



# Mining for Development Conference 2013

Sydney, Australia

## SESSION SUMMARY - PLENARY TWO

### Realising the opportunities and meeting the challenges

HE Wahidullah Shahrani, Dr Graeme Hancock & Daniel Kaufmann

The global mining industry presents enormous opportunities for developing nations, but a wide range of challenges must be overcome if those opportunities have any hope of being achieved.

His Excellency Mr Wahidullah Shahrani, the Minister of Mines for the Islamic Republic of Afghanistan discussed the nature of these challenges and the opportunities that remain. Mr Shahrani described the vast mineral wealth that lies under Afghani soil, which has a potential value of between US\$1 trillion and \$US3 trillion dollars - even with less than ten percent of the country's geology surveyed in detail.

Mr Shahrani said that within 10 years mineral extraction could contribute up to \$1.5 billion annually to Afghanistan's economy, and up to US\$3 billion in a further three or four years. This would see mining contribute approximately 40 percent of the country's economy, and lead to the creation of 500,000 long term jobs.

But he said the mining sector's growth to date was hindered by Afghanistan's history of conflict, and the limitations associated with state ownership and centralised planning. The government has subsequently recognised the importance of the private sector and made changes to its legal and regulatory environment to attract private investment. This has included the transformation of the Ministry for Mines and Petroleum from an owner/operator to a policy maker and regulator.

"The new law has been very much pro-investors," Mr Shahrani said, adding that the Afghani government had also embarked on a robust program around transparency and engagement.

He said another consideration in Afghanistan was its rich cultural heritage, whose preservation must be balanced against the desires of miners. The government recently had success at the Aynak copper deposit where it stopped mining and granted an injunction of three years for local and international archaeologists to excavate cultural relics including sculptures and temples.

With much of the existing mining activity in Afghanistan being artisanal and informal, Mr Shahrani said it had been important to engage with local communities so they could see the long term benefits in terms of jobs and infrastructure.

Another consideration for Afghanistan was its landlocked nature, with the nearest port facilities being 500kms beyond its borders. However, Mr Shahrani said his government had sought to turn this to the country's advantage through developing its potential as an energy and trade hub.

## International Mining for Development Centre

FUNDED BY



IMPLEMENTING PARTNERS



WA Trustees Building  
Level 2, 133 St Georges Terrace  
Perth, Western Australia 6000

Tel: +61 8 9263 9811  
Fax: +61 8 9263 9877  
Email: [conference@im4dc.org](mailto:conference@im4dc.org)  
Web: [www.im4dc.org](http://www.im4dc.org)



Afghanistan's National Regional Resource Corridors Program aimed to link major infrastructure projects with mining projects and vice versa, and to integrate with neighbouring countries to establish Afghanistan as a trade and resource corridor. This meant developing new roads, and also creating a trans-Asian Rail Network.

And finally, Afghanistan was also working to increase the capacity of its government and workforce, for which it was receiving help from AusAID.

"All these objectives will be achieved," Mr Shahrani said. "It really depends on the quality of our management. And with the level of support that we are getting from our international partners, such as AusAID, and the way that we have been interacting with other organisations such as the World Bank ... plus political will from the leadership of the government will help us to achieve all of these objectives in the next decade."

He said the ultimate goal was to transform Afghanistan from a country dependent on international aid to one that could stand on its own feet.

Afghanistan is certainly not alone in the challenges it faces. According to the President and Chief Representative for Anglo American Development LLC in Mongolia, Dr Graeme Hancock, essential processes such as community engagement were essential for all projects.

"The best way to create an environment for community development is to create a process," Dr Hancock said. "And the process that you need to go through should not have a time limit on it."

He said the central government must engage with the local community in any discussions, or the local community could get frustrated and vent that frustration on the mining company.

But he said one of the biggest challenges had been the inclusion of women in the agreement process. If women were unable to speak in the main forum for cultural reasons, then they needed to be included in a separate forum where they could speak.

While the process needed to be inclusive, he said it was also important to ensure that it was transparent.

"Transparency is a process too, and it takes time, otherwise it will fail," Dr Hancock said.

The process of engagement would also differ from location to location, as the role of government in different communities could vary markedly, leading to different expectations as to what a miner might provide to a local community.

"Where does corporate social responsibility end and the role of the state begin?" Dr Hancock asked. "It is going to be grey and fuzzy, but that is OK provided you know where you stand."



The problems of engagement and transparency are widespread. According the President of the oversight group Revenue Watch Institute, Daniel Kaufmann, in resource rich countries today more than 1 billion people lived on less than \$5 a day, and 640 million lived on less than \$2 a day.

The Institute recently released a report that compared various mining nations based on factors such as institutional and legal settings, reporting practices, safeguards and quality controls, and regard for the environment. Mr Kaufmann said 80 percent were not meeting satisfactory governance standards

“Weak and failing governments, which are substandard in terms of transparency and accountability in natural resources, account for more than half - some 32 out of 58 countries,” Mr Kaufmann said. “But the silver lining is there are counties that show it can be done, and progress is possible. Many of them are in Latin America, showing that it is possible to be an emerging economy and to relatively well.”

He cautioned that transparency was often missing in those countries where it was needed the most.

“The most resource-dependent countries are the ones that are doing less well on balance in terms of transparency and accountability,” Mr Kaufmann said.

The report found 20 countries where substantial resource revenue bypassed treasury, while 21 did not publish information on primary sources of revenue. Other problems included a lack of disclosure of interests from government officials. The region that performed the worst for transparency was the Middle East and North Africa, whereas Latin America and the Caribbean were doing well.

Mr Kaufmann had a number of recommendations for countries that wanted to improve their standing, such as disclosing signed contracts, providing timely reports on oil, gas and mining operations, extending transparency to resource funds and sub national transfers, making concerted efforts to control corruption, and adopting international standards.

ENDS