Sri Lankan president brings down election budget

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Sri Lankan President Mahinda Rajapakse, who is also the country's finance minister, bought down a budget for 2015 last Friday that left no doubt that he is planning an early presidential election. It is a budget full of empty promises that will be swept aside once the poll is out of the way.

Rajapakse advanced the budget speech by several weeks in line with barely concealed plans for a presidential election in early January, almost two years before it is due. He plans to run for a third consecutive term, staying in office till 2022.

This is a calculated move by Rajapakse to shore up his grip on power amid fears of new global financial instability and a continuing slump in all the major economies. The fragile Sri Lankan economy is entangled in a vicious debt crisis, and under enormous pressure from the International Monetary Fund (IMF) to impose tougher austerity measures.

Although aimed at winning votes for a third term, Rajapakse's budget proposals are quite limited. He continued to reject the salary demands of public and private sector workers alike, who have been kept under a virtual wage freeze since 2006. He outlined a series of salary increases, none of which commence until July 2015, six months after the election.

For the public sector, Rajapakse promised to raise the minimum monthly wage to 15,000 rupees ($US114.50) so that the lowest salary would reach 25,000 rupees. Even to get to that figure, he proposed a sleight of hand, adding all the existing allowances (7,800 rupees) a worker receives onto his basic salary, plus an additional 2,200-rupee Cost of Living Allowance.

As a paltry consolation, while waiting for next year's promised rise, public sector workers and pensioners were offered 3,000 rupees and 2,500 rupees as interim allowances, from next month.

In the private sector, Rajapakse proposed a minimum wage of 10,000 rupees, a miserable 500-rupee rise. He proposed to increase employers' contribution to the Employee Provident Fund (EPF), the retirement fund of private sector workers, by just 2 percent.

These proposals will leave working people in dire circumstances. The Statistics Department's Household Income and Expenditure Survey for 2012–13 concluded that an average household of four persons needs 41,444 rupees to cover basic monthly expenses.

Rajapakse also promised to rectify the salary anomalies of railway workers and provide loans and motor bikes on concessionary rates for postal workers and teachers. The budget slightly reduced water charges, on top of similar minor reductions previously announced in fuel, gas and electricity rates. It was Rajapakse government itself that drastically increased these charges last year.

For farmers, Rajapakse announced slight increases in guaranteed rice prices and fertiliser subsidies, and a capital infusion into a virtually defunct pension scheme.

Other promises included a monthly payment of 3,000 rupees for kidney patients, mostly poor farmers who are victims of toxic agro-chemicals introduced by predatory multinational companies.

Small allowances or allowance increases were also offered to university and technical university students. These are obvious carrots thrown to students, who have been engaged in continuous protests against poor facilities and the erosion of free education system.

The Appropriation Bill presented to parliament last month allocated only 88 billion rupees for education, a marginal increase from 2014. Total spending on education and health of 137 billion rupees remains much lower than the 290 billion-rupee allocation for the military and police.

No less than 16 percent of the total estimated expenditure for 2015 was set aside for the armed forces and police. This is 90 billion rupees more than in 2009, the final year of the communal war against the separatist Liberation Tigers of Tamil Eelam. The huge security budget is a sure indication of the repressive plans being drawn up behind the façade of elections to suppress any opposition in the working class.

With the country's total debt now exceeding 7.19 trillion rupees, and the government increasingly taking out loans at high interest rates, Rajapakse must meet IMF demands to reduce the budget deficit to 3.8 percent of gross domestic product by 2016. That means further deep inroads into the living standards of the working people.

The present budget has a deficit of 521 billion rupees, with debt repayments totalling 840 billion rupees. The gross borrowing requirement for 2015 is a staggering 1,780 billion rupees.

In order to get through the presidential poll, Rajapakse's Sri Lanka Freedom Party-led government is desperately trying to recover ground after facing a significant setback in last month's Uva Provincial Council election, in which its vote fell by 21 percent.

At the same time, Rajapakse made clear that big business will continue to be well looked after. Corporate tax concessions are being maintained and extended. The *Sunday Times* reported that "the business community" welcomed the tax deals as "good for growth."

Eran Wickrameratne, the spokesman of the opposition United National Party (UNP), was cautious not to offend the electorate and criticised the new spending in the most general terms. He said that Rajapakse's 10th successive budget was sadly lacking in futuristic proposals that could have driven the economy.

Like the ruling Sri Lanka Freedom Party, the UNP is a party of big business with a long record of imposing pro-market restructuring. Wickrameratne's reference to the lack of "futuristic proposals" reflects the sentiment in corporate circles that the country faces an uncertain economic future and new burdens must be place on workers.

One of the island's main business groups, the Ceylon Chamber of Commerce, was far blunter. It declared that in order to achieve economic "transformation," the "current over-emphasis on subsidies and welfare transfers" had to end. This is the real voice of the ruling elite, which Rajapakse serves, spelling out the post-election agenda.