

IMF Executive Board Completes First Review Under the Extended Credit Facility Arrangement for the Islamic Republic of Afghanistan, Approves US\$18.2 Million Disbursement

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The Executive Board of the International Monetary Fund (IMF) today completed the first review of the Islamic Republic of Afghanistan's economic performance under the program supported by a three-year, SDR 85 million (about US\$129 million) Extended Credit Facility (ECF) arrangement (see Press Release No. 11/412).

Completion of the review makes SDR 12 million (about US\$18.2 million) available to the Islamic Republic of Afghanistan. This would bring total disbursements under the arrangement to SDR 24 million (about US\$36.4 million).

Executive Directors noted the progress achieved by the authorities on their reform objectives under the program during difficult times. In completing the review, the IMF's Board also approved the authorities' request for a waiver of nonobservance of a performance criterion on fiscal revenues of the central government, and the authorities' request for modification of performance criteria, as well as rephrasing of disbursements.

Following the Executive Board's discussion, Ms. Nemat Shafik, Deputy Managing Director and Acting Chair, stated:

"In a very difficult environment, Afghanistan has begun a transition toward greater macroeconomic stability and economic self-reliance. The IMF-supported economic program has been designed to provide the policy frameworks for managing this transition and catalyzing support from the international donor community.

"Under their program, the Afghan authorities are pursuing

important structural reforms. In particular, they have drafted a law for the introduction of a value-added tax in 2014, prepared a strategy to fight economic crimes, and strengthened the central bank's capitalization framework. The authorities have also reported on asset recovery from Kabul Bank where cash recoveries have increased following a presidential decree. However, no shareholder has paid in full, and their cases have been referred to a special tribunal and the Financial Dispute Resolution Committee.

"Going forward, the program will continue to focus on safeguarding the financial sector, strengthening economic governance, and moving toward fiscal sustainability. While progress has been made on all these fronts, strong government ownership of the program remains crucial to resist opposition from vested interests.

"The authorities' development strategy rests on greater revenue mobilization and sustained strong donor support to meet large spending needs for security and development in the years ahead. They look to donors to firm up their aid pledges at the forthcoming Tokyo Conference. The authorities will need to strengthen budget implementation capacity, address critical governance issues, and improve accountability within various government agencies."

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