Sri Lankan government expedites privatisation of state-owned enterprises, axing thousands of jobs

W. A. Sunil
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In line with International Monetary Fund dictates, the Janatha Vimukthi Peramuna/National People's Power (JVP/NPP) government has decided to establish a state holding company to accelerate its restructuring of state-owned enterprises (SOEs).

President Anura Kumara Dissanayake announced the policy at a recent economic forum organised by the Ceylon Chamber of Commerce. He confirmed that the stock company will be listed on the Colombo Stock Exchange.

The "super-holding company," he said, will resemble models established in countries like Malaysia and Singapore, opening the door for both local and foreign private investors. It follows Dissanayake's budget, which was presented to parliament on February 17, and is based on implementing the International Monetary Fund's (IMF) demands.

The IMF has repeatedly insisted that the Sri Lankan government restructure its SOEs and avert a "financial burden" on the state treasury. A report issued by the IMF in September, 2023, titled *Sri Lanka: Technical Assistance Report-Governance*, strongly recommended the formation of a state holding company. It also called for all commercial SOEs to be registered under the Companies Act, to comply with the principles of Good Corporate Governance, and to compete with market competitors.

The previous Wickremesinghe government had already begun implementing these recommendations for SOE restructuring.

During last year's election campaigns, President Dissanayake and the JVP/NPP cynically promised to renegotiate the Wickremesinghe government's agreement with the IMF. Claiming it would modify some of the harsher provisions, the JVP/NPP government is now fully implementing the IMF's austerity demands.

Forming a holding company and restructuring SOEs are part of this process, marking the first step toward the privatisation of SOEs.

On December 31, Cabinet spokesman and Health Minister Nalinda Jayatissa told a press briefing, "Our first effort is to keep these institutions under government control and make them contribute to the country's development. If that effort fails, only then will we consider privatisation."

On March 1, Labour Minister and Deputy Economic Development Minister Anil Jayantha stated that the government had appointed a committee to review all SOEs and decide how best to manage them without burdening the treasury and by improving efficiency.

The restructuring and privatisation of SOEs will lead to mass job losses, reduced wages and benefits for workers, as well as increased utility prices, such as for electricity and water, in order to make them "profitable" and "not a burden on the treasury."

Following the third review of the IMF program and the release of the fourth instalment of its $3 billion bailout loan to Sri Lanka, the IMF further stressed the necessity of restructuring or privatising the country's 430 SOEs.

As part of this process, the government has decided to amend the Wickremesinghe government's 2024 electricity reform bill to restructure the state-owned Ceylon Electricity Board (CEB).

The Power Sector Reforms Process Committee (PSRPC) of the Power and Energy Ministry will create three state-owned companies for the CEB, which will hold shares in fully unbundled electricity generation, transmission and distribution companies instead of the previously proposed 12 companies. The finance ministry has also directed the power ministry to consult with development financiers such as the Asian Development Bank (ADB) and the World Bank (WB).

An article published in the *Sunday Times* on March 9 cited a finance ministry document revealing that the ADB and WB are supporting Sri Lanka's reform agenda through the Power Sector Reforms and Financial Sustainability Program. This focuses on restructuring the CEB and the Lanka Electricity Company (LECO), implementing electricity pricing reforms, and promoting renewable energy development.

According to the finance ministry letter quoted by the newspaper, "The World Bank and ADB will closely monitor progress, with adherence to agreed actions being critical for future budget support… Therefore, wider stakeholder consultation is recommended, including the aforementioned parties."

The trade unions have backed these moves. Last year, tens of thousands of workers, including CEB employees, protested against SOE restructuring and privatisation. Thousands of CEB workers stopped work between January 3 and 5, demonstrating outside the CEB's head office in Colombo.

The Wickremesinghe government responded by suspending 62 CEB employees for participating in the protest. The CEB unions, however, did not mobilise other workers to defend the victimised employees. Instead, leaders of the CEB trade union alliance, headed by the JVP-controlled Lanka Electricity Workers Union, held round table discussions with then Power and Energy Minister Kanchana Wijesekara to discuss restructuring measures, including the reduction of the CEB workforce by 5,000.

While the suspended workers were reinstated in December after the JVP/NPP government came to power, the issue of ongoing privatisation remains unresolved for CEB workers and others.

The trade unions limited protests against the Wickremesinghe government, claiming it could be pressured. They pushed workers toward the opposition parliamentary parties, including the right-wing Samagi Jana Balawegaya and the JVP, which are fully committed to implementing the IMF program.

In July last year, the JVP suppressed nearly all of its trade union protests against the IMF's austerity measures, sending a clear signal that they were ready to implement these policies once in office. Other unions followed suit by halting any industrial action against IMF austerity. Now, they continue to support the JVP/NPP government's efforts to unbundle and privatise the CEB.

The working class cannot fight the IMF and defend its rights while they remain trapped in these pro-capitalist unions. Workers need to organise independently of all capitalist parties and their trade union bureaucracies. Democratically elected workers' action committees should be formed in every workplace. Through these committees, the working class can organise a unified movement against the JVP/NPP government and the IMF's austerity measures.

In opposition to job destruction, wage cuts and intensified workloads which are aimed at boosting corporate profits, workers should demand that all SOEs be placed under the democratic control of the working class.

The Sri Lankan working class is in a political and industrial fight not only against the JVP/NPP government and the local capitalist class but also against international finance capital. This struggle is part of a growing global movement of the international working class and must be organised in association with the International Workers Alliance of Rank-and-File Committees (IWA-RFC). It must be connected to the fight for a workers' and peasants' government based on a socialist program.

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