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### **IMF Executive Board Completes Fifth Review under the PRGF Arrangement with the Islamic Republic of Afghanistan**

The Executive Board of the International Monetary Fund (IMF) today completed the fifth review of the Islamic Republic of Afghanistan's performance under the economic program supported by the arrangement under a Poverty Reduction and Growth Facility (PRGF). The completion of the review allows for an immediate disbursement of SDR 11.3 million (about US\$16.7 million), which would bring total disbursements under the arrangement to SDR 69.7 million (about US\$103.2 million).

In completing the review, the Board also granted waivers for the nonobservance of (i) a September 2008 quantitative performance criterion related to the collection of fiscal revenues and; (ii) a September 2008 structural performance criterion related to the external audit of the state electricity company. The Board also approved a nine-month extension of the arrangement to end-March 2010 and a rephasing of disbursements.

The PRGF arrangement for the Islamic Republic of Afghanistan was approved in June 2006 for an amount equivalent to SDR 81.0 million (about US\$120 million) (see [Press Release No. 06/144](#)).

Following the Executive Board's discussion, Mr. Murilo Portugal, Deputy Managing Director and Acting Chair, stated:

“Afghanistan's economic and security situation has been exceptionally challenging. A drought and worsening security cut economic growth to 3 percent in fiscal year 2008/09, while higher food prices drove average inflation up to more than 20 percent. Despite these adverse conditions, the authorities have pursued prudent monetary and financial sector policies which helped to lower inflation to single digit levels in recent months. A recovery in agricultural production is expected to boost economic growth to 9 percent in 2009/10.

“Tax revenue collection in 2008 was adversely affected by the slowdown in economic growth and serious governance problems in customs as well as weak performance of regional tax offices. Since January 2009, the authorities have been intensifying reforms in order to boost revenue, and results are beginning to show. Continued efforts in this area will be required to put Afghanistan on a credible path toward fiscal sustainability and reduced dependence on aid.

“The authorities’ economic program for 2009/10 seeks to lower inflation further, boost tax revenues, reduce corruption, and strengthen control over key public enterprises that have high costs and nontransparent operations. The authorities intend to maintain a flexible exchange rate.

“Substantial efforts will be needed to maintain economic stability and further modernize revenue administration, improve governance, and reform public enterprises. The IMF will continue to support the authorities’ efforts to achieve these goals. Success will require, in addition to sound macroeconomic policies, an improvement in security conditions, progress in building the country’s infrastructure, and reforms to stimulate private investment.”

The PRGF is the IMF’s concessional facility for low-income countries. PRGF loans carry an annual interest rate of 0.5 percent and are repayable over 10 years with a grace period of 5½ years on principal payments.