

by Chris Graham

News that Safi Airline has begun flights to India from Kabul is a small but significant sign of economic progress for war-torn Afghanistan.

Starting with four flights a week between Kabul and Delhi, Safi hope to increase that number in the next few months. At present the airline is using 767 and 320 Boeing passenger planes. The company is also planning to begin flying to a number of other provinces in the country. Safi airline has five planes and runs flights to other countries as well as India. About 24 national and international airlines currently operate in Afghanistan (Tolo News).

India cuts tariffs

India is to cut tariffs on goods imported from Afghanistan. India's ministry of commerce has announced that tariffs on imported trade goods from Afghanistan will be reduced for a number of years, and in addition India will allow duty-free import of some goods. Five years ago India cut tariffs, then ranging from 50 to 70 percent, on 38 items including, fresh and dry fruits, carpets, precious stones and different types of plants.

"This is a very good step to increase our exports to India, because we can also export from India to other countries, especially our fresh and dry fruits (which) are being exported there for process and then exported (again) to other countries", said Mohammad Qurban Haqjo, chief executive of Afghanistan's Chamber of Commerce and Industries (ACCI).

"This is the continuation of agreements made a few years ago with the government of India based on which India allows duty-free import of some goods from Afghanistan", said Aziz Shams, a spokesman for Afghanistan's Finance Ministry. Afghanistan's export business to India is worth \$200 million a year (Tolo News).

Land reform goes ahead

Afghanistan's Ministry of Finance has announced the start of a 42-million dollar land reform project planned for the next three years.

Ministry officials stressed that the reform is necessary to tackle land-related issues which, if not resolved quickly, would expand corruption in the country. It is hoped that the Land Reform Project, funded by USAID, will attract additional investment and help develop the Afghan economy.

Omar Zakhilwal, Afghan Minister of Finance, said that if the land is managed properly, the

country will be self-sufficient in the production of wheat. Karl Eikeberry, US Ambassador to Afghanistan, said that if outstanding issues were resolved, 80% of agricultural land would be managed by the private sector. "We believe that this investment and joint project will contribute to strong and sustainable public and private land sectors and provide easy access to investment properties in the private sectors, and also pave the way for business growth, for job creation, helping Afghanistan to move towards transition and economic prosperity." (Tolo News)

World Bank withholds funds

But there was a set-back last month with the news that a World Bank-managed trust fund was withholding \$70 million in incentive money from the Afghanistan government after it failed to reach an agreement with the International Monetary Fund over the Kabul Bank scandal by a key deadline. The delay is part of a looming crisis surrounding Kabul Bank negotiations that could force the Afghan government to dip into badly-needed cash reserves and imperil future development projects, according to Western diplomats.

The World Bank-managed Afghanistan Reconstruction Trust Fund, which receives money from international donors, was scheduled to deliver \$70 million on June 11 for incentive programs intended to reward the government for meeting certain benchmarks in areas like public administration reform. But the payment was contingent on the IMF renewing its main credit programme for the country, which was suspended in September as the banking crisis worsened.

With no programme in place, Western donors suspended payments to the reconstruction trust fund. In addition to providing incentive money, the trust fund finances about half the non-security costs of government, including salaries for civil servants. According to diplomatic sources, no donor nation had given money to the fund in the last three months.

At the current spending rate, the fund stands to run dry sometime in July, which could force the Afghan government to dip into its reserve funds to pay the salaries of some 250,000 civil servants on its own. Such a move could hamper the government's ability to become self-sustaining as foreign aid money draws down, which is expected to occur over the next few years.

The banking crisis erupted in August last year when depositors made a run on Kabul Bank in a panic after government officials learned of \$300 million in losses and demanded the resignation of the bank's president and chairman. The bank was the nation's largest private financial institution, and by January the estimated losses had reached as much as \$900 million (New York Times).

The Afghan government and the IMF reached an agreement in April to move forward on several reforms, but little progress has been made on fulfilling these measures, according to US officials. Among the reforms, the IMF wants the completion of a forensic audit at a second institution, Azizi Bank, which has come under increasing scrutiny as officials seek to avoid similar problems there.

Another outstanding issue is the slow pace of recovering Kabul Bank money taken by shareholders. Of the more than \$900 million in outstanding loans - many to high-profile borrowers such as two brothers of President Hamid Karzai and First Vice President Mohammed Fahim - the government has collected less than \$100 million, officials said. Some current plans for repayment extend to at least eight years.

The IMF is seeking to ensure that the plans are legally binding and would provide for repayment within three years (Washington Post).

Bank chief claims murder plot

Meanwhile, the former Afghan central bank chief, now wanted in Kabul, has told television news network Al Jazeera he has evidence that his life is in danger. Abdul Qadeer Fitrat, the former governor of the Afghan central bank, said in an interview in Washington: "I have credible evidence to suggest that my life was completely in danger, and the government was part of this plan. I can boldly say this ... and I learned this from a number of sources; I cannot be more specific, but those sources are credible, and also a section of the international community were also aware of my situation."

His comments came just hours after Rahmatullah Nazari, Afghanistan's deputy attorney general, said that Fitrat and other officials at the central bank faced prosecution for not acting on warnings about widespread corruption at Kabul Bank. The bank was taken over last year by Afghanistan's central bank after claims that executives had granted themselves off-the-book loans worth a reported \$900m that were partly used to buy luxury properties in Dubai. Nazari said that the arrest warrant for Fitrat had been sent to Interpol and the US embassy in Kabul, calling for Fitrat to be returned to Afghanistan for questioning.

Separately, Waheed Omar, a spokesman for Afghan President Hamid Karzai, said Fitrat had not notified the government of his resignation. In response, Fitrat told Al Jazeera that despite being extremely careful in the wording of his resignation, the Afghan government's "harsh" reaction to his announcement had forced him to conclude that "government was planning to discredit me, eliminate me and my voice. I requested an investigation into those responsible and the president himself stalled this investigation, time and again," he added.

True cost of US wars

A new report issued by Brown University says the cost of America's wars in Iraq and Afghanistan, and operations in Pakistan, will cost the country nearly \$4 trillion. This is more than three times US President Barack Obama's estimate, made in a recent speech. When Obama announced a draw-down of US troops from Afghanistan, he said America's wars had cost the country \$1 trillion dollars. But a report by Brown University's Watson Institute for International Studies estimates the total cost at \$3.7 trillion. Even with the president's planned draw-down of 33,000 troops, there will still be almost 70,000 troops in Afghanistan at an estimated cost of \$1.2 million each (Voice of America).