

Sri Lankan government to slash spending to pay for flood damage

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To meet its budget-cutting targets, the Sri Lankan government has assured the IMF that the damage bill from the devastating floods in January and early February will be extracted from the working people and rural poor via deeper spending cuts.

A visiting IMF monitoring mission last week revealed in Colombo that the government had agreed that no additional expenditure would be allocated for flood-related reconstruction and relief programs. Instead, “existing funds” would be diverted for this purpose, to avoid any revision of the budget deficit level set by the IMF for 2011.

Addressing a press conference at the conclusion of the IMF’s sixth quarterly review of the government’s compliance with the terms of a \$US2.6 billion loan, Brian Aitken, the head of the IMF team, said the government would allocate 33 billion rupees (\$300 million) for flood damage by “re-prioritising expenditure”.

Even by the government’s own estimates, this amount is just half the 66 billion-rupee cost of flood relief and recovery. Essentially, little will be spent on reconstruction, and every rupee will come from other social spending. The requirements of the IMF and the financial markets are to be met, regardless of the human impact.

The IMF granted its loan in June 2009 to avert a balance of payment crisis caused by the government’s huge expenditure on its communal war against the separatist Liberation Tigers of Tamil Eelam (LTTE) and the impact of the world recession. The IMF dictated that the budget deficit be slashed from 9 percent of gross domestic product in 2009 to 6.8 percent in 2011 and 5 percent in 2012.

Neither the IMF nor the Sri Lankan government has given any details of their latest talks. However, it is certain that during their closed-door meetings, the IMF emphasised that any deviation from the deficit targets could endanger the

remaining loan instalments. Since 2009, Rajapakse and his government have been implementing IMF-driven austerity measures, including increasing the prices of essentials, cutting subsidies and increasing taxes.

At least 61 people died in the floods, which affected mostly rural farmers and fishermen in the North, North-Central, East and Central Provinces. The first wave of floods affected one million people, displacing 300,000 people in 11 of the island’s 25 districts. A second flooding early this month affected nearly 1.2 million people, with 103,330 residents displaced in the same provinces.

An estimated 50,000 houses, many of them wattle and daub huts, were destroyed or partially damaged. More than 500,000 hectares of agricultural land was ruined, and 500 large and small-scale irrigation projects were damaged. The paddy rice harvest is expected to fall from the pre-flood target of 2.7 million metric tons to 1.75 million, deepening the poverty of the farmers and leading to food shortages and further inflation.

The official statement issued by the IMF mission underscored the contempt that the global financial elite, as well the Western powers and the Colombo government, have for the lives and plight of the poor masses. There was not the slightest concern expressed for the flood victims, only for whether the floods would affect the government’s economic growth forecasts. “Recent flooding has significantly damaged Sri Lanka’s harvest of various crops including rice and vegetables, as well as rural infrastructure,” the statement noted, but “the overall impact on output growth should be limited.”

Likewise, the UN has appealed for aid worth \$51 million, just 12 percent of the estimated total flood damage and relief costs. Of that amount, the UN has received only \$12 million. UN officials explained that governments around the world were slashing their own budgets, including by cutting

foreign aid.

The Obama administration has donated just \$1.1 million, while spending billions of dollars on its neo-colonial wars in Afghanistan-Pakistan and Iraq to assert US hegemony over the strategically vital and energy-rich Middle East and Central Asian regions.

From the 33 billion rupee flood package announced by the Rajapakse government, only one billion rupees has been allocated for relief measures for flood victims—an average of about 8,000 rupees per person. The government's relief benefits were limited to two or three days of cooked meals and inadequate dry rations.

Compensation to farmers for damaged crops was also reduced. The government announced it would pay compensation only for insured lands. But just 2 percent of farmers have insurance coverage, in part because they have been denied proper payouts for damaged crops in the past. In addition, the maximum compensation for a damaged house will be 100,000 rupees, which is not even enough to build a decent single room.

Displaced farmers at Kirimatiya in the Polonnaruwa district of the North-Central Province told the WSWs that they had received only scanty cooked meals with rice and dhal and sprat curries. "Some days, two people had to share one packet of meals," a farmer said.

Farmers explained their acute financial difficulties. Almost every one of them was indebted to the tune of at least 50,000 rupees. Apart from taking out bank loans, they had also pawned their farming instruments, jewellery and electronic goods, such as TVs, to private money lenders at interest rates as high as 20 percent per month.

U. H. Ranbanda had borrowed 50,000 rupees from a bank and pawned family jewelleries to cultivate his paddy fields. "Now everything has washed away. The people will not recover from this disaster for years. The government ministers have said that they will provide seeds and fertiliser for the next season. What about other expenses?"

W. D. Jayawardene said: "It is very difficult to make living from paddy farming. Each hectare of rice costs about 75,000 rupees for one season's cultivation. A 400-millilitre bottle of pesticide has increased by 300-400 rupees within a year. If we can sell paddy at a reasonable price we can get a little profit. But the traders are exploiting us. At harvesting time, they buy paddy at lower rates."

Jayawardene commented bitterly on the government's role. "The government asked us to be patient until the war ended. We did so. Although nearly two years has passed since the end of war there is no relief for the people." He expressed dissatisfaction toward all the major parties. "We used to vote for the UNP [the opposition United National Party]. Now I have experienced that none of those parties care about the poor."

Although the torrential rains are from a La Niña weather pattern in Asia and Australia, the government directly contributed to the catastrophe facing the flood victims. Despite warnings by the World Meteorology Organisation and the country's Department of Meteorology that the weather pattern would continue through the first quarter of 2011, no measures were taken to protect people from a possible disaster because that would have been incompatible with the agenda of cutting public expenditure.

By diverting vast resources to carry out the war against the LTTE, successive governments abandoned the proper maintenance of reservoirs, which burst their banks. People died in mud slips because there had not been proper provision or planning of housing. Villagers had built their homes in vulnerable places because they lacked the land or money for safe alternatives. The government's "flood relief" primarily consisted of sending the military back to areas where two or three years ago it was indiscriminately shelling LTTE strongholds, killing hundreds, if not thousands, of Tamil civilians. In fact, the army's "rescue operations" mark a further militarisation of the country in the wake of the war.

Having failed to protect the working people, the government is now imposing the burden of the flood disaster on them, working hand in glove with the IMF. This is not the first time that the IMF has exploited a floods disaster in the region. Just last September, the IMF used the massive floods in Pakistan, which displaced more than 20 million people and caused at least \$10 billion in damage, to step up the pressure for capitalist restructuring in that country, dictating similar measures to those in Sri Lanka (see: "IMF demands blood from flood-ravaged Pakistan").

The authors also recommend:

The flood crises in Sri Lanka and Australia
[15 January 2010]



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