

Bankrupt Sri Lanka will receive the first part of a loan of 2.8 billion euros from the International Monetary Fund (IMF) this week, intended to pay off foreign debts and boost the economy. The financial crisis was largely caused by former president Gotabaya Rajapaksa, who was ousted by mass demonstrations last summer. This led to a major economic and political crisis, the worst since Sri Lanka's independence in 1948.

### **Still great scarcity**

The great dissatisfaction among the population did not disappear when President Ranil Wickremesinghe took office in July last year. There is still great scarcity in the country. The long queues for petrol pumps may have disappeared, but that may also be because petrol has become so expensive that it is hardly affordable anymore. Wickremesinghe only had one seat in parliament, but had been prime minister six times before. With the support of ex-president Rajapaksa's party, which has the majority, Wickremesinghe has been elected president. He rules with an iron hand, for example he banned mass demonstrations and had leaders of the protest movement arrested and detained.

Meanwhile, his new government negotiated a loan with the IMF, the first €307 million of which will be transferred this week. The World Bank and the Asian Development Bank have also pledged loans, which means that Sri Lanka can look forward to around seven billion dollars in the coming period. Some form of debt restructuring is being discussed with the largest foreign creditors such as Japan, China and India. Japan took the lead and supported Sri Lanka's request for a loan to the IMF.

The country currently has a foreign debt of 54 billion euros and an inflation rate of over 50 percent. The economy contracted by almost 8 percent last year and is expected to shrink again by about 3 percent this year.

### **Income tax increase**

Wickremesinghe has taken draconian measures in recent months to comply with the IMF's conditions. For example, he increased the price of energy, petrol and electricity by about 66 percent. He also raised the income tax considerably. In a country where many families can barely put one meal a day on the table, this was a hard blow.

In early March, forty unions called for strikes and demonstrations against Wickremesinghe's harsh economic reforms. While last summer the country was shut down by mass protests and President Rajapaksa had to flee abroad, there is now little enthusiasm in Sri Lanka to strike and demonstrate. The protest has died a quiet death, on the one hand for fear of repression by the police and on the other hand because the population has been beaten down by the economic malaise.