needs and avoid a complete and imminent economic collapse.) The interagency continues to see promise in supporting the technical, operational, and management capability of the Afghan private sector in their efforts to responsibly exploit the wealth of mineral resources of the country due to the potential for business formation, job creation, and wealth generation.

USAID/Afghanistan is committed to conducting required program oversight, including the use of Monitoring, Evaluation, and Learning plans that comply with Agency policy.

APPENDIX IV - COMMENTS FROM THE DEPARTMENT OF INTERIOR, U.S. GEOLOGICAL SURVEY



United States Department of the Interior

U.S. Geological Survey
Office of International Programs
Afghanistan Extractives Project
Reston, Virginia 20192

Special Inspector General for Afghanistan Reconstruction
1550 Crystal Drive,
Arlington VA 22202

October 21, 2022

Re: USGS response to SIGAR Audit 151A – September 1, 2022, Draft Audit Report

SIGAR Comment #1

The U.S. Geological Survey (USGS) thanks the Special Inspector General for Afghanistan Reconstruction (SIGAR) for the opportunity to provide information pertinent to SIGAR's draft audit report of the USGS Extractives Technical Assistance (ETA) project in Afghanistan. Of concern to the USGS are several major criticisms of the ETA program which are misleading or incorrect. The stated objectives of the SIGAR audit were to determine whether 1) USGS conducted required oversight of their extractives industry efforts in Afghanistan; and 2) the ETA achieved their goals and addressed prior challenges in building capacity in Afghanistan's extractives industry from January 2018 through September 2021. Although the USGS erred in not using the required electronic reporting and tracking system, a factor in objective 1 above, the USGS led a successful program under highly challenging conditions. In fact the USGS led one of the most successful US government programs in Afghanistan. Specifically, the entire country of Afghanistan has been geologically mapped in greater detail than any country in the region, or many in the world, with over 350 technical reports and maps on Afghanistan's geology, mineral, and water resources produced. Additionally, USGS significantly contributed to the development of a skilled workforce of Afghan geoscientists, who are operating to this day, where we started from a workforce with zero capability in a country that was continually at war. To address SIGAR's larger concerns, as expressed in the title of the draft audit report, the success of USGS's programs are elaborated below with respect to small-scale mining, large-scale mining, and capacity building.

SIGAR Comment #2

USGS and Afghanistan's Small-Scale Mining

Generation of short-term revenue for the Government of Afghanistan (GOA) was a goal of USAID's Office of Economic Growth, and a factor in objective 2 above, which USGS successfully enabled through the ETA program. USGS's July 1, 2022, response to SIGAR's June 15, 2022, Draft Statement of Facts (attached) provides information refuting SIGAR's major findings concerning ETA efforts on small-scale mining tenders and contracts in Afghanistan. Specifically, the ETA program contributed much of the information and data needed by the Afghanistan Ministry of Mines and Petroleum (MoMP) tender process, and mentored their staff in the creation of the necessary data packages. This enabled MoMP to enact hundreds of small-scale mine contracts and generated short-term revenue for the GOA. Those contracts are listed by province at: [Small Mines Projects Details | Ministry of Mines \(momp.gov.af\)](#).

SIGAR Comment #3

USGS and Afghanistan's Large-Scale Mining

USGS's July 1, 2022, response documented that several large-scale mining tenders were enacted in 2018, and one of those, a large-scale copper mine (Dusar-Shaida) in western Afghanistan (silkroad-mining.com), was in an active exploration phase in 2021 at the time of the Afghan government collapse. The tenders listed in the previous response, and the active large-scale copper mine exploration, were the direct result of USGS reports, maps, and capacity building. All of the 2018 tender sites are illustrated in SIGAR's draft report Figure 1 map (originally from USGS OFR 2011-1204). Therefore, the last sentence of SIGAR's highlighted summary block (2nd page) stating that "... *programs to develop the [extractives] sector largely failed*", is incorrect and without merit. This SIGAR audit, and past audits, focused on a stated lack of extractives tenders and revenue generation. To that point, the 2018 SIGAR special report, referenced prominently in this audit, titled "*Status of U.S. Efforts to Develop Extractive Tenders: \$125 Million Spent Resulting in No Active Contracts*" (SIGAR 18-58-SP) is also incorrect in that the several large-scale extractives tenders listed in the previous USGS response, were enacted in 2018. However, it must be stressed that investors in large-scale extractives have no expectations of rapid revenue generation, and neither should SIGAR (noted by the draft audit report title "... *US Development Efforts Did Not Achieve Their Goals and Afghanistan Did Not Realize Economic Benefits from its Mineral Resource*"). A large-scale mine typically requires 5 to 10 years of exploration, at hundreds of millions of dollars expense, before any revenue is produced; and another 5 to 10 years of operation before the revenue generated exceeds the investment. These considerations are well understood by international extractives investors and they should not be considered a setback for the host country. Specifically, the Silk Road Mining copper exploration in 2021, the result of a tender contract signed in 2018, represented a large influx of investor capital to Afghanistan. Although this Silk Road copper mine had yet to produce royalties for the GOA, the regional and local Afghan economy were realizing significant economic benefits from the influx of capital. The implication that Afghanistan did not, or was not, realizing economic benefits from its mineral resources is not valid.

SIGAR Comment #4

USGS and Afghanistan's Extractives Capacity Building

The SIGAR draft report summary includes a comprehensive statement on capacity building, attributed to the USGS, which we do not support. The last paragraph of the executive summary, 2nd page, states "... *USGS also reported that the MoMP could not sustain any progress made under the ETA program due to employee turnover and the collapse of the Afghan government*". First, employee turnover was generally only at the highest level, specifically the ministers. The majority of the Afghan geoscientists, including the MoMP and AGS technical Directors, were scientists that the USGS had worked with and trained over the course of many years. Secondly, in the more than one year since the Afghan government collapse, the technical departments within MoMP and AGS are operating today collecting data as trained by USGS. The USGS has been made aware that AGS's mapping, environmental, water, geophysical, and mineral survey teams are still operational today collecting data for ongoing extractive projects. A few of the MoMP and AGS team leads have left the country in recent months, and have been offered employment elsewhere with the skills they gained from USGS programs, but most of the technical teams remain intact and are working today.

SIGAR Comment #5

USGS Afghanistan Program 2004-2021

Chapter 5 of SIGAR's 2021 spotlight report (SIGAR 21-46-I.I.) titled "*What We Need to Learn: Lessons from Twenty Years of Afghanistan Reconstruction*" stressed that turnover of US officials and contractors was a major contributing factor to the deficiencies or failure of reconstructive efforts. Over the course of USGS's recent Afghanistan program, the period between 2004 and present, the same USGS management team oversaw the ETA program, and previous extractives programs; and in addition, many of the same USGS scientists have been involved in USGS's Afghan programs. Through USGS's long-term program, the USGS developed an in-depth knowledge of Afghanistan's extractives conditions, the various ministries involved in addition to MoMP and AGS, and a close rapport with many Afghan scientists. As a consequence, USGS routinely provided briefings on Afghanistan's extractives and natural resources for incoming officials at USAID, DOD, and Department of State. Those briefings included officials at the project level to those at the highest levels in Afghanistan. In support of SIGAR's 2021 *Lessons* findings, USGS's efforts provided a continuity of program that was unheard of in other reconstruction efforts, and it is no coincidence that the Afghanistan Geological Survey's mapping, environmental, water, geophysical, and mineral survey teams are still operational today.

We hope that USGS's comments are fully considered by the SIGAR team in updating the audit report. The USGS appreciates this opportunity to provide feedback on the draft statement and we welcome the opportunity to provide further justifications if needed.

Respectfully,
The USGS Extractives Program Management Team

[REDACTED]

Attachment: USGS's July 1, 2022 response to SIGAR's June 15, 2022, Draft Statement of Facts



United States Department of the Interior
U.S. Geological Survey
Office of International Programs
Afghanistan Extractives Project
Reston, Virginia 20192

Special Inspector General for Afghanistan Reconstruction
1550 Crystal Drive,
Arlington VA 22202

July 1, 2022

Re: USGS response to SIGAR Audit 151A – June 15, 2022, Draft Statement of Facts

The following USGS response to SIGAR's June 15, 2022, Statement of Facts draft provides comments and corrections to that document. Herein, USGS's major comments are referenced by draft Statement page and line number. Additional minor, or draft, USGS comments may be found in "track change" format on a copy of SIGAR's draft statement and are not discussed here.

We hope that USGS's comments are fully considered, and prove valuable, to the SIGAR team in updating the Statement of Facts. The USGS appreciates this opportunity to provide feedback on the draft Statement and we welcome additional opportunities to discuss our comments further, or provide further justifications, if needed.

Respectfully,
The USGS Afghanistan Extractives Program Management Team

SIGAR Comment #6

USGS's major comments to the draft Statement:

1. Page 3, line 51 and 54.

Please note that of the TFBSO's \$316 million spent on Afghanistan extractives projects, the USGS received only \$33 million of those funds. Through this effort, the USGS produced more than 300 scientific reports and produced the most comprehensive geologic mapping of any country in the region.

SIGAR Comment #7

2. Page 4, line 108.

Note that the USGS work approved on February 22, 2022, uses ETA year 4 funds that were re-tasked to complete the ETA program's planned 5th year effort. This represents a reduction in funding from the original funding and a delayed start to the 5th year effort. The ETA's 5th year was planned primarily for completion of USGS products (reports). It must be noted that the delayed restart of the ETA program, and the effective reduction of funding, have negatively impacted the ETA program. Regardless of these difficulties, the USGS is making considerable progress toward achieving as much of the ETA's original goals as possible on its original timeline.

SIGAR Comment #8

3. Page 6, line 145-146.

Past SIGAR reviews, referenced prominently in the current review, portray US efforts to support

Afghanistan's extractives industry negatively, implying that all these efforts are or were failures. The USGS would like to point out that subsequent to the 2018 SIGAR report (footnote #18) several contracts for large-scale mining projects resulted from the USGS-TFBSO effort. The contracts were for tenders of USGS Areas of Interest (AOIs) (figure 1) including Badakshan Gold and Balkhab Copper, Haji-Gak Iron, Zarkashan Copper and Gold, and Dusar-Shaida Copper and Tin. The tenders were subsequently cancelled by the Afghan government, or by the awardee, with the exception of the Dusar-Shaida AOI which proceeded to exploration and was still active at the time of the Afghan government collapse in 2021. It takes many years, and even decades, for a large-scale mining operation to proceed from award to a revenue generating operation. The fact that even one of the tendered USGS AOIs was awarded in 2018, and in an active exploration phase in 2021, is a major achievement of the USGS-TFBSO effort.

Several references of Afghan large-scale mining tender activity follow:

Dusar-Shaida AOI – Silk Road Mining 2018

[Silk Road Mining Signs Mineral Development Contract with Afghan Ministry of Mines and Petroleum | Markets Insider \(businessinsider.com\)](#)

[SILKROADMINING — Silk Road Mining \(silkroad-mining.com\)](#)

Balkhab Copper AOI and Badakhshan Gold AOI – CENTAR Mining 2018

[CENTAR Announces Signing of Historic Afghan Gold and Copper Mining Agreements | Business Wire](#)

Hajigak AOI – Steel Authority of India 2018. Tender awarded but company later declined.

[Ministry Moves To Start Mining Hajigak | TOLONews](#)

SIGAR Comment #9

4. Page 6, line 157.

The USGS does not concur with the statement that USGS did not provide any oversight of our subcontractors. The USGS contract employees were embedded within the ETA project team at various levels. In all cases the contract employees were directly monitored, on a weekly and even daily basis, by either ETA team leads or ETA program managers. The contractors worked side-by-side with USGS employees and were subject to close oversight by the ETA team leads or ETA program managers. It is a gross misrepresentation to imply that the ETA subcontractors had no oversight.

SIGAR Comment #10

5. Page 7, lines 176-191. MEL Plan for ETA

It is true that USGS did not develop a MEL plan and as indicated by USAID (lines 183 and 184), the USGS would have had to be advised of and instructed on this reporting requirement. However, the USGS does not agree with the statement on line 189 that the lack of a MEL plan prevented USAID and USGS from accurately measuring ETA program outcomes. ETA program management was in at least weekly contact with USAID program management and routinely updated USAID on ETA's progress on its goals and objectives.

SIGAR Comment #11

6. Page 10, lines 222-238. USGS Program Deliverables

The USGS routinely submitted quarterly reports to the USAID AOR no later than 45 days after each quarter. USGS was informed that USAID put these reports into their reporting system (which we now know was the Afghan Info System and/or TraiNet). USGS was not informed of

the need for other monitoring documents. However, as stated in comment 5 above, and on lines 237 and 238, USAID and USGS were in constant communication throughout the ETA program.

SIGAR Comment #12

7. Page 10-11, line 247-265

USGS disagrees with the statement that it did not perform required oversight of its subcontractors (line 247). As described in comment 5 above, USGS's subcontractors were imbedded into ETA Components where they received weekly to daily oversight by Component team leads or ETA program management. ETA team leads and program management were fully aware of each subcontractor's performance and progress on assigned tasks. The activity of subcontractors on Component tasks were reviewed and approved by ETA team leads or managers on a monthly basis. Additionally, contracted staff employed by Akima submitted a monthly project report to their Akima task order manager that lists the work they have planned, ongoing, or have completed within the month. Annually, Akima contractors submit a statement of performance, which was then reviewed by an Akima manager.

SIGAR Comment #13

8. Page 10, lines 259-260

USGS disagrees with the statement that "it was difficult for incoming USAID contracting officers to obtain knowledge and continuity of program activities during cyclical rotations". To the contrary, USGS held half- to full-day briefings for USAID Office of Economic Growth officers who were onboarding to the Kabul embassy. These briefings provided USAID officials with the most direct and comprehensive knowledge of Afghanistan's extractives environment possible. The ETA management, and several of the team leads, have been involved in Afghanistan extractives since the early 2000's and have the most complete historical, and current, knowledge of Afghanistan's extractives environment of any US government agency. These briefings provided onboarding USAID, and State, officers with introductions to various ETA specialists and team leads.

SIGAR Comment #14

9. Page 11, line 264-265.

USGS disagrees with the statement that USAID did not have assurance that that ETA funds were spend responsibly. ETA program funding was reviewed, and spending tracked and reported, in the quarterly reports submitted to USAID. Additionally, the USGS Administrative Specialist was routinely in communication with the USAID AOR to discuss questions as they came up.

SIGAR Comment #15

10. Page 11, line 276

The USGS feels that the categorization that "none of the 5 ETA Components met all objectives" is misleading. USGS believes that this categorization may be a misconception of the ETA timeline which has resulted in an unfavorable understanding of the completion of ETA objectives. The ETA program was designed as a 5-year program where most of the program's scientific reports, a product of the prior years' research and interpretation, were planned to be completed in the 5th year. USGS is striving to produce ETA's products as originally scheduled, by December 2022. However, USAID's suspension of ETA activities between September 11, 2021 and February 22, 2022 (lines 104-110), and elimination of ETA's 5th year funding, has impacted the ETA program and has made completion of all ETA objectives, by the scheduled timeline, challenging.

SIGAR Comment #16

11. Page 12, lines 296-302, Component I

The assessment that Component I did not meet its objectives is not correct. It is correct that the Afghan government provided USGS with “incomplete, inaccurate, or unavailable [no] data” in many cases. However, this was anticipated to some degree and USGS has methods to address this issue as stated including using past production statistics, the extrapolation of partial data, researching levels of employment, and comparing exports from Afghanistan with imports from trading partners, etc. However, this factor did not prevent USGS from compiling, analyzing, and assessing mining and mineral datasets. The resulting Component I report, which is currently in USGS review, is over 160 pages in length and features detailed maps and an accompanying GIS database. The compilation report and database resulting from ETA’s Component I will be the most comprehensive reporting to date on Afghanistan’s gemstone resources and the state of the industry.

SIGAR Comment #17

12. Page 12, lines 303-307, Component II-A

It is correct that Component II-A did not meet its objective of providing MoMP and AGS with an online platform (a Geoportal) for hosting mineral, geologic, and environmental data. However, this assessment is misleading. Component II-A developed a comprehensive plan, and secured a cloud hosting source, for a geoportal in consultation with the AGS GIS Director and GIS department. The Geoportal plan was endorsed, and had a commitment of financial support, by the World Bank. Although the Geoportal plan was developed and presented to MoMP, and viewed favorably by the MoMP Minister, the USGS, CLDP, the World Bank, and the AGS GIS Director could not get the Minister to sign the Geoportal plan agreement before the collapse of the Afghan government. The failure of this component to meet its objective of activating a Geoportal, was outside USGS’s control and reflects an example where a high-level Afghan official was hesitant to act to the detriment of the MoMP’s operational ability.

SIGAR Comment #18

13. Page 13, lines 308-315, Component II-B

The assessment that Component II-B did not meet its objectives is not correct. Component II-B significantly built Afghanistan’s extractives industry capacity within MoMP and AGS. The ETA Component II-B worked directly with the MoMP and AGS staff developing their skills to properly create the geologic data packages required for mineral tenders. Component I also worked with MoMP staff in mentoring their tendering process. The advancement of capacity at MoMP is evidenced by the fact that they released numerous small-scale extractive tenders in the past few years of the ETA, particularly since 2019. MoMP is continuing to release tenders and they can be found on the MoMP website (see: [Tenders | Ministry of Mines \(momp.gov.af\)](https://momp.gov.af/)). Many of those tenders, particularly those for dimension stone and aggregates (used in building and construction), became active mines (see: [MoMP Active Contracts | Ministry of Mines](https://momp.gov.af/)). The priority that USAID conferred upon the ETA program was for this type of tender, small scale, to bring revenue for the Afghan government more quickly, and not large-scale tenders.

The referenced “brain drain” of human capital at MoMP and AGS is an unfortunate consequence of staff becoming highly skilled in modern techniques, for example GIS skills, and then seeking higher wages in the private sector, or at NGOs and other international agencies. However, MoMP and AGS staff who left the Afghan government for NGOs or the private sector,

generally found employment in the extractives industry where the skills they acquired from the ETA program continued to benefit, or contribute to, Afghanistan's collective extractives intellectual capability. Although some MoMP and AGS staff left after ETA training, the turnover was more with high-level officials, above the Director level, rather than lower-level staff, the scientists and engineers. In fact, many of the Directors at AGS were employees that USGS trained in previous USAID and TFBSQ programs. The rate of turnover at higher levels of government, particularly the ministerial level, contributed to a reluctance for those same officials to make significant changes or decisions at MoMP.

SIGAR Comment #19

14. Page 13, lines 316-327, Component III

The assessment that Component III did not meet its objectives is not correct. Component III has successfully produced detailed maps and databases of artisanal and small-scale mining (ASM) activities in Afghanistan. The maps, databases, and techniques documented in USGS reports completed by Component III are of high value to the US government, particularly the US Department of State and National Security Council (note lines 341 and 342). This component was developed, using high-resolution satellite imagery, to collect ASM data, which is generally illegal mining, because it would be dangerous for individuals to develop this data from on the ground investigation. It is understandable that MoMP or AGS could not provide this data as it would be personally dangerous for an Afghan government official to collect data on, or make inquiries, regarding ASM operations. The USGS previously provided references for Component III data and reports for SIGAR's reporting but one comprehensive database citation is provided herein ([Afghanistan Artisanal and Small-Scale Mining \(ASM\) Areas \(ver. 3.0, June 2021\) - ScienceBase-Catalog](#)), and one comprehensive ASM report is provided herein ([Afghanistan-Country-Profile Final 1.0.pdf \(delvedatabase.org\)](#)). Component III has several additional reports in progress that are planned for completion in the project's 5th year, but these have been delayed by USAID's temporary ETA suspension and 5th year funding cut as indicated in comment number 10 above.

SIGAR Comment #20

15. Page 13, lines 328-332, Component IV

The assessment that Component IV did not meet its objectives is not correct. Component IV conducted a considerable amount of training, which greatly increased MoMP and AGS's skills in the field of environmental monitoring in relation to mining sites. The inability to train in Kabul, and then only being able to train remotely, was a hindrance but this did not prevent the USGS from conducting needed training. Much of the Component IV training was performed at significant personal effort, on the part of the USGS team, who held classes in the middle of the night (eastern US time zone) to reach AGS staff during their business hours. As a result of Component IV training and mentoring, AGS scientists were able to successfully collect environmental baseline data at 5 different AOIs as stated in the information USGS supplied previously. It is worth noting that this is the first time that environmental baseline data has been collected at mining sites in Afghanistan and this data will provide a valuable baseline for several large-scale AOIs. Component IV has several reports in progress that are planned for completion in the project's 5th year, but these have been delayed by USAID's temporary ETA suspension and 5th year funding cut as indicated in comment number 10 above.

SIGAR Comment #21

16. Page 13, lines 333-339, Component V

The assessment that Component V did not meet its objectives is not correct. Component V conducted training in streamflow monitoring techniques which increased the capability of MEW and its successor NWARA. As stated, the COVID-19 pandemic and insecurity in Afghanistan did impact planned USGS training activities but it did not prevent the USGS from conducting training. It is correct that NWARA staff still have limited data analyses skills. However, this is the first time that USGS has had the opportunity to conduct significant training activities with MEW/NWARA and it can take many years of training and mentoring for an agency such as MEW/NWARA, starting from a low level of competency and under extremely adverse conditions, to become completely competent in streamflow monitoring and assessment. Additionally, as planned, Component V contracted an analysis and report on the streamgauge monitoring network in the Kabul Basin to provide a baseline analysis of NWARA's capabilities for future programs.

SIGAR Comment #22

17. Page 13, lines 343-346

The USGS does not agree with the implication and assessment made in the statement starting on line 343 that, "Because the ETA did not achieve its goals and objectives therefore MoMP and AGS did not acquire the necessary technical capacity to develop Afghanistan's extractives industry and adequately manage its water resources". Afghanistan has many challenges and difficulties including extreme conflict, corruption, and poverty, that continue to limit its ability to develop its extractives industry and adequately manage its water resources. The USGS has been one of the more successful agencies in assisting Afghanistan in this regard. Because of the prominence of the USGS's efforts in Afghanistan, and the connection of skilled scientists and officials at MoMP, AGS, and MEW to the USGS, it is true (line 345-6) that many of these individuals rightfully perceive that they are threatened by the Taliban and thus are seeking to leave the country.

SIGAR Comment #23

18. Page 13, Page 13, lines 353-354

The statement "... NWRA's lack of hydrologic knowledge affects Afghanistan's water use and management, which was made apparent by water scarcity and flash floods due to insufficient infrastructure" is not correct. It is true that NWRA's skills and expertise are limited, however recent water scarcity and flash floods are a product of climate change and not insufficient infrastructure.

SIGAR Comment #24

19. Page 14, lines 384-5

The statement that "As of September 2021, Afghanistan did not have any active mining tenders ..." is not correct. As described in comment numbers 3 and 12, there was one active large-scale copper mining tender (Dusar-Shalda AOI) in addition to many small-scale tenders.

SIGAR Comment #25

20. Page 16, lines 472-474

This statement is not correct, the employee that was briefly kidnapped by the Taliban was working on a MoMP funded project and not on the ETA.

SIGAR Comment #26

21. Page 16, lines 479-481

This statement is not completely correct. The collapse of the Afghan government ended the ETA and MELRA programs but was not a factor during these programs. While the ETA and MELRA programs were active, there was considerable promise that these programs, and the dedicated scientists and officials we trained, would help Afghanistan rise out of poverty and backwardness.

SIGAR Comment #27

22. Concluding comment – The ETA focused on mining projects that are termed “small-scale” at the request of USAID. This was also the interest of the Afghan government, and both USAID and MoMP wished to develop mining projects that would more quickly generate revenue. The USGS ETA was successful in this regard in that, with USGS’s immediate (ETA) and long-term training and mentoring activities, many small-scale mining projects were tendered by MoMP during the ETA program, and many were actively being mined at the time of the Afghan government collapse in 2021 (see comment number 14). Regarding the long-term USGS Afghan extractives program, it is important to note that a large-scale mine can take ten or more years under ideal conditions to proceed from exploration to start of construction. Any of the Areas of Interest (AOIs) that USGS identified (figure 1) would represent a large-scale mines if developed. However, after a large-scale tender is awarded to an international mining company, it may be many more years before any revenue is generated from such a mine. This is not a failure or an unexpected circumstance in that international mining companies plan for such mine development in time frames of decades. For example see the “Lifecycle of a Mine” example by Newmont a major international mining company ([Newmont Corporation - About Us - About Mining - Lifecycle of a Mine](#)). The fact that one of the USGS AOIs identified in 2011, was actively in an exploration phase since being awarded in 2018 ([MoMP Active Contracts | Ministry of Mines](#)), and some of the other AOIs were close or almost reached that phase, is an achievement for a country that has significant and extreme insecurity, poverty, corruption, and other challenges.

SIGAR's Response to Comments from the Department of Interior U.S. Geological Survey

SIGAR Comment 1: We agree with U.S. Geological Survey's (USGS) assessment that Afghanistan poses a challenging environment for implementing programming; this report discusses some of those challenges. We also agree with USGS's assessment that it did not implement the Extractives Technical Assistance (ETA) program in compliance with U.S. Agency for International Development (USAID) guidance. However, we disagree with USGS's assessment that our report mischaracterizes the ETA program. While we acknowledge that USGS mapped Afghanistan's mineral deposits, this task was meant not to be performed by USGS. Instead, one of the ETA program's goals was for USGS to build the technical capacity of the Afghan Ministry of Mines and Petroleum (MOMP) and the Afghanistan Geological Survey (AGS) to analyze, assess, store data on Afghanistan's mineral deposits, and to publish that data under the authority of the MOMP and AGS. Additionally, while we acknowledge that USGS performed capacity building activities, they were unsuccessful in building the capability of the MOMP to "normalize the storage, analysis, and assessment of Afghanistan's mineral deposits and release of that data under MOMP/AGS auspices."⁸⁹ We considered USGS's responses to our draft and Statement of Facts, and updated the report, as appropriate, based on the available evidence.

SIGAR Comment 2: We agree with USGS that one of USAID's goals was for Afghanistan's extractives industry to generate revenue for the former government of Afghanistan; however, not one of the ETA program's component goals, as articulated by the ETA agreement, set specific goals related to revenue generation. Instead, the ETA program goals focused on building the MOMP's capacity. Moreover, none of the documents provided by USGS support the conclusion that any of the ETA efforts led to the development of small-scale mine contracts and generation of short-term revenue for the Afghan government, as they did not identify them as a metric of success. This lack of documentary evidence underscores the issues we identified in our report, namely that USGS had no Monitoring, Evaluation, and Learning (MEL) plan, nor accompanying metrics for measuring performance. In other words, because USGS did not follow the established ADS requirements related to monitoring and evaluation of programs, its claims of program success are unsupported.

SIGAR Comment 3: We updated the last sentence of the highlighted summary to state more clearly that the U.S.'s efforts to develop Afghanistan's extractives industry have not resulted in widespread economic benefits. We agree that the development of a large-scale extractives site can take years to produce royalties for the Afghan government. However, the U.S. has been assisting in the development of Afghanistan's extractives industry for at least 13 years, and USGS acknowledges that only one large-scale mine was in an active exploration phase at the time of the Afghan government's collapse in 2021. Furthermore, the fact that some large-scale tenders were issued in 2018, after the publication of a separate SIGAR report on the Afghan extractives industry, does not invalidate the findings of that prior report.

SIGAR Comment 4: We updated our report to state that most the technical teams remain intact but note that employee turnover and the fall of the former Afghan government were contributing factors, though not the sole factor, in the MOMP's inability to sustain ETA's programming results.

SIGAR Comment 5: We acknowledge and commend USGS's Afghanistan team for its continuity throughout USGS's programming activities between 2004 and 2021, and agree that the continuity could have been a contributing factor to any successes of USGS efforts.

SIGAR Comment 6: We considered USGS's response to our draft report and updated our report accordingly by noting the amount of funding USGS received from the Department of Defense's Task Force for Business and Stability Operations.

⁸⁹ USAID, Award No. 72030618T00002, agreement with USGS, p. 3.

SIGAR Comment 7: We considered USGS's response to our draft report and updated our report accordingly by noting the impact the changed timelines had on the efficacy of ETA's efforts.

SIGAR Comment 8: As noted in SIGAR Comment 3, SIGAR's 2018 report on the status of extractives contracts in Afghanistan remains accurate based on information available at the time that report was published. Any contracts issued after that report and prior to the start of ETA were outside the scope of this audit.

SIGAR Comment 9: We considered USGS's response to our draft and removed the statement from our report.

SIGAR Comment 10: We acknowledge that USAID and USGS were in regular communication with one another and that USGS routinely updated USAID on ETA's progress. However, this type of communication did not relieve USAID and USGS from the requirement that they develop an MEL plan in compliance with USAID guidance. Furthermore, USAID guidance requires key award documents, including MEL plans and their accompanying data, to be stored within USAID's official record retention system, which allows officials not associated with the ETA program to perform a review of the program's performance.

SIGAR Comment 11: We acknowledge that USGS sent its quarterly reports directly to USAID; however, those reports were not uploaded into USAID's records retention system. USAID guidance requires key award documents, including MEL plans and their accompanying data, to be stored within USAID's official record retention system, which allows officials not associated with the ETA program to perform a review of the program's performance. USGS's communication with USAID did not alleviate it of these requirements.

SIGAR Comment 12: We considered USGS's response to our draft and removed that statement from our report.

SIGAR Comment 13: We acknowledge that USGS was in regular contact with USAID officials, including providing incoming contract officers briefings; however, USAID guidance requires key award documents, including MEL plans and their accompanying data, to be stored within USAID's official record retention system, which allows officials not associated with the ETA program to perform a review of the program's performance. USGS's regular communication with USAID did not alleviate it of these requirements.

SIGAR Comment 14: We considered USGS's response to our draft and removed that statement from our report.

SIGAR Comment 15: We acknowledge that USGS believes that certain criticisms contained in our draft assessment of whether the ETA program achieved its goals were "misleading or incorrect." We considered USGS's response to our Statement of Facts and updated our report to state that the ETA program met one of its five goals and made progress toward other goals.

SIGAR Comment 16: We acknowledge USGS's efforts to compile, analyze, and assess information concerning Afghanistan's mineral deposits and to produce a comprehensive report. We also acknowledge that USGS provided training to MOMP personnel to do those same tasks with the goal to "normalize the storage, analysis, and assessment of Afghanistan's mineral deposits and release of that data under MOMP/AGS auspices."⁹⁰ However, Component I's goal required USGS to build the MOMP's technical capacity to do those tasks, not for USGS to do them itself. USGS's comments acknowledge that MOMP lacked the capacity to do those tasks as the MOMP provided USGS with "'incomplete, inaccurate, or unavailable [no] data' in many cases," which required USGS to use various other data collection methods to compensate for MOMP's failure. Additionally, without USGS performing those tasks itself, the report on Afghanistan's mineral deposits and extractives sector could not have been prepared. USGS's comment confirms our determination that it did not achieve the component's goal of building MOMP's capacity to do those tasks. As a result, we maintain that the goals of Component I were not fully met.

SIGAR Comment 17: We considered USGS's response to our draft and updated it to reflect USGS's efforts toward the completion of Component II-A. We acknowledge that USGS made great strides in developing a plan to implement the online platform. However, because the MOMP Minister did not approve the plan, it was never

⁹⁰ USAID, Award No. 72030618T00002, agreement with USGS, p. 3.

implemented, and the online platform was not created. We also acknowledge that obtaining the Minister's approval was outside of USGS's control.

SIGAR Comment 18: While we are encouraged that MOMP issued small-scale mining contracts, which demonstrated USAID's priority of focusing on small-scale mining contracts to quickly generate revenue for the former Afghan government. However, we disagree with USGS's assessment that our report is incorrect. The goal of Component II-B was to build the MOMP capacity to support mineral sector development efforts through the generation of field maps, collection and digitization of mineral sample data, and remote sensing data analysis. We considered USGS's response to our draft report and removed the statement regarding high employee turnover from our report.

SIGAR Comment 19: We considered USGS's response to our draft and updated the report to note that USGS achieved Component III's goal.

SIGAR Comment 20: We acknowledge that USGS provided training to MOMP personnel and that their skill sets benefited from USGS's training. Furthermore, we commend the training efforts of USGS personnel, which took place in a challenging environment. However, USAID and USGS developed no metrics to determine whether performing baseline studies at areas of interest was the measure of the component's success in building capacity in global best practices for sustainable mining, mine permitting, development, and closure. Additionally, the component required USGS to perform educational outreach to local universities. Our review of USGS's quarterly reports noted that it stopped reporting on the metric in April 2019 and did not state that it met this goal prior to April 2019. As such, we maintain that USGS did not provide evidence showing that the goals of Component IV were met.

SIGAR Comment 21: We acknowledge that USGS provided training to the Afghan Ministry of Energy and Water. The personnel and associated skill set of the ministry's successor, the National Water Affairs Regulation Authority, also benefited from USGS's training, which took place in a challenging environment. However, by USGS's own account, personnel from the Ministry of Energy and Water and the National Water Affairs Regulations Authority did not develop the necessary skill sets to efficiently monitor and analyze its water resources. We updated the report to provide further support that Ministry of Energy and Water and National Water Affairs Regulation Authority staff needed a significant amount of additional training and mentoring. As such, we maintain that the goals of Component V were not fully met.

SIGAR Comment 22: We considered USGS's response to our draft and removed that statement from our report.

SIGAR Comment 23: We considered USGS's response to our draft and removed that statement from our report.

SIGAR Comment 24: We considered USGS's response to our draft and removed that statement from our report.

SIGAR Comment 25: We considered USGS's response to our draft and removed that statement from our report.

SIGAR Comment 26: We considered USGS's response to our draft and removed that statement from our report.

SIGAR Comment 27: We considered USGS's response to our Statement of Facts and updated the report to reflect USGS's efforts toward Afghanistan's extractives industry.

APPENDIX V - COMMENTS FROM THE DEPARTMENT OF COMMERCE, COMMERCIAL LAW DEVELOPMENT PROGRAM



To: Special Inspector General for Afghanistan Reconstruction

From: Commercial Law Development Program (CLDP)

Date: October 21, 2022

Re: CLDP's Response to the SIGAR Audit 151A, September 1, 2022

CLDP appreciates the opportunity to respond to the Special Inspector General for Afghanistan Reconstruction (SIGAR) audit of the CLDP's Multi-Dimensional Economic and Legal Reform Assistance (MELRA) Project in Afghanistan (SIGAR Report), which identifies two problems with the CLDP's MELRA Program, both of which are inaccurate.

Monitoring and Evaluation

The SIGAR Report's first criticism focuses on what it describes as CLDP's failure to properly monitor and evaluate its extractives projects in Afghanistan. While CLDP may have failed on certain technicalities in maintaining its Monitoring, Evaluation, and Learning (MEL) Plan, CLDP had a well-developed plan, which identified concrete objectives, with tangible outcomes and outputs, and proper indicators to track CLDP's progress. As explained below in details, the SIGAR Report mischaracterizes various components of the CLDP MEL Plan; makes various conclusory statements regarding CLDP's oversight of its projects; often confuses the relationship between its Interagency Agreement (IAA) and its MEL Plan; and, in some cases, outright misstates facts regarding CLDP's oversight of its programs.

SIGAR
Comment #1

MELRA Objectives

The SIGAR Report's second criticism focuses on what it describes as CLDP's failure to meet its objectives. Here, too, the Report seems to misunderstand CLDP's goals under MELRA; mix up the different objectives under MELRA; and seems to misunderstand the relationship between the IAA and the MEL.

The SIGAR Report repeats a lot of the same inaccurate statements and conclusions made in the SIGAR June 15, 2022, Draft Report, which CLDP refuted in its June and July 2022 verbal and written responses to the SIGAR team. Therefore, CLDP is attempting to correct the statements and conclusions once again. CLDP hopes that, this time, its comments will be considered in updating the SIGAR Report.

SIGAR
Comment #2

The CLDP team remains available to clarify any of its statements or answer any other questions.

CLDP COMMENTS ON SIGAR AUDIT REPORT

SIGAR Comment #3

SIGAR Report Page 7: “We determined that MELRA’s MEL plans did not comply with ADS Performance Indicator Reference Sheet requirements until September 2020, more than 2 years after the MELRA program was initiated, because the associated performance indicators were often incomplete and many did not provide the information necessary to accurately measure performance.”

CLDP Response: CLDP already explained to the SIGAR team in its initial response that CLDP’s well-developed MEL was created in early 2018 and not in September 2020.

CLDP recognized that its AMEP (Activity Monitoring and Evaluation Plan), created at the inception of the MELRA project in early 2018 with USAID, was a deficient MEL plan that did not comply with ADS Performance Indicator Reference Sheet requirements. This is why CLDP created its own MEL plan (with tangible objectives/outcomes/outputs and indicators) in early 2018, despite not being required to do so by USAID. That document later became the “Mining Logic Model” and a part of the new/improved MEL plan in September 2020. So that well-developed MEL plan was created and used in early 2018, not in September 2020.

To demonstrate that CLDP was using its well-developed MEL plan (the one that later became the Mining Logic Model), consider the objectives of that plan:

- Objective 1 under that MEL was to improve mining legal and regulatory framework. CLDP started working on the review of a new mining draft law in the Spring of 2018. Which means CLDP started working to achieve its Objective 1 under the MEL plan right at the beginning of MELRA implementation.
- Similarly, CLDP Objective 2 under the MEL was to enable the GoA to administer the mining regime effectively, consistently, competently, fairly, and transparently. As explained in the logic model, CLDP’s work in this area was to create a mining course for the GoA. CLDP’s work in support of this objective can likewise be traced back to the beginning of MELRA when it started its partnership with the Colorado School of Mines and USGS to start preparing a mining course, the first segment of which was delivered to the GoA participants in October 2018.

That means CLDP created a well-developed MEL plan, with tangible objectives, outcomes, outputs, and indicators, right at the start of the MELRA project (not in September 2020). And CLDP started working towards the objectives, and tracked those objectives, under that MEL plan almost immediately after the project started. As part of the “L” (learning) part of the MEL, CLDP overtime continued to revise and improve that plan.

SIGAR Comment #4

SIGAR Report Page 8: “Additionally, our analysis of MELRA’s MEL plans determined that while CLDP revised the performance indicators on three occasions during our audit, no performance indicator was present in any of the three revisions. In July 2020, CLDP removed 1 of the 2 performance indicators from the MEL plan. Next, in October 2020, CLDP updated the MEL plan by adding 12 new performance indicators. Finally, in January 2021, CLDP modified the MEL plan by reducing the number of performance indicators from 13 to 2.”

CLDP Response: CLDP also already explained this to the SIGAR team in its June and July 2020 Responses to the SIGAR (Draft) Report.

The three revisions were made in three consecutive quarters (July 2020- Q4 2020; October 2021 – Q1 2021, January 2021 – Q2 2021). The first two revisions were part of CLDP’s effort to improve the way its performance

was measured and to make it easier for CLDP and USAID to better track the results. The third revision (January 2021) was made at the request of USAID.

In making its own revision, CLDP not only tracked its previous standard indicators (consistent with previous quarters FY18 to FY20), but it added new Customs Indicators, which CLDP devoted substantial time and effort to in order to improve its progress tracking.¹ In fact, in its Quarterly Report to USAID, CLDP wrote:

The attached M&E document includes information on Standard Indicators (in consistency with all former quarterly reports for MELRA from FY18-20) and includes a set of Custom Indicators which have been tailored to measure outcome-level progress towards MELRA-specific objectives.

****Note: CLDP designed a more comprehensive M&E Plan including Custom Indicators for MELRA this quarter.** Throughout Q4 FY20, CLDP devoted substantial time and effort in refining and improving the M&E Plan for MELRA to add very project-specific indicators that will allow CLDP to measure project progress under each of MELRA's components. CLDP has included these custom indicators in this quarterly report on an interim basis but plans to go over the new M&E plan with USAID as soon as possible. Although several requests were made by CLDP, USAID and CLDP have been unable to meet throughout FY21 Q1 to discuss the new M&E Plan. As such, CLDP is hoping to meet with USAID in early FY21 Q2 to discuss in depth the draft M&E plan to incorporate USAID suggestions, additions or edits.

CLDP MELRA Quarter 1, FY21 Report. See also CLDP Quarter 4, FY20 Report (stating a similar message to USAID).

Therefore, CLDP made modifications in order to improve its performance tracking while continuing to track its previous standard indicators.

SIGAR Report Page 8: "USAID confirmed that not all of CLDP's performance indicators measured activities related to MELRA goals. Furthermore, the extensive and frequent revisions to the performance indicators limited CLDP's and USAID's abilities to assess the program's performance over time using consistent data. Therefore, CLDP and USAID could not determine whether program activities were successful or whether the MELRA program required periodic adjustments. In addition, CLDP's non-compliance with program oversight requirements prevented an assessment of the MELRA program's performance indicators and an understanding of USAID's and CLDP's decision-making processes."

SIGAR Comment #5

CLDP Response:

CLDP cannot properly respond to the conclusory statement that "not all of CLDP's performance indicators measured activities related to MELRA goals." The SIGAR Report would need to specify which performance indicators did not measure MELRA related goals. It is CLDP's position is that all its indicators were measuring its goals.

It is also inaccurate to state that "extensive and frequent revisions to the performance indicators limited CLDP's and USAID's abilities to assess the program's performance over time using consistent data."

First, the SIGAR Report does not explain exactly *how* a specific revision made it harder for either CLDP or USAID to assess its program performance. Accordingly, CLDP is not in the position to respond to this conclusion. Second, as explained in the previous response, despite the revisions, CLDP *continued to track the*

¹ Therefore, it is inaccurate for the SIGAR Report to state that "no performance indicator was present in any of the three revisions." SIGAR Report Pg. 8.

previous standard indicators. Accordingly, CLDP's program performance tracking was unaffected. If anything, as explained previously, the customs indicators (i.e. the changes) were all designed to make program performance tracking better. Third, as a general matter, revision is an important component of a good monitoring and evaluation plan. CLDP's revisions were all designed to help the organization improve its performance in meetings its objectives.

In fact, the CLDP-USAID IAA expected setting up objectives and indicators on an annual basis and then periodically making changes to those benchmarks and objectives. The IAA states, "CLDP and USAID will together set realistic benchmarks as well as performance and evaluation indicators *on an annual basis* for USAID's review and concurrence. *CLDP aims to revisit project benchmarks periodically with appropriate input from USAID, at the very least every six months, to evaluate toward the objectives of the Agreement and make adjustments accordingly.*" Pg. 19, IAA, Annex A, Statement of Work. Therefore, such revisions were required by the IAA.

This IAA language is consistent with the "L" part of an "MEL" plan, which stands for "Learning." Part of that "Learning" is understanding what works and what does not. Then, based on that, adjusting the MEL plan. So CLDP set its goals and then constantly evaluated and reevaluated those goals - in consultation with USAID, the State Department, Afghan counterparts, and other stakeholders - and made changes where necessary.

SIGAR Comment #6

SIGAR Report Page 8: "In the absence of a consistent MEL plan and performance indicators, USAID and CLDP officials told us that they held weekly meetings and maintained communication via e-mail to discuss the progress of the MELRA program. However, that type of informal engagement between USAID and USGS, does not excuse the agencies from the requirement to meet the oversight requirements of ADS Chapter 201."

CLDP Response: This, too, is inaccurate.

While CLDP has no opinion on "informal engagement between USAID and USGS," CLDP's maintained various forms of *formal engagement* with USAID. For example, CLDP submitted timely, quarterly reports to USAID every single quarter, throughout the MELRA implementation term. Also, CLDP held formal weekly meetings with USAID (along with US Embassy partners, USGS, and other stakeholders) providing updates and seeking input from USAID (along with other partners). And finally, CLDP provided reports and updates on ad hoc basis when requested.

It is true, however, that in addition to these formal reports and engagements, CLDP also maintained informal communication via email and phone calls.

SIGAR Comment #7

SIGAR Report Page 9: "As a result of the U.S. agencies' failure to use the Afghan Info System and TraiNet, we found that it may have been difficult for incoming USAID agreement officer representatives to obtain knowledge and continuity of program activities during cyclical rotations."

CLDP Response: This is an unsupported conclusion. The information about the MELRA implementation has been consistently documented in the annual and quarterly reports that CLDP provided to USAID. In addition, it was CLDP's practice to thoroughly brief the incoming USAID officers on the progress of MELRA implementation and to share the background information to ensure that CLDP's institutional knowledge has been adequately transferred. Finally, while USAID American officers rotated frequently, the USAID MELRA Managers were locally engaged staff (LES), who remained in their position longer and presumably provided institutional knowledge within USAID Office of Economic Growth.

SIGAR Report Page 13-14: The entire section on Pages 13 and 14 of the SIGAR Report entitled, "The MELRA Program Did Not Meet Program Goals."

SIGAR Comment #8

CLDP Responses:

A. The SIGAR Report Misstates CLDP's Goals Under MELRA.

The SIGAR Report lists CLDP's goal to be: "CLDP's efforts were intended to incorporate international best practices and ensure open and transparent operations in Afghanistan's mining sector, resulting in the development of a durable and predictable contracting framework for mining licenses." Pg. 13 SIGAR Report. Then the Report notes that CLDP added four additional objectives under its "logic model," which according to the SIGAR Report were "tracked internally" and not "formalized until October 2020" and "did not align with the goals documented in its agreement with USAID, which was never modified to include the new goals." Id.

The SIGAR Report reduces CLDP's goals in the extractives sector to one in the CLDP's Interagency Agreement (IAA) with USAID, while ignoring everything else, which is an incomplete characterization of the objectives CLDP aimed to achieve under MELRA. The SIGAR Report seems to rely on page 30 of the IAA Annex A Statement of Work, which states, "Proposed Intervention: Collaboration with the MoMP to develop a durable and predictable contracting framework for mining licenses" The SIGAR Report takes this sentence to be the complete sum of CLDP's goals and objectives under MELRA.

Nevertheless, page 19 of the IAA Annex A Statement of Work states: "In addition to furthering the bilateral relationship between the GoA and the U.S. Government, the *objectives of the MELRA Activity* are to achieve the following: . . . 4. Improved contract administration capacity at the Ministry of Mines and Petroleum (MoMP)." Pg. 19 IAA (Emphasis Added).

Further, on page 29, the IAA states that CLDP will work with MoMP "to adopt the regulations, procedures and translation documents necessary to realize the vision of developing Afghanistan's natural resources for the benefit of the nation and its citizens." Pg. 29, IAA Annex A Statement of Work. Then on page 30, the IAA notes that CLDP will work with MoMP on drafting enabling regulations and work to achieve transparency and refine tendering and contracting procedures. Pg. 30, Id. That same paragraph then lists a "general menu of what CLDP *aims to achieve* in concert with the MoMP, *subject to adjustment if and when it is deemed necessary by CLDP.*" Id. (Emphasis added)

CLDP then took those broad menus of aims and goals and focused them into 4 specific and narrowly tailored objectives/outcomes, which were determined in consultations with USAID, the State Department, the Afghan counterparts, and other stakeholders: 1. GoA improve Mining Legal/Regulatory Framework; 2. GoA Administers Mining Regime Effectively; 3. Promote Transparency through EITI; and 4. Increased participation of private sector trade and competitiveness in extractives sector. See CLDP Logic Model.

Accordingly, CLDP's goals encompassed much more than the one sentence goal reduced to by the SIGAR Report.

B. CLDP's Objectives in its "Logic Model" Did Align with its IAA Goals and therefore an IAA Modification was Not Required

SIGAR Comment #9

Moreover, contrary to the SIGAR Report's assertion, all those four objectives aligned with the goals stated in the IAA. For example, Objective 1 of improving the legal/regulatory framework directly relates to the statement on pages 29 and 30 of the IAA where CLDP agreed to work with MoMP on regulations. Objective 2 administering mining regime directly relates to the stated goal on page 19 of the IAA of improving the "contract administration capacity at the Ministry of Mines and Petroleum (MoMP)." Pg. 19 IAA. Objective 3 of promoting transparency is directly related to page 30 of the IAA where CLDP agreed to work with MoMP to achieve transparency in the

mining sector. Pg. 30 IAA. And Objective 4 of increased participation in trade and investment related to the vision on page 29 of the IAA of developing Afghanistan's natural resources for the benefit of the nation and its citizens.

Because the objectives listed in CLDP "Logic Model" did squarely align with what was stated in the IAA, no modification to the IAA was necessary. In fact, even if CLDP were to make changes to its aims, it was able to do so unilaterally if and when it deemed necessary.² Pg. 30 IAA.

SIGAR Comment #10

C. It is Inaccurate to State that CLDP Did Not Achieve its MELRA Goals

As CLDP previously explained to the SIGAR team, CLDP did meet, and in some cases exceeded, its MELRA goals.

More specifically, the SIGAR Report notes that CLDP (and other agencies and donors) provided edits to the MoMP draft law and regulations, but those comments were disregarded. Pg 13 of the SIGAR Report (Citing a 2020 USAID Memo to the Administrative Office of the President of Afghanistan about how donors comments were not accepted in the Minerals Law amendments).

CLDP's objective 1 was to "improve" and "update" the mining legal and regulatory regime – not perfect it. Some examples of where CLDP comments were accepted, which led to improving the Afghan mining legal and regulatory regime through its amendments included:

- The amended law addressed security of tenure -main concern for investors
- The amended law set a clearer process for award of mining rights and reduced opportunity for corruption
- The amended law addressed transparency commitments, incorporating EITI concepts
- The amended law included provisions addressing illegal mining

Accordingly, the amended law was objectively an improved version of the previous law, and therefore, CLDP met its objective.

It is true, however, that the new law was not a perfect one. But as a technical assistance office, CLDP's role is not to dictate to a foreign government that it must accept every recommendation CLDP has to offer. It is a common practice for a foreign government to make periodic improvements to their legal regime with the help of CLDP, in which case CLDP (or its funder) would then write communications (like the cited Memo) to tell the foreign government what other improvements it should make.

Citing another evidence of CLDP's failure to meet its objectives, the SIGAR Report then cites another USAID Memo to MoMP in which it says, "Currently, there are aspects of Afghanistan's tax, labor, customs and environmental laws that would be inconsistent with the expectations of foreign mining companies based on common international practices and would serve as disincentives to investment. In order to attract significant foreign investment in Afghanistan's mining sector the relevant provisions of these laws should be addressed to provide a comprehensive environment for foreign investment." Pg. 14 SIGAR Report. Tax, labor, customs, and environmental laws were not a part of the CLDP aim in its MELRA's extractives objectives. This, therefore, is inapplicable to CLDP.

² Even when CLDP was allowed to make unilateral changes, it never did so without consultations with all of its Afghan and USG stakeholders.

After the legal/regulatory objective, in the very next paragraph, the SIGAR Report highlights the corruption, conflict of interest, and in-fighting of Afghan politicians. Immediately following that, the SIGAR Report states, “We determined that CLDP did not achieve the MELRA mining component’s objective to improve contract administration capacity at the MoMP.” Pg. 14 SIGAR Report.

Political corruption and illegal mining are not relevant to “contract administration capacity.” The SIGAR Report does not explain how it concluded that the MoMP contract administration capacity was not improved due to the political and corruption reasons. Here, the SIGAR Report is mixing up unrelated challenges and objectives.

Improving the contract administration capacity was Objective 2 for CLDP. It refers to the ability of MoMP to administer contracts. To meet this objective, CLDP, USGS, and the Colorado School of Mines created a long-term legal and technical course to improve the capacity of MoMP staff to administer contracts. Through the creation of that course in early 2018 and delivery of that course over many months (starting in October 2018), CLDP helped improve the capacity of MoMP legal and technical staff. CLDP found, through written and oral assessments, that participants demonstrated an increased capacity and understanding of technical and legal topics. In fact, by the fourth session of the course, the participants were capable of conducting advanced critical analysis of the new Afghan Minerals law, in which they identify deficiencies in the law and the ways in which the amended law could be further improved. This demonstrated a high-level understanding of a complex law from the participants. CLDP, therefore, met this objective as well.

Further, the SIGAR Report states that CLDP did not “facilitate the sustained formation of ‘an enabling policy environment for the extractives industry’ due to the corruption within the Afghan Parliament and the lack of legislative reform.”

This is again not an accurate statement, as was previously explained to the SIGAR team in June and July 2022.

First, legislative reforms did take place. The amended law and regulations were passed – both with the help of CLDP – as previously stated. It was not a perfect legislation, but that does not mean legislative reform did not take place. Second, while it is true that the corruption was an issue within the Afghan Parliament, but the law was passed through a presidential decree. So corruption in the Parliament did not play much of a role in the passage of the law. Third, CLDP did help improve the “enabling policy environment” in the following ways:

1. CLDP helped pass the improved amended law and regulations;
2. CLDP helped improve the legal and technical capacity of the MoMP staff;
3. CLDP helped Afghan get reinstated to EITI (Objective 3);³
4. CLDP facilitated other international best practices (e.g. started the engagement of the civil society and industry through its Minerals Working Group).

SIGAR Comment #11

SIGAR Report Page 19: Appendix II of the SIGAR Report, Table 2, lists the use of USAID’s Performance Indicator Reference Sheet (PIRS) by CLDP’s MELRA program performance indicators between January 2018 and September 2021.

CLDP Response:

CLDP recognizes that it did not follow all of USAID’s PIRS requirements. However, there are two things to consider.

³ As explained in its July 17, 2022, response to the SIGAR Report, CLDP explained that CLDP not only helped Afghanistan get reinstated to EITI in 2020, CLDP went further than its goal and helped Afghanistan maintain its validation as an EITI implementing country in good standing.

First, PIRS are requirements of another agency (USAID). In such a case normally, CLDP would rely on that agency to work with CLDP on ensuring that any joint initiative meet the requirements of that agency. In this case, that did not happen.

Second, while CLDP may have failed to meet some of the technical requirements of PIRS, such failure does not reflect the substance of what CLDP accomplished.

For example, consider Indicator 3 “Number of milestones reached towards the Extractive Industries Transparency Initiative Board’s decision to reinstate Afghanistan as an Implementing Member.” The Report notes that CLDP met 37% of the PIRS requirement.

However, CLDP met all its milestone and objectives. CLDP’s milestones were,

- Milestone 1: Comment on Draft validation report (Accomplished)
- Milestone 2: Validation report finalized & reviewed by EITI Board (Accomplished)
- Milestone 3: EITI Board reinstates Afghanistan (Accomplished).

In fact, CLDP not only achieved the **end result** of helping Afghanistan get reinstated as EITI member, but it exceeded it by helping Afghanistan remain EITI compliant. Accordingly, while CLDP may have partially failed to meet the technical requirements of another agency, it met (and even exceeded) its own milestones and objectives.

SIGAR's Response to Comments from the Department of Commerce Commercial Law Development Program

SIGAR Comment 1: We acknowledge that the Commercial Law Development Program (CLDP) developed an internal "Mining Logic Model" that functioned as an unofficial Monitoring, Evaluation, and Learning (MEL) plan for the Multi-Dimensional Economic and Legal Reform Assistance (MELRA) program. We also acknowledge that CLDP told us that its logic model had additional performance indicators that were not included in the official MEL plan, so it could better track MELRA's performance. However, we disagree with CLDP's assessment that our report mischaracterizes its oversight of the MELRA program. As we address in our comments below, CLDP's logic model was not the official MEL plan of the MELRA program, and its logic model was not uploaded into the U.S. Agency for International Development's (USAID) document retention system. Additionally, CLDP did not present us with a copy of the internal logic model during the course of this audit. When considering CLDP's responses to our draft report, we updated the report, as appropriate, based on the available evidence.

SIGAR Comment 2: We considered CLDP's response to our draft and updated our report accordingly by ensuring CLDP's responses to the statement of facts were included in the report as appropriate.

SIGAR Comment 3: We acknowledge CLDP developed its own internal "Mineral Logic Model;" however, CLDP is conflating its logic model with MELRA's MEL plan, which is different. CLDP and USAID created an MEL plan at MELRA's inception in 2018, with both agencies acknowledging it was deficient and in place for MELRA's first 2 years of programming. To compensate for the deficient MEL plan, CLDP created its own logic model, also in 2018. We acknowledge that CLDP created and utilized its logic model, that it had additional performance indicators that were not found in the official MEL plan, and that the logic model captured additional data on the MELRA program that the MEL plan did not. However, instead of updating the non-compliant MEL plan, CLDP chose to develop and utilize a logic model. Had CLDP chosen to update MELRA's MEL plan, it would have complied with USAID guidance and alleviated the confusion between MELRA's MEL plan and CLDP's logic model. Additionally, CLDP did not store its logic model in USAID's document retention system, nor did it provide it to us during the audit to verify CLDP's claims. Without CLDP's logic model stored within MELRA's official files, its information and data will not be retained by USAID. We considered CLDP's response to our draft and updated it accordingly.

SIGAR Comment 4: We agree with CLDP that a program's performance indicators should be updated to better track program results; however, frequently updating performance indicators makes it difficult to track program results over time. Our analysis showed that no single performance indicator was present in all three MEL plans. The first and second MEL plans only shared one of the same performance indicators, a standard indicator, from a total of two indicators. The second and third MEL plans only shared two of the same performance indicators, both custom indicators, from a total of 13 indicators. CLDP acknowledges that it significantly changed the performance indicators within the official MEL plans three times during the audit scope. USAID guidance notes that "operating units." such as CLDP, "...should be cautious about frequent and significant changes when updating MEL plans, as it makes it difficult to measure a program's performance over the course of the program's lifecycle."⁹¹ Furthermore, USAID's Performance Indicator Reference Sheet requires that "changes to an indicator that substantively affect indicator reference information must be documented and justified."⁹² MELRA's MEL plan only documented why USAID and CLDP changed the performance indicators, as USAID guidance requires, for 3 of the 14 unique indicators present during the scope of our audit, creating additional difficulties in tracking the MELRA program's performance. We acknowledge that performance indicators are

⁹¹ USAID, Automated Directives System (ADS) Chapter 201, Section 201.3.5.6(C), According to that ADS section, "An operating unit is defined as, "An organizational unit that is responsible for implementing a foreign assistance program for one or more elements of the Department of State's Foreign Assistance Framework. The definition includes all U.S. Government Departments and Agencies that are implementing any funding from the relevant foreign assistance accounts (the 150 accounts)."

⁹² USAID, Performance Indicator Reference Sheet Guidance & Template, p. 5.

changed, or are revised, during a program's lifecycle. We also acknowledge that CLDP told us its logic model had performance indicators that were utilized throughout MELRA's programming, although CLDP did not provide it to us during the audit to verify its claims. Additionally, the logic model was not MELRA's official MEL plan, nor was it or its associated data uploaded into USAID's document retention system as required by USAID guidance. Without CLDP's logic model stored within MELRA's official files, its information and data will not be retained by USAID for future use.

SIGAR Comment 5: As previously mentioned, CLDP's logic model was not the official MEL plan for MELRA, nor was it stored in USAID's document retention system. When we evaluated MELRA's program performance, we relied upon the official MEL plans and their associated performance indicators because that was the information provided in response to our request for information. In response to CLDP's comments, we updated the report with clarifying language to articulate why inconsistent performance indicators make it difficult to assess a program's performance over time and added specific examples below of how inconsistencies in MELRA's performance indicators undercut claims of program success.

The changing performance indicators meant that the CLDP could not adequately show how MELRA's program performance improved or declined across time. For example, only one of MELRA's standard indicators, "Assisting MOMP on revising Minerals Law, drafting implementing regulations, and drafting model mineral development contract," was used by CLDP from April 2018 to June 2020. While the use of this indicator remained consistent for that period, CLDP did not consistently report on the indicator's results in its monitoring and evaluation reports, making it difficult to track the MELRA program's progress. Furthermore, in July 2020, this indicator was removed from all subsequent versions of the MEL plans without any documented justification for doing so in accordance with USAID's Performance Indicator Reference Sheet requirements. In another example, the performance indicator, "# [sic] of actions on current or proposed laws, regulations, model forms and policies towards an investor-friendly and sustainable mining legal regime, in each stage of development" was included only in the October 2020 MEL plan. CLDP did not include that indicator's results before removing it from the next MEL plan, again without the required documented justification, in January 2021.

Lastly, we agree with CLDP that the inter-agency agreement calls for the consistent review of performance indicators. Further, we acknowledge that USAID guidance allows for changes in performance indicators. However, USAID guidance also notes "operating units," such as CLDP, "...should be cautious about changing performance indicators because it compromises the comparability of performance data over time."⁹³ USAID guidance also requires the Performance Indicator Reference Sheets to document approval for changes to performance indicators, the reason for the change, and the final values for the old performance indicators. CLDP did not consistently document this information. As a consequence, there is no evidence as to why CLDP changed the MELRA performance indicators and no evidence to substantiate CLDP's claim that the frequent changes to the program's performance indicators were evidence of "learning."

SIGAR Comment 6: We considered CLDP's response to our draft and updated our report accordingly. However, our report's finding is accurate in that no amount or type of communication excuse USAID and CLDP from not following the oversight requirements of ADS Chapter 201.

SIGAR Comment 7: We acknowledge that CLDP stated it provided annual and quarterly reports to USAID. We also acknowledge CLDP's claim to have briefed incoming USAID officers on the implementation progress of MELRA. However, these actions do not relieve CLDP's of USAID's requirement to utilize the Afghan Info and TrailNet systems as intended. In fact, a 2015 USAID Office of Inspector General report described Afghan Info as "the central repository for monitoring data and the principal mechanism for project managers to examine and analyze them."⁹⁴ Contracting officers, auditors, and other government officials need access to complete and accurate records to ensure continuity of operation, in addition to other oversight activities. CLDP acknowledges

⁹³ ADS 201.3.5.6(C).

⁹⁴ USAID Office of Inspector General, *Audit of USAID/Afghanistan's Strategy for Monitoring and Evaluating Programs Throughout Afghanistan*, Audit Report No. F-306-16-001-P, December 10, 2015, p. 5.

that it did not enter information into USAID's document retention system. Although CLDP did complete certain required reports and may have provided them to incoming USAID agreement officer representatives, rotating USAID officials rely on documentation stored in USAID's document retention system to obtain knowledge and ensure the continuity of a program. CLDP's provision of documents to incoming USAID officials does not relieve it from complying with USAID's document retention requirements. As CLDP noted, USAID officers rotated frequently, further emphasizing the importance of program documents being stored in USAID's document retention system.

SIGAR Comment 8: We considered CLDP's response to our draft and updated our report accordingly by more clearly stating CLDP's goals for the MELRA program.

SIGAR Comment 9: We considered CLDP's response to our draft and updated our report accordingly by more clearly tying CLDP's internal logic model to the interagency agreement with USAID.

SIGAR Comment 10: We acknowledge that the new minerals law contained improvements from the previous iteration.

However, according to USAID and CLDP, MELRA's improvements to Afghanistan's Minerals Law were insufficient and lacked the necessary reform for Afghanistan to attract foreign investment to develop Afghanistan's resources. Further, CLDP's quarterly reports did not state whether MELRA's training demonstrated progress in achieving the goal of improved contract administration. When we asked CLDP about its progress towards this goal, it stated that most of MELRA's progress was in MOMP regulatory reform. But MOMP regulatory reform merely shows improvement in the rules that MOMP was supposed to follow and is not evidence of actual improvements in contract administration by the MOMP.

In responding to CLDP's comments to our draft, we removed a quote from a USAID memorandum indicating that Afghanistan's foreign investment and tax, labor, customs, and environmental laws were not conducive to attracting foreign investment, as these laws were not applicable to the goals of MELRA's mining component. Finally, we added clarifying language regarding the linkage of political corruption to contract administration capacity. Specifically, USAID officials told us there was foreign investors were interested in investing in Afghanistan's extractives industry, but investors were cautious due to the high level of corruption. For instance, an MOMP analysis found that over 60 percent of Afghan Members of Parliament had beneficial interest in an Afghan mining operation and benefitted from illegal mining, and thus sought to prevent reforms affecting their ill-gotten gains. USAID and CLDP told us this corruption within Parliament made it very difficult for the Afghan government to make any changes to existing laws because Parliament would not pass any revisions.

SIGAR Comment 11: CLDP acknowledges that it did not follow USAID guidance and that neither it nor USAID worked together to ensure CLDP's work met the USAID requirements. As our previous comments and report note, CLDP and USAID are required to follow USAID guidance, and any accomplishments CLDP may have obtained does not relieve it from following USAID guidance.

APPENDIX VI - ACKNOWLEDGMENTS

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