

Sri Lankan government and IMF celebrate “success” of austerity program

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On June 16, the Sri Lankan government and the International Monetary Fund (IMF) held a high-profile event at the Shangri-La Hotel in Colombo titled “Sri Lanka’s Road to Recovery: Debt and Governance.”

The invitation-only gathering attended by government ministers, IMF officials, and the corporate elite was a celebration of the IMF’s vicious austerity program—hailed cynically as a “success story” and a “model” for other countries in crisis.

Behind the stage-managed optimism at the Shangri-La Hotel lies the brutal reality that this “recovery” is built on the backs of workers, the poor and youth, who continue to bear the catastrophic consequences of a debt-repayment regime designed to serve international creditors and Sri Lanka’s capitalist elite.

President Anura Kumara Dissanayake opened the conference by declaring: “We were confronted with two possible paths: either to continue along the same failed and destructive route, or to choose a new path that would enable us to rebuild and uplift our nation.”

The “failed and destructive route” is a reference to the economic collapse in early 2022, when President Gotabaya Rajapakse’s government ran out of foreign reserves and declared Sri Lanka’s first-ever foreign debt default. Triggered by the global impact of COVID-19 and the Ukraine war, the crisis caused devastating shortages of essentials, daily power cuts and soaring inflation.

Dissanayake, of course, made no mention of the decisive political event of that year: the unprecedented mass uprising from April to July 2022 involving millions of workers, youth and the rural poor, who took to the streets to demand an end to intolerable living conditions. Those protests forced the resignation of Rajapakse and his government and shook the foundations of Sri Lankan capitalism.

Dissanayake’s Janatha Vimukthi Peramuna-led National People’s Power (JVP/NPP) at that time likened the mass struggle to “anarchism.” Together with then main opposition party, the Samagi Jana Balawegaya (SJB), it called for an interim capitalist administration. The trade union bureaucracies, helped by the fake-left, rallied to this call to derail the mass movement into a parliamentary blind alley and betrayed it.

This created the conditions for the discredited parliament to elevate the lone MP of the United National Party (UNP), Ranil Wickremesinghe, to the presidency, negotiate the IMF deal and begin savagely implementing it.

That agreement, formalised in March 2023, laid the groundwork for the savage austerity program now fully embraced and enforced by the JVP/NPP government, which came to power by posturing as an anti-establishment force. It falsely claimed during the elections that it would protect workers and the poor from the worst social impacts of austerity.

The end result is not a departure from previous governments, but a seamless continuation of the same program of privatisation, job destruction and social cuts.

Dissanayake told the Colombo conference that the government hoped to “build a stable economy.” The outcome must be the “restoration of our national sovereignty and self-reliance.” The current IMF program would be the final one undertaken under its Extended Fund Facility, he claimed.

A key aspect of Dissanayake’s efforts is to attract more foreign direct investment, which involves “incentives to investors... offering [them] strategic relief,” he said. That means driving down labour costs and boosting exploitation in the interests of

international finance and major global corporations.

Both Dissanayake and IMF First Deputy Managing Director Gita Gopinath used their speeches to praise the “courage and sacrifice” of the Sri Lankan people.

Gopinath admitted the reforms were “costly and painful, particularly for the poor,” but repeated the lie that low taxation and subsidies were the root causes of the crisis—ignoring the fact that decades of borrowing to serve capitalist interests drove the country into the abyss.

The 2025 budget, introduced by Dissanayake as finance minister in February this year, indicated the real character of the so-called recovery.

While slashing state sector jobs and privatising public enterprises, the government has cut health spending to 383 billion rupees—down from 410 billion last year—and provided just 271 billion rupees for education, a minimal increase of 29 billion. These two sectors, already in crisis, continue to be cannibalised to serve debt repayment. Public education spending remains at just 1.5 percent of GDP—among the lowest in the world.

Students who demanded a doubling of their paltry monthly stipends were met with a token increase from 5,000 to 7,500 rupees—barely enough to survive.

The public sector is the JVP/NPP government’s next major target with plans to cut up to one million jobs by restructuring or dissolving over 400 state-owned enterprises (SOEs). Key sectors—petroleum, electricity, telecom, insurance—are being prepared for full privatisation under the guise of attracting foreign direct investment. These moves are aimed not at “development” but at further transforming Sri Lanka into a low-cost labour haven for global capital.

Meanwhile, the corporate sector is flourishing. According to First Capital Research, Sri Lanka’s listed companies posted a 57.4 percent year-on-year earnings increase in March 2025, marking six consecutive quarters of profit growth. Corporate tax rates remain low—between 15 and 30 percent—and are supplemented by tax holidays and generous incentives for investors.

Despite the ongoing social attacks, workers have mounted determined resistance. Throughout 2023 and into early 2024, hundreds of thousands participated in strikes and protests demanding wage hikes, job security and an end to austerity.

These struggles were systematically betrayed by the trade union bureaucracies, including those aligned with

the JVP which have banned industrial action since July 2024, claiming that strikes could “destabilise” the government.

The JVP/NPP’s ruthless implementation of the IMF diktats—destroying hundreds of thousands of jobs, gutting public services and eroding workers’ rights—is setting the stage for a new and powerful eruption of mass struggle.

The working class cannot fight this onslaught within the framework of capitalism or through the existing trade union structures. What’s needed is a new political and organisational strategy.

Workers and the oppressed must form independent Action Committees in every factory, plantation, school, hospital and neighbourhood. These committees must mobilise workers outside the control of the union bureaucracies and capitalist parties and begin coordinating struggles across sectors and regions.

The long neglected and oppressed rural masses must also form action committees to defend their livelihoods and social rights.

These committees should link up with the International Workers Alliance of Rank-and-File Committees (IWA-RFC), an international network fighting to unite workers’ struggles globally against austerity, war and exploitation.

The Socialist Equality Party (SEP) calls for the convening of a Democratic and Socialist Congress, based on representatives from these action committees. This Congress must become the foundation for a workers’ and peasants’ government, committed to repudiating foreign debt, nationalising key industries and banks under workers’ control and implementing socialist policies to meet the needs of the people—not profit.

We urge workers and youth to phone the SEP or send an SMS or WhatsApp message on 077 3562327 (Sri Lanka).



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