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From Bailouts to Breakdown: A Content Analysis of Institutional Reports on SOE Failures and Reform Barriers in Sri Lanka

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Background: The continued financial deficit of State-Owned Enterprises (SOEs) has become a major fiscal concern, as it contributes to growing budget deficits and macroeconomic instability. For instance, in 2023, SOEs seized 5% of total government expenditure through Treasury funds and bailouts, indicating the need for immediate focus on SOE reform in the national fiscal consolidation efforts.

Objective: To examine the scale and structure of the fiscal burden of SOEs, their underlying causes, and the outcomes of SOEs reform efforts.

Methods: The study employed a qualitative content analysis of 75 institutional reports, published by the Ministry of Finance, Central Bank of Sri Lanka, National Audit Office, IMF, World Bank, etc, and thematic analysis was conducted on five major loss-making SOEs- CEB, CPC, SLA, SLTB, and SATHOSA. The period from 2013 to 2023 was considered for the study.

Results: Findings revealed cumulative losses of LKR 1.64 trillion from 2013–2023 across 18 key SOEs, with the energy and aviation sectors alone accounting for over 95% of losses. Core drivers of these losses include politicised management, lack of cost-reflective pricing, procurement inefficiencies, debt burdens, and weak audit mechanisms. Although policies such as cost-reflective pricing, digital procurement, and improved internal auditing have been proposed to enhance SOEs' performance, their implementation has faced major setbacks due to weak institutional settings, political interference, and bureaucratic inefficiencies. The influence of powerful trade unions, inconsistent policy environments, and poor management practices has further hindered progress. Additionally, other causal factors include external economic shocks, high reliance on imports, institutional weaknesses at the domestic level, and inefficiently maintained or poorly managed capital infrastructure, all of which have caused chronic financial instability and threatened the future viability and performance of Sri Lanka's SOEs.

Conclusion: Sri Lanka's SOEs require urgent, depoliticised structural reforms to reduce fiscal strain, enhance efficiency, and restore long-term economic Sustainability and accountability.

Keywords: Content Analysis, Fiscal reform, Public finance, State-owned enterprises