

# No More Enclaves: Aynak in Afghanistan

Prepared by Gary McMahon, World Bank, for  
“Countdown to Copper in Afghanistan: Pitfalls and  
Possibilities”, US Institute of Peace, February 10, 2010

# Main Issues

- Fiscal revenues: premium, royalties, taxes, (for what use?)
- Afghani employment during construction & exploitation: how much, how fast
- Lograr/local employment
- Skilled jobs development
- Domestic outsourcing: how much, how fast, training
- Infrastructure: integration with existing & planned
- Social: resettlement, access to land/water, health, etc
- Environmental: mine waste, general impact

# Current Situation: Economic Issues

- \$808m premium; 19.5% royalty (both unheard of); profit tax of 20%
- Contractual obligations (CO) for employment—MCC says 95% Afghans after 8 yrs production (approx. 3000 jobs) (Locals unclear—not in contract)
- CO for construction employment—100% unskilled, goal of 50% skilled (peaks at 4000 jobs)
- CO for mine training
- CO obligations for domestic outsourcing if competitive; no training obligations
- CO for 400 MW power plant, 200 MW to Kabul; coal mine; railway, BOT, agreement under negotiation

# Current Situation: Social & Environmental Issues

- CO to abide by all the 'right things' (Equator principles, WB safeguard, voluntary principles on security & human rights)
- CO for schools, health, housing, etc for employees
- Screening report complete (Dec 09)
- Need ESIA, EMP but concern that are doing mine preparatory work; great pressure to start
- Some complaints on lack of consultation
- Lack of M&E capacity in Ministry of Mines but...
- Hiring a team of consultants to monitor implementation of contract (WB funded)

# Some Doodlings

	Low Impact (annual)	Medium Impact (annual)	High Impact (annual)
Construction: 2011-15	\$210m	370m	730m
Exploitation: 2016-22	283m	445m	802m
Exploitation: 2023-40	360m	546m	955m

## Key Parameters

Fiscal Revenues spent 70% on domestic goods & services

Marginal Propensity to Consume Domestic G&S: 0.2; 0.4; 0.6

Domestic Outsourcing: 6%; 14%; 24%

Price of copper: \$6800/tonne (approx \$3.1/lb)

Misses some feedback loops (extra 10%-20%?)

Excludes ancillary developments (extra 10%-15% w/o RR?; 25%-40% with RR?)

# Way Forward

- Closely monitor fulfillment of contract
- Build capacity in MoM & NEPA for M&E
- Ensure that local communities & Logar province get 'fair share' of jobs & other opportunities; continuous community consultation
- Up-to-date info on all procurement opportunities
- Skills training for outsourcing, including management & quality control
- Identify other opportunities & coordinate infrastructure plans