

19th March, 2024

**CSOs and TUs reject cosmetic consultations of IMF -
Put people at the centre of plans for socio-economic recovery and advancement**

The IMF team is in Colombo for the Second Review of the ongoing Extended Fund Facility (EFF) loan agreement with Sri Lanka and will meet with some civil society organisations and think tanks in Colombo on 19 March 2024, to receive their views on the progress of the ongoing structural reforms, and governance issues including anti-corruption reforms. This meeting is held in a context where it is already established that the government has met only 30% of the benchmarked governance targets.

We, the undersigned civil society organisations, trade unions and think tanks condemn the IMF's engagement in Sri Lanka and the uncritical engagement of some civil society actors with the IMF, despite evidence of the detrimental consequences of the joint GoSL-IMF austerity programme on the socio-economic wellbeing of the majority of our people and their future generations. The grave inequalities in society are widening and more people are trapped in poverty with little hope of recovery. In the face of this, the government selectively applies its austerity measures ensuring that its sacred cows remain untouched and unaffected. Despite the austerity there are wage increases and the preservation of perks for some sectors and not the others.

The IMF has met with local civil society organisations several times before. Similarly, civil society, trade unions, and activists have expressed their concerns regarding the design and conditionalities of the current 17th agreement with Sri Lanka on several occasions and they have expressed reservations that the concerns they voice are not taken into account. The Trade Unions and CSOs have consistently pointed out that much of Sri Lanka's debt is odious debt and, therefore, illegitimate. There has been no willingness by the IMF to seriously consider this and the other critical issues raised by civil society thus far. The IMF pleads that they must operate within their boundaries. Thus, these consultations with civil society are merely cosmetic, box-checking exercises.

Hence, we refuse to legitimise the implementation of a plan that is an unrelenting attack on the social and economic lives of the people of Sri Lanka through participation in consultations with the IMF, until we see a genuine effort by the IMF to address the concerns of the Sri Lankan people as listed below.

1. There must be a transparent and democratic decision-making process regarding reforms, by providing relevant information, including the unredacted technical assistance report and the methodology and parameters used to prepare the Debt Sustainability Assessment. The IMF has blatantly disregarded its responsibility to ensure that its policies and their implementation in Sri Lanka are respectful of the democratic rights of Sri Lankans. These include the right to full information and meaningful participation in the decision-making process, and to the peaceful expression of dissent and protest.

2. We demand a reduction of the debt stock to sustainable levels in Sri Lanka through a transparent and just debt restructuring process. This should include the cancellation of all

odious and illegitimate debt identified by a public audit process as per internationally accepted norms, a haircut that is much larger than the currently established haircut of 30% and a longer-term debt moratorium that enables the sustainable recovery of the economy.

3. There must be recognition that conditionalities such as market pricing of energy, cuts to subsidies, rise in indirect taxes, and cuts to social welfare are having a devastating impact on the lives and livelihoods of the working people, children and women. A government that lacks popular legitimacy since 2021-2022, led by a President who is neither elected by the people nor commands their trust and support, is suppressing public dissent of the reforms, using brute police and military force, trade union busting and other violent and non-democratic means. Furthermore, the government is introducing a range of repressive legal reforms to create a firewall for itself. We further condemn how the IMF continues to endorse and even encourage the undemocratic manner in which an illegitimate government is pushing these reforms.

4. While the IMF is encouraging the current reforms which increase the burden of the poor, it continues to allow continuous pillage and plunder of wealth by a few through the illicit capital flows together with tax evasion and tax holidays for corporations. The appropriation of pension funds in domestic debt restructuring while excluding corporate bond holdings in this process is manifestly unfair and deplorable.

5. Having to bear high-interest rates, including surcharges, will only increase Sri Lanka's indebtedness to the IMF and external creditors. The IMF programme undermines growth, recovery, and even revenue generation for the following reasons:

- a) The primary surplus conditionality reduces public investment,
- b) Inflation targeting and the creation of higher interest rates undermine production and growth, and even leads to the collapse of livelihoods and small businesses,
- c) The further contraction of the economy restricts the ability for revenue flow via taxation, and,
- d) Structural reforms blunt the productive capacity of the Sri Lankan economy.

In light of this situation where there are no clear initiatives undertaken by the Government and the IMF to consider the impact of the current conditions, on the public of Sri Lanka, we the undersigned, are unable to consider the IMF consultation with civil society as leading to substantive changes to positive outcomes. The priority should be on safeguarding the best interests of our people and on their socio-economic recovery and advancement.

Signatories

Trade Unions

1. All Island Progressive Samurdhi Development Officers Society
2. Ceylon Teachers Union (CTU)
3. Commercial and Industrial Workers Union (CIWU)
4. Dabindu Collective Union
5. Federation of Media Employees Trade Unions
6. Free Trade Union Center
7. Free Trade Union Development Centre

8. Information and Telecommunication Employees Union
9. Insurance General Employees Union
10. Joint Development Officers Centre
11. Joint Health Workers' Union
12. Joint Nursing Service Union
13. Joint Railway Employees Union
14. Joint State Engineering Corporation Employees Union
15. Joint Teachers Service Union
16. Joint Water Supply Workers Union
17. Lanka Progressive Teachers Union
18. Plantation Workers Centre
19. Private Employees Centre
20. Protect Union
21. Sri Lanka All Telecommunication Employees Union
22. Sri Lanka Working Journalists Association
23. Stand Up Workers Union
24. United Federation of Labour (UFL)
25. United General Employees Union
26. Workers Struggle Centre

Organisations/Movements

1. Aalumai Womens' Team
2. Affected Women's Forum (AWF)
3. Ampara District Alliance for Land Rights (ADALR)
4. Best of Young Social Service Organization Sri Lanka, Nintavur
5. Climate Action Now Sri Lanka (#cansrilanka)
6. Dabindu Collective
7. Free Women
8. Human Elevation Organization (HEO)
9. Human Rights Office (HRO), Kandy
10. Institute for People Engagement and Networking (iPEN)
11. Institute for Political Economy (IPE)
12. Institute of Social Development (ISD)
13. International Centre for Ethnic Studies (ICES)
14. Islamic Women's Association For Research And Empowerment (IWARE)
15. Janawaboda Kendraya
16. Law & Society Trust (LST)
17. Mannar Women's Development Federation (MWDF)
18. Mass Movement for Social Justice (MMSJ)
19. Mass Movement for Social Justice - Hill Country
20. Movement for Land and Agricultural Reform (MONLAR)
21. Movement for Plantation Peoples' Land Rights (MPPLR)
22. Movement for the Defence of Democratic Rights (MDDR)
23. National Fisheries Solidarity Movement (NAFSO)
24. NGO National Action Front
25. North South Solidarity
26. People's Alliance for Right to Land (PARL)

27. Praja Abhilasha Network
28. Revolutionary Existence for Human Development Union (RED)
29. Ruhunu Lanka
30. Savisthri National Women's Movement
31. Shramabhimaani Kendraya
32. Social Institute for Development of Plantation Sector (SIDPS)
33. Social Welfare Mandram, Norwood
34. Stand Up Movement Lanka
35. Suriya Women's Development Centre, Batticaloa
36. Vallamai Movement for Social Change, Jaffna
37. Voice of the Plantation People Organisation (VOPP)
38. Women's Action for Social Justice
39. Women's Action Network (WAN)
40. Women's Liberation Thought Organization
41. Women for Justice and Peace in Sri Lanka
42. Young Lawyers' Association (YLA)