



## Economic Crisis Jeopardize Rights in Sri Lanka

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### ABSTRACT

*Why do authoritarian regimes create human rights organizations that cost them money and political clout yet do nothing? Academic literature assumes nations with dishonest human rights records do so to influence liberal Western states and international activists. If Western human rights advocates are the target audience, the idea looks shortsighted. The authoritarian regime is perceptive of outside views and often increases pressure. The author argues that governments passing human rights half measures appeal to an underserved market of swing countries that can veto international human rights efforts. The paper illustrates these processes using a case study of Sri Lanka's postwar justice response. The author shows that Western governments and NGOs pressured to construct weak investigating bodies were not duped or appeased. It was part of a coalition-blocking plot to convince other developing UN Human Rights Council members to oppose an international probe and provide them political justification to do so.*

**Keywords:** Rights, Human Rights, Economic, policy

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### INTRODUCTION

Human Rights Watch stated today that the economic crisis in Sri Lanka is pushing millions of people into poverty and endangering their access to healthcare, education, and a livable wage (Biswal, Nisha Desai. 2014). In order to create a new social security system, reduce debt, assure fair taxes, and combat corruption at the highest levels of government, the Sri Lankan government should collaborate with key financial institutions and partners. (Amnesty International 2011).

Ranil Wickremesinghe became president on July 21 as a result of widespread demonstrations over economic mismanagement, corruption, and violations of human rights that began in March 2022 and drove President Gotabaya Rajapaksa to quit (Hathaway, Oona A. 2002; Sri Lanka: Economic Crisis Puts Rights in Peril, 2022). The new administration has been in talks with the International Monetary Fund (IMF) for a bailout as well as with foreign creditors to restructure debts that Sri Lanka defaulted on in May. These debates are taking place as the new government's legitimacy has been harmed by a fresh crackdown on dissent (Aneez, Shihar, 2014).

According to Meenakshi Ganguly, South Asia director for Human Rights Watch, "Sri Lankans are suffering from acute food shortages and other hardships, but the current administration is focused on repressing peaceful demonstrators and social activists" (Sri Lanka: Economic Crisis Puts Rights in Peril, 2022). To handle Sri Lanka's severe economic crisis, the government should interact with the general population and international financial institutions.

Human Rights Watch conducted interviews with 20 people in Colombo in July who were trying to make ends meet despite declining salaries, inflation of over 50%, and occasionally inaccessible basic goods. Those questioned claimed to have made cuts, eating only two meals each day, and taking out loans to cover necessities like rent and energy costs (Aneez, Shihar. 2014; Human Rights Watch. 2012a).

According to the UN, 5.7 million people in Sri Lanka require humanitarian aid, with 4.9 million of them—22% of the population—experience food insecurity, which means they do not always have access to sufficient quantities of nourishing food. A UNICEF poll conducted in late 2020

revealed that 36 percent of families had already cut back on their food consumption because to the pandemic (UNICEF (2020)). In a survey done in April 2022, just as the economic crisis began, that percentage quadrupled to 70% (Human Rights Watch. 2009).

"It's affected me really adversely," a police officer who makes rupees 45,000 (\$126) per month said of his family's financial situation. A street sweeper who has a six-month-old child reported that she joined the demonstrators calling for a change in government and steps to combat corruption. She explained, "A bar of soap cost 80 rupees when the baby was born, It's 210 now" (Sri Lanka: Economic Crisis Puts Rights in Peril, 2022).

Others had trouble affording the medication that the government had previously provided. Schools had to close for a month due to fuel shortages after the Covid-19 outbreak disrupted life for two years; they finally reopened on July 25. Despite the fact that online instruction was frequently offered, many interviewees claimed they could not afford to provide their kids with internet access. According to reports, a lot of kids are quitting school (Gnanachandran, G., & Arul Chellakumar, J. A. (2020)).

In times of economic crisis, international financial institutions and governments that hold Sri Lanka's debt or are taking part in debt restructuring negotiations are required by international law to take action to preserve human rights. In accordance with the United Nations Guiding Principles on Business and Human Rights, private creditors are required to rectify any negative effects on human rights that they may be a part of (Human Rights Watch. 2009; Silva, Nipun, 2021).

**The immediate actions listed below must be taken to address Sri Lanka's economic crisis:**

#### **Social Security**

Samurdhi, which means "prosperity" in Sinhala, is Sri Lanka's main social security program that aims to provide cash transfers to very low-income households. However, it is commonly acknowledged to be inefficient and corrupt, with advantages frequently taking into account one's perceived political allegiances. Less than half of the poor were Samurdhi recipients, and benefit amounts are still mainly insufficient (World Bank, 2021; Business Standard, 2022).

Samurdhi is "badly targeted, poorly constructed, and political, with enormous leakages," according to a renowned Sri Lankan policy expert who wanted to remain anonymous because he is involved in ongoing talks. Another analyst said that there is substantial internal resistance to reform, calling Samurdhi "a large politically seized patronage program"(Sri Lanka: Economic Crisis Puts Rights in Peril, 2022).

The majority of the people claims that no one in their household held a regular job and that they were having financial difficulties, but none of them were getting Samurdhi payments. The Sri

Lankan government has been pushed by UNICEF and the UN Development Programme to implement universal social protection schemes, which offer benefits to everyone in particular groups, such as children or the elderly. Programs without means testing have been demonstrated to be less prone to political capture or corruption and to be more effective at eliminating poverty. In order to safeguard Sri Lankans' rights from the impacts of the economic crisis, the government should cooperate with foreign organizations, such as the IMF to (Business Standard, 2022):

- Create a new social protection system with the goal of providing universal coverage that is both adequate to safeguard everyone's rights from the effects of the economic crisis and planned to prevent wasteful spending and corruption;
- Provide sufficient funding for the public health and educational sectors.

### **Equal Taxation**

The extraordinarily low tax rates, along with tax exemptions that predominantly benefit the wealthiest Sri Lankans and foreign investors, are a major contributor to the country's economic crisis. Strong business interests have "eroded the tax base for years," in many cases being exempt from paying any corporate tax, according to economists who spoke to Human Rights Watch. As a result, the government has become more dependent on borrowing, including to pay off its debt "(Sri Lanka: Economic Crisis Puts Rights in Peril, 2022). The significant tax cuts put in place by the country's former president Gotabaya Rajapaksa in 2019 further depressed tax collections, resulting in one of the lowest tax to GDP ratios in the world—around 8% (Business Standard, 2022).

- Even though some of the 2019 tax cuts have been undone, additional taxation on the low-income population shouldn't be implemented in the future. A more progressive tax system was proposed by President Wickremesinghe, who said on August 5 that his administration might enact "taxation on wealth... first for economic recovery and second for social stability."
- Ensure that any new tax policies, including those enacted as part of an IMF program, are progressive and do not put economic rights at greater danger. Renegotiating contracts with foreign investors who pay little or no taxes, raising corporation taxes, raising income taxes for the richest Sri Lankans, or enacting a wealth tax are some possible measures (Central Bank of Sri Lanka, 2021).

### **Massive Corruption**

Many of the demonstrators and policy experts attributed some of Sri Lanka's economic crisis to government corruption. While the World Bank stated that it is "working closely with

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implementing agencies to build robust controls and fiduciary monitoring to guarantee these resources reach the poorest and most vulnerable," the IMF wanted "structural reforms to mitigate corruption vulnerabilities" (Business Standard, April 20, 2022).

Between 2015 and 2019, President Wickremesinghe was the prime minister and three measures to combat corruption were created under the Sirisena administration, but they were never made public. One is based on a 2019 national action plan that was developed after extensive consultations and is referred to as a composite anti-corruption and bribery law. A third one refers to the declaration of assets by public authorities, while a second one deals with the proceeds of crime and asset recovery. The government should do the following to combat corruption and protect the rule of law:

- Agree to enact forceful anti-corruption policies based on prior suggestions, under proper public scrutiny;
- Pass laws requiring open bidding for government contracts in the procurement sector;
- Rejoin the Stolen Assets Recovery (StAR) effort, a joint project of the World Bank and the UNODC.

### **Equitable debt restructuring**

Governments, international financial institutions, and private creditors are some of Sri Lanka's foreign debtors. China, Japan, the Asian Development Bank, and private creditors, mostly US and European financial institutions, together account for 10 percent, 13 percent, and 47 percent of Sri Lanka's debt, respectively, according to the Sri Lankan government (Central Bank of Sri Lanka, 2021).

With these creditors, Sri Lanka is now in debt restructuring talks. Economists are worried that if these debts are not substantially reduced, the government will have to restructure its domestic loans as well, which might lead to a banking crisis and further destabilize the nation. Low-income investors in the government's provident fund, which has significant holdings of government bonds, are among those who would be most at risk.

To lessen the negative effects of Sri Lanka's economic crisis on human rights, the country's major foreign creditors should restructure their debt. Because of Sri Lanka's escalating economic problems, the government must prioritize protecting citizens' rights, according to Ganguly. The Sri Lankan government, the IMF, and foreign creditors must move quickly to stop the trend that is plunging millions of people into poverty (Central Bank of Sri Lanka, 2021).

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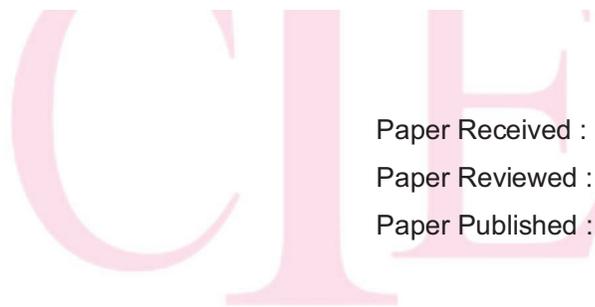
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