

Sri Lankan president announces plans to close 34 state institutions

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Addressing the annual general meeting of the Government Surveyors' Association in Battaramulla last Friday, President Anura Kumara Dissanayake announced that his government would close 34 state institutions to cut public expenditure. He said a special committee had been appointed to oversee the closures and mergers, which he claimed were necessary to improve efficiency and eliminate “unnecessary expenditure.”

This announcement indicates the Janatha Vimukthi Peramuna/National People's Power (JVP/NPP) government is going to further intensify the ruthless austerity measures dictated by the International Monetary Fund (IMF).

Dissanayake, who is also finance minister, said the ministry had drawn up plans for the closures but did not name the 34 institutions on the chopping block. Nor did he indicate how many public employees would be affected. All he said was that it was necessary to cut public expenditure and ensure the “efficient running” of state institutions.

To justify the closures, Dissanayake linked the proposed changes to “weaknesses in the public service,” including difficulties in retaining professionals and the concentration of “political appointments” at lower levels of the administrative system. He declared the government believed in a “strong state administrative system” and “an effective public sector” capable of carrying out its responsibilities.

The announced closure and restructuring of state institutions is in line with the IMF's demand for a primary budget surplus of 2.3 percent of GDP be restored in 2027. The budget parameters are set by the IMF—including increased revenue mobilisation, “cost-recovery” pricing for energy, exchange-rate flexibility,

and the continued privatisation or commercialisation of state-owned enterprises.

The seventh instalment of the \$3 billion IMF bailout loan, amounting to \$345 million, was only approved by the IMF Executive Board on October 5 after its rigid conditions were met. This included the presentation of a 2027 budget to the IMF in line with its program and the completion of a review of financing assurances and debt restructuring. A day after the IMF announced its staff-level agreement, Anil Jayantha Fernando, the deputy finance minister, confirmed that the 2027 budget would conform to the IMF requirements.

The IMF bailout was approved in 2023 after the country's 2022 economic collapse that forced the government to default on foreign debt. The IMF's loan conditions included slashing public expenditure, increasing taxes, gutting subsidies, and closing state-owned enterprises (SOEs) or restructuring them for commercialization or privatization.

The previous government of President Ranil Wickremesinghe earmarked around 430 SOEs for restructuring—some have already closed down. One of the main SOEs in Sri Lanka, the Ceylon Electricity Board (CEB), was broken up by the Dissanayake government this year into six companies, with the destruction of around 2,000 jobs.

In his speech last Friday, Dissanayake insisted his government could not increase public sector salaries. He noted the sub-inflation increase in the monthly minimum basic wage for state employees proposed during his 2025 budgetary speech but confirmed that no further increase in basic salaries was planned under the 2028 budget.

Speaking on October 12 at the inauguration of the Sri Lanka Economic and Investment Summit 2026, organised by the Ceylon Chamber of Commerce,

Dissanayake defended the government's cooperation with the IMF. Despite the devastating social impact of the IMF's austerity demands, he declared there had been "relatively few contradictions" between the aims of the government and the IMF. "This has enabled implementation to continue without major disagreements," he stressed.

Addressing questions from business leaders, Dissanayake repeatedly reassured investors that important state services would be opened up to private profit-making and a legal framework would guarantee their interests. Dissanayake promised that investors to Sri Lanka would enjoy "transparent governance," new laws and regulations, and infrastructure designed to create a favourable investment climate.

- In the energy sector, the government plans to hand the construction and operation of major electricity transmission lines to private companies, ending the Ceylon Electricity Board's longstanding role in building transmission infrastructure.

- The government is also preparing to open floating solar power projects to private tenders, including a further 150 megawatts of generation capacity in which existing solar-power companies can participate.

- At the ports, Dissanayake has declared that the government cannot continue to manage the East Container Terminal entirely on its own and intends to establish a company to enable private investment while the state formally retains ownership.

These measures demonstrate that the government's "investment" agenda means turning publicly developed infrastructure and essential services into sources of profit for wealthy investors. Legislation to provide "investment and business security" is being prepared alongside moves to weaken even nominal labour protections and impose the burden of restructuring on workers.

Four days have passed since Dissanayake's announcement to close down 34 state institutions, potentially with the prospect of hundreds or thousands of workers losing their jobs. Yet, not a single trade union leader has come forward to raise objections to this vicious attack.

This is no surprise. The unions helped the JVP/NPP into office by blocking workers' struggles before the 2024 elections and encouraged their members to vote for it on the false promise that in office it would

improve living conditions. The unions have never opposed the IMF's austerity program and have blocked any discussion of it among rank-and-file workers.

As hostility and anger emerged among workers, the unions have limited and suppressed any industrial action. When 100,000 health workers opposed cuts to their allowances in early 2025, union leaders held limited one-day strikes then shut down further action. Postal workers struck for a week against government measures, defying essential-services legislation, but union bureaucrats ordered them back to work after the government deployed the military and police. None of their demands was met.

Workers cannot rely on the unions, capitalist opposition parties, or fake-left organisations such as the Frontline Socialist Party to their jobs and their working conditions, but should take matters into their own hands.

The Socialist Equality Party (SEP) calls for action committees, independent of the unions and all capitalist parties and democratically elected in workplaces, plantations and major economic centres to establish the means to fight the government's austerity measures.

The SEP campaigns for the reversal of the planned closures and the defence of every job; the repudiation of the IMF program and cancellation of foreign debt; restoration and expansion of public services funded nationalizing the banks and corporations; and the defence of democratic rights against the government's repressive methods.

This struggle is international. Like Dissanayake, all capitalist governments across the world have intensified austerity and anti-democratic attacks. We call on Sri Lankan workers to unite with workers worldwide, coordinating their action committees through the International Workers Alliance of Rank-and-File Committees (IWA-RFC) as part of a global fight to defend the social and democratic rights of the working class.



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