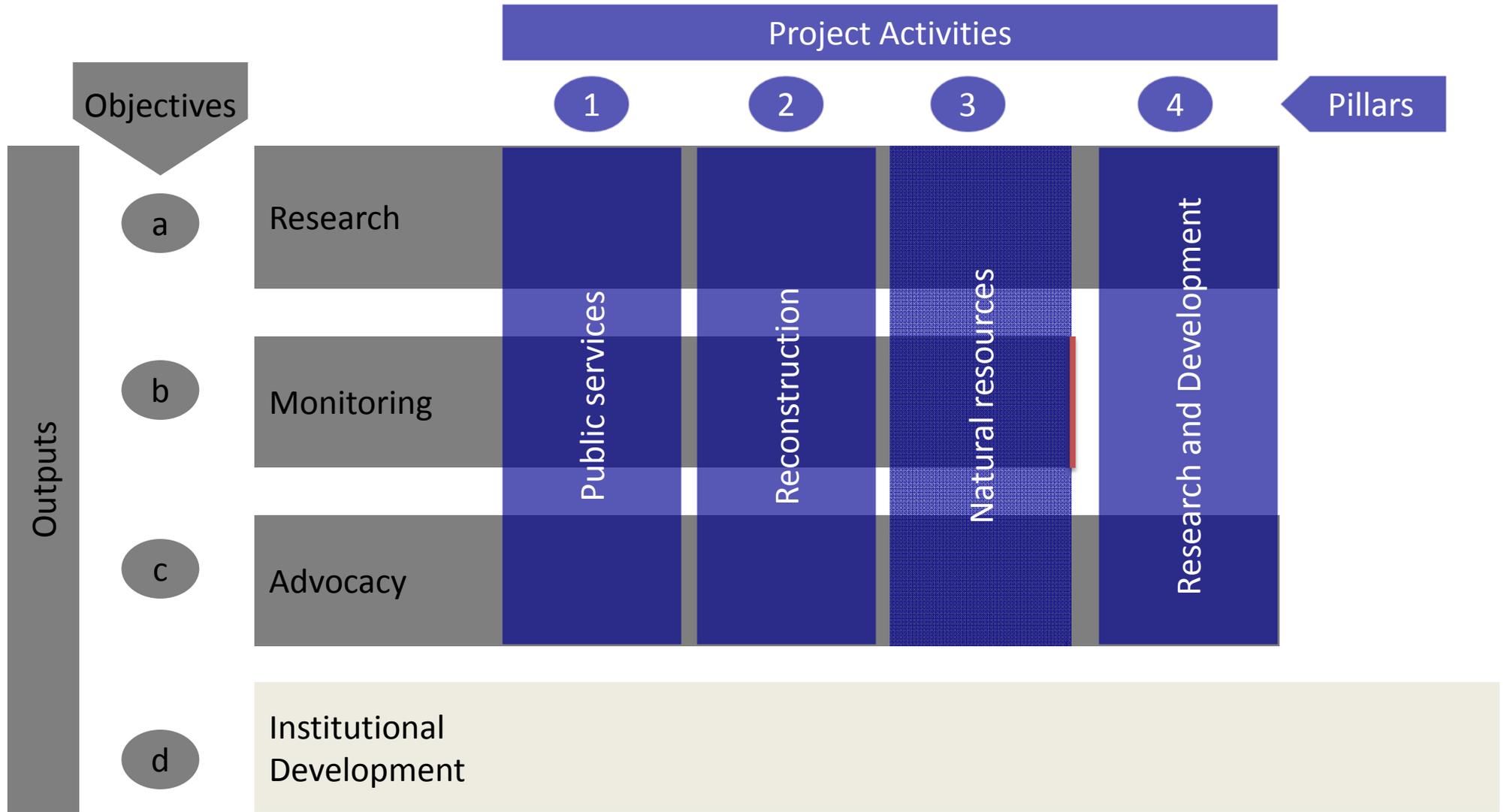


Aynak Impact and Challenges

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Integrity Watch Afghanistan program structure



Summary

IWA's presentation at USIP

Mining Potential Income

Local and National Challenges

Monitoring and its limitations

IWA's approach

Current situation overview and IWA's concerns

Summary of the potential benefits for Afghanistan

	Benefits	Who is in charge	Consequences if not addressed
Addressed / ≈	Income for the GoA	Contract GoA (MoF) Watchdogs/CSO/EITI	<ol style="list-style-type: none"> 1. Aid dependency 2. Weak state building 3. Corruption
	Generate a qualified labour force	GoA (MoE, MoSA, MoHE) Company	<ol style="list-style-type: none"> 1. Afghanistan will not attract future investors, slow-down its development
Not Addressed	Infrastructure development	Contract/ GoA (MoPW)	<ol style="list-style-type: none"> 1. Slowdown future investments 2. Create social dissatisfaction
	Private sector development	GoA International donors	<ol style="list-style-type: none"> 1. Deprives the State from a large part of mining spill-over 2. Reduces development impact
	Regional integration	Water sharing, transport, MoFA, neighbour countries	<ol style="list-style-type: none"> 1. Larger development projects might be blocked

**Attract future investments in the mining sector
Generate development => Security ?**

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Potential challenges at the local level

Local Challenges

1. Tribal tension inherent to the Hamadzai tribe
2. Presence of insurgency pockets ready to use the mining as an argument against the GoA
3. Use of the mine as a catalysis for disputes
4. Due to heavy presence of foreigners, woman reduce their circulation and are more isolated
5. Further isolation of local communities if there are no programs to develop their capacity beside the low-qualified lines of work
6. Vulnerable groups are excluded from the mining benefits
7. Irregularities (environment/social) are hidden

Categorized

Local insurgency/local tension:

Land

Gender

Capacity Building

Pollution/environment

Potential challenges at the national level

National Challenges	Categorized
1. Pocket of hard insurgency appear	Security
2. Mining operation become a source of insecurity/ mobilization	
3. Corruption slow down the private sector development related to mining	Corruption
4. First time that such a large operation is conducted by the Afghan state	Institutional overlapping/Gaps
5. Might dissuade future investors if MCC is retracting	Legal framework
6. The company does not find enough qualifies service provider to outsource	Institutional capacity of the GoA
7. Will out-source to neighbouring countries – the Afghan economy will not benefit fully from the mining operations	Employment
	Weak private sector
	Quality of social investments

Timing

Solutions to the following problems should be devised over the following phases:

	Short term	Mid-term	Long term
Security	█	█	
Corruption	█	█	
Institutionnel setting	█	█	
Local insurgency /Tensions	█		
Gender		█	█
Human capacity		█	
Land rights	█		
Pollution/Environment	█	█	
Instituional overlapping	█		
Legal framework	█	█	
Institutional capacity of the GoA	█	█	
Employment	█	█	
Weak private sector		█	█
Quality of social investments	█	█	

Most of the challenges are concentrated towards the beginning of the process and therefore puts a lot of pressure at the initial set-up phase

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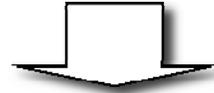
Challenges & solutions

	Challenge	Technical Solution	Financial Assistance	Other Solution	Monitoring by CSO
Cross cutting	Security			✓	✓
	Corruption	✓			✓
	Institutional setting	✓	✓		✓
Local	Local insurgency /Tensions			✓	✓
	Gender			✓	✓
	Human capacity	✓	✓		
	Land rights	✓			✓
	Pollution/Environment	✓			✓
National	Institutional overlapping	✓	✓		✓
	Legal framework	✓			
	Institutional capacity of the GoA	✓	✓		✓
	Employment	✓			
	Weak private sector	✓	✓	✓	✓
	Quality of social investments	✓			✓

Recommendations

Monitoring Extractive Industries Projects in Afghanistan

Integrity Watch Afghanistan recommends the implementation of a three-phase process creating the environment allowing Afghan extractive industries to leverage local sustainable development



1

Institutional building for the monitoring

- Identification of key stakeholders
- Constitution of the monitoring governance structure
- Identification of shortcomings in the legal framework

Working project team

The institutional environment is set up for monitoring extractive industries projects

2

Project set-up

- Identification of key operational streams
- Constitution of project teams for each identified stream
- Drafting of action concrete action plan

Identified project streams

Operational projects are identified, together with the relevant organization and action plans

3

Process development

- Implementation of drafted action plans
- Monitoring of the processes
- Regular public communication and consultation of key stakeholders
- Integration of monitoring outputs

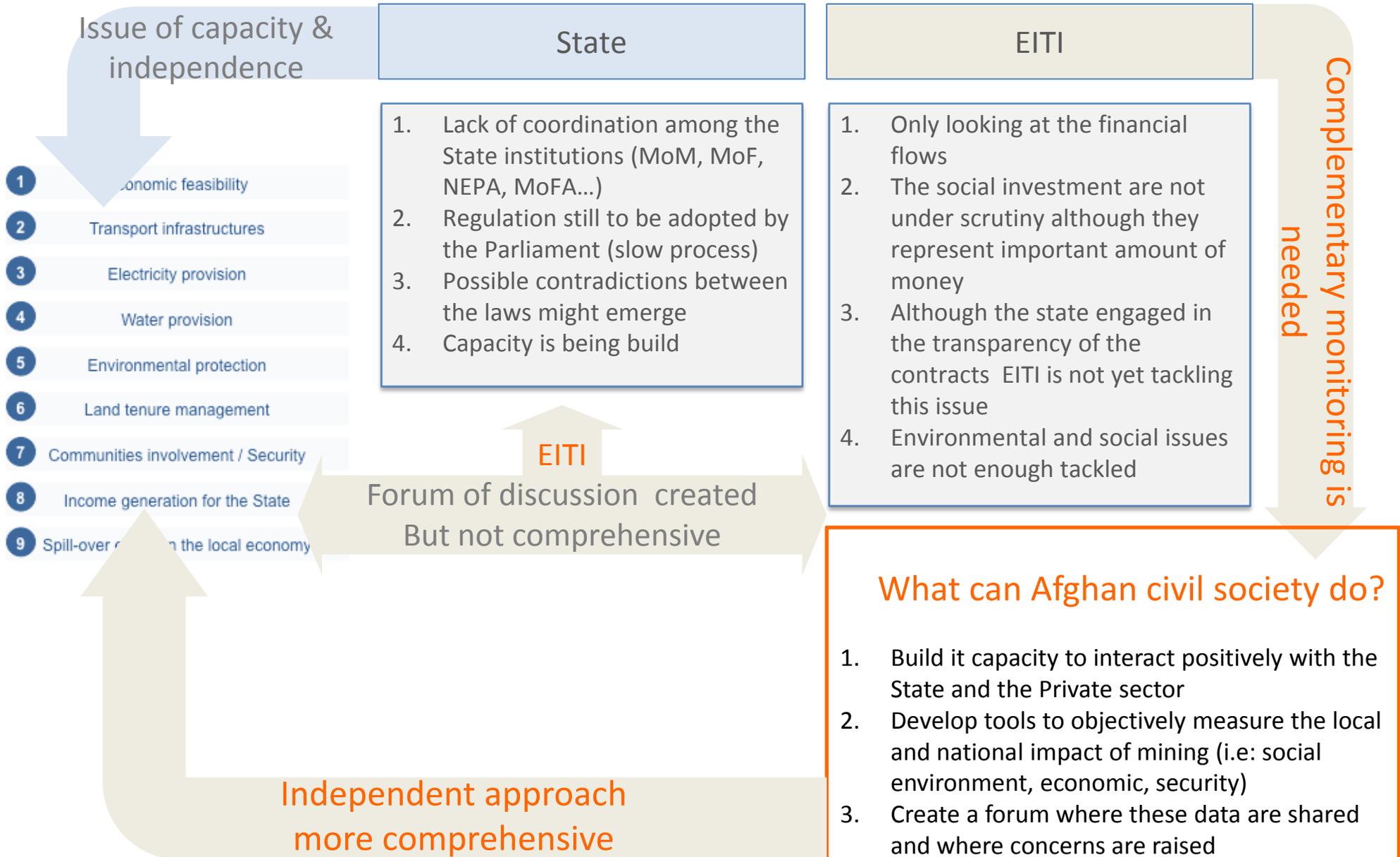
On-going monitoring

Monitoring out puts can improve the management of extractive industries and their development spill-over effects



The created governance structure will enable the implementation and monitoring of concrete projects addressing key issues

The limitation of the existing monitoring structures



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IWA's up-coming activities related to the Extractive Industry: possible path

A

Baseline

baseline study for both the sites of Aynak and Hadjigak. The methodology is still under development but these issues will be tackled among other:

- Water availability
- Land occupation
- Labour force
- Existing conflict
- Institutional mapping
- Social tensions
- Health
- Environment

B

Monitoring

Using the baseline results, the indicators/variables stated in the mining contracts/technology and community involvement: set-up a community assisted monitoring system in order to hold accountable both the GoA and the Company.

Updated data

baseline study for both the sites of Aynak and Hadjigak. The methodology is still under development but these issues will be tackled among other:

- Water availability
- Land occupation
- Labour force
- Existing conflict
- Institutional mapping
- Social tensions
- Health
- Environment

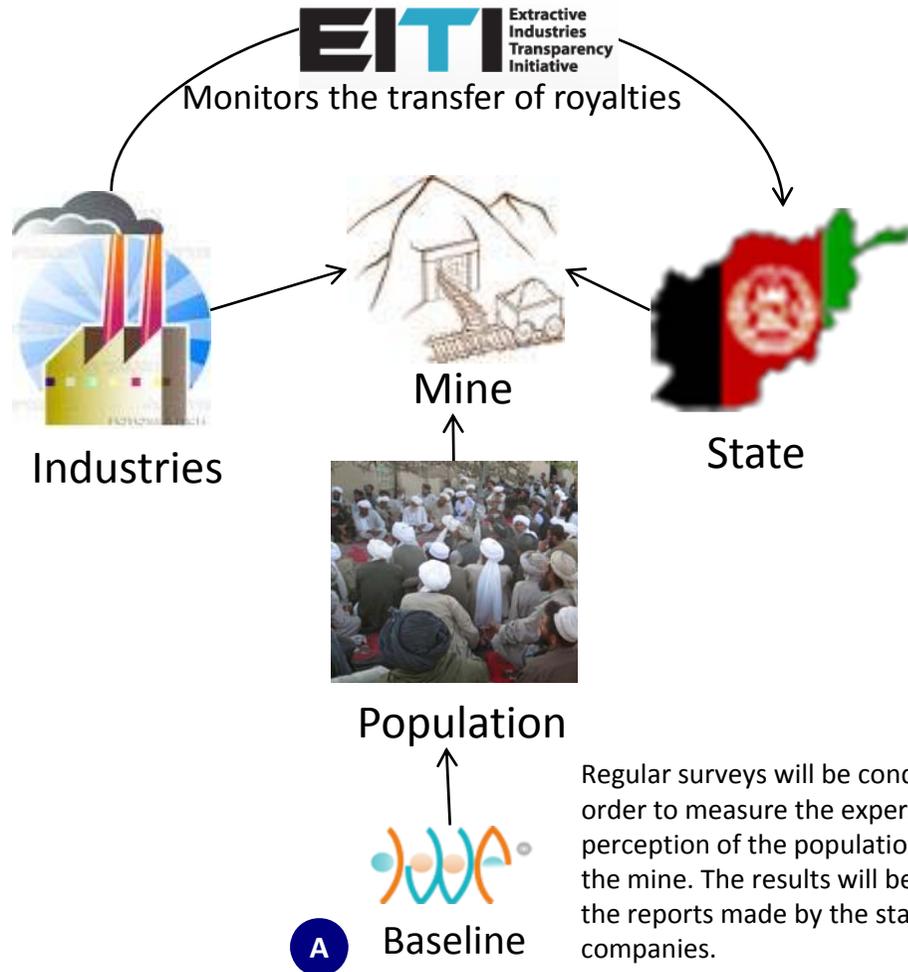
The monitoring approach is updated in accordance with the baseline results

Data from the baseline are regularly updated

Natural resource monitoring

Monitoring of financial flow

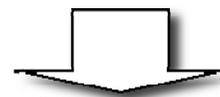
Monitoring of social, environmental and development impact of the mine



The State and the mining companies are entering the data related to the EITI (extracted quantities and proves of royalties payment and receipt from the companies to the State.) In addition to these data, both the State and the company are entering data relative to the contract:

- Environmental protection data (quality of air, water, any major environmental)
- Social protection (incident on mine workers...)
- Human Development indicators.
- Other pertinent indicators

→ -Report on the survey conducted with the population living around the mine or working in the mines



Ensure that all actors involved in the mine are accountable to each other and that the contract passed between the State and the companies are respected

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The current situation:

Attract future investments in the mining sector: At Risk
Generate development: At Risk => Security degradation

The contract	Description	IWA's level of concern
The institutional building	The WB and int. donors are concentrating on this issue at the moment, important progress are happening since 12 months	medium
The laws /regulations / procedures	Most of the laws are drafted, not all regulations have been passed through the Parliament. The design of procedures at the ministerial level will accelerate the process. Many inconsistencies will appear during the exercise and the set-up process.	medium
The watchdogs	The Afghan civil society is weak but could improve quickly. The GoA is showing positive signs of collaboration. Capacity and technical tools must be used to generate reliable and constructive information for the monitoring	low
The security	Preoccupying in particular with regard to the local dynamics and the weak social interactions between MCC and the local communities	high
Communities	Communities are not well informed, manipulated and disorganized. This issue should be addressed by the State and the company urgently	high
Environment	Not yet addressed properly, the contract sets high standards but there is an important pressure from the company to progress too quickly, in particular with water related issues	high
The company	Under important pressure, lacking behind in its plan (12/18 month) might be tempted by some dangerous short-cuts in the set-up process. Need to change its cultural approach to the mining in the Afghan context	medium

	Recommendations
GoA	<ol style="list-style-type: none"> 1. A coordinating body of regulatory agencies should be created and become the focal point for communities, CSO, TA. The IMC is too weak. 2. Improve the education system with regard to mining to ensure that a sufficient number of qualified persons will be on the market in the next two years 3. Provide targeted support to generate an Afghan private sector able to provide the technical services for the extractive industry (AISA?) 4. Set-up the institutional frameworks able to receive civil society monitoring inputs
WB and technical assistance	<ol style="list-style-type: none"> 1. Continue to provide funds and human technical assistance to improve the capacity of the key ministries and agencies in charge of the management of the mine 2. Ensure that the due processes are respected by both the GoA and the extractive companies for a proper set-up of the mining project 3. Regularly inform and involve civil society on the major challenges of the project
CSO	<ol style="list-style-type: none"> 1. Provide constructive and reliable information using research and monitoring
MCC	<ol style="list-style-type: none"> 1. Improve the understanding of communities dynamics 2. Need to change its cultural approach to the mining in the Afghan context 3. Make sure that the condition stated in the contract are respected (Social-economical, environmental) 4. Become more transparent on the challenges faced
US	<ol style="list-style-type: none"> 1. Recognize the risks taken by MCC in this investment 2. Collaborate with China to ensure that MCC investment will be a success which will open the way for future investments in the mining sector

THANK YOU!

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