

# IN TOO DEEP: THE HINDU EDITORIAL ON SRI LANKA'S ECONOMIC CRISIS AND THE IMF AID PACKAGE

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

To enjoy additional benefits

CONNECT WITH US

March 27, 2023 12:10 am | Updated 09:03 am IST

COMMENTS

SHARE

READ LATER

The International Monetary Fund's approval of a 48-month arrangement with Sri Lanka, under [the Extended Fund Facility for a \\$2.9 billion package](#), has been welcomed by Colombo and its creditors, who President Ranil Wickremesinghe will now have to conclude debt restructuring agreements with. Taking credit for some of the heavy lifting, India's Ministry of External Affairs has said that India was the first Sri Lankan bilateral creditor to support the debt restructuring and to provide assurances to the IMF in January. Since last year, New Delhi has been a key part of Sri Lanka's support structure, appealing on its behalf to the IMF and World Bank, extending a \$4 billion package including credit lines, loans and debt deferrals, and raising the issue of debt sustainability at the multilateral sphere including the G-20. China, Sri Lanka's biggest bilateral creditor, and Japan (part of the Paris Club of international financiers) did not move as quickly, which held up the IMF announcement. Announcing the first tranche of \$330 million on Tuesday, Mr. Wickremesinghe said that the key message was to assure other lenders about Sri Lanka's capacity to service its debt, and potentially enable it to access about \$7 billion from international institutions and the IMF. Some credit is due to Mr. Wickremesinghe and his cabinet who have stabilised a few indicators since coming to power in challenging times last year.

However, the IMF decision is no magic pill. This is Sri Lanka's 17th IMF bailout, and the third in the past decade. The IMF loan also comes with a number of conditions, which will cause more hardships and make the government, that has about 10% approval ratings, more unpopular. Adding to its discomfiture is the IMF distancing itself from the government's decision to postpone local elections, saying it had made no political stipulations. In its report, the IMF calls the risks to implementing the programme as "exceptionally high", refers to Sri Lanka's track record of implementing reforms as "weak", and calls for contingency plans in case there is a deeper crisis induced by weak market indicators. Apart from grappling with soaring inflation, stimulating growth and inviting global investment, the government must also ensure that creditors are satisfied with its debt restructuring process and no one accuses it of "side-deals". Sri Lanka appears committed to turning the corner, and is mending fences with every international player engaged in its complex geopolitics, including the U.S., Japan, India and China. It is important that in turn, they recognise Colombo's precarious position and cooperate in shoring up the island nation as it continues to navigate a difficult economic path.

[To read this editorial in Telugu, click here.](#)

COMMENTS

SHARE

[Sri Lanka](#) / [foreign aid](#) / [government debt](#) / [G20](#) / [China](#) / [economy \(general\)](#) / [Japan](#) / [India](#)

BACK TO TOP

Comments have to be in English, and in full sentences. They cannot be abusive or personal. Please abide by our [community guidelines](#) for posting your comments.

We have migrated to a new commenting platform. If you are already a registered user of The Hindu and logged in, you may continue to engage with our articles. If you do not have an account please register and login to post comments. Users can access their older comments by logging into their accounts on Vuukle.

END

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com