**G20 disappoints**

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Monday, Mar 13, 2023

In February, the finance ministers of G20 countries met to discuss the challenges facing the global economy. It was a missed opportunity to help Sri Lanka, a country on the front line of the debt crisis that has enveloped dozens of nations around the world in recent years.

It was disappointing that the final chair’s summary and outcome document only paid lip service to alleviating the challenges faced by people in Sri Lanka.

While it recognised the “urgency to address debt vulnerabilities” globally, and “look[ed] forward to a swift resolution to Sri Lanka’s debt situation”, no concrete commitments were made or actions taken.

The G20 countries include Sri Lanka’s main bilateral creditors including China, India, Japan and South Korea; as well as influential members of multilateral creditor organisations, including the United States and European nations. If this group collaborated effectively, it could make debt relief available to Sri Lanka, and strengthen the protections of people’s economic and social rights during a moment of crisis.

Because while the news cycle may have moved on, Sri Lanka’s economic crisis is still raging and having a devastating impact on people. High inflation and limited social protection, combined with difficulties accessing essentials like food and healthcare, are exacting a heavy toll on their lives and rights.

According to the World Food Programme, for example, one in three households was food insecure in December 2022. Prospects for 2023 are also not encouraging: a quarter of people are projected to remain in poverty, and according to the World Bank, a significant economic contraction is likely.

Sri Lanka’s debt burden affects the ability of the government to guarantee human rights. The public debt-to-GDP ratio increased from 93.6 percent at the end of 2019 to 114 percent at the end of 2021.

Even before the economic crisis made international headlines, Sri Lanka was a global outlier in the amount it spent to service its debt. In 2020, before the most recent crisis, an incredible 71.4 percent of government revenue was spent simply on paying interest versus a global average of 6 percent and a regional average of 21.1 percent.

Interest payments are the single largest category of government expenditure, and a lot of fresh government borrowing was used simply to pay the interest on Sri Lanka’s previous loans.

Servicing this debt has reduced the government’s ability to spend on sectors like health, education and social protection, which directly impact people’s welfare. A survey this month found that half of the families in Sri Lanka are forced to reduce the amount they feed their children.

Bottom of Form

It is essential to release Sri Lanka from this debt trap, to break a spiral that is eroding the human rights of too many of the island’s 22 million people.

Sri Lanka’s government is currently engaged in complex debt negotiations, which are vital to access financial support from the International Monetary Fund. The IMF concluded a staff-level agreement with the government last year, offering to lend about $2.9bn. However, the terms of the IMF agreement required sufficient assurances of debt restructuring and relief from Sri Lanka’s creditors before the loan was finalised and money disbursed.

While IMF financing may be the reason Sri Lanka’s debt is in the news today, creditors should focus on resolving debt so economic and social rights can be better guaranteed. Past IMF programmes have included conditions which had adverse human rights impacts, such as cuts in public spending and other austerity measures. Workers in Sri Lanka recently went on strike against measures the government implemented to purportedly secure IMF financing, such as increased taxes.

Sri Lanka’s debt negotiations are complicated for several reasons, including the range of parties involved. Almost half of Sri Lanka’s total external debt is in bonds on the open market and owned in part by private entities such as hedge funds.

Excerpted: ‘The G20 could help fix Sri Lanka’s debt crisis. Will it step up?’.

Courtesy: Aljazeera.com