



Top Afghan banker: From 'milk cow' to sacrificial lamb?

By Leela JACINTO the 28/06/2011 - 19:49

When he was Afghanistan's top banker, Abdul Qadir Fitrat was known as the "milk cow". But after a high profile parliamentary disclosure on the Kabul Bank scandal, Fitrat's fortunes changed, forcing him to flee Afghanistan.

On April 27, Afghanistan's Central Bank chief, Abdul Qadir Fitrat, faced parliamentarians in the wood-paneled main hall in Kabul's parliament building and proceeded to name a list of individuals accused of defrauding Kabul Bank to the brink of collapse last year.

The names included the brother of Afghan President Hamid Karzai as well as the brother of Vice President Muhammad Qasim Fahim, popularly known as Marshal Fahim. Both men have denied any wrongdoing.

Most of the politically connected businessmen named during the parliamentary session were Kabul Bank shareholders.

They are believed to be the largest – but not the only – defrauders who got more than \$900 million worth of irregular loans from Afghanistan's largest private bank, often without paperwork or interest payments or repayment plans.

While the list was not exhaustive, the disclosure created a storm in parliament with some parliamentarians calling on Fitrat to reveal all the names of all the alleged defaulters, including a number of unnamed MPs.

One of the lawmakers, the firebrand Ramazan Bashardost, accused the Central Bank chief of being part of the Kabul Bank problem and goaded him to tell all.

"You have been dictated to name (only) the shareholders," thundered Bashardost. "Don't worry, they won't kill you because you are a milk cow for them. No one slaughters a milk cow."

But now the milk cow has fled the shed.

On Monday, during a trip to the US, where he has permanent residency, Fitrat announced his resignation as central bank governor.

In his resignation statement, he accused "high-level political authorities" of "undermining" the central bank's independence. He also said he fled Afghanistan for the US because his life was "completely in danger".

Suddenly, the proverbial milk cow appeared to have turned into a proverbial lamb to the slaughter.

Taking a 'high profile stance'

In an interview with Reuters from a hotel in northern Virginia shortly after his resignation, Fitrat said the dangers increased following his parliamentary exposé in April.

"He took a high profile stance in that parliamentary session," said Martine van Bijlert from the Kabul-based Afghanistan Analysts Network, who wrote a [blog post](#) shortly after the event.

"I remember Afghans at the time saying that it was a mistake and that he would suffer the consequences," van Bijlert added.

But on Tuesday, an Afghan government spokesman dismissed Fitrat's claim that his life was in danger and described the former central bank governor's actions as "treason".

Waheed Omar, Karzai's spokesman, maintained that Fitrat himself was under investigation in connection with the Kabul Bank scandal.

Hours later, Afghan officials issued an arrest warrant for Fitrat, according to the BBC.

"He will be brought here to face the judiciary. We will follow him," Afghanistan's Deputy Attorney General Rahmatullah Nazari told the BBC. "There are some serious charges against him. He needs to answer all of them."

The US does not have an extradition treaty with Afghanistan and Fitrat has said he has no intention of returning to Kabul.

Unearthing a far-reaching graft scandal

Fitrat's escape has once again put the spotlight on one of Afghanistan's most far-reaching corruption scandals since Karzai took power.

Founded in 2003, by a world class poker player who was a major funder of the Afghan president's successful 2009 re-election campaign, Kabul Bank [nearly collapsed](#) last September when the international media exposed the extent of fraudulent loans that had been extended to a clique of powerful shareholders with close connections to top Afghan politicians.

The bank was ultimately saved by a Central Bank takeover last year. Following the resignations of two top Kabul Bank executives in September, Fitrat repeatedly [told reporters](#) that Afghanistan's Central Bank would not let Kabul Bank fail.

But the process of trying to get to the bottom of a complicated, multi-million dollar banking scandal in one of the world's most corrupt countries has been riddled with hurdles.

Karzai-appointed commission lets Karzai's brother off the hook

Last month, a Karzai-appointed inquiry commission presented a report on the Kabul Bank scandal to the Afghan president, the contents of which have not been made public.

But at a press conference in Kabul announcing the news, the commission's chairman, Azizullah Ludin [absolved](#) Karzai's brother of wrongdoing, telling reporters that Mahmoud Karzai had paid

off his loans to the bank.

Ludin's statement appeared to be at odds with Fitrat's April parliamentary deposition, which said Mahmoud Karzai still owed the bank \$22 million.

Central Bank replaces US on Karzai's target board

The Kabul Bank scandal unraveled last year following the investigative work of the little-known Afghan Threat Finance Cell at the US Embassy, which was set up to sever links between Taliban insurgents and their financing.

Instead, the cell found that the lines connecting the Taliban and drug smugglers often ran through the Afghan government, according to investigative report by [The New Yorker](#).

Following the scandal, Karzai publicly complained of heavy-handed US interference.

Despite intense international pressure to crackdown on Afghanistan's rampant corruption, not a single senior member of Karzai's administration has been arrested.

In recent weeks, there were signs of growing differences between Afghanistan's Central Bank and the presidential commission led by Ludin.

At the news conference announcing the completion of his report, Ludin remarked that, "It's very easy to be a national hero in Afghanistan," before darkly warning, "Some officials of the Central Bank are involved in this issue, and those who were guilty in this case are now in charge of the affairs in Kabul Bank."

'A small crisis within a bigger crisis'

Born in the northeastern Afghan province of Badakshan, Fitrat moved to the US, where he studied monetary economics in Ohio before going on to work as a consultant to the IMF and later as an advisor to the World Bank.

Considered a qualified technocrat, Fitrat shot into the limelight following the Kabul Bank crisis as his job got increasingly complicated.

"He was quite low-profile, he only became high-profile since the Kabul Bank affair," said Yama Torabi, director of the Kabul-based Integrity Watch Afghanistan. "What he has been doing over the last couple of weeks has been quite courageous.

At some point, it went against the main position of the Afghan government, which wanted to silence the Kabul Bank issue."

If that was indeed the Afghan government's intention, Fitrat's dramatic resignation and flight from Afghanistan has clearly backfired.

But while the international spotlight will once again shine – for a few days – on the Kabul Bank scandal, few analysts believe the latest scandal will change much in Afghanistan.

"It is a small crisis within a bigger crisis," said van Bijlert. "What's interesting to see is who is going to be the next head of the Central Bank."

It will also be interesting to see if the new Central Bank chief will be willing to brush the Kabul

Bank scandal under the rug.

But even if the new chief does manage to accomplish that, analysts say it will not solve the crux of the corruption problem in a country where a well-connected minority manages to skim off millions for their villas in Kabul and Dubai while the majority of Afghans have little access to basic health, education or security.

"The Afghan government still says it wants to recover Kabul Bank's defrauded money, but this is not possible," said Torabi.

"The problem is not just Kabul Bank, it's the entire banking system in a country where more than 50 percent of the economy is a black economy that cannot be regulated.

"Afghan banks know perfectly well that their business is coming from drug trafficking and other dubious sources. But they also fund electoral campaigns. So it's all part of the business."

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