

**Committee:** Security Council (SC)

**Issue:** The situation in Sri Lanka

**Student Officer:** Konstantinos- Stavros Marmaras

**Position:** Deputy President

## **PERSONAL INTRODUCTION**

Hello, my name is Stavros Marmaras and I have the pleasure as well as the honour to serve as the Security Council's Deputy President at the 8<sup>th</sup> ATSMUN. I am 16 years old and in the second year of high school at Arsakeia- Tositseia Schools of Ekali. My journey with MUN began in 2020 with the 6<sup>th</sup> ATSMUN and, since then, I have attended a total of 6 MUN conferences as a delegate. This will be my first time serving as a chair and, also, my first time attending an in-person MUN conference! I am looking forward to a fruitful and mature debate in Patras. In order to be fully prepared, I strongly urge you to read this study guide since it provides all the important information concerning the topic. If any questions arise during your preparation, feel free to contact me any time at: [ksmarmaras@gmail.com](mailto:ksmarmaras@gmail.com)

Can't wait to meet you!

## **TOPIC INTRODUCTION**

In the past, the South Asian nation had been praised for its progress in the quality of life and its economic growth. In 2019, the World Bank classified the country as an 'upper-middle-income country', a title that was replaced with 'lower-middle-income country' just a year later. However, Sri Lanka is currently facing an unprecedented and severe economic crisis which has generated political and social turbulence on the island.

There are both local and global reasons behind the collapse of the country. An ill-conceived national experiment called off by Gotabaya Rajapaksa's government to ban all imports and use of chemical fertilizers in order to turn Sri Lanka into the world's first "all-organic" state, devastated the nation's crops. A number of wrong financial decisions, such as a major tax cut and borrowing sprees made by the government to stimulate the economy, eventually left the country drowning in 51 billion USD debt to other countries and international organizations and forcing it to default for the first time on its foreign debt. As an import-reliant country, Sri Lanka suffered not only from the pandemic but also from the

Russian invasion of Ukraine, which disrupted global supply chains and accelerated the inflationary spiral that dragged Sri Lanka's economy into an abyss.

As a result, the country was left with a foreign exchange shortage which led to record-breaking inflation, significant shortages of essential goods, hiking unemployment and poverty rates, health concerns and forced migration. Subsequently, Sri Lankan citizens lost their trust in the government and began protesting. So fueled were the people on the island with anger that they stormed the Presidential Palace and set the Prime Minister's house on fire and, as such, many ministers, the President and the Prime Minister were forced to resign.

While these resignations might've satisfied the protestors, the problem Sri Lanka is facing is far from being solved. Some measures have been taken by the government to combat the issue but the international community must also make efforts to end the crisis on the island.

## **DEFINITION OF KEY TERMS**

### **BAILOUT**

Bailout is the act of helping an organization or a country which is undergoing a crisis, usually by lending money or sending aid in other ways.

### **ECONOMIC DEFICIT**

An economic deficit, generally, describes the state where the expenses are higher than the revenues, the exact opposite of a surplus. A trade deficit, for example, occurs when the value of the goods exported by a country is lower than those imported to it.

### **TAXATION**

A term used to describe the imposition, made by governments, of a financial obligation to citizens and other entities operating inside the country. In all corners of the world, taxation is a major source of revenue for governments, which allows them to fund government expenditures.

### **GROSS DOMESTIC PRODUCT (GDP)**

Gross Domestic Product, more commonly known by its acronym GDP, is the total market value of goods and services produced by a certain area in a set time period. It accounts all economic

activity made by households, businesses and governments and it functions worldwide as the main measure of economic activity and health.

### **MONETARY POLICY**

Monetary Policy describes a set of measures enacted by central banks and economists which have as a major goal to stabilize the economy's growth by employing economically logical strategies such as revising interest rates.

### **FISCAL POLICY**

Fiscal Policy refers to measures enacted by governments and politicians which aim to influence the economy, especially macroeconomic conditions, usually by increasing or decreasing taxation and spending. Frequently used alongside with monetary policy, fiscal policy aims to either stabilize the growth and increase the GDP of a country or to pull it out of an economic crisis, such as a recession. It can also be used as a tool to gain political influence in the short-term. Such manipulation, however, often leaves economies damaged in the long-term.

### **DEFAULT**

The official term for failing to pay back debt, usually referring to large corporations, countries and international organizations.

### **NEPOTISM**

An act of favoritism and abuse of power in many fields, such as politics, business and finance, in order to grant unfair advantages to members of your family.

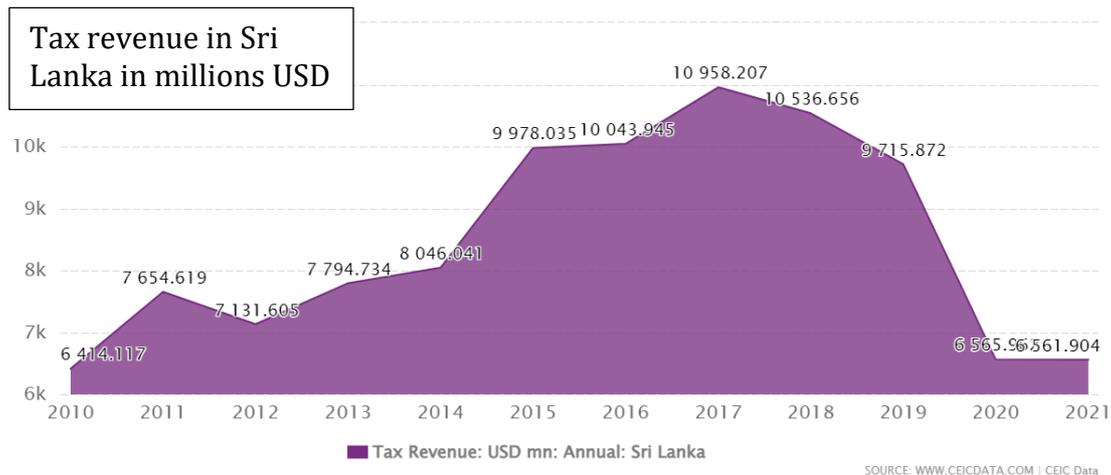
### **REMITTANCES**

Transactions made by migrants who send to their home country part of their earnings in the form of either cash or goods to support their families.

## **BACKGROUND INFORMATION**

The current crisis in Sri Lanka has deep roots and extends beyond the economy to the political and social spheres. Widespread abuse by government agencies that have pursued reckless economic policies over the past two decades and financed non-economic projects such as ports, airports and tourist attractions through prolonged over-borrowing and reckless spending has played an important role in paving the way for the current crisis.

When the current administration took office in 2019, it promised to accelerate economic growth. To boost consumption, the government halved the value-added tax (VAT) and eliminated certain other taxes. These tax cuts aimed to increase the popularity of the leading Sri Lanka People’s Freedom Alliance (SLPFA). However, these brought major losses reaching billions of rupees in tax revenue, since now tax revenue only amounted to 13% of the country’s Gross Domestic Product (GDP) in comparison to the average of 20% for developing countries<sup>1</sup>, thus weighing heavily on an already heavily indebted economy.<sup>2</sup>



Moreover, the government’s economically unwise efforts in April of 2021 to become the first country in the world to adopt fully organic farming, led to the ban of the use and import of all chemical fertilizers. Food production plummeted as a result of the regulations, since more than 90%<sup>3</sup> of the island’s farmers previously used chemical fertilizers. Just 6 months after the introduction of this ban, rice production in the country had fell by 20%<sup>4</sup>, further exacerbating the problems of food shortages in general, and food inflation in particular.

### Political situation of Sri Lanka – The Rajapaksa Dynasty

<sup>1</sup> [TLDR News Global]. “Sri-Lanka Has Been Overturned by Activists: How It Happened.” YouTube, 12 July 2022, [www.youtube.com/watch?v=ZwGc9sCHLaM](https://www.youtube.com/watch?v=ZwGc9sCHLaM).

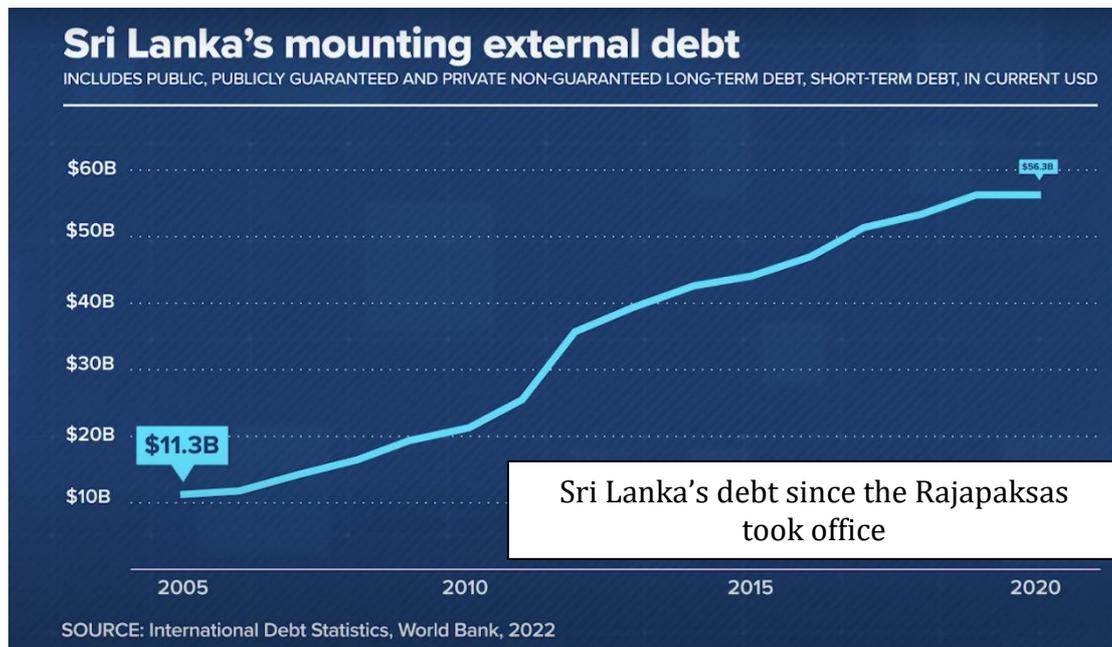
<sup>2</sup> Source of the picture: CEICdata.com. *Sri Lanka Tax Revenue*. 1 June 2018, [www.ceicdata.com/en/indicator/sri-lanka/tax-revenue](https://www.ceicdata.com/en/indicator/sri-lanka/tax-revenue).

<sup>3</sup> Ranwala, Chalani. “Farmers’ Pulse - Independent Survey.” *Verité Research*, 31 Aug. 2021, [www.veriteresearch.org/farmerspulse](https://www.veriteresearch.org/farmerspulse).

<sup>4</sup> Nordhaus, Ted, and Saloni Shah. “Sri Lanka’s Organic Farming Experiment Went Catastrophically Wrong.” *Foreign Policy*, 20 May 2022, [foreignpolicy.com/2022/03/05/sri-lanka-organic-farming-crisis](https://foreignpolicy.com/2022/03/05/sri-lanka-organic-farming-crisis).

Sri Lanka is a Unitary State, governed by a semi-presidential system, with a mixture of a presidential system and a parliamentary system. In this system, the President is directly elected for a 5-year-term, and a maximum of two terms, and is the head of state, head of government and chief of the armed forces. The President is responsible for appointing ministers, which have to be elected members of Parliament and is immune from legal proceedings while in office, with respect to any acts done or omitted to be done by him or her in either an official or private capacity. The president's deputy, the Prime Minister, leads the ruling party in parliament and shares many executive responsibilities, mainly in domestic affairs.

With this political system, Mahinda Rajapaksa managed in 2005, in the midst of the civil war, to be elected President with a slim majority. His main focus, before and after taking office, was stopping the civil war that had devastated the island for almost three decades. In 2009, when he emerged victorious and gained popularity for “saving” the country, he started gaining more powers (e.g. he amended the constitution to run for a 3<sup>rd</sup> time). At that time, speculations had risen for misplacement of funds dedicated to tsunami-hit areas of the country. While the country was already heading in the wrong direction economically, Mahinda didn’t give up his ambitious plans to rebuild the country with large infrastructure projects such as the port of Colombo, the country’s capital. In 2015, he lost the presidential elections and, therefore, the Rajapaksas fell out of power.<sup>5</sup>



<sup>5</sup>Source of the picture: CNBC International. “How One Powerful Family Derailed Sri Lanka’s Economy.” *YouTube*, 16 Aug. 2022, [www.youtube.com/watch?v=Wlv750\\_1vWg&feature=youtu.be](https://www.youtube.com/watch?v=Wlv750_1vWg&feature=youtu.be).

However, in 2019, after the Islamic terror attacks on Easter Sunday which killed more than 250 people, Gotabaya Rajapaksa, Mahinda's brother and former official in his Ministry of Defense, announced that he would be running for president in order to ensure security for the nation. After winning 2019's elections, he appointed many members of the family to key government positions, notably with his brother Mahinda becoming Prime Minister, his brother Basil Finance minister and his son Namal as Minister of Sport and youth affairs.

At this point, the dynasty had effectively taken control over the country and its economy. This is when Gotabaya introduced major tax cuts to an already hurt economy, due to the steep decline of tourism caused by the pandemic, ignoring warnings he received from his advisors. "Introducing massive tax cuts that slashed the government's revenue by 25% is seen as a trigger for the economic collapse", says Samarajiva, who worked for the Ministry of Economic Reforms at the time. Many critics viewed these policies as the dynasty's attempt to preserve its position in the government. In 2022, when the country's shortages in food and fuel were causing the majority of people to suffer from starvation and diseases, the Rajapaksas were living a luxurious life inside the presidential palace. Infuriated, the starving people of the island began demonstrating and demanded that Gotabaya resigned. His attempt to squash protestors' accusations of nepotism and corruption by forcing family members to give up their government positions had no result, and on the 9<sup>th</sup> of July 2022 protestors stormed the presidential palace, forcing Gotabaya to resign.

Later that month, Sri Lanka's parliament elected Ranil Wickremesinghe, a six-times prime minister, with his last term being in May 2022 when he was appointed by Gotabaya. Although Wickremesinghe has until 2024 to pull the country out of its crisis, his relation with the Rajapaksas is highly unpopular among the public, as his house when he was Prime Minister was stormed and set on fire. Since in the presidential office, he ordered the military to "do whatever was necessary to restore public order", after the storming of many government buildings. As of August 2022, the UN has condemned the "repeated use of emergency measures to crackdown on protests"<sup>6</sup>.

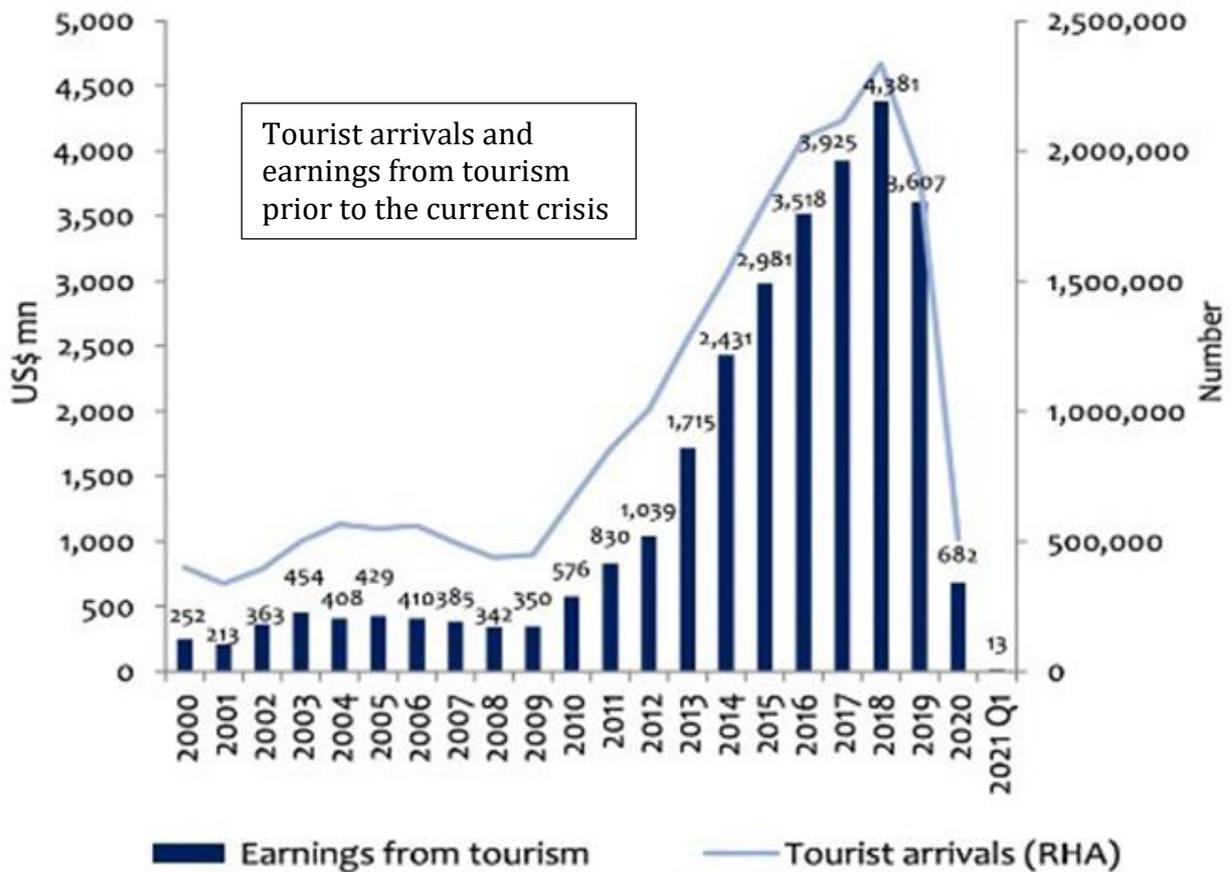
### **The economy of the crisis – Past, Present, Future**

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<sup>6</sup> "Sri Lanka: UN Human Rights Experts Condemn Repeated Use of Emergency Measures to Crackdown on Protests." *OHCHR*, [www.ohchr.org/en/press-releases/2022/08/sri-lanka-un-human-rights-experts-condemn-repeated-use-emergency-measures](http://www.ohchr.org/en/press-releases/2022/08/sri-lanka-un-human-rights-experts-condemn-repeated-use-emergency-measures).

Sri Lanka’s economy has two main characteristics: The first one is its trade deficit, meaning it is import reliant on most essential goods, such as rice, wheat, the entirety of its oil and medicine. With most transactions between countries around the globe using the US dollar (USD) as their currency, Sri Lanka too is paying and is paid with USD. However, since the island is running on a trade deficit, it is easily understandable how this can lead to a depletion of foreign currency reserves. In the last 2 years, foreign exchange reserves fell by 70%<sup>7</sup>, leaving the island nation essentially unable to pay for imports and thus causing a chain reaction of shortages, public unrest and turmoil which led to the current crisis.

The second characteristic of Sri Lanka’s economy is its dependency on tourism. In 2018, tourism contributed 5,6% of the economy with \$4.4 billion in earnings, while in 2020, tourism accounted for just 0,8% of the country’s GDP.<sup>8</sup> This can be attributed to two factors: The first occurred in 2019, on Easter Sunday, when the island was hit by a catastrophic

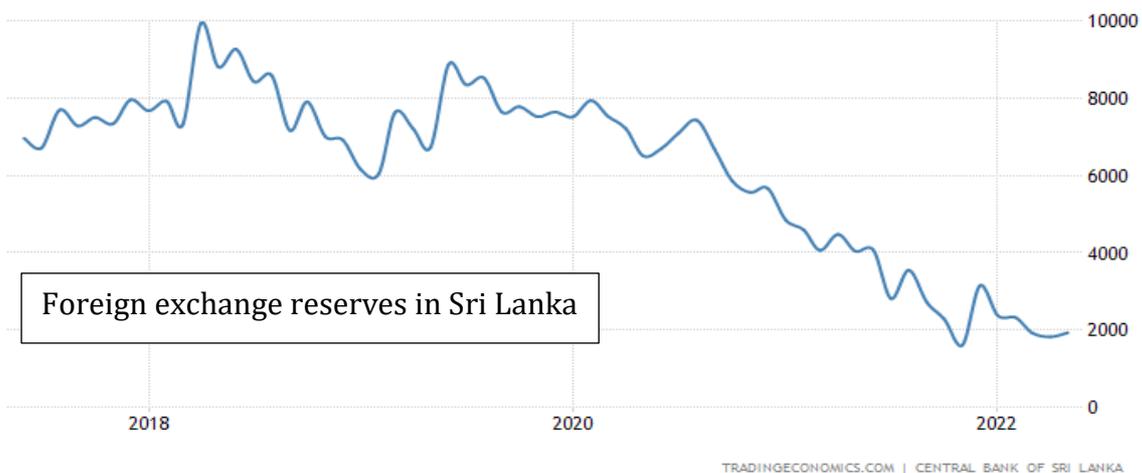


<sup>7</sup> Jayasinghe, Uditha, and Devjyot Ghoshal. “Analysis: Shocks and Missteps: How Sri Lanka’s Economy Ended in Crisis.” *Reuters*, 25 Feb. 2022, [www.reuters.com/world/asia-pacific/shocks-missteps-how-sri-lankas-economy-ended-crisis-2022-02-25](http://www.reuters.com/world/asia-pacific/shocks-missteps-how-sri-lankas-economy-ended-crisis-2022-02-25).

<sup>8</sup> Press Trust of India. “Sri Lanka Economic Crisis: Lucrative Tourism Industry Bears Major Brunt.” <https://www.outlookindia.com/>, 15 July 2022, [www.outlookindia.com/business/sri-lanka-economic-crisis-lucrative-tourism-industry-bears-major-brunt-news-209455](http://www.outlookindia.com/business/sri-lanka-economic-crisis-lucrative-tourism-industry-bears-major-brunt-news-209455).

terrorist attack which caused tourism numbers to plummet. The second, and universally known reason was the pandemic. The island, in an effort to combat the rising COVID-19 cases, decided to implement a ban on arrivals on the island, a decision that caused the economy to stagnate. Coupling the two aforementioned characteristics of the island’s economy, one of the main reasons Sri Lanka has a foreign exchange reserve problem is exactly because tourism was at an all-time low and, therefore, there wasn’t any foreign currency entering the island’s economy.

While there were major indications that the economy was on the brink of collapsing, the Central Bank of Sri Lanka (CBSL), in part due to the government’s influence over it, decided to fixate Sri Lanka rupees’ exchange rate to the US dollar. To create an artificial value for a currency, however, and go against its real market value is something unsustainable, economically wrong and requires a lot of buying and selling foreign currency which the island was lacking. Sri Lankans abroad, which send home a lot of money in the form of USD, after seeing that the CBSL was “devaluing and scamming” them, decided to send remittances through non-governmental institutions, and further depleting the country of its foreign currency reserves.<sup>9</sup>



Currently, Sri Lanka’s economy is experiencing one of its steepest declines since independence. The latest data which refer to the second quarter of 2022 (Q2 2022) show that GDP has fell by an alarming 8.4% compared to the second quarter of 2021. Looking at

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<sup>9</sup>Source of both pictures: Bhowmick, Soumya. “How Tourism in Sri Lanka Went Downhill: Causes and Consequences.” *ORF*, 5 July 2022, [www.orfonline.org/expert-speak/how-tourism-in-sri-lanka-went-downhill/](http://www.orfonline.org/expert-speak/how-tourism-in-sri-lanka-went-downhill/).

subsectors of the economy, industries' revenue fell by 10%, agriculture by 8.4% whereas the service sector shrank by 2.2%. Numbers aside, the island is also experiencing a lack of wheat and rice and a life-threatening fuel shortage that put a halt to infrastructural progress and, more importantly, cause deaths from freezing and from inability of reaching a hospital.

Projections indicate that Q3 and Q4 of 2022, meaning the rest of the year, will follow a similar or even worse path of negative economic growth, with some estimates showing an additional 12% contract of the economy. In the latest stages of 2022, it is also predicted that inflation will keep its steady increase.<sup>10</sup> Other estimates project that the economy will keep shrinking for the rest of the year and through all of 2023. An economic recovery is believed to occur within the 2024-2026 time period, if both the island's government and foreign stakeholders put in place correct policies. It is also stressed that in its early stages, recovery will be slow, considering the skepticism in the international market.<sup>11</sup>

### **Health risks – A Day in Sri Lanka**

Sri Lanka's current political turmoil and economic decline might be devastating for the country's former leaders, but they are undoubtedly catastrophic for its 22 million people who now have to wait for hours every day just to get a single plate of food and have to endure hours in darkness due to regular power cuts. Since the crisis begun, over 6.7 million people are already in need of humanitarian assistance.<sup>12</sup> The average Sri Lankan household went from living to relatively middle-class standards to considering dinner an unaffordable meal. The worst aftermath of this crisis for people on the island is the rapid increase of food inflation, which, according to UN, has reached 81%<sup>13</sup>. Families and households on the island are forced to limit portion sizes, prefer cheaper and subsequently healthier food alternatives and skip meals.

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<sup>10</sup> "Sri Lanka GDP Shrinks 8.4% in Q2 Amid Fertilizer, Fuel Shortages." *Nikkei Asia*, 15 Sept. 2022, [asia.nikkei.com/Spotlight/Sri-Lanka-crisis/Sri-Lanka-GDP-shrinks-8.4-in-Q2-amid-fertilizer-fuel-shortages](https://asia.nikkei.com/Spotlight/Sri-Lanka-crisis/Sri-Lanka-GDP-shrinks-8.4-in-Q2-amid-fertilizer-fuel-shortages).

<sup>11</sup> Solutions, Eiu Digital. "Sri Lanka Economy, Politics and GDP Growth Summary." The Economist Intelligence Unit, [country.eiu.com/Sri%20Lanka](https://country.eiu.com/Sri%20Lanka).

<sup>12</sup> Sri Lanka on Brink of Humanitarian Crisis | IFRC. [www.ifrc.org/press-release/sri-lanka-brink-humanitarian-crisis](https://www.ifrc.org/press-release/sri-lanka-brink-humanitarian-crisis).

<sup>13</sup> OHCHR. "Sri Lanka: UN Experts Sound Alarm on Economic Crisis." OHCHR, [www.ohchr.org/en/press-releases/2022/07/sri-lanka-un-experts-sound-alarm-economic-crisis#:~:text=In%20July%202022,%20inflation%20in,hasty%20and%20botched%20agricultural%20transition](https://www.ohchr.org/en/press-releases/2022/07/sri-lanka-un-experts-sound-alarm-economic-crisis#:~:text=In%20July%202022,%20inflation%20in,hasty%20and%20botched%20agricultural%20transition).

Women face increased challenges, as gender-based violence is exacerbated, a phenomenon that sadly co-occurs with every major humanitarian crisis. Single mothers now have to re-evaluate their priorities because their monthly income now only covers two weeks of food for them and their children. This is really difficult and, in some cases, impossible. Pregnant women also lack basic healthcare, with many hospitals reporting major shortages in nutrients that are given to women who have just undergone labor and insufficient supplies to execute a cesarean surgery. Not only that, but fuel shortages prevent pregnant women from reaching the hospital so they are forced to give birth under an unhygienic environment.

As with any other political and economic crisis, social injustices, violence and corruption have risen. The majority of the population is now living in inhumane conditions, lack of electricity, heating and medicine, which the government previously provided. Sri Lanka's social protection called Samurdhi, meaning prosperity, is in theory focused on benefiting very-low-income households by making healthcare affordable. However, with the current crisis, this institution is only working for the economic and political benefit of some Sri Lankan oligarchs who take advantage of the situation to sway public opinion to their favour. This has led to the funds provided being inadequate and enjoyed by just a fraction of those who need it. We can easily conclude, therefore, that while Sri Lankans are struggling to make it through the day, some few oligarchs are living a lavish life trying to further divide the people of the island. Sadly, they have succeeded since ethnic tensions have risen, as well as gender Based Violence (GBV).

Children are now, due to food shortage, forced to have diets which include almost no proteins at all and, therefore, do not receive the necessary nutrients to develop and become healthy adults. As far as their education is concerned, the government declared that end-of-the-year exams would be canceled due to lack of paper supplies. Schools are also, for the third year in a row, online, since fuel shortages prevent students and teachers from commuting to school. Although some children were able to attend online classes, others didn't have enough money to afford an internet connection. All of this has led to an increase of school dropouts in the country.

Health services in the country are on the brink of collapse, with UN reporting that over 2.700 surgical items and around 250 essential laboratory items are completely out of stock,<sup>14</sup> with special treatment for newborns being among them. This can be attributed to the

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<sup>14</sup> "Sri Lanka: UN Appeals for \$47 Million for Life-saving Aid to 1.7 million People." UN News, 16 June 2022, [news.un.org/en/story/2022/06/1120032](https://news.un.org/en/story/2022/06/1120032).

dwindling imports which account to a significant portion of medical equipment of the island. Ambulances are often out of order since they have dwindling fuel reserves. Doctors are underpaid and many major operations, like heart surgeries, are indefinitely postponed.

## MAJOR COUNTRIES AND ORGANISATIONS INVOLVED

### India

India, as the island's closest northern neighbor, has had significant influence over Sri Lanka. The two countries have created a joint foundation, in order to strengthen relations between them in fields such as education, science, technology and economy. In this current crisis, India was the first country worldwide to respond to Sri Lanka's calls for foreign aid and in the first half of 2022 alone, India has given aid worth around 4 billion USD<sup>15</sup> in means such as loans and grants, making it the largest aid provider to Sri Lanka. It is also noteworthy, that India has encouraged many international organizations, namely the International Monetary Fund (IMF) to help the island nation combat the pandemic as well as the recent crisis. Commitments have also been made by India to strengthen their trade partnership, especially to combat the fuel crisis on the island, and to increase tourism on the island, with the minister of tourism of Sri Lanka holding campaigns in Indian cities to attract visitors. While the majority of people on the island find India's approach helpful and positive, some argue that their northern neighbor is taking advantage of their situation. Tensions have also risen to an international level about this issue, as the People's Republic of China has stated that it is "senseless of India to pressure Sri Lanka", with the main point raised by New Delhi being the Chinese-run port of Hambantota, a possible hub for China to take advantage of the island and spread its influence on it.

### People's Republic of China (PRC)

Beijing's approach to the island's issue has been rather ambiguous, as the country is responsible for around 10%<sup>16</sup> of Sri Lanka's foreign debt. The PRC, taking advantage of

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<sup>15</sup> Wignaraja, Ganeshan. "India Gains on China in Crisis-hit Sri Lanka." *Asia Times*, 26 July 2022, [asiatimes.com/2022/07/india-gains-on-china-in-crisis-hit-sri-lanka](https://asiatimes.com/2022/07/india-gains-on-china-in-crisis-hit-sri-lanka).

<sup>16</sup> Ani. "China's Debt Trap Diplomacy Responsible for Economic Calamity in Sri Lanka." *Business Standard News*, Business-Standard, 21 July 2022, [www.business-standard.com/article/international/china-s-debt-trap-diplomacy-responsible-for-economic-calamity-in-sri-lanka-122072001498\\_1.html](https://www.business-standard.com/article/international/china-s-debt-trap-diplomacy-responsible-for-economic-calamity-in-sri-lanka-122072001498_1.html).

Mahinda Rajapaksa's ambitions to rebuild the country, granted loans to fund major infrastructure, notably a large port facility in the Rajapaksas' hometown of Hambantota, which was effectively ceded to Chinese control after Sri Lankan authorities recognized they could no longer pay off the loans, something beneficial for China's "Belt and Road initiative". China, known for its "debt trap" diplomacy, has been reluctant to offer debt restructuring on its loans, so as to not be seen as a weak and not credible nation by its western rivals. It has also rejected Sri Lanka's calls for rescheduling their loan and relaxed spending terms, since China's interest rates are high, and has, instead, offered a 1 billion USD (8) loan to the island nation in order to repay some part of existing loans. A Chinese Foreign Minister spokesperson said, in June, that "boost its own effort, protect the stability and credibility of the investment and financing partners and ensure the stability and credibility of its investment and financing environment." China has in the past, avoided multilateral negotiations to support an indebted country, operating separately from Paris-Club, an international organization backed by the West which focuses on loan transparency. Instead, China has always preferred bilateral negotiations and that seems to not differ in Sri Lanka's case. The PRC, while not having taken any drastic measures, has also expressed dissatisfaction with India's increasing influence in Sri Lanka and has vowed for foreign direct investment on the island instead of a bailout. On August 16<sup>th</sup>, a Chinese ship was also able to dock at Hambantota, a port mostly controlled by Chinese stakeholders.

### **United States of America (USA)**

Washington's relations with the island country have soured in the last decade, mainly due to the multiple war crimes and violation of human rights committed by populist leader Mahinda Rajapaksa during the decade-long civil war. However, the USA has recently offered grants worth around 150 million USD aimed to finance medium and small businesses, Sri Lanka's dairy industry and humanitarian assistance. USA's role in the IMF, being the largest stakeholder, could be life-changing for the island nation for restructuring its debt. The main issue raised by the USA is for bailouts to be used as a way to ensure democracy and freedom. These concerns might rise due to the Rajapaksas' history of surveillance of non-government organizations (NGOs), block of financial transparency and assassinations, all of which the Rajapaksas have repeatedly denied. Washington has also urged lawmakers in Sri Lanka to "achieve long-term economic and political solutions to address the people's discontent and focus on the nation's interest and not benefit one political party". The current situation could

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be a great opportunity for the USA to strengthen its and its allies' interests in the Indo- Pacific region, since both the People's Republic of China and the Russian Federation have shown great ambiguity.

### **United Arab Emirates (UAE)**

Abu Dhabi's relations with the country have mainly been shaped by the Rajapakasas' time in power, as the powerful family has recently been found to have many real estate properties in the Gulf country. The UAE in recent years has been considered a "perfect hideout" for oligarchs and criminals to hide their true amount of wealth, and has been placed in the gray list by The Paris-based Financial Action Task Force, which said the country needed to strengthen its ability to pursue high-risk money laundering threats and demonstrate a "sustained increase" in effective money laundering investigations. As far as the current crisis is concerned, the UAE has provided Sri Lanka with tangible amounts of economic aid. However, a recent letter by the Sri Lankan Minister of Foreign Affairs to a UAE envoy on the island called upon the Arab country to deepen its cooperation with Sri Lanka in the fields of trade, investment and agriculture, three main pillars of the island's economy which are in desperate reform. Ranil Wickremesinghe also called the President of the UAE to discuss the "friendly" relationship of the two countries. In early September, the two heads of state also had a meeting in which they discussed "the enhancement of their cooperation in various areas, as well as issues of mutual concern".

### **International Monetary Fund (IMF)**

The International Monetary Fund has a long history with Sri Lanka, with it granting a total of 16 bailouts since the island's independence in 1948. Since the beginning of the crisis, the organization has concluded many missions to the island country in order to negotiate a new bailout. An IMF report in late June states: "In this context, discussions focused on designing a comprehensive economic program to correct the macroeconomic imbalances, restore public debt sustainability, and realize Sri Lanka's growth potential." Discussions between have had, since their beginning in April, significant progress, while a new IMF delegation is set to visit Sri Lanka in the last week of August, to discuss the terms of the bailout with the newly formed government.

## **TIMELINE OF EVENTS**

Date	Description of Event
December 2004	Sri Lanka is hit by a Tsunami which destroyed major infrastructure
November 2005	Mahinda Rajapaksa is elected President on an end-of-civil-war campaign
May 2009	Mahinda emerges victorious and puts a stop to a 3-decade civil war; shifts focus on local development
September 2010	Mahinda amends constitution to allow himself to run for a 3 <sup>rd</sup> time for President
January 2015	Mahinda fails to be re-elected
November 2019	<ul style="list-style-type: none"> <li>○ Gotabaya Rajapaksa is elected President</li> <li>○ Tax cuts are introduced</li> </ul>
July 2020	The World Bank classifies Sri Lanka as a lower-middle income country
April 2021	Chemical fertilizers ban
April 12 <sup>th</sup> 2022	Sri Lanka defaults on its foreign debt
May 9 <sup>th</sup>	After a bloody incident, Mahinda Rajapaksa resigns as prime minister
July 9 <sup>th</sup>	Protestors storm the President's house
July 13 <sup>th</sup>	President flees the country and resigns from Singapore
July 20 <sup>th</sup>	Ranil Wickremesinghe is elected President by Parliament
August 16 <sup>th</sup>	Chinese ship docks in Hambantota
August 17 <sup>th</sup>	Wickremesinghe announces that he will not be extending the country's emergency status
September 2 <sup>nd</sup>	Gotabaya Rajapaksa returns to Sri Lanka

### **UN INVOLVEMENT: RELEVANT RESOLUTIONS, TREATIES AND EVENTS**

With this issue currently unfolding and changing every day, the United Nations is working on establishing Sri Lanka's long-term road back to stability.

**Draft country programme document for Sri Lanka (2023-2027) [DP/DCP/LKA/4]<sup>17</sup>**

This resolution, taking into consideration the current crisis that Sri Lanka is facing, and acknowledging the country's vulnerability to climate change, proposes a number of actions that need to be taken in order to achieve "social inclusion and macroeconomic stability", "green development" and "Inclusive governance, justice, peace and social cohesion". With its "leaving no one behind" principle, it focuses on the inclusion of women, disabled people and Sri Lankan youth in a more 'equitable access to economic and natural resources' through a mutual contribution of the United Nations Development programme (UNDP) and the government in Colombo, Sri Lanka's capital. It also emphasizes on the need to reduce gender-based violence and marginalization of certain ethnic groups. With Sri Lanka collaborating with the UNDP for over 50 years, it has built strong connections with the organization. This led the UNDP to draw five "key comparative advantages to support its development priorities" which are:

'Partnerships allowing for a multidimensional approach' and building strong relations with major stakeholders,

'Solutions to Sustainability Development Goals acceleration' through tax reform and careful financing and planning,

'Policy and thought leadership' - establishing a government with policy credibility,

'Innovation and digital-led approaches' by providing strategic support to programmes and advance the digital transformation agenda and

Stressing that UNDP is (e) an agile development partner, able to pilot solutions and take them to scale.

To ensure the success of this programme and the involvement of national counterparts, UNDP is collaborating with the Ministry of Finance and will "support efforts to strengthen national statistical systems". While this resolution may provide, on paper, some realistic solutions capable of solving in part the crisis, the inability of the government to accomplish previous goals set by the UNDP should not be overlooked to determine the success of this proposed programme.

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<sup>17</sup> "Publications: United Nations Development Programme." UNDP, [www.undp.org/publications](http://www.undp.org/publications).

**Country Programme document (Economical and Social Council) [E/ICEF/2022/P/L.37]<sup>18</sup>**

This resolution, stressing the need for child welfare following not only the pandemic but also the ongoing situation in Sri Lanka, is focused on ensuring child welfare and proposing funds to be given to the country for this cause over the next 5 years (2023-2027). Funds for this cause amount to around \$29 million which will be divided as following<sup>19</sup>:

**Summary budget table**

<i>Programme component</i>	<i>(In thousands of United States dollars)</i>		
	<i>Regular resources</i>	<i>Other resources</i>	<i>Total</i>
Health and nutrition	1 475	4 000	5 475
Education	490	7 675	8 165
Child protection	490	9 825	10 315
Social policy	1 475	1 000	2 475
Programme effectiveness	830	2 500	3 330
<b>Total</b>	<b>4 760</b>	<b>25 000</b>	<b>29 760</b>

The programme aims to provide the necessary for children as well as for their mothers, who have suffered from environmental and political crises as well as the pandemic. “UNICEF will use diverse strategies, including data and evidence generation, strategic policy advocacy and programming, innovations, technical guidance and social and behaviour change interventions, complemented by expanding partnerships, including with the private sector” in order to follow its zero-hunger policy. “The organization will also focus on gender-based violence in its work on violence against children, and engage adolescents on issues such as gender equality and gender stereotyping”. Most importantly, UNICEF will help the Government to maintain “critical obstetric, newborn and pediatric services” through “emergency preparedness planning” and provision of essential health and nutrition supplies and equipment. In the space of education, UNICEF will assist the Ministry of Education to ensure that all children, particularly the most vulnerable, have “continued access to education, stay in school and have the needed support to catch up on their learning and mitigate learning losses”.

<sup>18</sup> ECOSOC Resolution. documents-dds-ny.un.org/doc/UNDOC/LTD/N22/443/60/PDF/N2244360.pdf?OpenElement.

<sup>19</sup>United Nations: Economic and Social Council E/ICEF/2022/P/L.37, Second regular session 2022 6–9 September 2022

All of those actions which are to be taken by UNICEF directly respond to the needs of Sri Lanka's children, whose situation is described earlier in this study guide. In order to monitor the programme's success, UNICEF is planning to "follow the lessons learned from the 2018-2022 programme" and apply a gender-based focus in order to identify if progress is being made. It is stressed, however, that the country's statistical institutions will also be used "whenever possible".

## **PREVIOUS ATTEMPTS TO SOLVE THE ISSUE**

The ongoing crisis in Sri Lanka has only recently begun but, nevertheless, some efforts have been made to restore the country. As far as the interior is considered, the newly elected President Ranil Wickremesinghe "wishing to begin a new journey" for the country, has called upon all parties in the Parliament to co-operate and to form a joint unity government in order to tackle with the crisis. In late August, he also announced that, starting September 1<sup>st</sup>, he would increase taxes among other economic reforms, in order to seal a deal with the IMF, as he is determined to pull his country out of the current crisis. Sri Lanka and the IMF have open talks about another bailout aimed to combat the food and fuel crisis since the start of summer 2022. As of late September, Sri Lanka and the IMF have agreed on a 2.9 billion bailout and the Sri Lankan government is now turning towards China and India for further aid.

## **POSSIBLE SOLUTIONS**

The main focus of this study guide has been on the analysis of the current political, economic and humanitarian crisis which is currently unfolding in Sri Lanka. As discussed, a number of ill-conceived decisions made by a nepotistic, populist and corrupt government have led to major shortages on the island. The aim of this section will thus be to provide with a number of possible solutions to this issue.

### **Political reforms- a government people trust**

New elections could be a solution, so that the new elected leader is approved by the majority of the people on the island: While Parliament might've elected a new president whose sole purpose is to pull the country out of its turmoil, Ranil Wickremesinghe's abuse of the country's "emergency status" in order to crackdown protests has been repeatedly condemned by Sri Lankan and international analysts. Moreover, Wickremesinghe is highly disliked among the public, because of his political connection with the Rajapaksas, and him

remaining in power could create more unrest and demonstrations. These new elections should be held with full transparency, possibly with the assistance of the UN and international NGOs, since the country has a record of voter fraud and foreign intervention in its elections.

### **Help from Sri Lankans abroad**

Incentivizing Sri Lankans abroad to send home remittances: For many developing countries, such as Sri Lanka, remittances are vital for their economies to prosper. Taking into account that the current crisis on the island is partly caused by depleting foreign exchange reserves, Sri Lanka desperately needs foreign exchange. Encouraging Sri Lankans who work abroad to send money home to help their families could be achieved with the collaboration of media channels from countries with a large Sri Lankan minority (namely India, United Arab Emirates, United Kingdom, USA)

Another way of helping Sri Lanka is by visiting it. Incentivizing tourism to Sri Lanka in those countries with a large Sri Lankan minority could seriously improve the island's economy. Although at first glance it might not seem as a very appealing destination, recent events have shown that Sri Lankan expats are not discouraged to visit their home country.<sup>20</sup> The island, with a steady influx of tourists would undoubtedly help aid the recovery of the disaster-hit country with its foreign exchange woes.

### **Economic reforms**

Understanding that wrong policies made by controlling populist regimes led to the current situation in Sri Lanka, helps us realize the need for an independent Central Bank which can control and stop the printing of money as well as adjust interest rates. Additionally, professionals working in the Central Bank should have fixed terms in order to operate separately from political interference and be able to create long-term policies.

Controlling government spending is also a major point, as most ruling parties in Sri Lanka, tend to overspend for their own privilege and political gain. State- owned enterprises (SOEs) usually are led by people appointed by the government, so they are political party loyalists. SOEs in Sri Lanka often borrow huge amounts of rupees from state banks without any conditions, so controlling the amount they can borrow and where they invest it in should

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<sup>20</sup> Benny, John Staff Reporter. "UAE's Sri Lankan Expats Still Plan on Summer Trips Home Despite High Fares and an Economic Crisis." *Tourism – Gulf News*, 31 July 2022, [gulfnews.com/business/tourism/uaes-sri-lankan-expats-still-plan-on-summer-trips-home-despite-high-fares-and-an-economic-crisis-1.89607964](https://gulfnews.com/business/tourism/uaes-sri-lankan-expats-still-plan-on-summer-trips-home-despite-high-fares-and-an-economic-crisis-1.89607964).

be considered. Restructuring them could also help tackle corruption and encourage privatization in the future.

With its advantageous spot on the global map, Sri Lanka should easily be able to prosper through trade. However, the island country is left behind due to 2 reasons: lack of infrastructure and unappealing high tariffs. While the first one, in this particular moment can't be achieved, it should definitely be set as one of the basic long-term goals for Sri Lanka. As far as tariffs are concerned, they should be lowered and overall burdens to foreign investors should be removed.

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