

# Sri Lanka reaches agreement with IMF on loan

Sri Lanka has reached a preliminary agreement with the International Monetary Fund (IMF) on a loan. The Asian island state has been in a deep economic and political crisis for months. With the loan of USD 2.9 billion, converted into a comparable amount in euros, a start can be made on stabilizing the economy.

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The situation in Sri Lanka deteriorated rapidly after the Russian invasion of Ukraine at the beginning of this year. Worldwide, the prices of oil and gas shot up and that led to shortages in the country. There are still an enormous lack of fuel, but there is also a shortage of food and other basic goods such as cooking oil in the country.

That sparked an uprising against the political leadership, with President Gotabaya Rajapaksa fleeing the country in July. It is now up to his successor Ranil Wickremesinghe to help alleviate the country's problems. The loan from the IMF helps with this, but as a condition Sri Lanka must implement the necessary reforms. In addition, Sri Lanka has almost USD 30 billion in debt outstanding.

Japan has offered to lead talks with major creditors like India and China about restructuring that debt. The IMF calls on all creditors to cooperate, otherwise there is a risk that Sri Lanka's crisis will be deepened and the country will not be able to repay at all.