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The sale of national assets and state owned enterprises

The government's plans to sell off certain national assets and state owned enterprises have given rise to discontent among trade unions, political parties and the general public. The present divestiture drive is ostensibly aimed at minimizing govt. expenditure on loss-making state owned enterprises and meeting certain IMF conditions in that regard. I ruled the country for more than nine years from November 2005 to January 2015 without ever selling a single state owned enterprise. In fact, my government actually re-acquired some state owned enterprises such as the Insurance Corporation, and Lanka Hospitals that had been sold off by previous governments and these enterprises continue to make profits for the state to date.

My government had a pragmatic approach towards state owned assets and enterprises. If a state owned enterprise was making profits and providing a good service to the public, we saw no reason to privatize it. At times, a government may take a strategic decision to manage the prices of certain goods or services produced by state owned enterprises for the overall benefit of the economy or to help low-income earners. The energy sector is a good example of this. There is no government in the world that does not subsidise certain earmarked economic activities.

During my tenure as President, even if some state owned enterprises made losses due to a government decision to manage prices, our management of the economy resulted in an unbroken nine year economic boom. We had no difficulty in paying off our debts or meeting the costs of the subsidies we maintained and nobody even spoke of privatization when I was President. Since the divestiture of certain sectors can have far reaching consequences for the country especially when foreign parties are involved, this is an issue that has to be approached with caution. As was resolved at the SLPP May Day rally, any restructuring of state owned enterprises should take place with maximum transparency, according to a national plan, in a manner consistent with national security and in consultation with the employees.

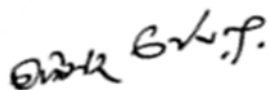
Having said that, I wish to stress that the trade union sector for its part, should take a more nuanced approach towards private sector participation in state owned enterprises. Going by the dictionary definition of privatization, any involvement of the private sector in the ownership

structure or the control of a state owned asset or enterprise can be characterized as privatization. However, trade unions should not oppose every attempt to obtain foreign or private sector investment in a government owned enterprise. A pragmatic and non-dogmatic approach to such matters is required.

If there are unutilized government properties or underperforming government enterprises, it makes sense to obtain private sector participation to turn such enterprises around. If a profitable state owned enterprise needs further investment to add a new feature which cannot be financed by the government, it makes sense to award a share of that enterprise to a private investor in exchange for the investment. If an investor is willing to build a new enterprise from scratch, it makes sense to award shares in that enterprise to the investor so that a new state asset comes into being.

Some political parties have an ideology driven, dogmatic approach to privatization and seeks to privatize anything and everything that can be privatized. Many trade unions also have a similarly dogmatic attitude and tend to oppose any involvement of the private sector in state owned enterprises. Both these extremes are harmful to the country. Trade unions should regard proposals to obtain private or foreign participation in a state owned enterprise on a case by case basis and look at the overall benefit of such collaboration to the country. The only real way national assets and strategically important state owned enterprises can be safeguarded is by having a government that takes a pragmatic and non-dogmatic approach to such matters. This is why it is important to take note of the fact that when I ruled the country for more than nine years, the economy flourished and there was not even a discussion on the subject of privatization.

The present government is an interim arrangement formed to run the country for the remainder of former President Gotabaya Rajapaksa's term. Even the pro-privatisation lobby should realize that the hasty divestiture of state owned assets at a time like this will not produce the best outcome for the country. Furthermore, the next Presidential election is only a few months away. Hence, as a measure to ease the widespread discontent over the government's divestiture drive, I wish to propose that all moves to sell off state owned assets or enterprises be postponed until a new government is formed after the next Presidential election. The new government will then be able to deal with state owned properties and enterprises in accordance with the mandate they obtain at the election.



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