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## IMF tentatively OKs \$2.5 bln loan to Sri Lanka

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(AFP) WASHINGTON &mdash; The International Monetary Fund on Monday said it had provisionally approved a 2.5 billion dollar loan to Sri Lanka to help the country cope with the global financial crisis. IMF managing director Dominique Strauss-Kahn said that an IMF staff mission reached an agreement with the Sri Lankan authorities on an economic program that "could be supported" by a 20-month stand-by credit for an amount equivalent to roughly 2.5 billion dollars. The loan is worth 1.65 billion Special Drawing Rights (SDRs), an IMF asset that is based on a basket of currencies -- the dollar, yen, euro and pound -- and calculated daily. The IMF executive board is expected to consider the program on Friday, the 186-nation Washington-based institution said. If approved by the board, Sri Lanka would be eligible to draw about 313 million dollars immediately. The Sri Lankan government had requested a 1.9 billion dollar loan in March to help stave off its first balance of payments deficit in four years after foreign currency reserves fell to around six weeks' worth of imports. The loan was delayed under political pressure from the United States, Britain and other countries which felt the government was not doing enough to avoid civilian casualties as it closed in on the remnants of the once-powerful Tamil Tiger army. Sri Lanka crushed the militant Tamil Tigers -- who had been fighting to carve out a separate state for minority Tamils since 1972 -- in mid-May by killing the leadership of the rebels. The civil war claimed between 80,000 and 100,000 lives. "Persistently high budget deficits have forced the government to rely on short-term financing from international markets. The global financial shock resulted in a sudden stop to this financing, capital outflows, and a significant loss of Sri Lanka's international reserves," Strauss-Kahn said. Strauss-Kahn said that despite recent capital inflows, the tiny Asian country's international reserves "remain at low levels." "The end of the conflict provides Sri Lanka with a unique opportunity to undertake economic reform and reconstruction, which would be key to laying the basis for higher economic growth in the years ahead," he said. The IMF chief said the government had developed an "ambitious program aimed at restoring fiscal and external viability and addressing the significant reconstruction needs of the conflict-affected areas." The IMF-supported economic program would also provide a framework for international donors to help finance the government's reconstruction effort. "The strong measures that the authorities are taking under the program justify the exceptional level of access to fund resources -- equivalent to 400 percent of Sri Lanka's quota in the IMF," Strauss-Kahn said. "I would like to call upon the Sri Lankan authorities to work with the donor community to ensure an adequate level of financing for the reconstruction effort to lay the foundation for future growth," he added. Courtesy: google.com