

Sri Lanka returns USD 50m of USD 200m loan to BD

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Dhaka: Sri Lanka has started paying back the USD 200 million it took from Bangladesh in a currency swap agreement in August 2021, over a year and a half later than the original agreed date.

On August 17, Sri Lanka sent USD 50 million to Bangladesh, which is the first instalment of the payment, said reports citing Md Mezbaul Haque, the central bank's spokesman.

The next instalment is expected in a fortnight, he said, without mentioning the amount that is coming.

"We are hopeful that the entire amount will be cleared by September," Haque agreed, as per reports.

Initially, when the currency swap deal was agreed, Sri Lanka was supposed to repay the amount in three months.

It may be mentioned here, Bangladesh lent the money to Sri Lanka in three instalments in 2021: the first tranche of USD 50 million was sent on August 19, the second instalment of USD 100 million 11 days later and another USD 50 million in September.

Sri Lanka was supposed to repay the amount by the end of 2021 with an interest rate of LIBOR + 2 per cent.

LIBOR, the acronym for London Interbank Offer Rate, used to be the global reference rate for unsecured short-term borrowing in the interbank market and acted as the benchmark for short-term interest rates until June 30, 2023. LIBOR has been replaced by SOFR.

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As the island nation's economy plunged further into crisis, the repayment term was extended several times. Then in May 2022, Bangladesh extended the term to September 2023 and the interest rate was fixed at LIBOR + 2.5 per cent then.

The Central Bank of Sri Lanka has been paying the interest every three months and is now paying back the principal amount, added reports citing Haque.

Sri Lanka's repayment comes as its embattled economy is staging a recovery.

The Central Bank of Sri Lanka expects the economy to resume growth this quarter after six quarters of contraction -- faster than expected by many economists -- while overseas remittances are surging and tourist numbers are rising, reports said.

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