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The New York Times

Mining Contract Details Disclosed in Afghanistan

By Graham Bowley and Matthew Rosenberg

10/14/2012

KABUL, Afghanistan — Enmeshed in a bruising political battle over new mining rules seen as vital to Afghanistan's economic future, the country's mining minister on Sunday disclosed about 200 previous mining contracts for the first time, portraying the move as an attempt to bring transparency to a process vulnerable to corruption.

In the process, he appeared to take a swipe at a brother of President Hamid Karzai, citing as flawed the award of a contract in 2006 for a cement company in which he was a partner.

The action, by Mining Minister Wahidullah Shahrani, was likely to please his supporters in the West, including the United States, who made greater openness in the Afghan government's financial dealings a condition of billions of dollars in development assistance and aid money pledged earlier this year.

But the move also comes at a precarious time for Mr. Shahrani. He is embattled politically and a target of critics for his shepherding of a proposed new mining law, vital to attracting foreign investment, which was blocked by the Afghan cabinet in July with President Karzai's support. Mr. Shahrani is to resubmit the law in the coming weeks.

Developing Afghanistan's potentially rich deposits of iron, oil, gold, copper, lithium and other natural resources is regarded as crucial to the country's economic prospects, transforming it into a state that can begin to pay its own way and allowing the international community to cut back

its financial and, ultimately, military support. But there are persistent concerns that any resource boom could be jeopardized by corruption, worsening security and political instability.

“From now on every contract will be made public,” Mr. Shahrani said at a news conference here. “No contract will be kept secret.”

However, Mr. Shahrani did not release the contract for one of the country’s biggest and most lucrative mining concessions, the 2007 agreement for the Aynak copper deposit in Logar Province near Kabul struck with a Chinese state-owned conglomerate, China Metallurgical Group Corporation. Accusations of bribery and a sweetheart deal for the mining concern have swirled for years, but without proof.

Mr. Shahrani said this agreement was made under a previous minister when nonpublication was subject to a legal deal with the Chinese. He said he had written to the Chinese with a request to make the contract public. Almost all of the other contracts published on the ministry Web site, struck as far back as 2002, covered an array of much smaller marble, coal and other mines, and until the details of the Aynak contract are released, analysts questioned whether the new initiative had full force.

“This is a start,” said Yama Torabi, director of Integrity Watch Afghanistan, an anticorruption watchdog based in Kabul.

Mr. Shahrani said the ministry had discovered “financial, legal and technical flaws” in some of the contracts, and held up as an example at the news conference the operating rights for the country’s only cement factory, which was awarded at the time to a partnership of investors, among them Mahmoud Karzai, one of President Karzai’s brothers.

Mahmoud Karzai has been accused of using his brother’s position for financial gain, and the cement factory had been controversial, not least among local provincial leaders who said the investors had cut jobs and paid low salaries. The contract was only four pages long, for an agreement that under proper international standards would normally be far longer, Mr. Shahrani said.

“Look at the contract of Ghorī Cement,” he said. “Nobody remembers a 30-year contract being signed in four pages.” He said the shortcomings reflected lack of capacity and experience among officials in the ministry when the agreement was put together, and that the flawed contracts would be revised.

Neither President Karzai’s office nor Mahmoud Karzai returned messages seeking comment.

Afghan and Western officials in Kabul, along with technical experts who advise the government, have said that the initial rejection of the new mining and oil drilling law in part reflected the minister’s political weakness. Mr. Shahrani, who took over in 2010, had expected the new law to breeze past the cabinet, yet instead found himself pitted almost alone against a range of more experienced and better-connected politicians — from those seen as pro-Western reformers to former communists and the religiously conservative who, among other things, objected to the

proposals as being too generous to foreign mining interests eager to exploit Afghanistan's natural resources.

President Karzai publicly sided with those lined up against the new law, sending it back for revisions over Mr. Shahrani's objections.

Some Western officials fear the maneuvering reflects attempts by political rivals to snatch control of the Mining Ministry, a coveted post that oversees millions of dollars in contracts.

"A lot of groups, a lot of people in the government, want to be part of the mining now that it is seen as a way to generate large sums of revenue," said one senior European diplomat in Kabul who follows the mining deliberations.

The diplomat, speaking on condition of anonymity, said that Sunday's announcement could be seen as an attempt by Mr. Shahrani to address his political vulnerability by boosting his standing among Afghans and the international community.

The Mes Aynak mine has been delayed by deterioration in security and the discovery of Buddhist ruins and artifacts. But Mr. Shahrani said that archaeologists preparing the site now had a deadline of the end of this year to finish their survey, and that he was confident that the Chinese could begin mining extraction in 2014.

Since he took over the ministry two years ago, Mr. Shahrani has been collecting details of agreements struck on natural resource deals going back over the past 10 years.

Earlier this year, fulfilling concerns raised by Western governments at the Tokyo Conference, where for the first time donors made it a condition that the Afghan government reduce corruption before receiving all of the money, President Karzai issued a decree calling for full details of natural resource contracts to be published, giving further impetus to his efforts.