

IMF delegation praises Sri Lankan government's austerity measures

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An International Monetary Fund (IMF) delegation is visiting Sri Lanka from late March to early April to ensure the government's continued adherence to the IMF's austerity agenda amid a deepening global crisis triggered by the US-Israeli war of aggression against Iran.

The IMF mission is expected to conclude the combined fifth and sixth reviews on April 9 with a "positive assessment," allowing for the disbursement of about \$US700 million in two tranches of the Extended Fund Facility (EFF). This endorsement is a clear indication of the government's strict adherence to IMF dictates, which impose the full burden of the crisis on the working class and rural masses.

The IMF delegation met with President Anura Kumara Dissanayake on April 2 to discuss "Sri Lanka's ongoing economic reform program and progress." The president has proven every bit as ruthless as his predecessor President Ranil Wickremesinghe, who negotiated the \$3 billion IMF emergency loan in 2023. The country defaulted on foreign debts in 2022 amid an acute foreign exchange crisis sparking soaring inflation and shortages of food and fuel that triggered mass protests and strikes.

The IMF commended President Dissanayake, noting that "the country has transitioned toward a more resilient footing through the achievement of growth targets, improved revenue management, and the strengthening of foreign reserves."

Referring to the Iran war, the delegation lauded the government for "managing the situation prudently," including measures taken to address mounting pressures on fuel prices and the energy sector. In response, Dissanayake, proving himself an obedient servant of finance capital, boasted that "Sri Lanka has met all targets set under the programme and has

reached a position of relative stability."

The IMF's praise confirms that the ruling Janatha Vimukthi Peramuna/National People's Power (JVP/NPP) is carrying out the demands of international finance capital to the letter. The measures include restructuring and privatising some 400 state-owned enterprises, including the Ceylon Electricity Board (CEB), prioritising debt repayments, adopting market-driven exchange rate policies, and implementing price-cost recovery—namely, reducing or eliminating price subsidies for energy and utilities.

The IMF team clearly indicated that Dissanayake has never moderated the IMF-dictated measures even amid the disastrous Cyclone Ditwah, which killed around 1,000 people and caused \$4–5 billion in damage to the country's vital infrastructure last December. Tens of thousands of people are still struggling to receive compensation and proper housing, with over two million people across all 25 of the country's districts directly affected.

That tragedy did not deter Dissanayake from sharply increasing fuel prices by 26–30 percent as of March 26, amid the US-Israel war on Iran, just prior to the IMF visit. As Dissanayake held talks with the IMF team on April 5, the price of cooking gas was massively raised by the two operators—state-owned and private companies—by 20 and 23 percent, respectively. From April 1, electricity tariffs for general consumers were increased by 8 percent on average, followed by price increases for all food and services.

As the war on Iran intensifies, higher global energy prices and financial volatility are putting great pressure on indebted countries like Sri Lanka. The country also faces declining remittances from overseas workers as well as the loss of tourists and exports linked to the Middle East. In response, the IMF is demanding tighter

fiscal discipline to reassure international creditors and investors.

Hence, while creditors are protected, the social cost is severe. The insistence on primary budget surpluses requires continued reductions in public services and subsidies. The government has confirmed it will maintain strict spending limits in 2026, even as inflation, unemployment and poverty remain high. A quarter of the country's population is already below the poverty line, while another 10 percent is just above it.

The IMF's push for "structural reforms" further advances this agenda. Measures such as the Public Financial Management Act and banking sector recapitalisation are designed to restructure the economy in the interests of creditors and investors. These policies promote privatisation, deregulation, and the expansion of profit-making opportunities for large corporations. Corporate tax concessions, investment incentives and financial protections remain largely untouched.

The government's "targeted relief," such as the "Aswesuma" welfare program for vulnerable groups, is a fraud. Assistance is limited, conditional and inadequate for basic survival. Its main purpose is to contain social unrest, not address poverty or inequality. The overall aim is to reduce the number of people receiving state support.

A key priority praised by the IMF is the rebuilding of foreign reserves, now around \$6.8 billion, by restricting imports and further fuelling inflation. The IMF's economic growth projection for Sri Lanka of about 3.1 percent—significantly lower than 5 percent in 2024—reflects ongoing economic stagnation.

The entire political establishment—including opposition parties and trade union leaderships—supports the IMF program which is having a devastating impact on the social conditions of working people. On April 1, the opposition parties made a token appeal for the government to remove taxes on fuel to reduce prices. The opposition Samagi Jana Balavegaya (SJB) leader Sajith Premadasa, unlike on previous occasions, did not meet the IMF delegation in a cynical attempt to distance himself from its austerity demands.

The only viable alternative is the mobilisation of the working class independent of the capitalist parties and treacherous trade unions that support the IMF's austerity agenda. The Socialist Equality Party calls on

workers to break from the trade unions and build independent action committees in workplaces and neighbourhoods to fight for their social and democratic rights. We advocate the repudiation of all foreign debts, oppose all privatisation and call for the banks and big business to be placed under the democratic control of the working class as part of the socialist reorganisation of society.



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