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Warlords, government capacity threaten Afghan mining: watchdog

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By [Michelle Nichols](#)

KABUL (Reuters) - A giant Afghan iron ore deposit may provide hope for the prosperity of the country, but the Afghan government is not able to ensure the mine is managed properly and profiteering warlords could spark further violence, a graft watchdog said on Sunday.

The Hajigak project, which straddles the central provinces of Bamian, Parwan and Wardak, has deposits of 2 billion tones with an estimated worth of \$350 billion and is described by the Afghan government as Asia's largest unmined iron deposit.

The deadline for bids on the deposit is September 4 and Mines Minister Wahidullah Shahrani has said he expects to award a contract sometime in November. He said 17 companies, mainly from India, were interested in the deposit.

Integrity Watch Afghanistan, a Kabul-based group that aims to spotlight corruption, said while Shahrani and Finance Minister Omar Zakhilwal were committed to a transparent mining sector, the government lacked the capacity to stamp out "reported endemic corruption".

"The Afghan government will not be able to ensure that Hajigak is well managed and, ultimately, beneficial for the future of the country," Integrity Watch Afghanistan said in a report released on Sunday.

Since Shahrani became minister at the start of 2010, he has shed staff, drawn up the ministry's first business plan and signed Afghanistan up to the Extractive Industries Transparency Initiative (EITI) as a candidate country. He was optimistic that by April 2012 Afghanistan would get full EITI compliant status.

This month, the World Bank gave Afghanistan a \$52 million grant, to be disbursed over three years, to help manage its natural resources effectively and transparently, including completion of the bidding process for the Hajigak project.

But public sector corruption in Afghanistan is seen as worse than in any other country except Myanmar and Somalia, according to corruption watchdog Transparency International. President Hamid Karzai has acknowledged graft exists in his government but has said foreigners are also to blame.

TEMPTATION FOR WARLORDS

Experts say Afghanistan's mineral resources bounty is years, even decades, away with potential investors also facing big infrastructure and security challenges in a country ravaged by three decades of conflict.

"The political will at the ministerial level (for a transparent sector) is apparent, but the capacity to implement is not," said the authors of the report, "Hajigak - The Jewel of Afghan Mines".

Afghanistan's first big resources contract for the Aynak copper mine south of Kabul, which is due to start production in 2014, was questioned when accusations were widely reported in 2009 that Shahrani's predecessor, Mohammad Ibrahim Adel, had accepted a \$30 million bribe to award it to a Chinese firm.

Adel denied the allegations and said China's top copper producer, Jiangxi Copper Co, together with China Metallurgical Group Corp, had fairly won the contract in 2007.

Integrity Watch Afghanistan said there was serious concern that warlords -- military commanders who built up private armies and fortunes during years of civil war who still command the loyalties of their supporters -- could spark further violence in a bid to profit from the country's minerals.

"Warlords will certainly be tempted to become active in Hajigak and in the sector, and this will be a sure trigger for violent conflicts over resources," the report said.

"People familiar with the status of contracts in the natural resources sector have been airing the fear that warlords may seek to invest in the sector as a means to legalize their activities and enjoy their ill-gotten wealth," it said.

The mining sector has become too exposed to war profiteers and investors' mining capacity and experience had to be better scrutinized, Integrity Watch Afghanistan said.

The group's full report and series of recommendations can be found on its website www.iwaweb.org



(Editing by [Robert Birsel](#))

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