

International Monetary Fund

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Islamic Republic of Afghanistan: Letter of Intent

May 30, 2010

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LETTER OF INTENT

Kabul, May 30, 2010

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington DC 20431

Dear Mr. Strauss-Kahn:

On June 26, 2006, the IMF's Executive Board approved a three-year arrangement for the Islamic Republic of Afghanistan under the Poverty Reduction and Growth Facility, now the Extended Credit Facility (ECF). Since then, the Board has extended the arrangement twice, most recently to June 25, 2010.

We remain committed to implementing the Fund-supported program. Implementation of the structural benchmarks has been somewhat delayed, but we expect to complete most by end-July. Adoption of the business model of border controls has lagged due to delays in appointments to the key ministries involved in the effort and the complexity of the issues. The comprehensive financial review of the state fuel company has also lagged, due to difficulties in obtaining technical assistance.

We are currently engaged in discussions with Fund staff on a new economic program that can be supported by the ECF. We remain committed to maintaining macroeconomic stability, moving toward fiscal sustainability, and advancing the reform agenda. We intend to embed these objectives in the new program. We envisage that the two delayed measures noted above will become structural benchmarks under a new arrangement.

We are also working on the details of a comprehensive framework for security, development, and governance, which we intend to unveil at the Kabul Conference on July 20. We envisage that the successor program will be an integral part of this framework, and we are therefore synchronizing preparations for the two initiatives. On behalf of the government of Afghanistan, we request that the ECF arrangement be extended until September 25, 2010. The extension would provide time for the completion of the seventh review and allow the final disbursement to be made.

Sincerely yours,

/s/
Omar Zakhilwal
Minister of Finance

/s/
Abdul Qadeer Fitrat
Governor, Da Afghanistan Bank