

New IMF agreement requires Sri Lankan government to complete austerity program

Saman Gunadasa
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The Sri Lankan government signed another staff-level agreement with the International Monetary Fund (IMF) mission to the country on April 9. The deal was announced after the IMF team conducted an intensive review of the government's implementation of the austerity program that began in late 2023.

President Anura Kumara Dissanayake, who is also the finance minister, signed the agreement which will mean implementing all remaining austerity measures outlined in the release of the \$US3 billion bailout loan.

Speaking at a press conference in Colombo, the IMF mission chief for Sri Lanka, Evan Papageorgiou, praised the government's "commendable performance," citing 5 percent economic growth in 2025, rising tax revenues and building foreign reserves to \$US7 billion. He said the team concluded the fifth and sixth reviews during their visit and, accordingly, \$700 million will be available for the country.

However, the release of the fund, with the approval of the IMF Executive Board, will be contingent on "the restoration of cost-recovery electricity and fuel pricing" and the completion of the financing assurances review so as to confirm multilateral partners' financing contributions and adequate debt restructuring progress.

The restoration of the price recovery mechanism for electricity and fuel are code words for strictly implementing price increases in these two sectors so as to eliminate the debts of the Ceylon Electricity Board (CEB) and the Ceylon Petroleum Corporation. From February 2022 to April 1 this year, the country's electricity tariff has increased by around 125 percent.

Though Papageorgiou did not say so publicly, the IMF is demanding the privatisation of state-owned enterprises (SOEs) proceed. Though the government earlier listed more than 400 SOEs, only a few have been restructured. The only major restructure has been

the CEB, which has more than 20,000 employees and was broken up into six companies last month.

The IMF mission head insisted that "labour flexibility" and "new investment avenues" must be established to attract investments. By labour flexibility, the IMF means new laws whereby investors can "hire and fire" employees. Although a new draft labour act has been prepared, scrapping dozens of old acts and regulations, the government has yet to publish the bill and present it to the parliament.

Papageorgiou also emphasised the need for broad-based taxes, including a property tax. It is expected that homes and other properties will be taxed, affecting workers and sections of the lower middle class.

The IMF official declared, "We know Sri Lankan people are undergoing difficulties with the high cost of electricity, fuel and other everyday necessities." But people must understand, he added, that the reforms are needed to prepare for "the future shocks and risks."

The IMF's expression of sympathy for working people in Sri Lanka is utterly bogus. Its only concern is to ensure the repayment of defaulted foreign debts and to boost investors' profits. When announcing the IMF bailout in 2023, former mission head Peter Breuer said the program was in fact a "brutal experiment" for Sri Lanka.

Just two days before the latest agreement with the IMF was announced, Dissanayake presented a 100 billion rupees (\$US310 million) "relief package for the festive season" to parliament.

The package includes subsidised fuel—up to 100 rupees per litre for diesel, from May. However, fuel prices and electricity charges will be adjusted according to the "cost recovery" mechanism. Full market-based fuel pricing is likely to push diesel prices above 600 rupees per litre, meaning 100 rupee subsidy is a drop in

the ocean.

Dissanayake also announced limited increases to the meagre welfare payments under the Aswesuma welfare scheme for the poor—from 2500 to 7500 rupees for the April festive month only. Fertiliser subsidies will increase from 3,000 to 5,000 rupees but this is only for the current season.

The government's so-called relief measures are a desperate attempt to contain rising social tensions while meeting all of the IMF's austerity demands. The ruling Janatha Vimukthi Peramuna (JVP) is relying on the trade unions to suppress opposition in the working class, instructing them not to conduct or support any protest or industrial struggle.

Trade unions that have previously organised protests by railway, postal, CEB and health workers sectors have virtually shut down all industrial action. The CEB unions have ended protests against the government's restructuring and are promoting the illusion that talks with Dissanayake will produce a favourable result.

CEB Joint Trade Union Alliance leader, Priyantha Prabhath, told the media that after the discussions with the president, the unions all expressed their "understanding of the challenges arising from the Middle East conflict and the government's response to them." They also affirmed that they would not "impede" the government.

The opposition Samagi Jana Balavegaya (SJB) leader Sajith Premadasa criticised the so-called relief package and called for greater assistance. This is a cynical posturing, as Premadasa and the SJB were the first to urge the government in 2022 to beg for an IMF loan.

The JVP-led National People's Power government will ruthlessly implement all of the remaining austerity measures dictated by the IMF. To fight these relentless attacks on living conditions, workers must organise independently of all capitalist parties and the trade unions which function as the industrial police for government and management.

Workers need to build democratically elected rank-and-file action committees in workplaces, plantations and neighbourhoods that link together across industries and regions. Trade union bureaucrats and the representatives of capitalist parties should not be allowed to participate in these committees.

The Socialist Equality Party (SEP) proposes that these committees demand: the repudiation of foreign

debt, full funding for reconstruction, restoration and expansion of social services and the nationalisation of the banks and major corporations under workers' democratic control.

We call for the building of a Democratic and Socialist Congress of Workers and Rural Masses based on Action Committee delegates and the fight for a workers' and peasants' government committed to socialist policies as an integral part of the struggle for socialism internationally.



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