
IMF defends Sri Lanka loan

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WASHINGTON (Reuters) - The International Monetary Fund defended a \$2.6 billion loan to Sri Lanka on Monday saying it is aware of human rights concerns by donors but the funding is needed to prevent a devastating balance of payments crisis.

The loan was approved by the IMF board on Friday with opposition from several countries including the United States, Britain, Germany, France and Argentina, which expressed concern at human rights abuses in Sri Lanka. "In Sri Lanka's case they have been hit by the global crisis and the IMF's mandate is to address and ward off balance of payments crises," IMF mission chief to Sri Lanka, Brian Aitken told reporters on a conference call. "The balance of payments crisis sounds rather dry but it really would have a devastating impact on the economy and on the people, particularly the most vulnerable," he added. Aitken said the IMF was in regular contact with humanitarian groups and diplomats over human rights worries. Months after the end of the civil war with the Liberation Tigers of Tamil Eelam, the Sri Lankan government continues to hold thousands of Tamils displaced by the fighting in detention camps, according to Human Rights Watch. Aitken said none of the IMF funding would be directed through the government budget. Instead, the entire loan is going toward rebuilding the central banks currency reserves, which have been drained by the collapse in global trade that has affected the country's mainstay garment industry. "The hope is that the loan provides a framework in which multilateral and bilateral donors can support the reconstruction effort directly," he added. He also said it was important that Sri Lanka's foreign exchange policy remained flexible to meet targets for rebuilding international reserves to at least 3.5 months of imports by the end of the 20-month program. "The program is targeted to increase reserves and the exchange rate under those circumstances needs to be flexible to respond to changes in foreign exchange flowing into the country," Aitken said. Aitken said as the global crisis dissipates, Sri Lanka's growth should rebound quickly on the back of post-war rebuilding. He said the IMF agreed with the central banks' forecast for economic growth of 3 percent for 2009. Courtesy: dailymirror.lk