

Sri Lankan delegation tells IMF and World Bank it will continue austerity onslaught

Saman Gunadasa
23 October 2024

International Monetary Fund (IMF) managing director Kristalina Georgieva met with a Sri Lankan government delegation at annual meetings of the IMF and World Bank in Washington on Tuesday. Georgieva commented on her X account that she was “encouraged by the authorities’ commitment to continue the reform efforts” related to the IMF’s \$US2.9 billion bail-out loan.

The Sri Lankan delegation included Central Bank Governor Nandalal Weerasinghe, Treasury Secretary Mahinda Siriwardana and Duminda Hulangamuwa, who is a senior economic advisor to President Dissanayake. Hulangamuwa is chairman of the Ceylon Chamber of Commerce, which has insisted that the government must fully implement the IMF’s program.

The new Janatha Vimukthi Peramuna (JVP)/National People’s Power (NPP) government of President Anura Dissanayake previously assured an IMF team which visited Sri Lanka that it would maintain the current tax regime and comply with all other IMF mandates. This includes further tax increases on workers, spending cuts to health and education, and the wholesale privatisation of state-owned enterprises (SOE). The JVP/NPP regime said it would address the privatisation of SOEs after the parliamentary elections on November 14.

Cabinet spokesman and senior minister Vijitha Herath told an October 9 press conference that the government would not change the IMF agenda and especially those related to International Sovereign Bonds, because “the economy would have to face big problems.” In other words, the IMF program will proceed as is.

The JVP/NPP government desperately needs the next installment of the IMF bailout loan in order to secure loans from other international creditors such as the World Bank. This week’s meetings in Washington were to further reassure the IMF and the World Bank that it is totally committed to the measures initiated by the former Wickremesinghe government, including all its tax hikes

and the destruction of at least 500,000 public sector jobs.

These commitments to the international bankers will bring the Dissanayake regime into explosive confrontation with the Sri Lankan masses, who face record levels of poverty but are hoping that the new government would live up to its election claims that it would provide some social relief.

These illusions will be dashed as the government mobilises the state apparatus to impose the IMF’s austerity demands. The Socialist Equality Party (SEP) is intervening in the general elections to mobilise workers, youth and the rural masses, independently of all capitalist parties and their trade union bureaucracies, on a socialist and internationalist program, which is the only way to end the vicious social attacks.

According to a “pre-election budgetary position report” released by President Dissanayake, who is also finance minister, government revenue has increased by 41 percent in the first eight months of this year, reaching 2,557 billion rupees (\$US8.7 billion). This increase is largely due to tax collection, which has also surged by over 41 percent, totaling 2,348 billion rupees, and the burden is primarily borne by workers and the poor.

The IMF, however, wants government revenue increased and state spending reduced to lift the primary balance of the 2025 budget to 2.3 percent of the GDP. This would involve a four-fold increase compared to 0.6 percent in 2023, which means mass unemployment and millions more Sri Lankans thrown into desperate poverty.

The government is boasting about higher revenue but how has this been achieved?

In line with IMF directives, the Wickremesinghe government raised the Value Added Tax (VAT) to a staggering 18 percent, a measure that the current administration will continue. This tax is applied to nearly all essential goods that people rely on for survival and

impacts on small businesses with annual revenues exceeding five million rupees per month.

Another component of the increased revenue has been the Advance Personal Income Tax (APIT) and Withholding Tax, which primarily affects individuals earning over 100,000 rupees per month and retirees dependent on their provident fund savings. While this tax revenue has risen by over 16 percent, to almost 625 billion rupees, the IMF has set a government revenue target of 4,127 billion rupees for this year.

What are the repercussions of these brutal revenue measures for the working people?

The exorbitant taxes and persistent high inflation since 2022 have led to 26 percent of the population, or one in four, living in poverty. A World Bank update on Sri Lanka issued on October 10 reports that “food insecurity remains high, and poverty has nearly doubled” in 2024 and will remain so until 2026.

According to government data from 2023, a family of four needs at least 103,000 rupees to survive. However, real wage rates declined by 27 percent in 2022 and 23 percent in 2023. Many workers only earn between 25,000 and 30,000 rupees per month, which means that a significant portion of the working class is forced to work overtime and take on multiple jobs to support their families.

Notwithstanding the increase in government revenue, Dissanayake has suspended an inadequate wage hike, previously announced by the former Wickremesinghe government for over 1.4 million public sector employees. It was scheduled to be paid from January 2025.

The IMF and World Bank demands for government spending cuts are not restricted to Sri Lanka. The Fiscal Monitor Report prepared for the IMF and World Bank meetings focused on “debt sustainability,” making clear that stabilising debt levels in countries with the fastest growing debts will require government spending cuts on a scale larger than anything seen before.

While the JVP/NPP were able to posture as opponents of the widely despised traditional parties of the bourgeois political establishment and win the presidency in the September 21 elections, the new government is a weak and unstable regime and is on a political collision course with the Sri Lankan masses.

Above all, it is acutely aware of the dangers of the eruption of the mass movement of millions of workers and youth that emerged in April 2022 and forced out President Gotabaya Rajapaksa and his government.

This is why the JPP/NPP is desperately talking on both

sides of its mouth, attempting to exploit the deep-rooted public discontent with the traditional governing parties, while promising the IMF and the World Bank that it will enforce their austerity attacks.

Working people need to understand that the JVP/NPP will not hesitate to employ existing anti-democratic laws to stifle the inevitable mass discontent that will erupt against its austerity measures.

The working class needs to prepare politically and organisationally to confront the Dissanayake government’s assault on their social rights and preparations for police-state repression.

The SEP is calling workers to form their own action committees at every factory, workplace, plantation and neighbourhood, independent of all bourgeois parties and trade union bureaucracies. Similar committees must be formed by the rural poor in their areas. The SEP is fighting to build a Democratic and Socialist Congress of Workers and Rural Masses (DSC), based on democratically elected delegates from workers and rural poor action committees.

The DSC must become the framework for the building of an independent political movement of the working class that rallies the rural poor to fight for a government of workers and peasants, committed to socialist policies.

This is the program that underpins the SEP’s intervention in the November 14 parliamentary elections. The SEP is running a total of 41 candidates for Colombo, Nuwara Eliya and Jaffna districts. We urge you to vote for our candidates, participate in the party’s campaign for socialist internationalism, and apply to join the SEP and win other workers, youth and rural poor to its ranks.



To contact the WWSW and the Socialist Equality Party visit:

wsws.org/contact