

Consultative Group Meeting Energy, Mining and Telecommunication

Tuesday, 23 November 2004, 10:00 – 12:00

Minutes of Meeting

Agenda

1. Opening Remarks by Minister Stanekzai
 2. Mid Term Review of the 1383 Development Budget
 - a. Presentation by MWP, followed by discussion
 - b. Presentation by MMI, followed by discussion
 - c. Presentation by MOC, followed by discussion
 3. Briefing on timeframe and preparation of 1384 Development Budget
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Opening Comments. Minister Stanekzai, Chairman of the CG, welcomed the participants and stated that the aim of the meeting was to report on progress made in energy, mining and telecom; highlight key challenges and funding issues, report on the Mid Term Review; and prepare for the 1384 national budget. He stressed the importance of consultation and that this work will benefit the new government. Lastly, Minister Stanekzai reported on the encouraging news regarding the release of the UN hostages.

Mid Term Review of 1383 Development Budget. Representatives from each of the three ministries gave a presentation on their mid term review submissions. Since the submissions are attached to these minutes, only the discussion points following the presentation are highlighted below.

Ministry of Water and Power

- The transmission line from Hairitan to Kabul, which is necessary to bring electricity to Kabul, is the most important project for MWP.
- ADB reported that they are financing the section from the border to Puli-khumri. One of the issues faced has been the lack of bidders – they had only one compliant bid and that at a very high cost. ADB has accepted MWP's proposal to negotiate a reduced scope with the bidder at a cost of \$78 million. \$40 million will come from the existing ADB loan, \$20 million from a new ADB loan under preparation, and KfW has agreed in principle to finance the gap of \$18 million but this still needs to be confirmed in writing.
- MWP reported that they are still awaiting confirmation of funding from the Indian government for the missing link portion from Puli-khumri to Kabul.
- MWP proposed that a high level Steering Committee be formed for the transmission line given its national importance and to ensure that the implementation is completed on time.

- The issue of de-mining and cooperation from UNMACA was raised as an impediment to project implementation – especially for a critical 15 km portion over the Salang Pass for the missing link.
- Another important project is the feasibility study for a combined cycle plant using domestic gas at Sheberghan. It was pointed out that USAID has expressed interest in funding this, but no work has yet begun.
- MWP indicated that they would have a sub-CG meeting for the power sector on November 29 at 10:00 am.
- The *recommended next steps* were: (i) MWP to recommend the formation of a high level Steering Committee with direct engagement from Ministry of Finance and Ministry of Foreign Affairs, and key donors and led by MWP; and (ii) the Secretariat to the CG to draft a letter to UNMACA on the de-mining issue on behalf of the CG.

Ministry of Mines and Industry

- The US Embassy representative reported that the US Geological Survey (USGS) was in Afghanistan in May/June 2004. The minerals group visited the Panjshir and held several classes in MMI. He reported that USAID had \$18.5 million for a seismic study in northern Afghanistan and another \$17 million for southern Afghanistan. He also noted that USGS recently completed a study of the water table in Kabul.
- The US Embassy representative stressed the need to pass the mining and hydrocarbon law before parliamentary elections and that the laws were important to encourage private sector investment. He expressed disappointment with the World Bank for moving slowly and encouraged them to bring the lawyer to Kabul to complete the law.
- The WB representative agreed with the need to pass these sector laws before the next elections, but pointed out that the hold up was on outstanding fiscal issues which the Ministry of Finance needs to address. The private sector will be very concerned with the fiscal framework when considering investments. She highlighted that MOF was expected to draft the amendments to the tax code in January 2005 and that the legislation could be quickly finalized following this.
- A representative from the British Geological Survey (BGS) indicated that they currently have 12 people in Afghanistan and will have a permanent presence for three years. They are currently working on refurbishing part of the Afghan Geological Survey (AGS) building and documenting all of the available geological records by putting them in digital format and translating everything into English and Dari. He raised the issue of the lack of counterparts, the age of the staff and the need to bring in young people (possibly from 4th year students at Polytechnic) to train and build capacity.
- The ADB representative indicated that they are financing institutional strengthening in MMI and that the consultant, Canadian Petroleum Institute, has completed its Inception Report and will be back in Kabul in December.
- It was pointed out that the lack of a Minister has been a key constraint and that capacity building can only succeed when the low salary levels are addressed in parallel. The need for MMI to go through the Priority Reform and Restructuring Process (PRR) was highlighted. Minister

Stanekzai indicated that this could also be done on a department by department basis. BGS indicated that they have prepared a public reform paper for MMI.

- Minister Stanekzai indicated that there is a limitation on how to use capacity building funds and that donors need to assist MMI in prioritizing the needs so that they are efficiently used.
- BGS indicated that they are due to deliver a senior management workshop in January/February 2005 and would like to open this up to the other ministries in the CG. It was agreed that 6 managers from each of the three ministries, for a total of 18, would be trained in the first workshop.
- A concern was raised that ministries cannot pay for basic communication (e.g. internet, cell phones) from their ordinary budget which severely their ability to communicate with donors and contractors.
- The *recommended next step* as summarized by the Chair was to arrange a brainstorming meeting with MMI and key donors to accelerate civil service reform. Minister Stanekzai agreed to participate to share his knowledge of the process.

Ministry of Communications

- Policies have been developed for ICT, telecoms and postal.
- A regulatory authority has been created in the Ministry of Communications, with proper licensing, supported by the World Bank and USAID.
- The Communications Law is pending Cabinet approval. Once it is approved they will have an independent regulatory authority.
- A decree has been passed to shift Afghan Telecom from a department to a corporate.
- Five key departments of MOC are under PRR
- They are now starting the process of shifting the Postal department to a corporate.
- Afghanistan currently has two mobile providers, 8 internet ISP providers, and 7 other companies providing IT services.
- By the end of March, 22 provinces will have digital telephones with the support of India and completion of the current digital telephone project
- Over the last two years, 460 people have been sent abroad for training. There are now 13 ICT training centers in Afghanistan
- Key issues are: (i) fiber optic backbone (which cannot be built by the private sector and is necessary to connect to the rest of the world); (ii) government communication network (equipment is in Karachi port); and (iii) district communication network (which is part of the Afghan Stabilization Program) – by end 1383, about 178 districts will be connected and by end 1384 all districts will be connected.
- There was a concern raised by the MWP that cost pressures may prevent them from including glass fiber lines to be used for communications when building transmission lines. It was agreed that MOC Technical Deputy Minister and MWP coordinate the issue and held a meeting

1384 Budget Timetable. A representative from the Development Budget and External Resources department of the Ministry of Finance reviewed the following timetable for preparation of the 1383 National Development Budget. CDs were distributed for donors and line ministries to update project summary sheets.

27 November	Submission of completed Public Investment Programme, Project Summary Sheets and Project Documents for new projects to Ministry of Finance Budget Department and CGs for approval
20 December	Submission of FINAL Public Investment Programme, Project Summary Sheets and Project Documents to Ministry of Finance Budget Department (approved by CGs)
3 January – 13 February	Meetings between Ministry of Finance Budget Department and line ministries' officials to clarify submissions, if required
10 January – 13 February	Budget Committee Hearings for 1383 Operating and Development Budgets
20 February	Deadlines for Donors to make firm commitments to projects that are included in Public Investment Programme
28 February	Afghanistan Development Forum
7 March	Budget to be considered and approved by Cabinet
21 March	Beginning of the new fiscal year

Minister Stanekzai stressed that donors and line ministries should agree to changes before they are provided to Ministry of Finance to avoid problems encountered last year where slightly different versions were in circulation.

The participants were informed that the Mid Term Review for the 1383 development budget would be held on November 28th for energy, mining and telecom from 0800 to 1000 hrs.

Next Meeting. It was agreed that the next meeting would be held on **Tuesday, 14 December 2004** from 10:00 – 12:00.

Annex 1

**List of Participants for
8th CG Meeting on Energy Mining and Telecoms
Held on 23 November 2004**

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Attachments.

1. Mid Term Review Submission for Ministry of Water and Power
2. Mid Term Review Submission for Ministry of Mines and Industry
3. Mid Term Review Submission for Ministry of Communications