World Bank report shows drastic increases in Sri Lanka’s poverty and inequality

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Last week’s World Bank report on Sri Lanka revealed that poverty has increased over the past four years—from 11 percent in 2019 to almost 26 percent in 2024. This means more than a quarter of the Sri Lankan population is living in poverty.

Issued on April 2, the *World Bank Update: Bridges to Recovery* report briefly discusses how the unprecedented economic crisis that engulfed the country in 2022 has impacted the masses. It insists, however, that the savage austerity program dictated by the International Monetary Fund (IMF) and being implemented by the Wickremesinghe government is necessary to achieve “economic recovery.”

Sri Lanka’s long-standing economic weaknesses and high foreign debt were exacerbated by the ongoing COVID-19 pandemic and the US-NATO war in Ukraine against Russia.

The efforts of President Gotabhaya Rajapakse and his government to impose the burden of this crisis onto working people saw the eruption of protests, demonstrations and strikes involving millions of workers, and the rural and urban poor, during April–July 2022. Confronted with this mass movement, the government collapsed and Rajapakse fled the country and resigned.

The betrayal of this uprising by the trade unions and the fake-left Frontline Socialist Party, who called for an interim bourgeois government, paved the way for the elevation of Ranil Wickremesinghe into the presidency and an intensification of the IMF austerity measures.

The World Bank report notes: “Households have been impoverished by a fall in their purchasing power due to high inflation, losses in wages, income and employment, and a drop in remittances.”

Approximately 60 percent of Sri Lankan households, it states, have decreased incomes, with many facing increased food insecurity, malnutrition and stunted growth. The persistence of this wide-scale social devastation and misery, however, is a direct result of the IMF’s brutal social attacks.

The report indicates that labour market trends in Sri Lanka have been affected by widespread closures of micro-, small- and medium-enterprises. In the third quarter of 2023, the labour force participation rate in the urban sector dropped to 45.2 percent, down from 52.3 percent in 2019. Youth unemployment, especially young adults (aged from 25–29), rose to 17.7 percent between the second and third quarters of 2023.

According to the report: “The implementation of new revenue measures increased estimated revenue as a share of GDP [Gross Domestic Product] from 8.4 percent in 2022 to 11 percent in 2023.”

These “revenue measures,” which are being ruthlessly imposed by President Wickremesinghe and his government, include higher prices for essentials via an 18 percent value-added tax on almost all goods and services; new import taxes and special levies; and increased income taxes on workers. Cuts to state subsidies have triggered exorbitant rates for electricity, fuel and water, and higher prices for fertilisers.

The government is in the process of privatising, commercialising or closing state-owned enterprises and destroying hundreds of thousands of jobs. Sri Lanka’s already dilapidated public health and education systems have been plunged into crisis by government funding cuts.

As the World Bank report states: “17.5 percent of households indicated that they limited their education expenses (including on stationery and uniforms) to deal with rising costs, and most households have changed their health treatment procedures since March 2022 due to a lack of funds.”

While Sri Lanka recorded a minus 7.3 percent GDP growth rate in 2022, the World Bank said this had been reduced to minus 2.3 percent in 2023 and claimed this was "expected to turn positive" in 2024. The "improvement," however, still means that there will be no real growth this year.

On April 2, World Bank Country Director for the Maldives, Nepal and Sri Lanka Faris Hadad-Zervos declared that the Sri Lankan economy "is on the road to recovery." At the same time, however, he claimed that "sustained efforts to mitigate the impact of the economic crisis on the poor and vulnerable" required the government to maintain its social attacks on the working masses.

A two-pronged strategy to "maintain reforms that contribute to macroeconomic stability" and "accelerate reforms to stimulate private investment and capital inflows," he said, must be continued. These so-called "economic reforms" mean an ever greater assault on the social position of working people.

On March 29, Sri Lanka's Department of Census and Statistics (DCS) stated that the minimum monthly expenditure per person in Sri Lanka has increased by 144 percent since 2019. The amount is calculated on the basis of what is required to fulfil the basic monthly needs of an individual, which in 2019 was 6,966 rupees ($23). This near-starvation level amount has now catapulted to 17,014 rupees per month.

The current amount assumes that an individual can survive on 560 rupees for their daily needs, when, in fact, the cost of a single meal of lowest quality rice and curry purchased on the street is over 250 rupees. The DCS's so-called poverty line does not include spending on other essential needs.

The World Food Program's 2024 February Country Brief for Sri Lanka stated that "significant concerns remain as households (43 percent) adopt livelihood-based coping strategies, while 42 percent still adopt food coping strategies." In other words, half of Sri Lanka's population is struggling to secure their most basic food requirements.

While the minimum monthly expenditure for individuals has risen sharply, the government has refused to increase the basic wages of state sector employees. Instead it has provided a paltry allowance of 5,000 rupees in January and another 5,000-rupee payment this month. On March 27, Sri Lanka's cabinet agreed to raise the National Minimum Wage, which mainly covers private sector workers, by just 5,000 rupees to 17,500 rupees per month.

The main thrust of the IMF program, which is supported by the World Bank, is to repay Sri Lanka's international debt and interest and to boost the profits of big business and international investors by squeezing the maximum amount from the working class and the poverty-stricken masses.

While the Rajapakse government halted repayment of foreign debts, declaring default on April 12, 2022, the Wickremesinghe administration has repaid $1.3 billion to multilateral finance agencies, including the World Bank, Asian Development Bank and the IMF, according to a presidential media division press release. Wickremesinghe has previously admitted that his government will have to allocate $6 billion in annual debt repayments.

Wickremesinghe's ruling coalition and the opposition parties—the Samagi Jana Balawegaya and Janatha Vimukthi Peramuna-led National People's Power—are now involved in sordid manoeuvres in the lead-up to scheduled presidential and parliamentary elections. All these parties and the trade unions are committed to imposing the IMF's brutal social attacks.

The working class cannot defend their jobs, wages and social conditions if they remain tied to these organisations that above all defend the profit system. To fight the escalating government attacks, the working class must advance a socialist perspective.

This includes the repudiation of all foreign debt and the nationalisation of the banks, the big corporations and plantations, placing them under the democratic control of the working class. Such a program can only be implemented through the fight for a workers' and peasants' government, as part of the struggle for international socialism.