IMF demands Sri Lankan government increase electricity tariff by nearly 20 percent

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The International Monetary Fund (IMF) has insisted that the Sri Lankan government do two things by June as a condition for the release of the fourth instalment of a $US3 billion bailout loan, amounting to $344 million.

First, the global financial institution is insisting that a reduction to electricity charges introduced in January be reversed, and secondly, that the government complete foreign debt restructuring.

The Janatha Vimukthi Peramuna/National People's Power (JVP/NPP) government, headed by President Anura Kumara Dissanayake, has fully committed to the IMF's savage austerity measures. However, it reduced the electricity tariff by an average of 20 percent in January, as the party had to face a May 6 local government election and was seeking to win votes.

This was a token reduction compared to the raising of electricity tariffs by 75 percent in August 2022, 66 percent in February 2023 and an additional 18 percent in July 2024, totalling 159 percent.

IMF spokesperson Julie Kozack reiterated on May 22 in a weekly press briefing that the IMF is awaiting actions "relating to restoring electricity cost recovery pricing and ensuring the proper function of the automatic electricity price adjustment mechanism."

Sri Lanka has the highest household electricity charges in South Asia, following increases by the previous government of President Ranil Wickremesinghe. It is 2.5 to 3 times higher than the regional average.

The increases led to over a million low-income households having their power cut because they were unable to make payments. Many have not been able to get reconnections or have been compelled to reduce consumption.

The IMF has said that in 2024 the Ceylon Electricity Board (CEB) reaped a 144 billion rupee ($US480 million) profit. The government's reduction in electricity charges, it complained, has caused an 18.5 billion rupee loss to the CEB for the first quarter of 2025.

Accepting the IMF demand, the JVP/NPP government has decided to increase monthly electricity bills by 18.3 percent from now until December. The next revision of power tariffs will be carried out in January. The increase will have a chain effect on the economy, devastating poor consumers.

The IMF pressure to increase power charges shows the ruthless nature of its intervention in Sri Lanka, the same as its actions in other countries to which it has provided bailout loans.

IMF pressure to finalise debt restructuring

The second condition of the IMF to release the fourth instalment of the loan is finalising the debt restructuring agreement with international creditors.

Since the end of 2023, discussions with creditors have been dragging on, although the previous Wickremesinghe regime and the current Dissanayake administration have expressed "optimism" about the agreement.

Sri Lanka defaulted on loan repayments in April 2022, amid unprecedented economic collapse. Its foreign reserves plummeted. The bankrupt Colombo government is seeking a haircut or reduction of loan repayments and interest rate cuts. However, it has to resume the repayment of foreign debt from 2028, according to its agreement with the IMF.

The protracted debt restructuring discussion indicates that these loan sharks expect more concessions from Colombo, ditching their bogus sympathy towards the bankrupt country and its poor people.

Restructuring state-owned corporations

In fact, the Colombo government is increasing taxes, restructuring state-owned corporations (SOEs) and squeezing the masses for revenue to repay the loans. The Dissanayake government is making all efforts to serve international finance capital.

In a virtual press conference on April 29, Evan Papageorgiou, the new head of the IMF mission for Sri Lanka, stressed that SOE restructuring and privatisation are other important actions. He said: "In general, with SOEs, we think there is a way forward. We want to see more progress there."

He also explained how the government should run SOEs in the following manner: "This is the same thing as you would expect from a private company. In other words, you would want SOEs to be run in the most efficient manner purely on a commercial basis…"

Bowing to these pressures to expedite SOE "reforms," the JVP/NPP cabinet gave its policy approval for the preliminary draft of the "State-Owned Commercial Enterprises Management Bill" at the end of April.

Cabinet spokesman and minister Nalinda Jayatissa told a press briefing: "It has been recognized that SOEs should be restructured and well-managed in a manner without making them a continued burden on the Treasury and the country's economy, with the support of local or foreign investments." This means privatising or commercialising the SOEs.

Over 400 SOEs are to be restructured, and hundreds of thousands of jobs will be axed. Under the term "efficiency," workloads are to be increased to unbearable levels while whatever conditions were won by the struggles of state workers during the last period are eliminated. International and local investors will receive the best conditions to reap profits.

The IMF needs 52 major corporations to be restructured soon. They include the Ceylon Electricity Board, the Ceylon Petroleum Corporation, Litro Gas, the Sri Lanka Insurance Corporation, Sri Lanka Telecom, and Sri Lankan Airlines.

These attacks are to be imposed on workers and the poor, who are already in the grip of dire social conditions.

According to the Census and Statistics Department, as of February an individual required a minimum of 16,318 rupees per month to meet their basic needs. This figure varies according to districts. In 2019, the figure was 6,966 rupees. This indicates an over two-fold increase in the minimum monthly expenditure required by an individual.

Speaking at the same press conference, the IMF Sri Lanka mission head said tariff increases by US President Donald Trump had created "global trade policy uncertainties" and were a "significant risk."

Saying that the IMF would help the country under its "policy contours," he praised the authorities for being committed to achieving program objectives and for addressing any deviation from program targets with remedial measures.

The Dissanayake regime, completely subservient to the IMF and international capital, is not ready to lose the remaining IMF installments, including the $334 million fourth tranche. It will do whatever is necessary to suppress the growing opposition of the working class to impose these savage measures.

In his May Day speech, the president warned workers not to protest over what he termed "trivial" issues, such as a piece of onion. This means, don't demand wage hikes or other concessions to compensate for the soaring cost of living, and don't oppose the "restructuring" of SOEs, which will destroy hundreds of thousands of jobs.

The trade union bureaucracies are aligned with the government and IMF policies. While the JVP-controlled trade union leaders are open in their support for the government, other trade union bureaucrats issue phony criticisms of the administrations' attacks to contain the growing opposition of workers.

That is why the Socialist Equality Party (SEP) calls on workers to form their own action committees at every workplace and institution to fight IMF austerity and the Dissanayake government. The unions bureaucracies, serving the government, the corporations and the IMF, should not be allowed into these action committees.

The repayment of foreign debts at the cost of living and social conditions must be halted. These loans were borrowed not for the welfare of workers and the poor but for the 26-year communal war since 1983 against the separatist Liberation Tigers of Tamil Eelam and to boost profits for big business.

The working class must repudiate these foreign borrowings and use the money to develop ailing public health and education.

The restructuring of the SOEs, which will destroy hundreds of thousands of jobs and boost foreign and local investors, must be stopped.

The action committees must take initiative in this fight.

This struggle is not just against the Dissanayake government but against international finance capital. It therefore requires an international strategy. This fight can be carried out by joining with the struggles of the international working class through the building of the International Workers Alliance of Rank-and-File Committees.

In this struggle, the SEP proposes building a Democratic and Socialist Congress of Workers and Rural Masses based on delegates of action committees. Such a Congress can serve as the means to fight for the establishment of a workers' and peasants' government based on a socialist program.