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Al Jazeera

Karzai brother to repay Kabul Bank

By Abid Ali

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Move part of effort to regain control of lender from central bank amid corruption allegations, Al Jazeera has learned.

Mahmood Karzai, brother of the Afghan president and shareholder of Kabul Bank, will repay \$1m in loans with interest to the troubled lender, Al Jazeera has learned.

Karzai and minority shareholders at the bank, which has been embroiled in controversy over allegations of corruption among its top bosses, are all in the process of handing back loans, people familiar with the situation told Al Jazeera. However, the total sum to be returned is not known.

The move comes shareholders' efforts to regain control of the lender from Afghanistan's central bank.

Afghan authorities seized operations at Kabul Bank earlier this month following allegations that its former chairman, Sher Khan Farnood, misappropriated funds.

Farnood has been ordered to hand over more than \$150m in luxury villas and condominiums in Dubai that he allegedly bought with the bank's money for various Afghan elites, including Mahmood Karzai.

The villas, some located at the posh Palm Jumeirah development in the Arabian Gulf, had been held in the name of Farnood and his wife. After authorities threatened to arrest him, Farnood agreed to transfer the properties to Kabul Bank.

Forced to resign

The Afghan government was reportedly forced to pump "millions" of dollars into the bank as customers queued up to withdraw money after Farnood was forced to step down.

Now, further details about the level of funds channelled into pet projects are coming to light.

Sources told Al Jazeera that Farnood made loans worth \$90m to his airline Pamir Air and \$70m to natural gas operations of Hasseen Fahim, the brother of Afghanistan's first vice-president Mohammad Qasim Fahim.

Those figures are in addition to the \$160m spent on properties in Dubai, the sources said.

But in a move to help clean up the bank's image, shareholders are now calling for the money given to rescue the bank to be converted into a "soft loan", sources told Al Jazeera.

They also want to talk to international investors, including banks, about taking a stake in Kabul Bank, in a bid to improve its operations.

Officials from Afghanistan's central bank, which is to remain in control of Kabul Bank for the next 18 months, could not be reached for a comment.

Corruption is one of the most common complaints from ordinary Afghans.

The US fears widespread corruption in Afghanistan is boosting the Taliban-led armed campaign and complicating efforts to strengthen central government control so that US and other foreign troops can begin withdrawing.