CADTM South Asia annual meeting

In Sri Lanka women are the principal victims of the IMF and of microfinance

Tuesday 12 March 2024, by PERRIOT Maxime, RATNARAJAH Nalini, SKANTHAKUMAR Balasingham, WEDAGEDARA Amali (Date first published: 26 February 2024).

During the CADTM South Asia annual meeting, held in Kathmandu (Nepal) on Tuesday 13 and Wednesday 14 February 2024, Amali Wedagedara, Nalini Ratnarajah and Balasingham Skanthakumar analysed the political, economic and social situation in Sri Lanka. Almost two years after the popular uprising (Aragalaya) that led to the ousting of former president Gotabaya Rajapaksa, the IMF and microfinance institutes are placing the burden of their choices on Sri Lankan women and minorities.

Contents

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Debt crisis, popular uprising, IMF… where does Sri Lanka stand?

Spring 2022: As a result of external shocks such as the Covid-19 pandemic and Russia's aggression against Ukraine, Sri Lanka was in desperate need of foreign currency in order to import basic goods. It had to contend with shortages, particularly of oil, and defaulted on its foreign debt. The prices of basic necessities soared. What followed was an unprecedented popular uprising which, forced the President Rajapaksa, the representative of a family that had a pervasive presence in the spheres of power, to flee. He was replaced by his former Prime Minister, Ranil Wickremesinghe, who, in September 2022, began negotiating the 17th agreement in the country's history with the International Monetary Fund. He also introduced an extreme crackdown on all types of demonstration - it is now forbidden to demonstrate in a non-static manner in Sri Lanka or express criticisms on social networks.

In order to obtain emergency loans from the IMF - released gradually in installments of 330 million dollars to reach a total of 3 billion dollars - Sri Lankacomplied to the conditionalities of the Bretton Woods institution without batting an eyelid. On the agenda: cuts in education and health budgets, attacks on labour rights, lower subsidies on essential goods, higher VAT, etc. The economic crisis and inflation, which were already hitting the country's working classes hardest, have been considerably exacerbated by the IMF. The cost of living has seriously increased over the last two years, and the population is left financially destitute. For example, the Sri Lankan population is faced with the highest electricity prices in the whole of South Asia. And they are still rising.

The public debt crisis and IMF conditionalities are spilling over into private and household debt: 54% of Sri Lankan households are indebted. They are also bearing the brunt of the restructuring of domestic debt. Indeed, the Sri Lankan pension funds that agreed to restructure part of the Sri Lankan debt they owned are repaying themselves by reducing the pensions of the population, particularly the poorest. As usual, capital is getting away scot-free, and it is the majority of the population, particularly the working classes, minorities and women, who are paying high prices for their basic needs.

Women and minorities are the first victims of IMF policies

Nalini Ratnarajah showed how women and minorities are the first to be hit by the austerity measures imposed by the IMF.

The cuts in health budgets imposed by the international financial institution are affecting the social security system, and therefore the access of women and marginalized people - who cannot go to private hospitals - to public hospitals and medicines. In particular, these measures affect the conditions of maternity, as well as the quality of their nutrition, which is considerably affected.

Moreover sexist and sexual violence can only increase when the economic situation deteriorates and the State no longer plays its part. The situation at home becomes much more complicated and patriarchal violence tends to multiply.

It should also be noted that women are the first to repay the debt through their work on the tea plantations, the taxes they pay, and their remittances from the Gulf States. These three elements provide the government with foreign currency to repay the foreign debt.

Nalini Ratnarajah also recalled the growth of anti-Muslim hatred against Tamils. This is accentuated by the influence over Sri Lanka of Modi's racist Indian rule.

Microfinance in Sri Lanka: capital is gaining ground

Just like the policies promoted by the International Monetary Fund, microfinance institutions are pushing millions of women into over-indebtedness. In 2018, interest rates charged by the microfinance sector reached as high as 220%, provoking major protests by women victims of abusive microfinance. They demanded that their debts be canceled, claiming that they had already repaid several times over given the insane interest rates they had to pay.

Out of the 2.4 million people trapped by microfinance (2.3 million of whom are women), several thousands have already defaulted. Running up to the elections, the government almost encouraged these women to stop paying and compensated the losses of the microfinance institutions with public money. The government thus socialized the losses of these financial institutions, just as the European states did with the banks during the 2008-2010 financial crisis.

With the Covid-19 pandemic, the mobilization of women victims of abusive microfinance understandably declined. They tried to fall back on traditional practices of loans between women - ’tontines’ in French. This practice brings together a group of women who take it in turns to lend to each other for major projects. But the Sri Lankan government simply banned these forms of lending by passing a new law! This law made traditional practices illegal because it prohibited anyone from lending without being officially registered. This is a huge gift to capital and microfinance institutions, which are still gaining ground to the detriment of women, who they push into over-indebtedness, sometimes to the point of suicide.

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https://www.cadtm.org/In-Sri-Lanka-women-are-the-principal-victims-of-the-IMF-and-of-microfinance