

IMF approves 426.8-mil-USD loan for Sri Lanka

WASHINGTON, April 2 (Xinhua)-- The International Monetary Fund (IMF) on Monday approved a 426.8-million-U.S. dollar loan to Sri Lanka, in an effort to help the country build buffer against swelling trade deficit.

The Washington-based global institution said in a statement that it has completed the seventh review of Sri Lanka's economic performance, which enabled the immediate disbursement of the loan.

Since 2009, the IMF has lent Sri Lanka 2.13 billion dollars to help the country, which was hit hard by the financial crisis, to carry out economic reform and strengthen its fiscal position.

"While the strong economic recovery continued in 2011, and inflation remained subdued, a combination of rapid credit growth and a tightly managed exchange rate caused the external current account deficit to widen and external reserves to fall sharply," noted Zhu Min, deputy managing director of the IMF.

"The authorities have recently introduced a broad package of measures," Zhu said, adding the adjusting measures have placed the economy on a more sustainable trajectory.

The government has abolished the trading band of the rupee to allow the exchange rate to adjust more flexibly. The 2012 government budget targets a reduction in the deficit to 6.2 percent of GDP.

"However, it will take time for the new monetary and exchange rate regime to become fully established, and the authorities will need to stand ready to adjust policies to stabilize external reserves, especially if the global environment becomes less favorable," Zhu cautioned.