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Subject:

Fw: IMF approves \$129 mln Afghan credit facility (Reuters)

From: OpsNewsTicker

Sent: Tuesday, November 15, 2011 05:36 AM To: NEWS-Afghanistan; NEWS-Mahogany

Subject: IMF approves \$129 mln Afghan credit facility (Reuters)

KABUL (Reuters) - The International Monetary Fund has approved a \$129 million credit facility to Afghanistan, the Afghan Ministry of Finance said on Tuesday, the first sign of renewed cooperation since a crisis that stopped millions in aid broke out a year ago.

The decision could re-open a door that was slammed shut because of IMF concerns over Kabul's handling of a corruption scandal, blocking tens of millions of dollars of aid and potentially billions in development projects.

"The approval of the (extended credit facility) allows our international partners to re-engage on the development agenda in Afghanistan, and we look forward to continuing to work with them to further the development dialogue," the ministry said in a statement.

The IMF had been due to officially announce its decision later on Tuesday.

The extent of the problem became apparent in June, when a scheduled payment of \$70 million from the World Bank-administered Afghan Reconstruction Trust Fund (ARTF) was automatically withheld in the absence of IMF support.

The IMF said then Kabul had failed to address the fund's concerns over a scandal involving bad loans, mismanagement and allegations of corruption at Kabulbank.

An IMF support programme is a necessary prerequisite for many donors whose funds prop up Afghanistan, many of whom donate through the ARTF and require an IMF seal of approval.

The IMF has been investigating Kabul's handling of the collapse of Afghanistan's largest private lender and has withheld its support for Afghanistan since September 2010.

The fund reached a preliminary agreement with the Afghan government to extend the new facility in early October, having noted "substantial progress" in the country on actions intended to safeguard financial and economic stability.

The ministry said that under the terms of the three-year facility, the Afghan government would undertake reforms to its banking and financial sector and customs and revenue departments, and committed to improving public financial management.

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