Sri Lankan President Dissanayake presents IMF-dictated austerity budget

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President Anura Kumara Dissanayake, who is also Sri Lanka's finance minister, presented his 2025 budget to parliament on February 17. Its measures will come into effect on April 1, after it is passed in parliament.

During his two-and-half-hour speech, Dissanayake claimed: "Mass struggles and last year's election saw people asserting their political rights. What is necessary is for the economic rights to be similarly asserted. This is the philosophy of this budget."

These claims, echoed in the Sri Lankan media which has hailed it as a "pro-people" budget, are false to the core.

Firstly, the budget has nothing to do with "asserting" the economic rights of the people but follows the dictates of the International Monetary Fund (IMF) and the savage austerity measures it demands for its $US3 billion bailout loan.

In April 2022, the Rajapakse government declared foreign debt default, the first in the Sri Lankan history, as the country depleted its foreign reserves under the impact of the COVID-19 pandemic and the Ukraine war. The subsequent government of President Ranil Wickremesinghe began implementing the IMF agenda in March 2023.

As Peter Breuer, IMF staff chief for Sri Lanka, made clear last November, payment of the next installment of the loan was contingent on the "submission of a 2025 budget consistent with program objectives," and "adequate progress" on debt restructuring.

Secondly, Dissanayake and his Janatha Vimukthi Peramuna/National People's Power's (JVP/NPP) won the presidential and general elections by posturing as opponents of the traditional parties of the political establishment, and promising to renegotiate with the IMF. At the same time, the JVP/NPP made clear to the ruling elite that it would defend Sri Lankan capitalism and suppress all the struggles of the working class.

The real "philosophy" of Dissanayake's budget is even more brutal attacks on the jobs, social conditions and basic rights of all working people on behalf of international capital.

Dissanayake's overall budget expenditure is estimated to be over 7 trillion rupees ($23 billion) with its borrowing limited to 4 trillion rupees. It predicts that government income will increase to 4.96 trillion rupees, up from last year's 4 trillion rupees via increases in various taxes and other measures.

The IMF demanded the government increase income by lifting its primary budget surplus from 0.6 percent of GDP in 2023 to 2.3 percent in 2025 and by curtailing the budget deficit from 9.8 percent of GDP in 2023.

To achieve these targets, the JVP/NPP government must increase government income from the current 10 percent of GDP to 15 percent in 2025 while slashing expenditure and downsizing the state sector. Dissanayake claims to have already reduced the deficit to 6.7 percent of the GDP.

Presenting this figure as an achievement, Dissanayake told parliament that Sri Lanka "is well placed to meet the gradual increase in debt service payments from 2028 onwards." This is the major demand of the IMF and international loan sharks.

To achieve the planned government expenditure cuts, Dissanayake proposed a range of brutal social measures. The JVP/NPP regime will establish a holding company for the privatisation and commercialisation of state-owned enterprises (SOE) and introduce a Public Private Partnership bill, eliminating state subsidies to these SOEs and hundreds of thousands of jobs.

Last December, Duminda Hulangamuwa, who is the president's senior advisor and head of the big-business Ceylon Chamber of Commerce (CCC), said the government planned to destroy 550,000 public sector jobs, reducing the current workforce from 1.3 million to 750,000. It also plans to introduce "competitive salaries" for the remaining staff to increase "efficiency." The CCC responded to Dissanayake's budget speech, welcoming its "bold proposals."

Even before Monday's budget was tabled, the finance ministry announced that it was doubling withholding taxes on the fixed deposits from 5 percent to 10 percent and imposing a 6 percent increase on excise taxes on liquor products and cigarettes, as well as increases on other tobacco products and alcoholic beverages. The withholding tax increase has heavily impacted pensioners who rely on interest generated from fixed deposit accounts.

Excise duties on vehicle imports, including motor bikes and three wheelers, were also increased from the prevailing 300 percent to 400 and 600 percent. These come on top of a previously imposed 18 percent value added tax (VAT) on fuel, goods and services and a special commodity levy on 64 essentials, including food items.

Determined not to alienate big business and the rich, Dissanayake kept Sri Lanka's corporate tax rates at between 15 and 30 percent and did not propose any new wealth or property taxes. Big business and investors were also told that the government would provide the additional assistance.

This includes more export-oriented industrial zones; leasing out "under-utilised" state-owned lands for businesses; investment on digitalisation of state services; new investment in the development of a seaport, airport and improved road infrastructure; the establishment of privately-owned industrial zones and legislation to protect investments.

When it came to the social rights and needs of the working class, the JVP/NPP regime took a different tack.

While Dissanayake admitted that public sector workers had not received an increase in basic salaries for nearly a decade, he proposed a sub-inflation rise in the monthly minimum basic wage for state employees—from about 24,250 rupees to 40,000 rupees ($82 to $135)—with proportionate rises for other public sector workers.

The 15,750-rupee hike includes an already existing monthly allowance of around 7,500 rupees and the net wage increase is only 8,250 rupees. The miserable rise, which will not start until April 2025 and be spread over three years, is nowhere near the official National Consumer Price Index which has risen by 55 percent since 2022.

The Aswesuma welfare program, which was touted by the previous government and the current JVP/NPP administration as "social protection for poor," does nothing to alleviate the millions of people thrown into poverty in the past three years.

Under this program amounts paid to two social groups—the poor and the extremely poor—were increased from 8,500 to 10,000 rupees, and from 15,000 to 17,500 rupees respectively. The scheme will be renewed in May but with lower numbers receiving these payments. The overall budgetary allocation for Aswesuma is just 160.1 billion rupees, or 0.5 percent of GDP.

This is under conditions where 25 percent or 5.5 million of the Sri Lankan population have fallen into poverty. A recent United Nations Development Program report indicated that 55.7 percent or 12.3 million of Sri Lankans are living in Multidimensional Poverty.

Dissanayake's budget provides only 271 billion rupees for education, an increase of just 29 billion rupees compared to last year allocation, and a major cut in annual public health spending to 383 billion rupees, down from 410 billion rupees last year.

Both sectors are in a parlous state with consecutive Colombo governments promoting private investment. Sri Lanka's spending on education, around 1.5 percent of the GDP, is one of the lowest in the world. The budget proposes a slight increase in university students' stipends, from 5,000 to 7,500 rupees. University students had demanded the doubling of their stipends.

Parliamentary opposition leader Sajith Premadasa from Samagi Jana Balawegaya (SJB) said the budget aligned itself with the IMF's austerity demands, cynically declaring this budget seems to "handover the country to the IMF." During last year's election, Premadasa, like Dissanayake himself, declared that he was ready to work with the IMF and "renegotiate" the program.

Other opposition parties, such as the Sri Lanka Podujana Peramuna (SLPP) and the United National Party (UNP) of former President Wickremesinghe, told the media that the JVP/NPP government was following the same IMF path that they had begun.

While the JVP-controlled trade unions are fully backing the budget, other trade union bureaucrats have complained about the sub-inflation wage increases. These organisations, however, have been united in their efforts to isolate and scuttle workers' struggles over jobs, wages and living standards over the past two years. These betrayals paved the way for the JVP/NPP to take power and keep imposing the IMF's economic dictates.

The JVP/NPP's ruthless imposition of IMF austerity, and the resultant destruction hundreds of thousands of jobs and other vicious attacks on the lives of the working people, is setting the stage for a massive eruption of workers struggles.

Workers and the poor must prepare for these battles based on a socialist and internationalist program. This involves a break from all capitalist parties and the trade union bureaucracies and the establishment of independent Action Committees in factories, plantations and other workplaces. The rural masses also need to form their action committees to take forward this fight.

These action committees should link up with the International Workers Alliance of Rank-and-File Committees, which is fighting to unite workers struggles internationally.

The Socialist Equality Party, is calling for a Democratic and Socialist Congress based on representatives of these action committees to fight the vicious IMF measures and advance the struggle for a workers' and peasants' government to implement socialist policies.