



global witness

War in the Treasury of the People

Afghanistan, Lapis Lazuli and the battle for mineral wealth

“We are at risk of the curse of plenty, [the] curse of resources.”

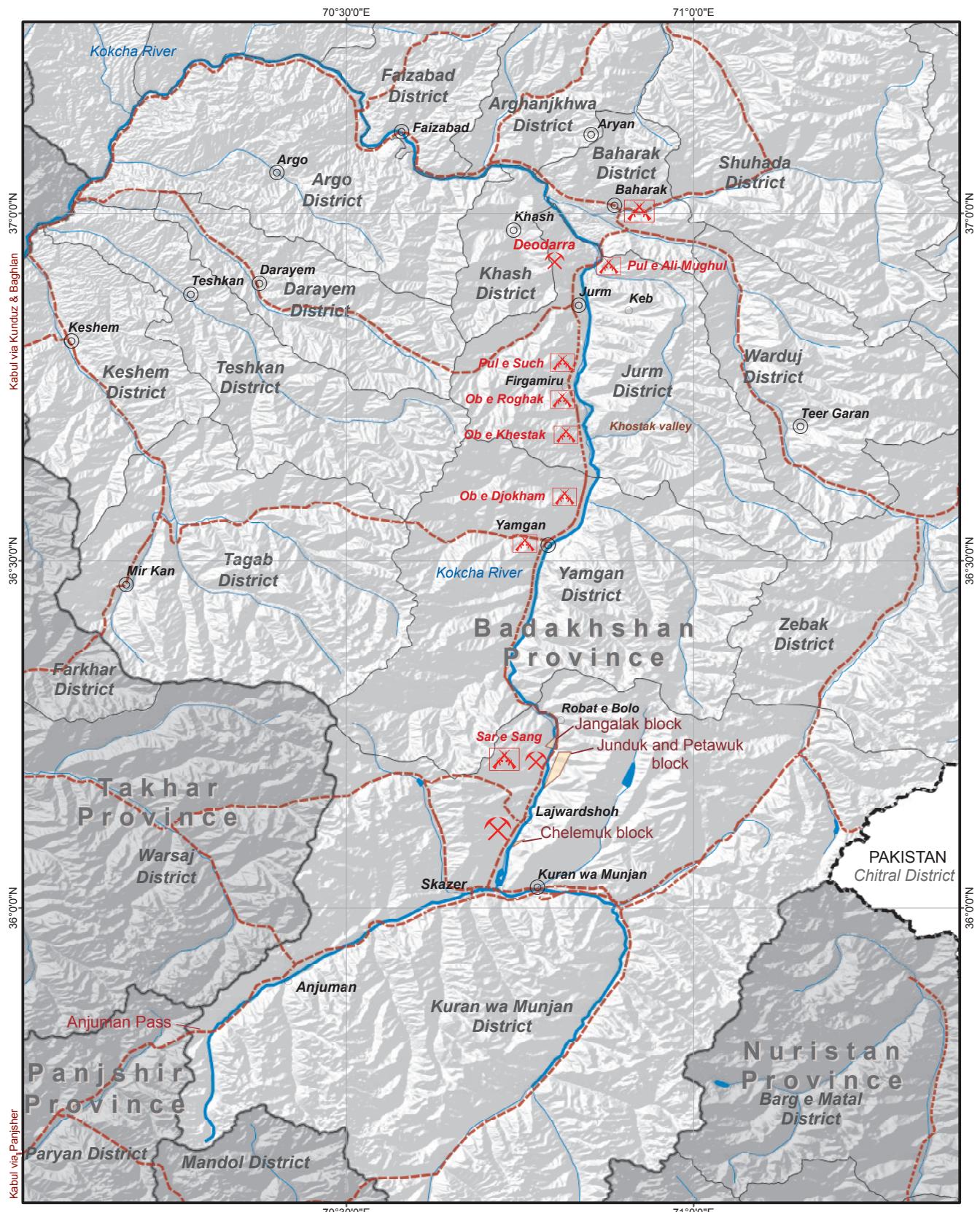
Ashraf Ghani, President of the Islamic Republic of Afghanistan¹

“The mine belongs to the whole nation. It is for all of us.”

‘Haji Anwar’, a miner from Badakhshan²

“This mine is itself a general (...) It will make people fight.”

‘Haji Bashir’, an elder from the district of Kuran wa Munjan³

**Legend**

- ☒ Checkpoints/incidents (2014)
- ☒ Mining sites
- Ⓐ District Center
- Town/village mentioned in text
- Lajwardeen contract concession blocks
- - - Primary road network
- - - Major rivers/water
- - - Rivers/streams
- - - Provincial boundaries
- - - District boundaries

0 10 20 30 40 50 Km
Projection/Datum: Geographic/WGS84

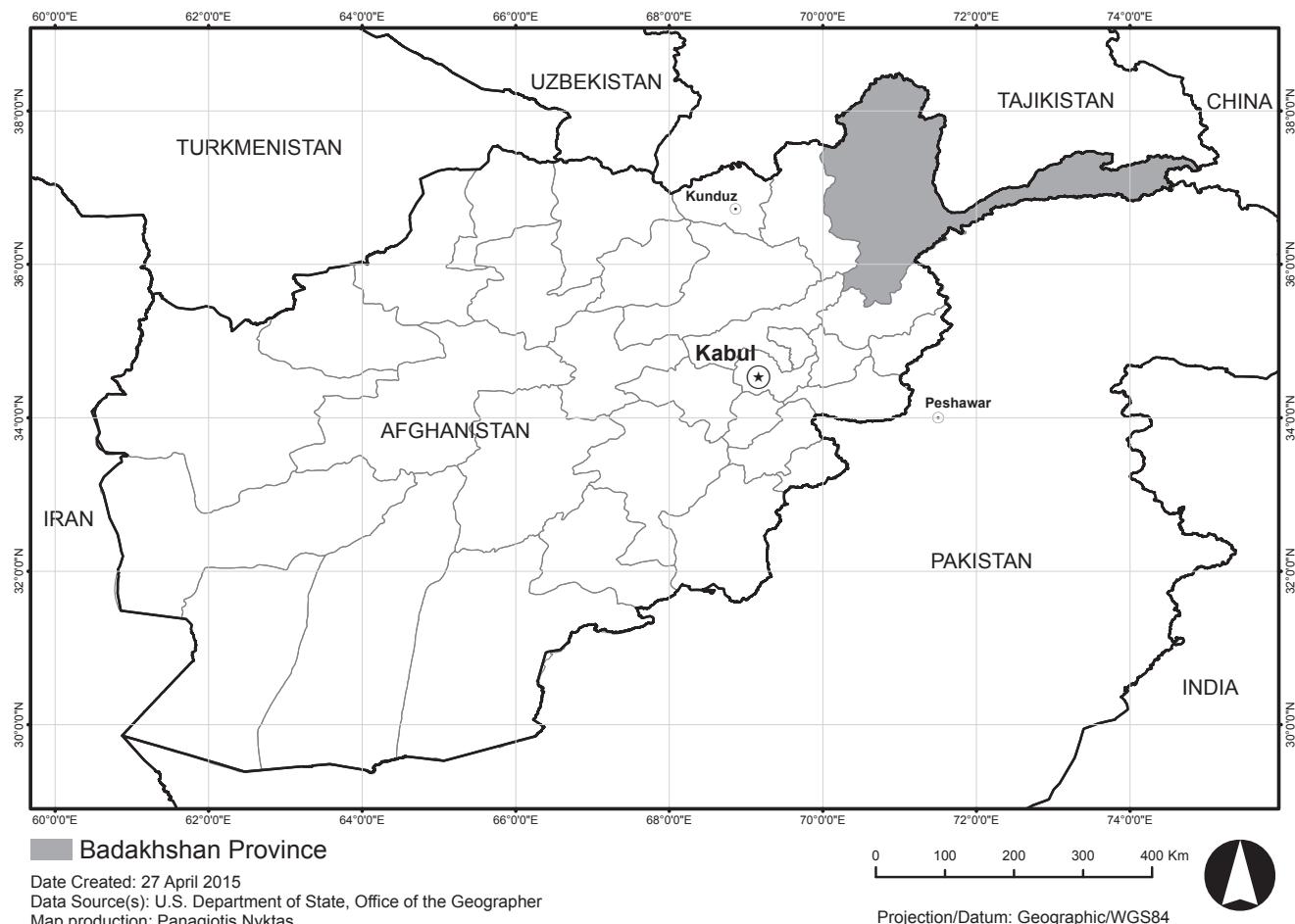


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AGCHO, CSO, AIMS, MISTI.

<http://www.humanitarianresponse.info/en/operations/afghanistan/datasets>
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List of Acronyms and Abbreviations

AK-47	Avtomat Kalashnikova, aka Kalashnikov 7.62 x 39mm assault rifle
ALP	Afghan Local Police
ANA	Afghan National Army
ANP	Afghan National Police
Afs	Afghanis (Afghan currency)
bn	Billions
DDR	Demobilisation, Disarmament, and Reintegration
IED	Improvised Explosive Device
IMU	Islamic Movement of Uzbekistan
IS	Islamic State – also known as ISIL (Islamic State of Iraq and the Levant), and ISIS (Islamic State of Iraq and ash-Sham)
LMC	Lajwardeen Mining Company
m	Millions
MPF	Mining Protection Force (kita e muhafizat e ma'dan)
OECD	Organization for Economic Cooperation and Development
PBIM	Pamir Badakhshan International Mining
PK	Pulemyot Kalashnikova, a Russian-made 7.62 x 54 mm machine gun (acronym can also be used as a generic term for a light machine gun)
RPG	Rocket Propelled Grenade
trn	Trillions

A rate of US \$1=56 Afghanis was used for the majority of currency conversions in the report – a rough average of the rate from June 2013 to early 2015. The Afghani began significant depreciation from about April 2015, and for data from this date to May 2016 an average rate of 62.5 Afghanis was applied. For data prior to June 2013 a rough average of \$1=50 Afghanis was used.⁴

Summary

The mines of the rugged northeastern province of Badakhshan are one of the richest assets of the Afghan people, an extraordinary national treasure that should be a powerful resource for development. Instead, as a two year investigation reveals, they are a major source of conflict and grievance, supply millions of dollars of funding to armed groups, insurgents, and strongmen, and provide a tiny fraction of the benefit they should to the Afghan people. Without a coherent response, these mines – and others like them across Afghanistan – represent not just a lost opportunity, but a threat to the whole country.

The direct rivals in the violent competition for Badakhshan's ancient lapis lazuli mines are two local strongmen. Both have exploited the mines, both have links to national politics, and both allegedly have had back-door ties to the Taliban. According to rough but plausible estimates, the revenue going to these strongmen and the Taliban from just one small area of Badakhshan rivals the government's declared income from the entire Afghan natural resources sector. For now, the lapis which supplies much of the world market is, by any reasonable definition, a conflict mineral.

This struggle is one of resources, not ideology: a “business war.” But it has nonetheless created the conditions in which the Taliban – who have a close relationship with the local affiliate of the Islamic State – threaten to take the mines, and already control much of their revenue. And it is a major reason why a province which resisted the Taliban at the height of their power is now one of their strongholds. Amid the conflict and lawlessness around the mines, it is the insurgency that has benefitted above all.

Badakhshan illustrates wider dangers around Afghanistan's natural resources. Mining is implicated in violence from Balkh to Helmand. Nationally, it is thought to be the Taliban's second largest source of revenue, while contributing less than 1% of state income in 2013.⁵ Afghanistan's estimated \$1trn of mineral reserves could in theory generate \$2bn revenue a year: hopes for the country's economic growth, and by extension its independence from

foreign aid, rely on their development. But they threaten to do the opposite – to be a chronic source of conflict and corruption, while generating little revenue. Improving the governance of the whole sector is not just a matter of legality or of morality: it is of fundamental importance to the future of the country.

That urgency has not so far been adequately reflected in the policy of either the Afghan government or its partners – despite some distinctly encouraging recent announcements. They should make it a first-order priority, first by increasing accountability, transparency, and local engagement around mining (notably in the mining law), and by prioritising security in mining areas. Badakhshan, where both the scale of the threat and the potential reward are disproportionately high, is worth particular attention – but reform is needed for the whole country. With some basic safeguards yet to be implemented, effective action is possible.

Lapis and tourmaline: jewels in the crown

Global Witness' research covered two of the most important minerals in Badakhshan, lapis lazuli and tourmaline – semi-precious decorative stones mainly


Photo: Philip Poupin

Ehsan, a worker at the mines, carries a load of lapis weighing more than 100 kilos (200 lbs) down to the valley.

exported to China. The report focuses on the lapis mines of Kuran wa Munjan district, but the nearby tourmaline mines at Deodarra raise similar issues.

The competition for these resources among armed groups and political elites is part of a long-standing pattern. *Haji Abdul Malek*, a former district police chief and commander with the *Jamiat e Islami* party, seized control of the lapis mines in January 2014. But the government's nominal control before this was effectively a façade behind which the mines were exploited by another former *Jamiat* commander, serving Badakhshan MP Zulmai Mujadidi. Mujadidi is widely thought to effectively control official police and militia troops, including the official Mining Protection Force (MPF), led by his brother Asadullah Mujadidi – the key force in Kuran wa Munjan before 2014. Another local MP, the former lapis trader and current head of Parliament's natural resource commission, Zekria Sawda, is a smaller but active player. Finally, the Taliban and more recently the Islamic State are a growing presence around the mines.

The key findings of Global Witness's research include:

- In 2014 the two mining areas of **Deodarra and Kuran wa Munjan alone provided around \$20m to armed groups**, according to rough but conservative estimates – equivalent to the government's declared revenue from the entire extractive sector in 2013.⁶ This includes about **\$18m to Commander Malek** and informal armed groups linked to him, and more than **\$1m each to the Taliban and to armed groups** mainly allegedly associated with **Zulmai Mujadidi**.
- **Armed groups made an estimated \$12m from lapis in 2015**, with a government ban on the trade in early 2015 countered by massive smuggling through the Panjshir valley. The **Taliban increased their share** of this as their strength grew, to an estimated \$4m. As of mid 2016, **payments to the Taliban reportedly amount to at least 50%** of the revenue from the mines.
- **Natural resources are a key driver of instability**
Competition for the mines has directly fuelled a series of violent incidents in Badakhshan, and put an entire district out of government control for more than two years. Abuses around the mines, especially the lack of benefit for local people, created significant backing for Malek's takeover of Kuran wa Munjan in 2014. As one elder put it, "people were excluded from their rights to the mine (...) the majority of people supported [the coup]."
- Similar grievances have pushed individuals to **support the Taliban**. People "see the underground resources and public wealth in the hands of the looters," a miner said: "they choose the Taliban (...) for their revenge." Revenue from the mines, and their compromising effect on government legitimacy and the integrity of the local administration and security forces, have **helped the Taliban infiltrate Badakhshan** to a far greater extent than they could at the height of their power in the 1990s. There are also credible indications **the mines are a strategic priority for the Islamic State** in Badakhshan.
- **From the mines of Kuran wa Munjan and Deodarra alone, the Afghan government lost revenues of at least \$18.1m in 2014 alone**, more than 95% of the potential take, as a result of illegal exploitation, irregular contracts, and artificially low official valuations for lapis. Around \$2.4m in revenue appears to have been lost from a single convoy in early 2015. Massive underpayment of taxes appears to be routine, and several sources made allegations of corruption against government officials. The Ministry of Mines itself could not provide full revenue and production data for lapis, a serious concern in itself.
- Multiple sources alleged that Asadullah Mujadidi **profited from illegal lapis extraction** when he controlled the lapis mines before 2014, and that he and forces under his control **used intimidation to capture profits from tourmaline** mining in Jurm district.
- Zulmai Mujadidi and Commander Malek have **links to higher level political networks**. Former Defence Minister Bismillah Mohammadi was alleged to have been in contact with Commander Malek even after his takeover of the mines, and was widely believed to have benefitted from the lapis trade, along with other political figures (although some sources disputed this, and Global Witness was unable to find any independent verification of the claims).
- **Highly questionable contracts** for lapis and tourmaline illustrate the need for greater transparency. An unpublished 'contract' allowing certain individuals in Baharak district to extract a toll from lapis was described as illegal by a senior local official: evidence suggests it benefited members of the Mujadidi family. A tourmaline contract held by the Pamir Badakhshan International Mining company (PBIM) was more formal but produced very little tax revenue, and appears to be controlled by the MP Zekria Sawda.

- **Multiple sources also allege that Zulmai Mujadidi had a hidden interest in the Lajwardeen Mining Company (LMC),** which holds the only official contract for Badakhshan's lapis. The Afghan government sanctioned a highly problematic arrangement in 2014 whereby the transit of lapis continued under LMC's name despite the takeover of the mines by Commander Malek, though it is not clear that the company profited from its role. The arrangement was ended and the LMC contract suspended by early 2015, but there is likely to be a political struggle over its future.

Zekria Sawda and Asadullah Mujadidi both deny involvement in mining in Badakhshan, or with illicit armed groups.⁷ Zulmai Mujadidi also strongly denied the allegations, saying that the "sources of [this] information are not objective, but rather have originated from or influenced by my political opponents and foes; the issues raised are nothing more than propaganda."⁸ He supplied a copy of a summary decision of the Afghan Media Complaints Commission against a media outlet which made similar allegations.⁹ General Mohammadi did not comment, while Commander Malek could not be reached to request his views, although in public statements he has denied that the lapis mines profit the Taliban or that extensive illegal mining takes place.

Many of the concerns set out above are relevant across Afghanistan, where there are thousands of illegal mines outside of government control.¹⁰ Direct comparisons can be misleading, but there is a clear risk Afghanistan could see a prolonged, resource-fuelled conflict of the kind that has been so damaging elsewhere. At the



The mountains and mines of Badakhshan as seen from Faizabad

same time, the problems around mining are also linked to deeper challenges of conflict, corruption, and the weakness of Afghan state institutions. But that does not mean action is futile: there are a range of practical policy measures that could reduce the risks associated with extractives, without placing unrealistic demands on government capacity.

Signs of hope?

There are grounds to hope that the Afghan government will respond to these challenges. President Ashraf Ghani has spoken of the dangers of the resource curse with refreshing clarity, and in May 2016 the government announced a raft of new measures, including plans to publish beneficial ownership information.

But while this provides a solid foundation for reform, for now the government has yet to put in place a number of basic protections – notably to strengthen the Mining Law, publish mining data, reinforce oversight capacity, and support community monitoring of mining. Illegal extraction remains widespread, with little or no accountability for the powerful figures involved, and large-scale smuggling of lapis through the Panjshir valley continues. For their part, donors have spent many millions promoting mining, but with a few honourable exceptions have focused on overcoming obstacles to new contracts more than on the fundamental governance challenges, which at this stage pose a much greater threat.

The government faces great challenges, and cannot realistically regain control of the thousands of illegally exploited mines in Afghanistan overnight. The question is whether the problems around mining are given a level of priority that reflects their importance – and whether the government is doing the things that are relatively easy, like strengthening the mining law. If there is the will to act, a sustained reform of the sector could generate millions of dollars in revenue, improve the lives of ordinary Afghans, and help lay the foundations for lasting stability. In the battle for Afghanistan's future, mining is not a bad place to start.

Recommendations to the Afghan government

Badakhshan

- Make Badakhshan the initial focus of a systematic effort to re-establish rule of law, reform mining oversight, create the conditions for legitimate trade, and increase revenues.



Foto: Patrick Tsui/FCO

President Ashraf Ghani has spoken of the dangers of an Afghan ‘resource curse’

- Use all available peaceful means to re-establish control over Kuran wa Munjan, including enforcing the blockade of the lapis trade through Panjshir province. Avoid any deal with local actors which does not effectively address the current abusive exploitation of the mines.
- Investigate ‘pro government’ armed groups in Badakhshan, and hold them accountable. The Mining Protection Force should be brought under new leadership and reconstituted as a part of a specially trained, independent and accountable force. Disband Afghan Local Police (ALP) groups linked to abuses
- Transparently and fairly investigate the Baharak, PBIM and LMC contracts, and ensure accountability if significant abuses are confirmed. Avoid scapegoating traders for abuses mainly linked to armed groups.

Transparency and Accountability

- Amend the Afghan Mining Law to require all contracts and ancillary documents to be published as a condition of their becoming valid. Remove licensing and revenue collection from local MoMP offices.
- Create a clear legal requirement for the publication of the beneficial ownership of any company applying for substantial government contracts, including mining concessions.
- Amend the law to require publication of project-level data on payments between companies and the Afghan government, and on minerals production. Require published annual audits

of larger extractive companies. Create a single, dedicated, and transparent account for all extractive sector payments.

- Urgently strengthen the oversight and data management capacity of the Ministry of Mines. Require the Ministry to implement basic data standards, and publish full revenue and other data, within six months

Communities

- Develop a program for community monitoring of mining. Allocate a modest percentage of the legal revenue of a mine directly to communities, to help incentivise legal extraction. Give communities a greater stake and say in mining through stronger dispute resolution, consultation and local employment requirements.

Security

- Make Kuran wa Munjan and other significant mining areas across Afghanistan a key focus for security policy, to ensure appropriate protections against the exploitation of the mines by armed groups. In Kuran wa Munjan, provide vetted ANA reinforcements to ensure security until the MPF can be reformed.

Recommendations for Afghanistan’s international partners

- Make the strengthening of extractive sector governance a key priority for engagement with the Afghan government, and work to integrate robust measures into core benchmarks for mutual accountability. Hold the government to its commitments to reform, but also ensure strong and coordinated support to its efforts.
- Work with the Afghan government to provide technical, financial and other support for stronger extractives governance, with a particular priority given to legal reforms and building oversight capacity.
- Work with the Afghan government to implement supply chain due diligence and prevent trade in minerals which could contribute significantly to conflict and abuses, with an initial focus on lapis lazuli. The UN Sanctions Committee should investigate links between the lapis trade and funding for groups under its remit.

Key figures (estimated)

Lapis mining	
Export of lapis from Badakhshan, 2014	7,500 tons
Estimated value, 2014	\$125m
Export of lapis from Badakhshan, 2015	5,000 tons
Estimated value, 2015	\$75m
Armed groups mainly associated with Abdul Malek	
<i>Revenue from lapis to armed groups associated with Abdul Malek, 2014</i>	
Mine rent	\$15.89m
Security payments	\$1.8m
Road tolls	\$290,000
<i>Total revenue, 2014:</i>	\$17.98m
<i>Revenue from lapis to armed groups associated with Abdul Malek, 2015</i>	
	\$12m
Armed groups mainly associated with Zulmai Mujadidi	
<i>Revenues from lapis and tourmaline to armed groups mainly associated with Zulmai Mujadidi, 2014</i>	
Baharak 'contract'	\$700,000
Road tolls	\$700,000
Revenue from tourmaline mining under the PBIM contract (to Zekria Sawda)	\$250,000
<i>Total revenue, 2014:</i>	\$1.65m
<i>Mining income to these armed groups was not assessed for 2015, but was likely not significant</i>	
The Taliban	
<i>Revenues from lapis to the Taliban, 2014</i>	
Direct payments from Abdul Malek	\$750,000
Road tolls	\$386,000
<i>Total revenue, 2014:</i>	\$1.14m
<i>Revenues from lapis to the Taliban, 2015</i>	
Revenues to the Taliban, 2016 (projected)	\$6m
OVERALL TOTALS TO ARMED GROUPS	
Overall totals to armed groups, 2014 (not including \$0.75m transfer from Malek to Taliban)	
	\$20m
Overall totals to armed groups, 2015 (not including \$4m transfer from Malek to Taliban)	
	\$12m
<i>Alleged transfers from one armed group to another are not included to avoid double-counting</i>	
Afghan government	
Revenues lost from lapis by the Afghan government, 2014	
	\$18.1m
Potential revenues lost from lapis by the Afghan government, 2015	
	\$10m
Revenues lost from lapis by the Afghan government, since 2001	
	\$100m

Revenues for 2014 and 2015 were calculated using different methods – see Annex A for full details

Endnotes

First citations of sources contain fuller information, and URLs where relevant. Subsequent citations are abbreviated

- 1** “Transcript of His Excellency President Mohammad Ashraf Ghani’s Remarks at European Union Conference on ‘The Way Ahead for Anti-Corruption in Afghanistan’,” Presidency of the Islamic Republic of Afghanistan, May 5, 2016 <http://president.gov.af/en/news/transcript-of-his-excellence-president-mohammad-ashraf-ghanis-remarks-at-european-union-conference> ‘Transcript: NPR’s Interview With Afghan President Ashraf Ghani’, National Public Radio, March 23, 2015 <http://www.npr.org/2015/03/23/394731637/transcript-nprs-interview-with-afghan-president-ashraf-ghan>
- 2** Global Witness interview with ‘Haji Anwar’ (a pseudonym), an experienced lapis and gem-stone miner, Afghanistan, May 2014
- 3** Haji Bashir, an elder from the district of Kuran wa Munjan, recounted how in the early days of the war between the *mujahedeen* and the Soviet Union, a Russian military officer had said of the lapis that the district was famous for: “this mine is itself a general, a general of war (...) It will itself make people fight.” It was a prescient remark. Global Witness interview with ‘Haji Bashir’ (a pseudonym), an elder and District Development Council member, Afghanistan, 2014
- 4** For historical data on exchange rates for the Afghani, see: ‘XE Currency Charts (USD/AFN)’, XE.com <http://www.xe.com/currencycharts/?from=USD&to=AFN&view=10Y>
- 5** According to the World Bank, Afghanistan’s revenues in 2013 were Afs 109.4bn, equivalent to a little over \$2bn. Revenues from the extractive sector in 2013 were Afs 1.25bn, according to the EITI – that figure includes oil and gas as well as mining, but some revenues from State-Owned Enterprises (SOEs) appear to be excluded. “Afghanistan Economic Update 2015”, The World Bank, April 2015, pp 10-12 http://web.archive.org/web/2015091111046/http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/05/15/090224b082e8582d/2_0/Rendered/PDF/Afghanistan0economic0update.pdf; ‘Inception Report and Fourth Conciliation Report’, Afghanistan Extractive Industries Transparency Initiative, February 6, 2016, pp 6, 9, 60 <http://aeiti.af/Content/Media/Documents/AEITIFourthReconciliationReport139113926220162496931553325325.pdf>
- 6** Revenues from the extractive sector in 2013 were Afs 1.25bn, according to the EITI – about \$20m. That figure includes oil and gas as well as mining, and covers custom receipts as well as revenue from State Owned Enterprises. It

also covers revenue received by the Ministry of Finance as well as the Ministry of Mines. “Afghanistan Economic Update 2015”, The World Bank, April 2015, pp 10-12 http://web.archive.org/web/2015091111046/http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/05/15/090224b082e8582d/2_0/Rendered/PDF/Afghanistan0economic0update.pdf; ‘Inception Report and Fourth Conciliation Report’, Afghanistan Extractive Industries Transparency Initiative, February 6, 2016, pp 6, 9 <http://aeiti.af/Content/Media/Documents/AEITIFourthReconciliationReport139113926220162496931553325325.pdf>

- 7** Global Witness interview with Zekria Sawda, Member of the Afghan Parliament, December 2014; Statement from Asadullah Mujadidi received April 18, 2016, copy on file with Global Witness. Zekria Sawda did not respond when directly asked about the allegations. In a December 2014 interview he said he was no longer involved with PBIM. He also said that the company was not active: “just we are paying some guards.” (It was somewhat unclear when he said this if by ‘company’ he meant Pamir Badakhshan International Mining or Badakhshan Marble and Granite, which a local miner said was also controlled by Sawda.) He was not asked or did not address the question of a possible link to a small armed group. Global Witness interview with Zekria Sawda, December 2014; Global Witness interview with ‘Ghulam Mohammad’ (a pseudonym), a mine investor and entrepreneur from Badakhshan, May 2014
- 8** Email communication with Zulmai Mujadidi, April 7, 2016, copy on file with Global Witness
- 9** The text of the letter, from the Media Complaints and Abuse Commission of the Ministry of Information of the Islamic Republic of Afghanistan, stated in part:

“The document number (6666) date (06/10/1393) from presidency of government relations, received by ministry of information and culture and referenced in a letter (8-48) date 1393/9/30 following a decision of the religious, cultural, educational and higher education commission of House of Representatives of the national assembly about the report which published by a Reporter called Wali Arian through 1tv saying that Zulmai Mujadidi member of parliament and representative of Badakhshan people, has hand with 300 irresponsible armed people and took the benefits of lapis in Badakhshan.

The commission discussed the complaint case of Zulmai Mujadidi representative of Badakhshan people against 1tv in parliament on 8/10/1393, and asked the director of 1tv to attend the session on the particular date of

10/10/1393. Due to the absence of representative or director of 1tv the session was postponed to the future, yet again the director did not attend the session dated on 15/10/1393.

The commission reviewed the report which was broadcasted. As a result it was found that the complaint made by Zulmai Mujadidi was valid, and all the accusations made against him were in the contrary to the provisions of media and against the law of journalism and counted as a broadcasting violation. The case has been transferred to the attorney general office in order to find and investigate the main cause of broadcasting the report.”

Undated Letter from the Media Complaints and Abuse Commission received from Zulmai Mujadidi MP (unofficial translation), copy on file with Global Witness

- 10** Estimates of the number of illegal mines vary widely. Integrity Watch Afghanistan estimates the number at 1,400, while the Minister of Mines said 10,000 deposits were not under government control and may face looting. See Introduction for a short discussion of mines outside of Badakhshan that may be funding illegal armed groups. Eltaf Najafizada, ‘The Taliban is capturing Afghanistan’s \$1 trillion in mining wealth’, Bloomberg Business, October 20, 2015 <http://www.bloomberg.com/news/articles/2015-10-20/taliban-winning-race-to-capture-1-trillion-afghan-mining-riches>; Suliman Faizi, ‘Illegal Mining in Afghanistan at an All-Time High’, Al Rasub, July 17, 2013 <http://www.alrasub.com/illegal-mining-afghanistan-all-time-high/>

