

RELEASE IN PART B6

From: Sullivan, Jacob J <SullivanJJ@state.gov>
Sent: Sunday, September 5, 2010 11:03 PM
To: H
Subject: Fw: Update

Fyi

From: Holbrooke, Richard
To: Sullivan, Jacob J
Sent: Sun Sep 05 19:57:44 2010
Subject: Fw: Update

Pls forward this to H. Very interesting take in situation. Thanks, RH

From: Rina Amiri <[redacted]>
To: Holbrooke, Richard
Sent: Sun Sep 05 19:28:25 2010
Subject: Update

B6

-The damage to Kabul Bank's credibility appears to be irreparable. Thousands of people are lining up at Kabul Bank branches throughout the country to withdraw funds. While the situation is still orderly, there is mounting frustration--particularly in the provinces-- that the bank is unable to give people back their full deposits, forcing them to repeatedly return and stand in long lines to withdraw their money in increments. On Saturday close to 70 million dollars was withdrawn. Hajis (people who have provided funds to go to Haj) are also demanding their money bank. The overall sense is that it is a matter of days before the government will be forced to take over KB.

-There are also reports of security people employed at KB shaking people withdrawing money. The government has responded by replacing KB security with ANSF and NDS guards.

-On a positive note, the adverse situation in KB bank has not affected the other banks. The majority of people withdrawing funds from KB are opening new accounts in Afghan International Bank, Aziz Bank, among others. The heads of these banks have successfully projected corruption at KB as something that is associated with the leadership of KB rather than a more systematic problem affecting other banks. People are also turning to other banks because the security situation leaves them worried about keeping their savings at home.

-In the very short run, the government has come out ahead in this crisis. People are reassured that President Karzai has actively taken control of the situation and is showing leadership. But this is clearly the biggest crisis that President Karzai has faced in the last nine years. A number of the political elite are privately noting that the situation could escalate and people could turn against the government once they feel the effects of this crisis. Corruption, which President Karzai has cast a western concern, is now seen by Afghans as a fundamental problem within the government.

-While the majority of media outlets have been cautious to not criticize the Government, fearing that it could lead to further instability, this is expected to change in the coming days. Abdullah Abdullah has been one of the few voices that has come out and noted that the Government was an active agent in the KB scandal, pointing out in a press conference today that government cronyism was a big factor in this crisis and noting that no steps

have been taken to hold accountable those who illegally gambled with people's money. GIRoA is expected to come increasingly under such criticism as further evidence of government negligence and complicity becomes publicly known.

-Perhaps in an effort to deflect attention from this issue, the Government announced yesterday that the the High Peace Council will be established after Eid. Jihadi leaders such as Rabbani, Mujaddidi, Sayyaf are expected to feature prominently in the body. Women are expected to comprise 20% or 30% of the 50-60 council.