

SM/76/102
Supplement 1

CONTAINS CONFIDENTIAL
INFORMATION

July 8, 1976

To: Members of the Executive Board
From: The Secretary
Subject: Afghanistan - 1976 Article XIV Consultation

Attached for the records of the Executive Directors is the decision taken at Executive Board Meeting 76/98, July 7, 1976, on the 1976 Article XIV consultation with Afghanistan.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Afghanistan - 1976 Article XIV Consultation

Executive Board Decision - July 7, 1976

1. This decision is taken by the Executive Directors in concluding the 1976 consultation with Afghanistan pursuant to Article XIV, Section 4, of the Articles of Agreement.

2. In 1975/76, economic conditions in Afghanistan were generally satisfactory. The balance of payments was in strong surplus, and government net deposits with the banking system rose due to the receipt of substantial foreign assistance. There was some increase in the rate of growth of domestic liquidity and upward pressure on domestic prices. The Fund welcomes the commitment of the authorities to accelerate the pace of economic development and believes that administrative and planning reforms directed at improving investment decisions in both the public and private sectors should be given special consideration.

3. Substantial progress has been made by Afghanistan in improving the exchange system and reducing bilateralism. The Fund notes the intention of the authorities to further rationalize the exchange system through elimination of the official exchange rate and hopes that it will be found possible to terminate the bilateral payments agreement with a Fund member. The Fund approves the maintenance of Afghanistan's remaining multiple currency practices and restrictions, as described in Recent Economic Developments (to be issued shortly), until July 31, 1977.