

Sri Lanka Brief Update

Budget 2025 & Rights: Pros and Cons



25 February 2025

1. President Anura Kumara Dissanayake (AKD) as the Minister of Finance presented the National People's Power (NPP) government's maiden budget on 17 February 2025. He emphasised that "while we recognize the role played by the IMF Extended Fund Facility Programme (IMF-EFF) in stabilizing the economy, we are also of the view that to design our economic agenda achieving economic sovereignty is necessary.
2. "The concentration of income at a household level, with the top 20 percent of households accounting for 47 percent of household expenditure according to the latest (2019) Household Income and Expenditure Survey. Western Province accounts for 44 percent of GDP in 2023. Accordingly, what is needed going forward is for greater democratisation of the economy, where economic opportunity is more fairly distributed.
3. "This year's budget is prepared under significant constraints. We should not forget the severity of the economic crisis that we have been through since 2022. Therefore, this budget has been prepared with a focused sense of fiscal discipline, economic vision and guidance." The budget speech is [here](#).
4. The economic theory behind the Budget has been described as "Economic Democracy that everyone can participate in the economy" by a [leading member of the NPP, Minister Lal Kantha](#).
5. The first to congratulate the NPP Budget 2025 was the Business Community. [The Federation of Chambers of Commerce and Industry of Sri Lanka \(FCCISL\)](#) commended the Budget 2025 acknowledging several forward-thinking proposals that promise to foster economic growth and stability. However, it also identifies certain areas that may require re-evaluation to ensure they align with the country's long-term objectives. [Sri Lanka Bank's Association \(SLBA\)](#) welcoming the Budget said that it would support its implementation and expected improved governance to reduce the gap between 'management' and 'audited' accounts." The [National Chamber of Commerce of Sri Lanka \(NCCSL\)](#) in a statement commended the Government's 2025 Budget, recognising its strategic focus on Micro, Small, and Medium Enterprises (MSMEs), export growth initiatives, and enhanced support for Research & Development (R&D) and innovation.

6. On the other hand [Ceylon Teachers' Union](#) (CTU) Secretary Joseph Stalin claimed that the government has not addressed the issue of teachers' salaries in the recent budget. He reminded that state employees staged protests demanding a Rs. 20,000 salary increment. However, according to the budget, the salary increase has only been planned for three years, suggesting that there will be no budget allocations for 2026 and 2027. With the reduction of the Rs. 7,500 allowance, there will only be a Rs. 6,225 salary increment by April 1 for Grade 1 teachers and principals. Teachers in Service Grade 2.1 will receive an increase of Rs. 4,056, those in Grade 2.2 will receive Rs. 2,061, and teachers in Grade 3.1 will receive only Rs. 860.

7. The [Health Professionals' Federation](#), which met in Colombo on 19.02.2024, decided to launch a strike action in protest against the arbitrary removal of the overtime rate and holiday pay system that paramedics, nurses and paramedical professionals have been enjoying for more than twenty years by the budget.

8. No Trade Union or University Students have praised the Budget 2025. [Anton Marcus, General Secretary of the Free Trade Zones and General Services Employees Union](#), criticized the budget's failure to address the ongoing economic crisis, foreign exchange issues, and debt repayment. He noted that while the minimum wage was raised to Rs. 27,000, this increase has little practical impact as most private sector workers already earn higher salaries.

9. "There are huge taxes imposed on the import of buses and spare parts. We were hoping that these taxes would be reduced to some extent through the Budget. But, no such proposals are included. Simply put, the Budget has been prepared without giving any regard to the private transport sector. (-[Lanka Private Bus Owners Association President Gemunu Wijeratne](#))

10. The [government has raised the public sector salaries](#), with the minimum salary being increased from Rs 24,500 to Rs 40,000. The private sector minimum salary has been raised to Rs 27,000 in April this year and Rs 30,000 next year. That effectively delivers a key promise to the government servants, who overwhelmingly voted for the NPP.

11. The 'Aswesuma' social protection programme has been expanded, providing Rs. 17,500 per month for **extremely poor households**, Rs. 10,000 per month for low-income households, and Rs. 5,000 for the **elderly and disabled**. Healthcare has received a historic Rs. 604 billion, with Rs. 185 billion earmarked for **essential medical supplies**, Rs. 7.5 billion for **maternal nutrition programmes**, and Rs. 5 billion for the **Thripsha nutrition supplement** for children and expectant mothers. **Housing and resettlement initiatives** include Rs. 18 billion for low-income housing, Rs. 4.27 billion for **estate housing**, Rs. 3.5 billion for **resettling war-affected families**, and Rs. 1 billion for maintaining Government-built housing schemes. (- [The Morning](#))

12. The [2025 Budget fails to make social protection](#) for the most precarious families a budgetary priority. The economic crisis pushed 5.5 million Sri Lankans into poverty, as Sri Lanka Brief Update, Budget 2025 & Rights: Pros and Cons srilankabrief@gmail.com, <https://srilankabrief.org/>
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the poverty rate drastically doubled to 25% in just two years. Half of Sri Lanka's population (11 million people) are multidimensionally vulnerable. One-third of the households are facing food insecurity. The amount allocated for cash transfers to low-income families under the "Aswesuma" program is Rs. 160.1 billion, which amounts to a meagre 0.5% of GDP. The figure should be understood as a shrinking of the cash transfer program. (1 of 2)

13. [The NPP Government also introduced financial assistance](#) to purchase school stationery for the program. In total, the amount allocated to all such different vulnerable groups is only Rs. 232.5 billion, an appalling 0.7% of GDP. There is not even a nominal increase from the allocation in 2024 (Rs. 161.7 billion). (2 of 2) (-Niyanthini Kadirgamar, Feminist Collective for Economic Justice)

14. The Budget estimates that the economy will achieve a 5% economic growth rate in 2025. However, the World Bank states that in January 2025, it will be 3.5%. The budget speech mentions that, according to the World Bank, our country's poverty rate is 25.9% and ignores the other statistics. (- [Leader of the Opposition Sajith Premadasa](#))

15. The 2025 Budget, presented by Minister of Finance, Planning, and Economic Development Anura Kumara Dissanayake, earmarks Rs. 232.5 billion for welfare programmes, a significant increase from previous years. The key highlights include expanded financial assistance for low-income families, students, the elderly, and persons with disabilities. Currently, the Government's revenue target is 15.1% of Gross Domestic Product (GDP), amounting to approximately Rs. 5 trillion. However, out of this amount, Rs. 2.9 trillion is required for interest payments on debt and Rs. 1.3 trillion is allocated for capital expenditure. This leaves only Rs. 800 billion, which must be spread across all welfare programmes, making financial feasibility a significant concern" (- [Dr.W.A. Wijewardena, a former Deputy Governor of the Central Bank of Sri Lanka](#))

16. Despite the faster than expected recovery, Sri Lanka's growth is expected to remain modest in the next two years as the island struggles to emerge from the scarring effects of the crisis and build reserves to be ready for debt repayments. [Poverty is expected to remain above 20% until 2026](#), according to World Bank estimates.

17. Sri Lanka has traditionally struggled with [revenue mobilization](#), with public revenue at 13.1% of GDP in 2024. Meeting the 2025 target requires significant improvements in tax collection and economic growth. In summary, while the 2025 revenue targets are aligned with IMF recommendations, achieving them will require effective policy implementation, realistic economic growth, and strengthened tax administration.

The end.

