

Sri Lankan President Wickremesinghe's 2024 budget deepens attack on workers and the poor

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On Monday, President Wickremesinghe announced his government's budget for 2024. In line with the International Monetary Fund's (IMF) austerity dictates, the budget will make further inroads into the social conditions of workers and the poor.

Addressing parliament, Wickremesinghe invoked the teachings of Buddha, telling the country's suffering masses that Buddha "advised against leading a pompous and extravagant life, while receiving a low income... We should spend according to the income we receive."

Wickremesinghe's appeals to Sinhala-Buddhist chauvinist sentiments will not fool anyone. At least 28 percent of the country's 22 million-strong population live in poverty and, according to a 2023 UNICEF report, one in two children goes hungry every day.

Currently an estimated 17 percent of the population is food insecure, with nearly two-thirds forced to borrow money, spend hard-earned savings, if they have any, or adopt other coping methods, just to feed their families.

Blaming the masses for Sri Lanka's ongoing economic crisis, Wickremesinghe declared, "We resorted to borrowing or printing money to provide jobs, increase salaries, distribute free rice, offer relief, and maintain state-owned enterprises."

These are blatant lies. The official unemployment rate amongst youth was 15 percent in 2019, even before the economic crisis hit, with most young people employed in temporary jobs. At the same time the big corporations are raking in huge profits while the salaries of state employees, which remain stagnant, are eroded further by high inflation.

Colombo responded to the economic crisis precipitated by COVID-19 and the US-NATO war against Russia by unleashing brutal attacks on working people and destroying hundreds of thousands of jobs. At least 500,000 people lost their jobs in 2022.

Wickremesinghe pompously told parliament of Monday that measures taken by his government in first half of this year had seen a 50 percent increase in tax revenue and that inflation had dropped to 1.5 percent in October, down from 70 percent in September 2022.

But at what cost? State revenue has gone up because of increases in income tax and higher value added tax (VAT) rates and, while the overall inflation rate has fallen, the prices of all essentials are higher. These measures have imposed unbearable burdens on

workers and the poor.

In March, the IMF agreed to release a \$US3 billion bailout loan, conditional on the imposition of harsh social attacks. These included slashing government expenditure to produce a surplus by 2025; increasing tax revenues via higher VAT and income tax rates; the privatisation of state-owned enterprises; huge job cuts in the state sector, and sharp reductions to welfare programs.

The IMF, however, withheld a second installment of its loan in September because the government failed to reach its revenue target. It only released the second tranche in October, after the government pledged to achieve all the IMF's demands in the coming period. The government's 2024 budget has been devised to fulfill those targets.

The budget envisages expenditure of 7 trillion rupees (\$US21.47 billion) and revenue of 4 trillion rupees. The projected 2.85 trillion (\$8.73 billion) budget deficit will be mainly bridged by even higher tax rates, the privatisation of more state-owned enterprises (SOEs) and further borrowings. Fifty percent of 2024 budget expenditure will go to repayments of principal and interest on debt, with 3 trillion of this to repay foreign debt.

Wickremesinghe announced that the cost-of-living allowances of public sector workers, which have not been increased since 2015, will be increased by 10,000 rupees per month. This will not start until April next year, with allowances payments accumulated from January to March 2024 to be paid in installments within a six-month period, starting in October 2024. This paltry increase will not compensate for massive wage erosion over previous years.

State pensioners will receive a meagre increase of 2,500 rupees, as a cost-of-living allowance, starting in April next year. The government, however, announced that state employees' contribution to the pension fund will rise from 6 percent to 8 percent next year, in other words, a 2 percent cut in their salaries.

In 2024, nearly 50,000 poor families will be given ownership of their small homes, currently provided to them at a monthly rent of 3,000 rupees. This cosmetic measure will do little to overcome drastic housing shortages. According to the Urban Development Authority, more than 200,000 homes are needed in Colombo alone.

The government has allocated a total of 183 billion rupees for the approximately two million people receiving "Aswesuma" welfare payments, up from the 60 billion currently allocated. This

means an estimated 400,000 severely poor families will receive 15,000 rupees per month, another 800,000 will receive 8,500 rupees per month for three years. Others will receive smaller benefits between December and March next year. These allowances are grossly inadequate amounts.

The annual allocation for the country's crumbling public health service is 410 billion rupees, an increase of 88 billion, while education is to receive an additional 5 billion rupees on top of the current 237 billion rupees. These allocations are below inflation and will not compensate for the desperate situation facing the public health and education sectors.

Substantial parts of these vital sectors have been handed over in recent decades to the profit-hungry private sectors by Sri Lankan governments. The Wickremesinghe government is stepping up the conversion of free public health and education into fee for service institutions.

Other budget measures include:

* VAT will be lifted from 15 to 18 percent, starting in January, which means further increases in the price of all goods and services.

* Local Government Authorities (LGA) will be "encouraged" to provide their services via a "self-financing model." During the next five years the central government will gradually reduce, and then eliminate, its financing of all LGA salaries. This means the LGAs will have to increase service charges for residents in order to finance the jobs and wages of hundreds of thousands of local government workers.

Further moves towards the privatisation or commercialisation of SOEs include:

* The sale of 20 percent of shares in state banks to private investors.

* Restructuring of the Ceylon Electricity Board (CEB) through the transfer of generation, transmission and distribution processes to 14 companies.

* The state-owned Telecom has already announced that will sell off a 50.23 percent majority stake to private investors.

Wickremesinghe declared that his government's so-called reform program would "liberate the people from economic hardships." This is a fantasy.

Last year Sri Lanka's GDP growth rate was -7.8 percent. Although this year's estimated growth rate is -1 percent, growth for the first half of the year was -7.9 percent. These are not just statistics. The escalating economic crisis in Sri Lanka, which is a sharp expression of a global process, will have an even more devastating effect on the jobs and social conditions of the masses.

The Ceylon Chamber of Commerce, the country's main big business lobby, praised Wickremesinghe's budget declaring it a "framework for national development—pragmatic implementation and timely execution will be key." In other words, it is a program that will open up additional avenues for extracting greater super profits.

Anura Kumara Disanayake, leader of Janatha Vimukthi Peramuna (JVP) and its National People's Power (NPP), declared that Sri Lanka's economy for the past 75 years had been "built on

loans, money printing and selling assets." The 2024 budget, he said, "contained proposals to borrow and sell assets, essentially putting Sri Lanka's economy back on the same old, failed path."

Sajith Premadasa, leader of the Samagi Jana Balawegaya (SJB), the main parliamentary opposition party, said the budget "promises heaven but will lead the people to hell... This budget pleases the rich and oppresses the poor. It is nothing but an attempt to make the IMF happy."

While the SJB, JVP/NPP and other opposition parties criticise the budget, they are all committed to IMF austerity and have no alternative. Their denunciations are aimed at cynically exploiting the deep opposition of workers and the poor for electoral purposes. If elected to power, they would collaborate fully with the IMF and its demands.

While the working class has repeatedly shown its readiness to fight the government's IMF-dictated measures, it is blocked time and time again by the trade unions which call isolated and limited actions.

Public sector union bureaucracies called protests in October and early November calling on Colombo to grant 20,000-rupee monthly allowance, peddling illusions that the government would be pressured to grant this demand in the budget. This proved to be another deliberate lie with Wickremesinghe completely ignoring these demands.

Many of the unions are controlled by the ruling Sri Lanka Podujana Peramuna, or by the JVP and SJB, which are all committed to the IMF program, as are various so-called independent unions.

Workers cannot rely on any bourgeois party or trade union to defend their jobs, social conditions, and basic rights. There is no solution within the capitalist system. What is required is the mobilisation of the working class on a socialist program to repudiate the huge foreign debts and nationalise the banks, big companies and plantations under workers' democratic control.

The Socialist Equality Party (SEP) urges the workers to take the initiative and fight for this program. The Wickremesinghe regime must be brought down, and a workers' and peasants' government established. The first step in this struggle is the building of independent action committees in every workplace and in the plantations and rural areas to rally the rural masses. Sri Lankan workers must turn to the international class brothers and sisters in this struggle.

To fight for this program, the SEP is campaigning to build a Democratic and Socialist Congress of Workers and Rural Masses based on democratically-elected representatives of these action committees. Building such an instrument will provide the foundations for the fight for socialist policies, as part of struggle for socialism internationally.



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