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PRESS RELEASE

PARIS CLUB CREDITORS AGREE ON SUBSTANTIAL DEBT RELIEF FOR AFGHANISTAN

Paris Club creditors agreed on 19 July 2006 with representatives of the Government of Afghanistan to a significant reduction of its external debt following the IMF's approval of an arrangement under the Poverty Reduction and Growth Facility on 26 June 2006.

The stock of debt owed to Paris Club creditors (prior to the upfront discount agreed on in September 1997 when the Russian Federation joined the Paris Club) as of 1 June 2006 was estimated to be US\$ 11.3 billion.

This agreement consolidates roughly US\$ 2.4 billion due on ODA and NODA debts (arrears and late interest due as of 31 March 2006 as well as the maturities falling due between 1 April 2006 and 31 March 2009); it cancels US\$ 1.6 billion and reschedules US\$ 0.8 billion.

This agreement is concluded under the so-called "Naples terms": ODA credits are to be repaid over 40 years, with 16 years of grace; 67% of commercial credits are cancelled; the remaining 33% are rescheduled over 23 years, with 6 years of grace.

On an exceptional basis and to take into account the capacity of payment of Afghanistan, this Agreement defers also 100% of the moratorium interest due over the consolidation period under the rescheduling. Repayment of these Moratorium Interests will be made after October 2011.

Paris Club Creditors stressed the importance they attach to the continued and full implementation of the Economic Programme and of the Poverty Reduction Strategy of the Government of Afghanistan.

The Government of Afghanistan commits to seek comparable treatment from its other external creditors.

This treatment is a first step in the implementation of the commitments made by the Governments of Germany, the Russian Federation and the United States of America on the occasion of the London conference on Afghanistan of 31 January 2006, to cancel 100% of Afghanistan's debt within the context of a successful implementation by Afghanistan of the HIPC initiative process, subject to their domestic legal requirements.

Background notes

1. The Paris Club was formed in 1956. It is an informal group of creditor Governments from major industrialized countries. It meets on a monthly basis in Paris with debtor countries in order to agree with them on restructuring their debts.

2. The members of the Paris Club which participated in the treatment of Afghanistan's debt were representatives of the Governments of Germany, the Russian Federation and the United States of America. Observers at the meeting were representatives of the Governments of Canada, Denmark, France, Italy, Japan, the Netherlands and the United Kingdom, as well as the IMF, the World Bank, OECD and the Secretariat of the U.N.C.T.A.D.

The delegation of Afghanistan was headed by Dr Anwar UI-Haq AHADY, Minister of Finance. The meeting was chaired by Mr Ambroise FAYOLLE, Assistant Secretary at the Treasury of the French Ministry of Economy, Finance and Industry, Co-Chairman of the Paris Club.

Technical notes

1. An arrangement under the Poverty Reduction and Growth Facility in support of Afghanistan's Economic and Financial programme was approved by the IMF on 26 June 2006.

2. The cut off date (20 June 1999 for Afghanistan) is used by Paris Club creditors for the sole internal purposes of the Paris Club agreement. When a debtor country first meets with Paris Club creditors, the "cut off date" is defined and is not changed in subsequent Paris Club treatments and credits granted after this cut off date are not subject to rescheduling. Thus, the cut off date helps restore access to credit for these debtor countries.