Too many ‘known unknowns’ in Sri Lanka’s IMF programme

By Nishan de Mel

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It has been five months since Sri Lanka entered the board-level agreement with the International Monetary Fund (IMF) on its 17th programme. Month-to-month progress has been tracked in the public domain by the IMF Tracker (https://manthri.lk/en/imf_tracker), a platform maintained by Verité Research.

The IMF Tracker identifies programme commitments that have been “met” and “unmet” on verifiable criteria. Those achievements for which no data has been made available to make a reasonable assessment are marked as “unknown”.

Persistence of known unknown

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Two explanations for known unknowns

There are two ways to try and make sense of why there are such a significant number of known commitments, on which the achievement is unknown. One is that the government has failed to meet these commitments and is not making the information public to delay the recognition of failure. The second is that the government does not see the Sri Lankan public – or even its parliament – as an important stakeholder in the implementation of the programme agreed with the IMF. Therefore, it lacks interest in providing these stakeholders with critical information.

The second explanation may sound strange, but it is not implausible. Achieving the committed actions on Sri Lanka’s IMF programme plans has always lacked internal interest and accountability. Strange as it may seem, this is just business as usual.

Can “business as usual” yield different results?

Sri Lanka has been in 16 IMF programmes since 1966 and failed to complete almost half of them (7 of 16). Even past programmes that were completed saw huge departures from the original plans, which were excused by the IMF to move the programme forward. The parliament or the public have rarely (if ever) questioned the adequacy of the government’s progress on those plans. This might explain why Sri Lanka’s IMF plans have not achieved more than temporary patchwork repairs in the past.

A person is admitted to the hospital when there is a serious health condition, which requires constant care and observation to ensure recovery. You would expect that proper diagnosis and treatment in the hospital and the patient following through with good behaviour would prevent further hospitalisation for the most part. But imagine a person who spends 15 days each month in the hospital throughout the year, every single year of that person's life. There is, you would think, something incurably wrong with the person or something quite inadequate about the hospital.

A country going to the IMF signals a serious emergency condition, much like a person going into a hospital. Sri Lankans who were born in 1965 had an average life expectancy of 63 years. Those who are still alive today have seen their country functioning like that patient, spending exactly half of their lives in the IMF hospital (28+ years up to now). 58 years on in this cycle, it will need a strong optimistic temperament to think "This time we will be cured", without any evidence of the country being transformed from "business as usual".

Sri Lanka is now, sadly, not on course to achieve even 90% of the 71 actions targeted for completion by September 2023. Some of the actions that are "not met" are easy actions to accomplish. For example, the establishment of a fiscal transparency platform that makes public all the tax holidays given by the government is overdue since March 2023. Additionally, concealing the lack of achievement on 14 commitments or not caring to make the appropriate information public to the most important stakeholders, is very much "business as usual".

The "unknowns" in the IMF Tracker are a barometer to be watched.

It is not uncommon for the government to see the economic recovery plan (agreed with the IMF) as an external facing agreement by Sri Lanka to appease the IMF. This might explain why it can sometimes be claimed that the IMF will be provided the required information about implementation, while the Sri Lankan public is not.

This is a seriously flawed perspective. The plan should be one to recover Sri Lanka's economy, and it is for the sake of the people in Sri Lanka. It is therefore a plan that has to be genuinely owned by the government and the people in the country. The fundamental accountability of the government, to have a good plan and to implement it properly, is to all the people who live in Sri Lanka – not to an international bureaucracy located in Washington DC.

Sri Lanka has, in the past, geared the delivery of IMF programmes in a shortsighted way to appease and mislead the IMF -- easily done, given its justifiably limited ability to understand local dynamics. This might be the reason Sri Lanka has been one of the worst cases in the world in regularly turning up at the IMF hospital, with its public finance health in crisis.

If there is anything to learn from the past, it is that repeating those past patterns is not a recipe for sustained economic recovery. If the government and the IMF believe it is enough for only the IMF to know about the progress of the economic recovery plan, and that the public and parliament can be kept in the dark, it would suggest that neither is learning from past mistakes.

The number of known unknowns in the IMF Tracker, therefore, is an important barometer. It is a constant signal of how much the government understands the true stakeholders of Sri Lanka's economic recovery plan, and for whose sake the government thinks the plan is being implemented.

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