

# Sri Lanka: IMF demands sacrifice, warns of “potential labour unrest”

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Addressing a March 4 press conference, International Monetary Fund (IMF) senior mission chief for Sri Lanka Peter Breuer raised concerns about rising working-class unrest against the Janatha Vimukthi Peramuna/National People's Power (JVP/NPP) government's budget cuts.

The media event was held to explain the release of the fourth installment of the IMF's \$US3 billion bailout loan for Sri Lanka approved in early 2023. President Dissanayake presented his budget proposals for 2025, which are fully in line with IMF-dictated austerity measures, on February 17.

A journalist asked Breuer to comment on “emerging labor unrest, particularly in the medical field.” It was a reference to a threatened one-day strike on March 5 by the Government Medical Officers' Association (GMOA) to protest drastic cuts to allowances in Dissanayake's budget. One day earlier, the Health Trade Union Alliance (HTUA) announced that its members would strike March 6.

Responding to the question, Breuer said, “I suppose it [the labour unrest] is a potential. [But] this budget really sought to address some of the concern that the government and ourselves have had.”

In order to provide essential services to “the poor segment of society, everyone who can needs to make a sacrifice,” he added. In other words, health workers and other sections of the working class must stop complaining about the cuts.

Breuer's call for those “who can make sacrifices” for the poor is cynical and false. The IMF's austerity program has nothing to do with ensuring the poorest sections of society have access to essential services, but is to make payments on foreign debts, which were halted by Colombo in April 2022 amid Sri Lanka's economic collapse, and to boost big-business profits.

Breuer said the budget “sought to address” long-time wage issues and reduce personal income tax thresholds for “at least some income earners,” including government workers, while increasing income taxes on the top 20 percent.

These claims are a fraud. After a ten-year gap since the last pay increases, the budget proposes an 8,250-rupee net increase for the lowest-grade state employees—with slightly

little more for other grades—split over three years and beginning in April. The limited demand of the trade unions over the past two years has been for a 20,000 to 25,000-rupee (\$US68-85) salary rise.

The meagre wage rises announced in Dissanayake's budget, which do not compensate for massive inflation rates during 2022 and 2023, are in line with the IMF's demands for the slashing of state expenditure.

Feigning concern for the poor, Breuer told the press that IMF staff had traveled throughout Sri Lanka, met with poorer sections of society, including plantation workers, and saw their plight.

This is completely bogus. The IMF, which is a merciless agency of international finance capital, ordered the former Wickremesinghe regime to increase the value added tax from 12 to 18 percent and to drive up the cost of electricity and water.

Those austerity measures, which are being maintained by the JVP/NPP government, are pushing the poor further into the abyss. Dissanayake's budget, in fact, retains the corporate tax rate at between 15 and 30 percent, does not propose any new wealth or property taxes and provides even more concessions to big business and investors.

Breuer defended the JVP/NPP government's austerity measures while referring to the “massive crisis in 2022,” which he said, came at a “huge cost to the population.”

The IMF's concern about the “massive crisis in 2022”—a reference to the mass anti-government uprising that brought down President Gotabaya Rajapakse and his government—was not the plight of the poor but to ensure Sri Lanka paid its foreign debts. The IMF worked strenuously to promote the pro-US and notorious IMF enforcer Ranil Wickremesinghe, who was made president.

The JVP/NPP connived with the opposition Samagi Jana Balawegaya and proposed the formation of an interim regime of all parliamentary parties. This was supported by the trade unions, backed by fake-left Frontline Socialist Party, which betrayed the mass movement, paving way for the installation of Wickremesinghe.

Breuer told the media that Dissanayake's budget was "the last sort of big push. Not quite as big as in the previous years and there after it'll be much easier going forward."

But what is this "big push"?

Thus far, the former Wickremesinghe administration and the JVP/NPP government have slashed the social conditions of workers and the poor through various taxes and levies.

In line with IMF demands, the current JVP/NPP government must take this social assault to an unprecedented level through a ruthless restructuring and privatisation of the public sector, including state-owned enterprises (SOE). This means the destruction of hundreds of thousands of jobs, further wage cuts and attacks on working conditions and a substantial expansion of cheap labour zones.

Sri Lanka currently has about 430 SOEs. Under the current budget, all SOEs deemed unviable will be shut down and the remainder brought under the State Holding Company. The entire process is to be completed by the end of this year.

One of Dissanayake's chief economic advisors is Duminda Hulangamuwa, chairman of the big business Ceylon Chamber of Commerce. Hulangamuwa has publicly declared that the government will have to slash 550,000 jobs from its current 1.3 million-strong workforce.

The JVP/NPP government's State Holding Company will be modeled on Vietnam's Commission for the Management of State Capital at Enterprises, also known as the "Super Committee," which was established in 2018.

The Dissanayake government also plans to transform numbers of SOEs into "public-private partnerships" and other forms of privatisation.

These socially retrogressive moves will entail the scrapping of what remains of free public health and education and greater expansion of private ownership in these sectors. This regime has also pledged to begin paying its foreign debts in 2028 at the rate of \$6 billion a year.

These devastating social consequences for Sri Lankan workers and the poor mirror the savage austerity measures imposed on the Greek working class in exchange for a bailout loan.

Alexis Tsipras' Syriza-led government came to power in Greece in 2015 claiming it would end the austerity program but it quickly began implementing savage social cuts dictated by the IMF, European Commission and European Central Bank.

Syriza attacked workers' rights, massively reducing pensions and increasing the retirement age to 67; privatised ports, airports and the national rail network; increased VAT and raised property taxes; and severely cut social services, including health and education, in order to keep repaying its massive debts.

While Sri Lanka workers and the poor will confront

similar measures, Breuer ended his press conference with a rosy scenario. "[I]ncomes will increase and poverty will be reduced, and... [it will be] more attractive to remain in Sri Lanka and not leave and emigrate."

This is a total fantasy and especially in the context of a deepening global crisis, trade war measures now being unleashed by US President Trump and retaliation by other countries.

The working class in Sri Lanka urgently needs to prepare to fight the JVP/NPP government's austerity attacks. This involves a break with the pro-capitalist trade unions and the development of new independent organisations of political and industrial struggle.

The GMOA and the HTUA responded to Breuer's press conference warnings about "labour unrest" by calling off their scheduled one-day protest strikes. Twelve months ago in March 2023, the GMOA, Federation of University Teachers Associations and other professional union leaders held an online "round table conference" with IMF officials in a fruitless attempt to negotiate some concessions. These pro-capitalist trade unions, and all those controlled by the JVP, and the opposition SJB, support the IMF's program.

The Sri Lankan working class is not just in a struggle against the JVP/NPP government and the Sri Lanka capitalist class but against international finance capital. This can only be advanced by mobilising the working class independently of all capitalist parties and their hangers on. That is why the Socialist Equality Party calls for the building of workers' action committees and similar committees among rural masses and in association the International Workers Alliance of Rank-and-File Committees (IWA-RFC), in the fight for a workers' and peasants' government based on a socialist program.



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