IMF releases second instalment of Sri Lanka's bailout loan

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23 October 2023

The International Monetary Fund (IMF) announced last Thursday an agreement with Sri Lanka to release the second tranche of a $US3 billion bailout facility.

In September, following the visit by an IMF team, the IMF decided to withhold the $330 million second instalment because the Sri Lankan government had failed to meet IMF's targets for the six months following the release of the first instalment in March.

Speaking at an IMF press briefing on Friday, senior IMF envoy Peter Breuer said the agreement was conditional on two things: implementation of all "prior actions" and "confirming that sovereign debt is being restructured in a timely manner."

Breuer said the prior actions included "raising [tax] revenues and mitigating fiscal risks and ensuring strong governance reforms and safeguarding financial stability."

This will mean imposing even harsher austerity measures on working people, including higher taxes and tougher tax collection methods, eliminating state subsidies for electricity, fuel, cooking gas and water, and the further privatising of state-owned enterprises (SOEs).

Welcoming the government's commitment to increase revenue, Breuer stressed that "one of the objectives is to get to a revenue that exceeds 12 percent of GDP." This will require a huge 33 percent increase on the current level of 9 percent of GDP.

The government announced a further increase in electricity rates by 18 percent on October 20, on the eve of reaching agreement with the IMF. IMF envoy, Katsiaryna Svirydzenaka, told the press conference: "[W]e would like to emphasise that sudden electricity recovery is crucially important to eliminate financial losses in the electricity sector."

Since the IMF team's September visit, the government has again increased fuel prices, and accelerated privatisations. The government's Enterprise Reform Unit has called for quotations for the state-owned Lanka Hospital Corporation, and expressions of interest for Hotel Developers Lanka.

In other privatisation steps, the government-operated Cooperative Wholesale Establishment (CWE) was closed at the end of September, eliminating around 300 jobs. The closure of State Engineering Corporation has been announced, destroying 1,400 jobs. An early retirement benefit scheme was announced in the Sri Lanka Insurance Corporation two weeks ago to slash jobs. An Electricity Board "reform" program will be cleared by the Attorney General by next week, Power and Energy Minister Kanchana Wijesekera announced on Monday.

The real objective of the IMF bailout loan was exposed by State Minister for Finance Shehan Semasinghe who said the government "would utilise the IMF's second tranche of the bailout deal to settle arrears owed to multilateral creditors while expediting the debt restructuring process."

Sri Lanka declared default on $41 billion worth of foreign debts on April 12 last year. The main objective of the IMF is to ensure those debts are repaid to the sharks of foreign capital. The IMF austerity program is to extract that money from workers and the poor, while laying the conditions for an influx of foreign investment exploit the island's cheap labour.

Paris Club members, comprised of the European imperialist powers and other countries, urged China to line up with them to "assist" Sri Lanka. However, none of the creditor countries are prepared to provide any meaningful assistance. They are determined to obtain repayments in full.

Last week, the Exim Bank of China agreed on "key

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principles and indicative terms" to restructure $4.2 billion in bilateral debt owed by Sri Lanka. Details are not available, the media reported that "Beijing authorities have rejected haircuts"—in other words, any reduction in the overall loan repayment.

Sri Lanka's corporate sector welcomed the release of the IMF loan instalment. The Colombo stock market showed an instant upward trend, with highest one-day gains in three months. The big business Ceylon Chamber of Commerce issued a statement congratulating the government and urged it to "maintain the momentum of the current reform agenda."

For workers and the poor, the message is a relentless attack on their jobs, wages and living standards. According to the official statistics, the real wages of public sector employees declined to 58 points by mid-2023, compared to 100 points in the base year of 2013. In agriculture, the private industry and service sectors, real wages declined to 82 points.

According to the government, the inflation rate was just 0.8 percent in September, compared to 70 percent for the same month last year. This obscures the real situation for working people, as prices for food and other essentials are continuing to rise sharply.

The UN Development Program noted that 60 percent of the country's population is now searching for low-cost meal options. The World Bank estimates that 28 percent of the population is now in poverty.

The government confronts a profound economic crisis that erupted with the COVID-19 pandemic, which was exacerbated by the US-NATO war against Russia in Ukraine, and now by the imperialist-backed Israeli war against the Palestinian people in Gaza.

The trade unions are deliberately limiting or blocking workers' struggles against the IMF-dictated attacks on their social and living conditions.

Yesterday, the public health inspectors union, representing around 15,000 members, held a token strike to demand long-outstanding allowances. The University Non-Academic Staff Unions, with about 23,000 members, held a lunch-hour picket on October 11, demanding increases wages.

The Collective of Trade Unions and Mass Organisations held another protest last month demanding a 20,000-rupee wage increase. The Collective of Railway Trade Unions held a picketing campaign on the same demand yesterday.

However, all these unions are opposed to united working-class action against the IMF austerity measures and the Colombo regime's repressive laws. The Wickremesinghe government is waiting to ram through the Online Safety Bill (OSB) as soon as the Supreme Court concludes an inquiry into the 45 petitions against the bill. The government is determined to implement the OSB, which is aimed at muzzling social media platforms.

Many of these trade unions are controlled by the opposition Samagi Jana Balavegaya (SJB) and Janatha Vimukthi Peramuna (JVP) as well as the ruling Sri Lanka Podujana Peramuna. All these parties are committed to the IMF program.

The union bureaucracies are blocking any united struggle because they know that such a fight will raise political questions and the need to fight against the capitalist system, to which these unions are all bound.

The urgent task of the working class is to take the fight into its own hands, rather than seeking solutions to the mounting social crisis from the opposition parties and unions. For that, workers need to independently organise a network of their independent action committees, including in factories, plantations and neighborhoods, and among rural peasants.

Such an political movement of the working class, rallying the rural masses, would lay the basis to fight for the overthrow of the repressive Wickremesinghe government and the establishment of a workers' and peasants' government committed to socialist policies. Such a government would repudiate the foreign debt and nationalise the major corporates, including the banks and big companies, under workers' control.

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