



Overview of State Owned Enterprise and AEITI benchmarks

Executive Summary:

This report discusses the role of MoMP SOEs directorate in managing the NCE, AGE, Kod-e-Barq and Cement enterprises. The SOEs directorate is part of MoMP Tashkel and has the responsibility to coordinate, facilitate and monitor financial, operation and management affairs of MoMP enterprises (Afghan Gas, North Coal Enterprise, Jabal al-Saraj Cement and Fertilizer and Power). The directorate has 20 staff (17 Permanent and 3 Contractual) and work in two units. The SOEs brought facilities such as the establishment of financial and administrative systems, and also carried out the procurement procedures facilities and preparing reform plans for each enterprise.

The largest of the SOEs directorate is North Coal Enterprise, which is managed by CEO, two deputies (admin and technical), and CFO. It has 287 permanent employees and 381 contract based workers. The technical and human resource of NCE is busy in collecting revenue and overseeing the local illegal miner's activities rather than developing standard coal mines. Changing legal identity of the enterprise will prevent the oversight role of NCE and make the company to focus on its core activities.

The second SOE is the Afghan Gas Enterprise (AGE) which is responsible for extraction and supply of natural gas. The AGE currently provides 95% of natural gas to the Kod-e-Barq enterprise and the remaining 5% to other customer and it's expect to supply gas to the new projects such as Bayat and Ghazanfar IPP in near future. Based on article 33 of the SOEs law, the high board of Tasadee (chaired by MoMP and members from MoF, MoE and MoCI, MoWE) is involved in all decision related to the AGE financial plan and its strategic decision. The senior management of the AGE provide its financial and operation report to the High Board and also the MoMP is responsible to monitor its operation and financial activity. Therefore, in 2018, the MoMP deployed a financial system in the AGE for computerization of its financial transactions and ensuring transparency in its financial activities.

Overview of SOEs Directorate:

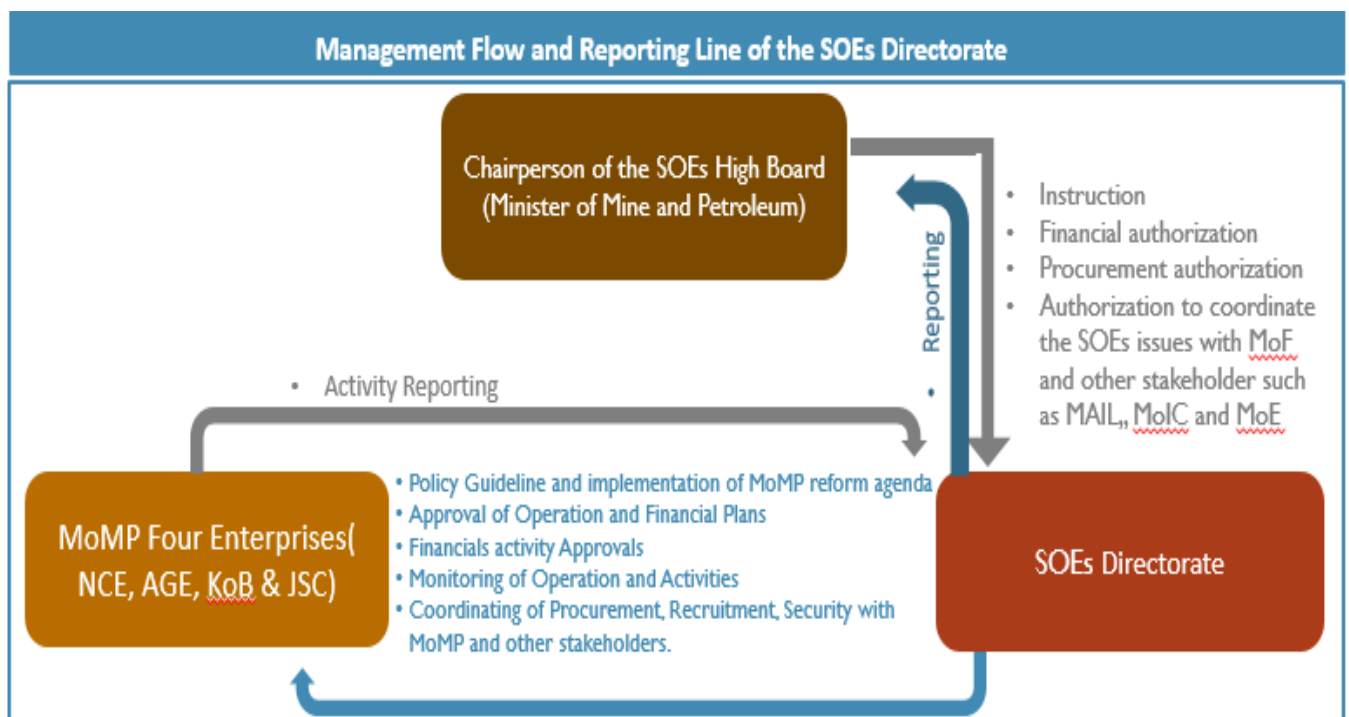
The SOEs directorate of MoMP were established in 1392 to coordinate, facilitate and monitor the financial, operation and management affairs of MoMP SOEs but this office was not able to perform its obligations in the last two years due to lack of capacity. In 1396 the SOEs directorate formed a team and regained its authority. The SOEs Directorate is part of MoMP Tashkel and has the responsibility to

coordinate, facilitate and monitor financial, operation and management affairs of MoMP enterprises (Jabal al-Saraj Cement, Fertilizer and Power, Afghan Gas and North Coal Enterprise). but this office was not able to perform its obligations in the last two years due to lack of capacity. In 1396 the SOEs directorate formed a team and regained its authority. The directorate has 20 staff (17 Permanent and 3 Contractual) and work in two divisions:

Coordination office: This office has the duties to coordinate the task with four enterprises. The coordination office has four sub offices which has the responsibility to communicate with each enterprise accordingly.

Evaluation and General management office: This office consists of three sub offices which are financial, evaluation, and statistics. The responsibility of this team is: (1) to record and monitor the financial affairs including annual financial plan, annual financial statements and reporting, and (2) to collect and review monthly, quarterly and annual financial report of the enterprises and communicate with MoF SOEs directorate for further process.

As can be seen in below diagram that shows the Minister of MoMP as Chairperson of the SOEs authorized and delegated the coordination, facilitation and monitoring of four MoMP SOEs to the directorate. The directorate make sure each state owned enterprises preform their operation normally without any procedural barriers and report its activity to MoMP. After approval of MOMP the report of four enterprises sent to MOF for further evaluation and process.



North Coal Enterprise:

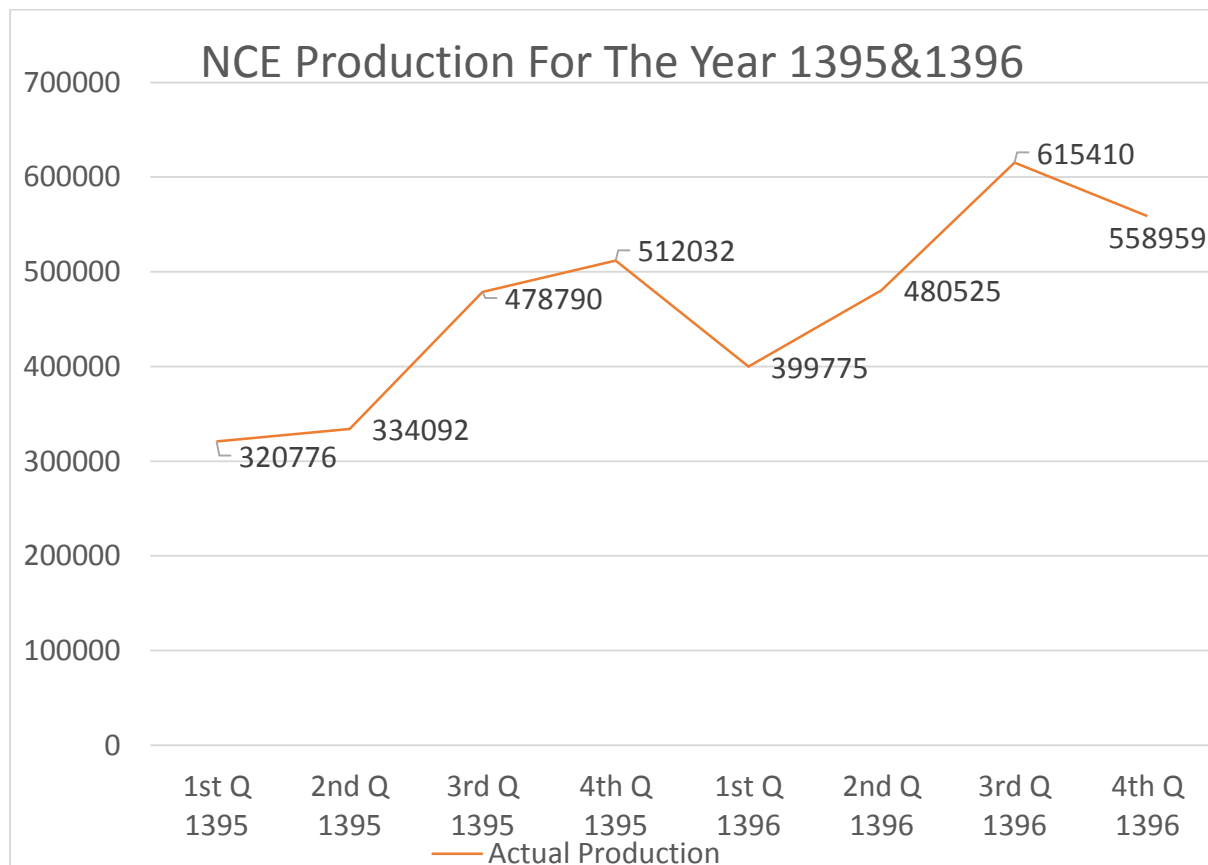
The North Coal Enterprise is managed by CEO, two deputies (admin and technical), and CFO. It has 287 permanent employees and 381 contract based workers. The technical and human resource of NCE is busy in collecting revenue and overseeing the local illegal miner's activities rather than developing standard coal mines.

Finance Status:

The main source of NCE revenue is the coal extract by local illegal miners. When an illegal miners extract one MTs of coal, the NCE get AFN 1,500. Through this the NCE in 1395 generated AFN 2.4 billion revenue and in 1396 generated AFN 3.0 billion revenue. More than 2 billion of this goes to single treasury account as royalty on behalf of MoMP. After deduction of its expense and tax amount, the remaining 75% goes to MoF.

Operations Status:

The NCE's main activities includes designing, exploring, developing, and exploiting of coal mining areas. However, the enterprise is heavily involved in selling of coal which is extracted by local illegal miners. 95% of revenue is generated through selling of coal extracted by local miners. In 1395 the production volume for NCE was 1645690 MTS coal and in 1396 the production volume was 2054669 MTS coal.



Afghan Gas Enterprise:

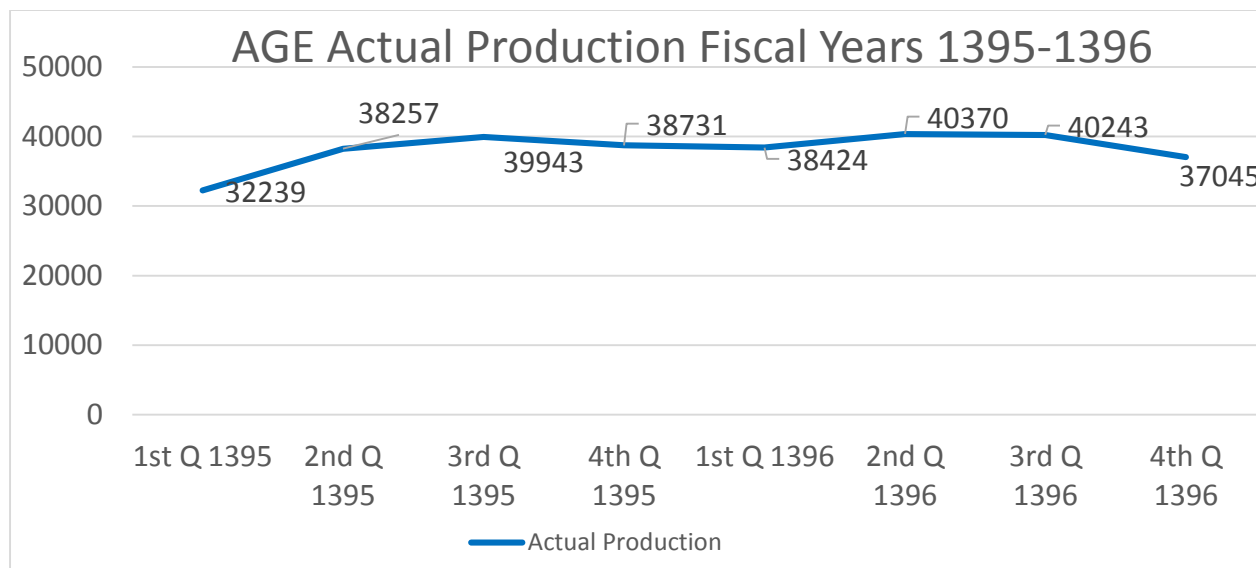
The Afghan Gas Enterprise (AGE) is responsible for production natural gas. The AGE currently provides 95% of the natural gas to Kod E Barq enterprise. The AGE suffers from lack of qualified staff in the financial and admin part of the enterprise. The SOEs directorate team working with the AGE in preparing financial plans and statements.

Finance Status:

The AGE generate revenue through supplying gas to Fertilizer enterprises (KoB). In 1395 the AGE generated revenue of AFN 403 million and in 1396 generated revenue of AFN 486 million. Due to slow sales of fertilizer in the market, the KoB cannot pay the full amount of gas price on time and the AGE records almost 50% its revenue as receivables. This problem can be solved after IPP Bayat and Ghazanfar begin operation in which they are alternative source of revenue for AGE.

Operation Status:

The AGE currently provides 95% of the produced natural gas to Kod-e-Barq, and remaining 5% to other customers. In 1395 the AGE production volume was 145 million cubic meters of gas and in 1396 production volume was 154 million cubic meter of gas. The below line graph shows the quarter production volume in fiscal years 1395-1396.

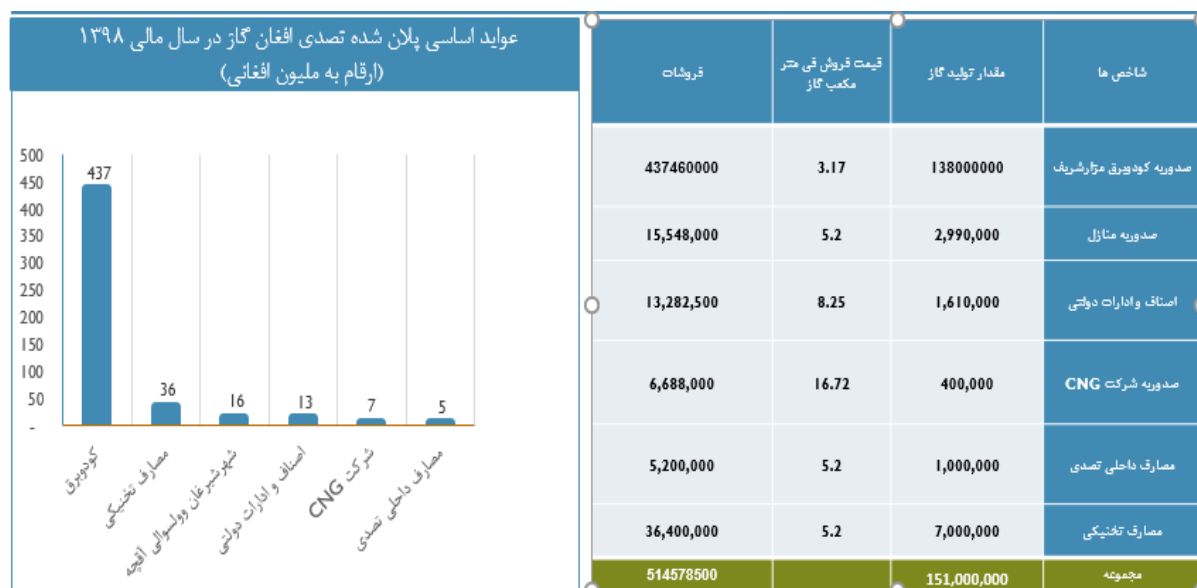


EITI new Benchmarks:

The MSG approved the Quasi Fiscal expenditure as defined by IMF in below chart:

IMF Quasi-Fiscal Activity
<ul style="list-style-type: none"> • <i>Operations related to the financial system</i> <ul style="list-style-type: none"> Subsidized lending <ul style="list-style-type: none"> ✓ Administered lending rates ✓ Preferential rediscounting practices ✓ Poorly secured ✓ subpar loans ✓ Loan guarantees • Under remunerated reserve requirements <ul style="list-style-type: none"> ✓ Credit ceilings ✓ Rescue operations • <i>Operations related to the exchange system</i> <ul style="list-style-type: none"> ✓ Multiple exchange rates <ul style="list-style-type: none"> Import deposits ✓ Deposits on foreign asset purchases ✓ Exchange rate guarantees ✓ Subsidized exchange risk insurance • <i>Operations related to the commercial enterprise sector</i> <ul style="list-style-type: none"> ✓ Charging less than commercial prices ✓ Provision of noncommercial services (e.g., social services) ✓ Pricing for budget revenue purposes ✓ Paying above commercial prices to suppliers

AGE discounting practice: According to above definition the AGE has two quasi fiscal expenditure activity which is applicable. AGE is selling 95% of their gas to Kod E Barq enterprise in discount price rate which is 80 percent. Besides, the AGE has 70% discount price rate to residential houses and internal usage of enterprise in Shaber Ghan city, and also has 49% discount rate for government offices in Shaber Ghan city. Thus, Afghan gas enterprise does not sell gas at fixed price to all its customers and the rest of the IMF definition is not applicable in AGE enterprise. For further finance details refer to below chart and graph.



AGE Loan to entities: The AGE loan to entities for the years 1395 and 1396 in below chart:

Afghan Gas Enterprise					
Fiscal Year 1395					
Sr.#	Name of Entity	Opening Balance	Adjustments during the Period	Closing Balance	Remarks
1	Kod- Barq Mazar Sharif	370,088,295	88,425,734	458,514,029	
2	Shaberghan City	336,568,493	4,722,107	341,290,600	
3	Aqcha village	66,715,115	2,529,960	69,245,075	
4	Khwaja Doko village	4,311,426	5,400	4,316,826	
5	Mazar-e-sharif City	38,750,475	-	38,750,475	
6	CNG	658,973	182,436	841,409	
7	Other Receivable	59,850,068	38,828,254	98,678,322	
	Total	876,942,845	134,693,891	1,011,636,736	
Fiscal Year 1396					
Sr.#	Name of Entity	Opening Balance	Adjustments during the Period	Closing Balance	Remarks
1	Kod- Barq Mazar Sharif	458,514,029	161,115,993	619,630,022	
2	Shaberghan City	341,290,600	2,625,366	343,915,966	
3	Aqcha village	69,245,075	2,739,894	71,984,969	
4	Khwaja Doko village	4,316,826	-	4,316,826	
5	Mazar-e-sharif City	38,750,475	(9,785)	38,740,690	
6	CNG	841,409	(352,747)	488,662	
7	Other Receivable	98,678,322	15,603,914	114,282,236	
	Total	1,011,636,736	181,722,635	1,193,359,371	

NCE loan to entities: The NCE sells its coal production for AFN 2,100 per MTs whereas charges local miners AFN 1,500 per MTs which is counted as its basic revenue. The NCE enterprise have only the loan to entities and the other quasi fiscal expenditure activity are not applicable in NCE and the loan to entities for the fiscal years 1395 and 1396 in below chart:

Fiscal Year 1395					
Sr.#	Name of Entity	Opening Balance	Adjustments during the Period	Closing Balance	Remarks
1	Jabul Saraj Enterprise	64,913,950.00	46,838,203	111,752,153	
2	Kod e Barq Enterprise	0.00	22,000,000	22,000,000	
3	Afghan Gas Enterprise	44,643,600.00	-	44,643,600	
4	Accounting and finance depart	1,000,000.00	500,000	1,500,000	
5	Geology Survey	130,000.00	300,000	430,000	
6	Shabarghan Hydrocarbon Dept	30,000.00	-	30,000	
7	MoMP Petroleum Dpt	558,000.00	-	558,000	
8	Directorate office of MoMP	600,000.00	234,000	834,000	
9	AIC company	15,821,942.00	-	15,821,942	
10	Baghlan Intellegence Dpt	230,000.00	(230,000)	-	
11	Kunduz Mine Dept	200,000.00	(200,000)	-	
12	Sale of Daghmajaat committee	2,000,000.00	(2,000,000)	-	
13	Cement Ghoori	61,249,358.00	-	61,249,358	
14	Investment Company	4,449,721.00	-	4,449,721	
15	Hashemy Group	27,630.00	-	27,630	
16	Mandagaar Company	0.00	-	-	
17	Guesthouse Electricity Bill	0.00	42	42	
18	Afghan Textile Company	196,069.00	-	196,069	
19	Balkh Water Supply	8,240.00	-	8,240	
20	Balkh Technoloy Dept	10,339.00	-	10,339	
21	Baghlan liquid mine Dpt	64,155.00	-	64,155	
22	Baghlan Province	364,099.00	-	364,099	
23	MoMP Procurement Directorat	50,000.00	(50,000)	-	
24	Abdul Razaq	0.00	7,000	7,000	
25	Gaj Jalogy	0.00	47,400	47,400	
26	Haji Zafar	0.00	8,861	8,861	
27	Haji Rahyaab Construction Cor	500,000.00	-	500,000	
28	ENG SHA MAHMOOD	0.00	157,600	157,600	
29	HAJI ABDUL AHAD	0.00	3,000	3,000	
30	HAJI MOHAMMAD WALI	0.00	3,882	3,882	
31	GHULAM MUSTAFA	0.00	1,565	1,565	
32	AGHA SHIRIN	0.00	47,850	47,850	
33	MOHAMMAD ZAHIR	0.00	138,751	138,751	
34	ABDUL KHABIR	0.00	-	-	
35	GULBADIN	0.00	232,345	232,345	
36	HAFI ZULLAH	0.00	-	-	
37	RYKHTA GARY COMPANY	0.00	147,336	147,336	
38	STAFF	0.00	-	-	
39	BESMULLAH	0.00	6	6	
	Total	197,047,103	68,187,841	265,234,944	

Fiscal Year 1396					
Sr.#	Name of Entity	Opening Balance	Adjustments during the Period	Closing Balance	Remarks
1	Jabul Saraj Enterprise	111,752,153.00	-3,770,931	107,981,222.00	
2	Kod e Barq Enterprise	22,000,000.00	0	22,000,000.00	
3	Afghan Gas Enterprise	44,643,600.00	0	44,643,600.00	
4	Accounting and finance depart	1,500,000.00	-500,000	1,000,000.00	
5	Geology Survey	430,000.00	-200,000	230,000.00	
6	Shabarghan Hydrocarbon Dept	30,000.00	0	30,000.00	
7	MoMP Petroleum Dpt	558,000.00	-358,000	200,000.00	
8	Directorate office of MoMP	834,000.00	366,000	1,200,000.00	
9	AIC company	15,821,942.00	0	15,821,942.00	
10	Afghan Coal electricity bill	0.00	84,772	84,772.00	
11	Cement Ghoori	61,249,358.00	0	61,249,358.00	
12	Investment Company	4,449,721.00	0	4,449,721.00	
13	Hashemy Group	27,630.00	-27,630	0.00	
14	Guesthouse Electricity Bill	42.00	0	42.00	
15	Afghan Textile Company	196,069.00	0	196,069.00	
16	Balkh Water Supply	8,240.00	0	8,240.00	
17	Balkh Technoloy Dept	10,339.00	0	10,339.00	
18	Baghlan liquid mine Dpt	64,155.00	-64,155	0.00	
19	Baghlan Province	364,099.00	0	364,099.00	
20	Resonance Company	0.00	200,000	200,000.00	
21	Abdul Razaq	7,000.00	0	7,000.00	
22	Gaj Jalogy	47,400.00	0	47,400.00	
23	Haji Zafar	8,861.00	0	8,861.00	
24	Haji Rahyaab Construction Cor	500,000.00	-1,734,972	-1,234,972.00	
25	ENG SHA MAHMOOD	157,600.00	0	157,600.00	
26	HAJI ABDUL AHAD	3,000.00	0	3,000.00	
27	HAJI MOHAMMAD WALI	3,882.00	-3,882	0.00	
28	GHULAM MUSTAFA	1,565.00	0	1,565.00	
29	AGHA SHIRIN	47,850.00	0	47,850.00	
30	MOHAMMAD ZAHIR	138,751.00	-111,733	27,018.00	
31	GULBADIN	232,345.00	160,459	392,804.00	
32	RYKHTA GARY COMPANY	147,336.00	0	147,336.00	
33	MOHAMMAD HALIM	0.00	340	340.00	
34	JAAN MOHAMMAD	0.00	119,263	119,263.00	
35	BESMULLAH	6.00	0	6.00	
36	AHMAD TAMIM	0	5,725	5,725.00	
	Total	265,234,944.00	-5,834,744.00	259,400,200.00	

In kind Payment:

In fact, there is no such payment in NCE&AGE enterprises, therefore this benchmark does not exist.

SAO Audit Report:

NCE&AGE financial statements for the fiscal years 1395&1396 are audited by supreme audit office and the report published in MOMP website. <https://momp.gov.af/index.php/soes>

Production volume and coordinates for NCE&AGE:

SOEs submitted the coordinates and production volume for NCE and AGE to RDF and revenue directorate and the coordinates and legal documents published in MOMP website.

<https://momp.gov.af/index.php/soes>

Jabul Saraj Cement Enterprise:

The Jabal Saraj cement enterprise is located in 80 kilometers north of Kabul in Parwan province. JCE was the first cement plant in the country, which was established in 1957. The production plant of JCE started its operations from 1957 to 1996. In 1986; the company became a state-owned enterprise but unfortunately due to civil war the operations of the industry got stopped. Whereas, the JCE plant in Parwan has reopened after 20 years in 2016 and the revenue in 1395 and 1396 was less than 7 million. Thus, this was the reason that we did not include cement Jabul Saraj in 6th EITI report.