

Sri Lanka: “Austerity driven economic reforms affect women more than men”

An Interview with Juan Pablo Bohoslavsky

Monday 9 October 2023, by [BOHOSLAVSKY Juan Pablo](#), [HEMACHANDRA Lakmali](#), [SKANTHAKUMAR Balasingham](#)
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LH: As the previous Special Procedures mandate-holder of the Human Rights Council of the United Nations on foreign debt and human rights, would you please begin by explaining how debt and finance impinge on human rights; and why human rights matter, or ought to matter, when it comes to issues of debt and finance?

JPB: Thank you for inviting me for this interview. First, we should clarify what human rights mean in this conversation on finance. Human rights encompass both civil and political rights, as well as economic, social, and cultural rights. Rights require fiscal resources for their full realisation: hospitals, schools, the social protection system, the functioning of the judicial system all require resources, and we know they are limited. If you take the State budget as a whole, as one single cake, if funds are spent to repay debts, and not used to invest in the social sector or in climate change adaptation or mitigation, for example, rights will invariably be undermined. This is why debt has to be sustainable, not only financially, but also from a human rights and environmental perspective.

LH: In a 2018 report to the UN General Assembly [1], you argued that economic reforms, in particular the austerity and fiscal consolidation measures promoted by international financial institutions including the International Monetary Fund and the World Bank, impact on women’s human rights. In what ways do they do so; and in response what are your key recommendations?

JPB: The bottom line here is that austerity hits women more than men. Most women are already grappling with a range of structural inequalities including pay gaps, occupational segregation, informality, precarious jobs, unemployment, lack of access to and control of land, credit and other productive resources, and the heavy burden of unpaid care work. In addition, many women also face discriminatory norms, gender stereotypes, and various forms of violence. We have to also keep in mind that women are often under-represented in politics and decision making and may have fewer opportunities to participate in the decisions that affect their lives, families, and communities.

Owing to these economic disadvantages many women tend to use employment, health, and education services provided by the public sector. Therefore, often women depend on social transfers, social housing, utility subsidies, as well as disability benefits and child benefits or in the case of women living in poverty, cash transfers and in-kind transfers.

That is why austerity-driven fiscal consolidation measures and economic reforms, such as those encouraged by labour market flexibilisation that result in thinning the coverage of social protection benefits and services, cuts to public sector jobs, and the privatisation of services tend to negatively affect women more than men. Austerity and fiscal consolidation policies hit the most vulnerable groups within a given population, among whom women are over-represented and the most exposed, giving rise to intersecting forms of discrimination.

Among the women who are most exposed are single mothers, young women, women with disabilities, women refugees, migrant women, lesbian and intersex women, and women who have been victims of sexual assault. Those women who belong to ethnic, religious or linguistic minorities, women living in rural areas, and women who live in poverty or even extreme poverty are also in this category.

LH: Has the IMF recognised how women are specifically and differentially affected by austerity policies?

JPB: The IMF has developed and implemented its own so-called 'gender approach'. But it is still an instrumentalist approach in the sense that it only takes the woman's position as valid as long as it contributes to economic growth. That means the IMF is okay with incorporating more women into the labour market irrespective of the conditions in which these labour relations are established. So, I am not sure the IMF approach considers gender equality as an intrinsic value. Gender equality only seems important if it contributes to the Gross Domestic Product (GDP).

LH: In 2015, the UN General Assembly passed a resolution (supported by Sri Lanka) on sovereign debt restructuring, which included nine basic principles [2] to be adhered to when you restructure debt. Among them is good faith, transparency, equitable treatment, and sustainability. The current domestic debt restructuring process in Sri Lanka will definitely disproportionately affect the lowest income earners, especially with the social security funds getting a cut. As we see now, international foreign bond holders are getting the more lenient end of the deal, whereas workers particularly women workers are getting a really tough deal at the moment. How do you think the UN principles can be used to support more equitable debt relief?

JPB: This is a very important question, given what Sri Lanka is going through. Equal treatment, the principle of non-discrimination is not only based on the UN resolution that you mentioned, it is a principle of international law. So, I don't see any good legal reason to discriminate against domestic creditors and benefit those holding external debt. I mean, why is the government asking only domestic creditors to make a sacrifice and accept a haircut, while external creditors are fully repaid? This is a legitimate question that needs to be answered.

It is legally unfair. It has happened in other countries too, whereby domestic creditors have had to suffer a haircut that is usually taken out of social security investments. And that means, for example, that those people who retire and are getting monthly pensions will experience a reduction of their income. So, the question here is why those pensioners in Sri Lanka suffer a cut in their pension; while hyper-rich owners of hedge funds living in another country remain untouched, and the profit keeps on flowing [to them].

BS: Following your country visit to Sri Lanka in September 2018 [3], your findings and recommendations paid particular attention to the impact of public debt, structural adjustment, fiscal consolidation, and other economic reform policies on the realisation of human rights; illicit financial flows; international development assistance, project finance, and lending to Sri Lanka from a human rights perspective; and the integration of human rights standards into the financial sector, with special emphasis on microfinance. In brief, what were your summary conclusions?

JPB: I think those conclusions are still valid in the current context. First, debt sustainability analysis in the country has to be carried out on a more comprehensive understanding, incorporating human rights, social, and environmental dimensions of sustainability. A human rights impact assessment should be conducted systematically prior to the adoption of economic reforms in order to evaluate

potential human rights risks and to avoid retrogression of economic, social, and cultural rights. I also highlighted and suggested considering boosting domestic demand, opening discussion on whether the military budget reflects the fundamental changes in the country [the war having ended in 2009], and also renegotiating debt not only with domestic creditors but also with external debt holders. Boosting the fiscal space of the government is necessary to ensure the full realisation of all human rights.

BS: After your mission to Sri Lanka, where the issue of household debt incurred through microfinance schemes mostly by women borrowers was a major theme, you investigated and presented a thematic report on the issue of private debt and human rights to the UN Human Rights Council, issued in early 2020 [4]. What were your findings on the drivers of private debt globally? What were your principal recommendations?

JPB: As you mentioned, it was a thematic report; that means that it dealt with global trends. I think it applies very well to the situation in Sri Lanka. So let me begin by saying that the main finding of the report is that there are two drivers of rising private debt in the world: first, the flourishing supply side of finance, with deregulation and increasing financialisation being its facilitating instruments; second, the reconfiguration of many human needs for social reproduction that become unmet financial needs, paralleled by a colossal failure of the State to ensure economic, social, and cultural rights for all.

While the past century has witnessed the establishment and expansion of social safety nets, the gaps that remain provide ground for private debt to flourish, accounting for a significant portion of private debt in most countries. High individual household debt has been associated with inequality, macroeconomic instability, sovereign debt and financial crisis, low wages, poverty and inequality, which are all exacerbated by State policies. Privatisation, austerity measures, and labour market flexibilisation have pushed millions of people into debt, poverty, and informality, making them even more vulnerable to all kinds of abuse.

So, it is obvious that increasing financial inclusion does not necessarily result in real life improvement, more enjoyment of human rights, more sustainable development or less inequality. It is also obvious that a number of States and international financial institutions of course support debt servicing at the expense of the provision of public goods and services. So, the main recommendations presented in the report are to reduce wealth and income inequality, eradicate poverty through progressive taxation, and introduce transfers to extend social protection flows.

Secondly, and this in particular is important in the context of Sri Lanka—regulate and monitor all lending activities formal and informal, ensuring that contractual terms in particular interest rates and other non-interest charges, supporting or enabling technology for banking and financial services, and the means of collecting money do not violate borrowers' human rights. The third recommendation is also relevant in the context of Sri Lanka, which is to ensure that bankruptcy laws that are in line with human rights standards are in place to protect debtors.

BS: Drawing on the experience of your own country Argentina, “that has endured [the] International Monetary Fund’s (IMF) orthodox conditionalities for years”; where women are more exposed than men to the effects of the pandemic and the economic recession; where women are disproportionately affected by the invisibilisation of unpaid domestic and care work, and also by austerity policies that cutback on social and health budgets and deregulate the labour market [5], you have argued that a human rights impact assessment that includes a comprehensive gender analysis, should be undertaken to review economic reforms and to analyse their impacts before adoption of those economic measures. In March 2019 the UN Human Rights Council adopted the ‘Guiding Principles on Human

Rights Impact Assessment of Economic Reform' [6]. What is its significance for Sri Lanka?

JPB: Human rights impact assessments tell us how economic reforms have to be calibrated in order to ensure that women's human rights are fully realised. This is the paramount importance of conducting an impact assessment. Are there enough resources left after repaying creditors for the health sector, for the social safety net? All fields that are very crucial in terms of realisation of women's rights. Will tax regressive reforms promoted by the IMF and other creditors reduce gender inequality and poverty in the country? On the contrary, it seems that the current reforms in Sri Lanka will indeed increase gender inequality.

The same can be said regarding reducing salaries in public service agencies and eliminating subsidies without ensuring that the most vulnerable households can at least keep up, leave alone seeing their social protection strengthened. In terms of anti-corruption measures and policies being discussed, the participation of civil society organisations is key in order to ensure that robust and transparent arrangements are in place, and to prevent unsanctioned corruption, including illicit asset recovery measures to bring stolen funds back to the country. Here, international cooperation is key.

Also, in Sri Lanka's case it is necessary to question whether it is fair that the IMF has imposed a so-called IMF surcharge. This extra interest rate adds to the existing costs already charged to sovereign borrowers.

BS: In response to Sri Lanka's ongoing and combined crises, along with over 180 academics around the world, you co-signed an Open Letter on dealing with Sri Lanka's debt in January 2023, which called inter alia on all Sri Lanka's creditors to "ensure debt cancellation sufficient to provide a way out of the current crisis" [7]. In your assessment, have Sri Lanka's creditors - multilateral, bilateral, and private - taken heed?

JPB: As to whether creditors have taken heed on this call for debt cancellation, the answer is no. What debt sustainability means is that creditors collect their full dues, no matter whether it pushes a country into further poverty and inequality. This is why it is so important to keep in mind that creditors are also bound by international human rights law. Given certain circumstances they must agree on considerable haircuts. And not only creditors holding domestic debt, but also those holding external debt should be given haircuts. They are all bound by international human rights law. There is no legal reason to treat the two categories, domestic and external creditors, in a discriminatory manner.

BS: The implications and impacts of IMF conditionalities, particularly on the poor and the powerless, are clear. What do you think can be done in countries like Sri Lanka?

JPB: We have to keep in mind that Sri Lanka is not in a unique position in terms of being forced to implement austerity measures. Actually, the IMF is pushing most of its member State clients into similar economic policies. So, this is a global challenge. And it is here that coordination with other countries, countries dealing with the IMF and its conditionalities, becomes key. I am referring here to the possibility of organising a debt write-off, so they are collectively excused. Creditors are very well organised. So here, there is an issue of collective action, problems, or challenges. That is why I suggest that countries dealing with similar problems with common creditors organise themselves.

I also want to refer to the point of public opinion here. It is important that people fully understand the implications of the IMF conditionalities for their specific, concrete material living conditions. So, people should demand from the government very strong positions towards the IMF. Here, of course, civil society organisations play a crucial role.

BS and LH: Thank you for taking the time to respond to our questions.

Dr. Juan Pablo Bohoslavsky was the United Nations Human Rights Council's (UNHRC) Independent Expert on foreign debt and human rights between June 2014 and April 2020. He was previously a sovereign debt expert of the United Nations Conference on Trade and Development (UNCTAD). He is currently based at the National Council for Scientific and Technical Research of Argentina at the National University of Rio Negro. Among his many publications are *Making Sovereign Financing and Human Rights Work* (2014), *Sovereign Debt Crisis, What Can We Learn?* (2017), and *Human Rights and Economic Policy Reform* (2021).

Lakmali Hemachandra (LH) and **B. Skanthakumar (BS)** met with him in Colombo on 10 August 2023 at the Asia Pacific Forum on Women Law and Development's national consultation on the debt crisis, jointly organised with the Colombo Urban Lab, the Law & Society Trust, the National Fisheries Solidarity Movement, and the Women and Media Collective. The interview was facilitated by Sandun Thudugala, and transcribed by Akshie Wickremesinghe.

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Footnotes

[1] United Nations General Assembly, *Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights: Impact of economic reforms and austerity measures on women's human rights*. 18 July 2018, A/73/179. Available at <https://documents-dds-ny.un.org/doc/UNDOC/GEN/N18/229/04/PDF/N1822904.pdf?OpenElement>.

[2] United Nations General Assembly. *Resolution adopted by the General Assembly on 10 September 2015, A/RES/69/319. Basic Principles on Sovereign Debt Restructuring Processes*. Available at <https://digitallibrary.un.org/record/804641?ln=en>.

[3] United Nations Human Rights Council, *Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, on his visit to Sri Lanka*, 17 January 2019, A/HRC/40/57/Add.2. Available at <https://documents-dds-ny.un.org/doc/UNDOC/GEN/G19/009/95/PDF/G1900995.pdf?OpenElement>.

[4] United Nations Human Rights Council, *Private debt and human rights: Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of human rights, particularly economic, social and cultural rights*, 3 January 2020, A/HRC/43/45. Available at <https://documents-dds-ny.un.org/doc/UNDOC/GEN/G20/001/47/PDF/G2000147.pdf?OpenElement>.

[5] Bohoslavsky, Juan Pablo and Mariana Rulli. (2020). "Assessing the Gender-Sensitivity of International Financial Institutions' Responses to COVID-19: Reflections from Home (with Kids) in Lockdown", *Feminist Legal Studies*, 28: 311-319. Available at <https://link.springer.com/article/10.1007/s10691-020-09439-x>.

[6] United Nations Human Rights Council, *Guiding principles on human rights impact assessments of economic reforms – Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of human rights, particularly economic, social and cultural Rights*, 19 December 2018, A/HRC/40/57. Available at <https://documents-dds-ny.un.org/doc/UNDOC/GEN/G18/443/52/PDF/G1844352.pdf?OpenElement>.

[7] Debt Justice (2023). *Statement by academics on dealing with Sri Lankan debt*, 08 January 2023. Available at <https://debtjustice.org.uk/wp-content/uploads/2023/01/Sri-Lanka-debt-statement.pdf>.