

The Role of IMF in Restoring the Financial Stability of Developing Countries in the Post-pandemic Era (Case Study of Sri Lanka)

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Abstract

The International Monetary Fund (IMF) is helping developing countries that the Covid-19 pandemic has inconvenienced. As a result, The International Monetary Fund (IMF) has approved a 48-month Extended Fund Facility (EFF) of about 3 Billion USD to support Sri Lanka's Covid-19 post-pandemic era. Therefore, this research critically evaluates the role of the IMF in restoring the financial stability of Sri Lanka in the post-pandemic era. It has been examined here how the Covid-19 pandemic affects developing countries like Sri Lanka and why these countries need IMF support. As the significance of the research, it provides a lot of important information regarding the policy formulation of the governments and the way of conducting transactions with the IMF. Looking at the methodology, this research is a mixed method of mixing qualitative and quantitative data and content analysis carried out using secondary data. Regarding the main findings, this research found the impact of the structural changes made by the IMF on this country. There are several other solutions that Sri Lanka could consider for restoring its financial stability instead of an IMF loan. These include debt restructuring, asset sales, diaspora bonds, tourism promotion, export promotion, domestic revenue mobilization, public expenditure reforms, etc. It is important to note that these solutions have their challenges and risks. It is also important to note that Sri Lanka is unlikely to be able to fully recover from its economic crisis without the support of the international community. Some argue that the IMF's conditions are too harsh and will only worsen the situation for the poor and vulnerable, that there are better ways to solve Sri Lanka's problems than the IMF, and that the government should focus on domestic reforms. Despite the criticism, this research concludes that IMF support is a necessary step to restoring the financial stability of Sri Lanka in the post-pandemic era.

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