

### **WASHINGTON (AFP) - The International Monetary Fund has reached an agreement with Iceland to unblock the second installment of a loan to the recession-stricken country.**

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"The government of Iceland and IMF staff have reached an agreement on policies to underpin the first review under the Stand-By Arrangement," Poul Thomsen, deputy director in the IMF European department, said in a statement.

The multilateral institution said the agreement was being reviewed by IMF management and would then need to be presented to the IMF's executive board for their consideration and approval

An IMF executive board meeting could be held in late August or early September.

The IMF fast-tracked a 2.1-billion-dollar loan to Iceland in November, a month after the collapse of the country's booming financial sector.

That catastrophic failure pushed the country to the brink of bankruptcy and forced the government to take control of the biggest banks as the currency nosedived.

Iceland was the first Western European country to be rescued by the IMF since Britain in 1976.

The Washington-based institution, which immediately paid out around 827 million dollars to Reykjavik, delayed the first of eight planned installments of 155 million dollars, initially scheduled in February.

## IMF reaches agreement on loan payout to Iceland

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The second installment is worth some 163 million dollars.

"With the additional time, the authorities have been able to fully articulate their policy plans, including towards fiscal consolidation and capital control liberalization, and to advance financial sector restructuring work," Thomsen said.

The announcement came against the backdrop of a dispute between Iceland on one side, and Britain and the Netherlands on the other, over the nationalized bank Icesave, whose British and Dutch clients are supposed to be reimbursed for their losses.

More than 200,000 British clients and 120,000 Dutch clients had their Icesave accounts frozen during the nationalization of Landsbanki, the parent group of the online banking unit.

On the IMF board, Britain holds one seat and the Netherlands represents a group of countries, but together they lack the voting power to block the deal.

Badly shaken by the global financial crisis, Iceland applied this month to join the 27-nation European Union.

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