Sri Lankan president presents IMF-dictated budget

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On November 14, Sri Lankan President Ranil Wickremesinghe, who is also the finance minister, presented the 2023 budget, along the lines dictated by the International Monetary Fund's (IMF) savage austerity program. The government will receive a bailout loan from the IMF only if its demands are implemented.

Wickremesinghe, however, stated in his budget speech that "the economic reforms we are bringing are not limited to the reforms agreed upon with the IMF."

The budget did not include any measures to address the brutal social conditions facing workers and the poor, who are struggling with hyperinflation, shortages of essentials and starvation.

As the budget was being presented, a World Food Program (WFP) survey said nearly seven in ten households—68 percent of the country's population—are turning to coping mechanisms such as eating less of their preferred foods, and reducing the number and size of meals. According to the WFP, 3.4 million people are being prioritised to receive emergency assistance.

Sri Lanka's statistics and census department reported in October that annual inflation stands at 66 percent and food inflation 86 percent. However, Professor Steve Hanke of Johns Hopkins University in the US recently said the real inflation rate was 115 and called the official figures a "complete fiction."

The budget forecasts expenditure of 5.8 trillion rupees ($US15.8 billion), up from 4.4 trillion estimated for this year. The new spending is to be funded through a massive increase of tax revenue by 69 percent. Wickremesinghe plans to slash the budget deficit to 7.9 percent of gross domestic product (GDP) in 2023 from this year's 9.8 percent, and to produce a surplus of 2.3 percent.

These figures indicate that an immense burden will be placed upon working people.

* The government has increased the CESS taxes (levied to fund hundreds of different services) by about 15 percent, and will further increase import costs for many essential items.

* Value added tax (VAT) will be increased again next April. In September, the government raised this tax from 12 to 15 percent on all goods and services.

*A surcharge tax will be imposed at the point of importation on diesel, petrol and crude oil, thus lifting prices. The new taxes come on top of increases introduced in September.

* The finance minister also announced an end to the "pay as you earn" income tax regime for state institutions from January next year, a change which will affect public sector workers. Sri Lanka's state banks and some state-owned enterprises (SOE) currently pay their employees' taxes as a concession.

* The budget announced the privatisation of several SOEs, including Sri Lankan Airlines, Sri Lanka Telecom, the Colombo Hilton and Waters Edge hotels, and the Sri Lanka Insurance Corporation and its subsidiaries. More privatisations are in the pipeline.

* A presidential commission will be appointed to propose "reforms" to the public sector, which employs 1.45 million people. Wickremesinghe complained that "a large portion of the government revenue has to be spent on their salaries and wages." The government already has plans to slash the number of public employees by half.

Wickremesinghe also announced changes to labour legislation, which he said "are necessary for economic transformation." Wickremesinghe said an insurance scheme will be implemented to cover private sector workers who lose their jobs, hinting that this would make it easier for businesses to sack workers while maintaining low wages—something that has long been demanded by the corporate elite.

Wickremesinghe spoke of "creating an internationally competitive workforce with high skills in the next ten years." In fact, the economic reforms proposed in the budget are intended to maintain a cheap and disposable workforce that international finance capital can exploit to the hilt.

As a further step towards the privatisation of public healthcare, the budget introduced a user-pays system for a percentage of wards in some major hospitals, beginning with the Colombo national hospital.

Free health services were a major gain won by the working class in past struggles. Successive governments, particularly since 1977, have systematically cut back on public healthcare, paving the way for mushrooming private health institutions, including hospitals.

Showing the priorities of the government, the budget

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allocated 539 billion rupees for the security forces and police, while providing only 322 billion rupees for health and 232 billion for education. The Wickremesinghe regime is preparing for increasingly brutal police and military action to crush opposition from workers and the poor to the relentless assault on living standards.

Wickremesinghe glorified the capitalist profit system as the solution to the country's economic crisis. "From the small entrepreneur in the village to the large-scale entrepreneurs, everyone was treated as exploiters. We must change this situation," he declared.

At the same time, Wickremesinghe cynically blamed the crisis on ordinary people's supposed greed. He declared that the population "would like to see budget proposals that appear to be relief on the surface even if it means indebtedness to the world. We lost our way because of taking that popular route."

He continued: "We are not having a wedding by being in debt to the world" and added: "[What] did we do? Borrowing the hard-earned money of other countries and spending it on our consumption. We got lazy day by day."

In reality, successive regimes amassed huge debts not in order to alleviate conditions for workers or the poor, but to build infrastructure to facilitate business investment.

The global economic crisis, which grew worse over decades, was exacerbated by the "let it rip" coronavirus policies adopted by governments around the world. The US-NATO war against Russia in Ukraine further accelerated the inflationary crisis in every country.

The Ceylon Chamber of Commerce, Sri Lanka's main big business lobby, issued a statement praising the budget: "We trust the commendable proposals in the budget will see timely implementation and will continue to involve private sector consultation."

At the same time, the chamber called on the government to go further in its attacks on workers by removing the "mandated" wages system in the plantations. Previous governments have ordered that tea plantation workers be paid the inadequate 1,000 rupees (US$2.72) per day. Not a single plantation company adhered to this requirement, and they have all imposed back-breaking workloads on the workers.

Sri Lanka's opposition parties, which agree with the IMF austerity demands, made some token criticisms of the budget in an attempt to divert the widespread anger among masses of people.

Samagi Jana Balavegaya (SJB) leading MP Harsha De Silva applauded the budget for containing "good reforms," but asked for a general election to select a "good team" to implement these reforms effectively.

The Janatha Vimukthi Peramuna-led National People's Power (PPP) MP Vijitha Herath said, "This could be called a 'Muppet' Budget,' which has aligned with all the reforms set by the IMF." This party is also calling for a general election to deliver a so-called "new mandate" to implement the austerity program.

Thus far, not a single trade union has uttered a word about the budget. All of them are supporting the IMF program.

The working class should take the lead in preparing its own counter-offensive against this brutal austerity drive.

Millions of workers and poor people took part in mass struggles in the four months beginning in April, demanding an end to intolerable inflation, shortages of essentials including food, medicine and fuel. They demanded the resignation of former President Gotabhaya Rajapakse and his regime.

Rajapakse fled the country and his government collapsed. However, the trade unions supported by the pseudo-left Frontline Socialist Party betrayed this struggle, diverting it behind the SJB and JVP's demand for an interim government made up of the various bourgeois parties.

This betrayal has allowed the unelected President Wickremesinghe to implement the IMF-prescribed austerity and unleash repression against workers, the rural poor and students.

We urge workers to take up the program advanced by the Socialist Equality Party (SEP) to defeat the brutal attacks on living and social conditions. There can be no solution to the crisis facing the mass of the population within the capitalist system.

The SEP has urged workers to build their own action committees in workplaces, neighbourhoods and rural areas, independent of the capitalist parties and trade unions to fight for their social and democratic rights.

Workers must take control of the production and distribution of the essentials of life. This can be done by repudiating all foreign debts and nationalising the banks, large companies and plantations under workers' democratic control.

To fight for this program, against the Wickremasinghe government and opposition parties, the SEP is campaigning to build a Democratic and Socialist Congress of Workers and Rural Masses, based on elected representatives from these action committees. Building such a power centre of workers, supported by the rural poor, will pave the way for a workers' and peasants' government, as part of the fight for socialism in Sri Lanka, South Asia and internationally.

We urge workers and youth to join the SEP and fight for this program.

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