

# **Sri Lankan trade unions to the IMF: Stop forcing the poor to pay the debt of the rich**

Saturday 30 September 2023, by [Petition / Sign-on Letter](#) (Date first published: 31 August 2023).

**An open letter by 82 Sri Lankan trade unions against the IMF's devastating debt restructuring program.**

**The IMF and the World Bank have sanctioned an attack on the social security of Sri Lankan working people who are still reeling from the devastating socio-economic impact of the global COVID-19 crisis.**

To Members of the Executive Board of the International Monetary Fund,

The IMF programme in Sri Lanka is devastating the common people of Sri Lanka, especially the most vulnerable and marginalised among them. Working people began to feel the brunt of the IMF's Extended Fund Facility agreement with the illegitimate Government of Sri Lanka when the regime of unelected President Ranil Wickremesinghe commenced radically reforming economic and social policies in Sri Lanka, particularly energy, and social security, to qualify for new loans from the IMF and World Bank. Dismantling social security policies has gained speed with the proposal to subject the Employees Provident Fund (EPF) and Employees Trust Fund (ETF), the only savings of the working people in Sri Lanka, to domestic debt restructuring. Whereas the immediate priority for debt sustainability is to write down Sri Lanka's external debt, Sri Lanka's Finance Minister and the Central Bank of Sri Lanka are engaged in domestic debt restructuring to convince foreign private creditors that they are being equally treated with domestic creditors. The IMF and the World Bank have sanctioned this attack on the social security of Sri Lankan working people who are still reeling from the devastating socio-economic impact of the global COVID-19 crisis.

Abiding by the recommendations outlined in the IMF's Staff Report, the Government of Sri Lanka increased electricity tariffs by 165% between June 2022 and February 2023. The Government reasoned these reforms, as mandated by the IMF, to achieve market pricing of the energy sector in Sri Lanka, reduce the debt of the Ceylon Electricity Board, and prepare the way for the entry of private sector players. In addition to lowering the direct income tax threshold to rob lower middle-class households of more of their monthly pay packet, regressive indirect taxes (VAT) almost doubled to 15% between June and September 2022. As a result, the poorer sections of the population shoulder the burden of taxation today. Food inflation shot up to almost 95% in September 2022. With headline inflation at 57% at the end of last year, real wages have fallen by nearly 50%. The World Bank estimates that 500,000 jobs have been lost as of 2022. Against this backdrop, the Government has replaced the Samurdhi social protection scheme with Aswasuma, a new cash transfer scheme to reduce the number of people eligible for public assistance.

In this context of heightened precarity and rising unemployment, a government too scared to hold free and fair elections is embarking on domestic debt restructuring (DDR). The Government has decided that the burden of reducing GDP's debt-serving requirement by 0.5% should be borne by the superannuation funds, including the Employees Provident Fund (EPF) and the Employees Trust Fund

(ETF), which is the only savings available to a majority of working people. We want to highlight that many contributors to the EPF and ETF earn wages below even the lowered taxable income threshold, yet their pension funds pay the highest corporate taxes in Sri Lanka. Subjecting their pension funds to DDR will diminish the returns to wage-earners and deplete the fund to half its current value. Being witnesses to the innumerable disasters that IMF and World Bank reforms have had on the working people in Sri Lanka, we urge attention to the catastrophic impact that DDR would have on the retirement benefits and living standards of low-wage-earning working people.

Similar to the previous instances of reforms, the Government claims that DDR is a precondition to external debt restructuring, particularly with private creditors holding the lion's share of Sri Lanka's foreign debt. The Government states that the private creditors demanded equal treatment if they were to take a 30% haircut. Once again, we note the obvious to the arbiters of the global financial and economic system. The dollar debt is not comparable to the rupee debt. Low-income earners' pension funds are not comparable to the biggest speculators in the capital markets. Dollar debt is supposed to have higher yields and, therefore, higher risks. The rupee debt has a lower yield, so the risk is supposed to be lower. However, the international private bondholders backed by the IMF and the World Bank have conveniently passed the risks of their odious debt to the Sri Lankan people while keeping the gains to themselves.

Even though the people of Sri Lanka are protesting against unfair reforms, including the depletion of pension funds, the IMF has chosen to ignore them and claim 'people's buy-in' of the economic reform package. IMF-backed reforms have disintegrated Sri Lankan society. Malnutrition has increased. The impact these years will have on the health of our children is unimaginable. Houses do not have electricity or running water. School dropouts have increased. The streets are overflowing with homeless people. Drug usage has increased. The mental health crisis is reaching a tipping point. There is a mass exodus of skilled people from Sri Lanka because Sri Lanka is no longer a country where people can scrape even a bare minimum living.

Your debt restructuring program is crippling working people in Sri Lanka who run our economy and create value in our society. The economic reforms you have imposed on us, without reflecting on the negative consequences of the previous reforms enacted over 16 IMF interventions, are crushing our economy. Denied of skilled working people, our biggest strength, you are simply nurturing a financial system that keeps ensnaring more countries like Sri Lanka and more people like the masses of Sri Lanka.

We are outraged about the economic and social crimes the Sri Lankan government and international creditors are committing against our country's working people and poor. You are aiding and abetting these crimes. Therefore, we now hold you responsible for the calamity you have caused us.

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## **Petition**

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## **P.S.**

### **Signatories**

1. Affected Womens Forum (AWF)
2. All Ceylon Development Officers Union
3. All Employees' Union of Information and Telecommunication

4. All Island Samurdhi Development Officers Society
5. Ceylon Bank Employees' Union
6. Ceylon Teachers Union (CTU)
7. Commercial and Industrial Workers Union (CIWU)
8. Community Welfare and Development Fund (CWDF)
9. Customer Care and Parallel Services Officers Union
10. Dabindu Collective Union
11. Eastern Social Development Foundation (ESDF)
12. Equal Ground Sri Lanka
13. Families of the Disappeared (FoD)
14. Free Trade Union Center
15. Free Women
16. Health Workers Centre
17. Hill Country Mass Organization For Social Justice
18. Human and Democratic Rights in Sri Lanka
19. Human Elevation Organisation (HEO)
20. Human Rights Office (HRO)
21. Institute of Social Development (ISD)
22. Insurance General Employees Union
23. Islamic Women's Association for Research and Empowerment (IWARE)
24. Janawaboda Kendraya
25. Joint Development Officers Centre
26. Joint Engineering Corporation Employees Union
27. Joint Health Workers' Union
28. Joint Port Workers Union
29. Joint Railway Employees Union
30. Joint Teachers Service Union
31. Joint Unemployed Graduates Association
32. Joint Water Supply Workers Union
33. Journalists for Democracy in Sri Lanka (JDS)
34. Lanka Independent Teacher Services Union
35. Law & Society Trust (LST)
36. Lawyers Collective Sri Lanka
37. Liberation Movement
38. Mannar Women's Development Federation (MWDT)
39. Mass Movement for Social Justice (MMSJ), Colombo
40. Medical Professionals for System Change
41. Movement for Land and Agricultural Reform (MONLAR)
42. Movement for Plantation Peoples' Land Rights (MPPLR)
43. Muslim Women Development Trust (MWDT)
44. National Fisheries Solidarity Movement (NAFSO)
45. Neo-Liberal Training Initiative (NLTI)
46. Northern Province Development Officers Union
47. Northern Province Government Drivers Union
48. Northern Province Livestock Instructors' Union
49. Northern Province Rural Development Officers Union
50. Northern Province Social Service Officers Union
51. North South Solidarity
52. People's Alliance for Right to Land (PARL)
53. Praja Abhilasha Network
54. Private Worker Centre

55. Public Management Assistant Service Union
56. Revolutionary Existence for Human Development Union
57. Rural Development Foundation
58. Shramabhimaani Kendraya
59. SLT Administration Officers Union
60. SLT Information and Communication Technology Professionals Union
61. Social Institute for Development of Plantation Sector (SIDPS)
62. Sri Lanka All Telecommunication Employees Union
63. Sri Lanka Postal Services and Telecom Union
64. Sri Lanka Telecom Drivers Union
65. Sri Lanka Telecom Employees' Union
66. Stand Up Workers Union
67. Suriya Women Development Centre, Batticaloa
68. Telecommunication Engineering Diplomats' Association
69. Textile, Garment and Clothing Workers Union (TGCWU)
70. The Grassrooted Trust
71. United Federation of Labor (UFL)
72. University Employees Union, University of Jaffna
73. Upcountry Civil Society Collective (UCSC)
74. Vallamai Movement for Social Change, Jaffna
75. Viluthu Organization
76. Women's Action Network (WAN)
77. Women's Committee of UNI Sri Lanka Affiliates Council
78. Women's Liberation Thought Organisation
79. Women for Justice and Peace in Sri Lanka
80. Workers Struggle Centre
81. Young Journalists' Association (YJA)
82. Young Lawyers Association (YLA) Sri Lanka

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<https://progressive.international/wire/2023-08-31-to-the-ifm-domestic-debt-restructuring-in-sri-lanka-forcing-the-poor-to-pay-the-debt-of-the-rich/en>