

IMF chief hails Sri Lanka “success story” as its austerity agenda deepens social crisis

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The three-day visit of International Monetary Fund (IMF) Managing Director Kristalina Georgieva, who repeatedly hailed Sri Lanka as a “success story” under the IMF’s Extended Fund Facility program, has once again laid bare the class character of the Janatha Vimukthi Peramuna/National People’s Power (JVP/NPP) government.

According to media reports, the purpose of the IMF visit was to “assess” the destruction caused by Cyclone Ditwah, which killed around 1,000 people, devastated homes and critical infrastructure, and affected more than 2.3 million people last December. The International Labour Organization has estimated the economic losses at \$US16 billion, or approximately 16 percent of GDP.

Nearly three months after the disaster, neither the JVP/NPP government nor the major international powers have provided anything remotely close to the resources required to rebuild the shattered lives of thousands of families or restore devastated infrastructure. Anger is mounting among working people and the rural poor over the government’s failure to deliver adequate relief, including permanent housing for families who lost everything in cyclone-triggered floods and landslides.

Georgieva made clear that the devastation created by Cyclone Ditwah cannot justify any deviation from the IMF’s harsh austerity program. “IMF programs are designed to be flexible when circumstances change,” she said. But this “flexibility” operates strictly within the boundaries of debt sustainability and creditor confidence. Disaster relief must be administered without undermining fiscal targets. The government’s 2026 budget, prepared before the cyclone struck, will remain intact. There will be no policy reversal.

While the IMF quickly disbursed around \$US205 million under its Rapid Financing Instrument loan, Georgieva stressed that Sri Lanka must continue prudent fiscal management, accumulate reserves, and steadily reduce debt—in other words, the harsh austerity program must be imposed to the letter.

Georgieva met with President Anura Kumara Dissanayake, Prime Minister Harini Amarasuriya, and senior Central Bank officials. “Sri Lanka has come a long way. The government’s reform program is delivering for the country and its people. I stressed the importance of staying the course,” the IMF chief posted on X at the end of her visit.

She pointed to growth of around 5 percent in 2024, further expansion in 2025, inflation falling from 70 percent in 2022 to near 2 percent, improved tax revenue, and the rebuilding of foreign

exchange reserves as proof that IMF measures are delivering. She praised the government, saying, “I think for the first time there is a government that is trusted by the people.”

The IMF chief’s claim that Sri Lanka has “come a long way” validates the brutal austerity package imposed after the 2022 economic crisis, which led to a mass anti-government uprising by millions of people. It is a clear message to international investors, bondholders, and creditor governments that fiscal tightening, currency adjustment, and the restructuring of over 400 state enterprises have “worked” to restore macroeconomic stability—and that the IMF medicine must continue.

Georgieva’s visit was aimed at ensuring that Sri Lanka will continue to prioritise debt repayments, adopt market-driven exchange rate policies, and implement price-cost recovery—namely, price increases for energy and utilities—measures that protect the profits of big business while deepening the social hardship of workers and the poor.

When the IMF chief says the JVP/NPP government is “trusted by the people,” this is not a reference to workers and the oppressed, but to big business and finance capital, whose interests are being diligently safeguarded by the Dissanayake administration.

While cautioning that it is “too soon to declare mission accomplished,” Georgieva said the recovery is on the right track and urged the government to “stay the course.” Higher growth of 7–8 percent, she said, would be possible if “structural reforms are initiated and sustained.” Sri Lanka, she assured, “can count on our support.”

The narrative of “stabilisation” and “renewal” is being echoed by Colombo’s financial press and corporate elite, reassuring bondholders, multilateral lenders, and global investors that debt repayments will resume in full from 2028 and that no deviation from IMF austerity will be tolerated.

The current decline in the inflation rate has not resulted in better living standards for the masses. Sweeping tax increases, utility price hikes, and the suppression of wage demands continue to weigh heavily. The rebuilding of reserves—achieved through import controls and higher interest rates to restrict the money supply—has devastated small enterprises and the self-employed, and burdened indebted households.

Higher government revenue has been achieved primarily through increased indirect taxation, gravely affecting workers and the oppressed. In early 2022, VAT was 8 percent. It is now 18 percent,

with over 90 previously exempt items—including fuel, gas, and telecommunications—now subject to VAT.

Official projections indicate that annual external debt servicing will increase from roughly \$US2.5 billion to \$2.7 billion in 2026–27, then to between \$3.2 billion and \$3.5 billion in 2028. Central Bank Governor Nandalal Weerasinghe, after meeting with the IMF chief, said this is manageable, provided “discipline” is maintained.

Translated into social reality, discipline means permanently elevated indirect taxes, higher prices for electricity and other utilities, cuts to public spending, and the ruthless suppression of workers’ struggles for wage increases.

Sri Lanka’s corporate elite is not experiencing austerity but enjoying rising profits. The business media reports strong revenues among conglomerates, telecom firms, and banks, with the financial sector in particular benefiting from high interest rates and debt restructuring. This week, Sampath Bank announced the strongest performance in its history, with net profits rising 13 percent in 2025 to 32 billion rupees (\$US103 million). The bonanza being celebrated as “recovery” in corporate boardrooms is being extracted from working people.

The JVP/NPP government is implementing a blatantly pro-big business agenda. Strategic Development Project regulations were revised this month to grant generous tax concessions to major investors. Projects exceeding \$US50 million now qualify for corporate income tax holidays of up to 10 years, along with exemptions from VAT, customs duties, and other levies. The manufacturing, infrastructure, tourism, and technology sectors are being actively promoted.

The Labour Ministry is also consolidating 12 labour laws into four, claiming these changes are necessary for “modernisation” and flexibility to attract investment and enhance competitiveness. In practice, the reforms are aimed at facilitating greater exploitation of the workforce.

Behind this rhetoric lies the longstanding IMF-driven push for labour market flexibility—reducing labour costs and eroding job security. As anger mounts within the working class, trade union leaders are desperately working to contain rising opposition and keep workers tied to the government’s austerity framework.

The restructuring of labour law complements ongoing efforts to overhaul state-owned enterprises (SOEs), expand public-private partnerships, and implement cost-recovery pricing in utilities.

The IMF has repeatedly insisted that electricity tariffs must reflect the full costs to prevent losses at the Ceylon Electricity Board (CEB). The CEB is being broken into four smaller companies and is in the process of privatisation. CEB workers’ jobs are being eliminated, with consumers expected to shoulder higher bills so that fiscal targets are met and creditors reassured.

For working people, the economic consequences are becoming catastrophic. Although headline inflation has dropped, prices of essential goods and services remain far above pre-crisis (i.e., 2022) levels. VAT increases and other indirect taxes are consuming a larger share of household income. Electricity, water, fuel, and cooking gas prices have risen sharply over the past two years under IMF-mandated adjustments. Real wages, however, have not recovered to their pre-2022 levels, and the government has told

public sector workers there will be no wage increases.

Public hospitals continue to report severe shortages of essential medicines, equipment, chemicals, and staff. Schools, particularly in rural areas, struggle with overcrowding and inadequate resources and teaching staff. Many families remain heavily indebted after years of high interest rates. According to a World Bank survey conducted late last year, almost one third of the population (32.4 percent) lives below or just above the poverty line of \$US2 per day.

Georgieva told Sri Lankans that the economic turnaround is “irreversible.” For international creditors, irreversibility means guaranteed debt repayment from 2028 onward. For workers and the rural poor, it signals the permanent subordination of social policy to financial markets—an intensification of austerity and the ongoing destruction of social conditions and job security.

The JVP/NPP government presents IMF-mandated austerity demands as inevitable and is fully backed by parliamentary opposition parties. Georgieva, in fact, not only praised the government but also the official opposition during her visit.

The working class and rural masses are not responsible for the country’s foreign debts, which are the product of decades of borrowing to fund tax concessions for the wealthy, vast military spending, corrupt mega-projects, and integration into volatile global capital markets.

The so-called economic success story is built on the backs of working people. Only their independent mobilisation, based on a socialist and internationalist perspective, can offer a genuine alternative to the austerity now being prescribed as the future of the working population.

What is required is for workers and rural masses to reject IMF austerity and fight for the repudiation of accumulated foreign debts that enriched the elites. The banks, big companies, and plantations must be brought under public ownership and democratic workers’ control.

The Socialist Equality Party (SEP) urges workers and rural communities to form independent action committees in every workplace, plantation, and neighbourhood, and to build a Democratic and Socialist Congress of Workers and Rural Masses made up of delegates elected from these committees.

The SEP insists that the only way forward is a unified struggle for a workers’ and peasants’ government, committed to implementing socialist policies as part of a broader international fight for socialism.



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