

## U.S. DEPARTMENT OF THE TREASURY

## Press Center



## Deputy Treasury Secretary Wolin Welcomes Paris Club Commitment to Cancel Afghanistan's Debt

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**WASHINGTON** – Deputy Treasury Secretary Neal S. Wolin today welcomed the accord reached by Afghanistan and its Paris Club creditors, including the United States, to cancel all debts owed by Afghanistan to Club members. Founded in 1956, the Paris Club is an informal group of official creditors whose role is to find coordinated and sustainable solutions to payment difficulties of debtor countries.

"Today's decision represents an important achievement for Afghanistan and reflects the international community's acknowledgment of the progress the country has made in strengthening its economy," said Deputy Secretary Wolin. "Lifting the debt burden inherited by the Afghan government marks a crucial step on Afghanistan's road to economic sustainability."

The accord reached today will implement Afghanistan's completion point treatment under the Enhanced Heavily-Indebted Poor Countries Initiative (HIPC). Completion point is the final step of the HIPC Initiative, at which the international community provides full debt reduction for a debtor country that has established a track record of good performance under programs designed to achieve economic growth and poverty reduction. The accord recognized Afghanistan's performance under its International Monetary Fund (IMF) program and its progress on adopting and implementing economic reforms in a tremendously challenging environment.

Since 2002, Treasury technical advisors have worked closely with the Afghan Ministry of Finance to streamline the budget process, improve the payment system for government employees, restructure Afghanistan's debt, and establish a Debt Management Unit within the Ministry of Finance, which played a crucial role in today's negotiations.

Completion point, including today's accord, will bring cancellation of an estimated \$1.6 billion in debt from the Paris Club, the IMF and World Bank and other creditors. It marks the end of a process that will ultimately result in a 96 percent reduction of the debt inherited by Afghanistan's government, which was estimated at US\$11.6 billion in 2006 (in net present value terms).

Deputy Secretary Wolin visited Afghanistan in February to discuss the importance of building Afghanistan's economic and governing capacities, encouraging civilian engagement and educating future generations to help secure the future of Afghanistan as a stable, free and economically independent member of the community of nations.

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