

The Rt. Hon. David Cameron, Prime Minister

10 Downing Street, London SW1A 2AA, U.K.

December 2, 2014

Dear Mr. Cameron,

We are writing as Afghan and international civil society organisations to express our great concern at the threat posed to the country's future development and stability by poor governance of natural resources. We respectfully urge you to use the London Afghanistan Conference to agree new benchmarks to ensure that Afghanistan meets its existing commitment under the Tokyo Process to create a framework for natural resource governance which "builds upon and surpasses international best practices" – and to secure international assistance for this effort.

Much hope has been invested in oil, gas, and mining to drive economic growth and development in Afghanistan and provide a source of government revenue. But as the experience of Afghanistan and other countries makes clear, there is a very great danger these resources will instead help fuel corruption and lead to yet another cycle of conflict and humanitarian crisis. As Afghanistan undertakes its first peaceful transition of power in a century, stronger natural resource governance is not a side issue: it is a critical precondition for the stability and prosperity we are all working for.

A broad coalition of civil society organizations raised this point in advance of the 2012 Tokyo Conference, and the resulting Tokyo Mutual Accountability Framework included the commitment set out above to create an "accountable, efficient and transparent" Extractive Industries Development Framework (EIDF). Stronger resource governance was also highlighted in Afghanistan's economic development strategy for the Tokyo Conference.

However, while the Afghan government has made some positive moves since then, overall progress has been limited. Widespread illicit mining continues to fund armed groups and the Taliban while natural resources provide a very small percentage of government revenue. The EIDF has so far been developed without input from civil society, independent experts, or indeed businesses – input which could greatly contribute to transparent and effective policymaking. Afghanistan is struggling to meet key deadlines for compliance with the requirements of the Extractive Industries Transparency Initiative. Finally, the new Afghan minerals law enacted this summer falls significantly short of international best practices in transparency, accountability, conflict prevention, environmental standards, and the role of security forces.

Given the strong foundation of existing commitments under the Tokyo process, we believe Afghanistan and its international partners should provide clear directives at the London Conference to address these issues ahead of the Senior Officials Meeting planned for spring of 2015.

In particular, we urge the Afghan government and its international partners to use the conference to agree both *over-arching commitments* to clarify and reinforce the common goal of creating an effective legislative and regulatory framework for natural resources, and a *road-map of the actual policy measures* needed to achieve this. These should be backed up by clear benchmarks and commitments of international support to assist with implementation.

The following are specific elements we respectfully ask should be included as part of the larger conference communique and agreements:

Overarching commitments:

- A commitment to putting in place legislation, regulations and policies for natural resources that incorporate the most effective available measures against corruption and conflict and reflect international best practice. This should include amending the newly signed minerals law as well as developing a solid framework of regulations to implement the new legislation.
- An agreement to develop the Extractive Industries Development Framework through an open and consultative process inclusive of civil society, industry, and independent expertise.
- Re-committing Afghanistan to meeting the requirements and spirit of the Extractive Industries Transparency Initiative, and to moving as rapidly as possible from candidate status to full compliance.
- A concrete guarantee from Afghanistan's international partners to materially support the reform of the natural resource sector, and to provide incentives for successful implementation. This should also include actions of their own to reduce the threat corruption, such as strengthening oversight of aid and security operations, holding international companies to the highest standards, and ensuring funds and assets transferred from Afghanistan are not tainted by illegal activities.

Policy measures for incorporation into a road-map of best practice:

Transparency and oversight

- Publication of all mining and petroleum contracts and ancillary agreements, in line with the laudable Presidential decree of July 2012.
- Publication of project-level data on payments and revenue, as encouraged in the revised EITI standard, which Afghanistan has already made a welcome commitment to meeting. This should also be extended to cover production data.
- Publication of the beneficial ownership of contract-holders and contracts, a key governance measure which is encouraged under the EITI and which the EU, UK and other EITI countries are in the process of implementing.
- A commitment to put in place the legal basis for transparent, open and fair bidding and contracting processes – including for example publication of losing bids, and legal penalties for preferential treatment – and to implement similar open contracting rules across government.
- The creation of a fully transparent Sovereign Wealth Fund to manage natural resource revenues, on condition that it incorporates effective safeguards against misuse.

Community engagement

- Ensuring respect for the rights and interests of local communities. Communities in extraction areas should be involved in the management of natural resources from the outset, consulted on security and other issues, and should benefit equitably from extraction. This includes ensuring that Afghans, and in particular communities in mining areas, benefit from training and employment, and that technology and skills are transferred to allow Afghanistan to develop its own industries.
- Creating accessible, independent and effective mechanisms for dispute resolution, which are fair to companies and communities alike.
- Ensuring environmental and social impacts of extraction are fully taken into account before a contract is granted or an area designated for extraction, and that they are effectively mitigated. This includes effective enforcement of environmental and social laws and regulations, and special protection for environmentally sensitive areas.

Security

- o Ensuring that security forces at extraction sites operate according to strict rules (including the Voluntary Principles on Business and Human Rights), and in consultation with local communities.
- o Taking robust action against the involvement of other informal armed groups of all kinds in the natural resource sector.

Prime Minister, with the peaceful transition of political power and the start of the Transformation Decade, Afghanistan has a historic opportunity to pull itself out of decades of conflict. We fully recognize the scale of the challenges the country faces in improving governance, not just in natural resources but across the board. But it is hard to overstate the urgency and importance of that task.

Afghanistan and its international partners have made strong public statements on the need for more serious action against corruption. The London Conference is an opportunity to act on this vision, and to ensure natural resources help to develop a sustainable Afghan economy, reduce dependence on international aid, create decent employment, and fund the Afghan government. These are goals that we all share: we look forward to working together with you to achieve them.

Yours Sincerely,



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