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TOWARDS THE RIGHT TO SOCIAL SECURITY FOR ALL

TARGETED SOCIAL PROTECTION DURING UNPRECEDENTED ECONOMIC CRISIS: CASE OF SRI LANKA

COLOMBO URBAN LAB & FEMINIST COLLECTIVE FOR ECONOMIC JUSTICE

EXECUTIVE SUMMARY:

Amidst Sri Lanka's worst economic crisis, catalyzed by soaring inflation and diminished real income, the discourse surrounding social protection has emerged as key for improving the lives of 31% of the Sri Lankan population living in poverty (as of 2023), which includes an additional 4 million people since 2019.

The new social security scheme Aswesuma, funded by the World Bank was intended to create a poverty free, entrepreneurial Sri Lanka by 2048. The Welfare Benefits Board of Sri Lanka that also receives funding from the World Bank to carry out Aswesuma, began an enumeration exercise in 2023 whereby all those who applied to receive welfare benefits were scored across a 22 indicator list (many of them asset based) to determine their eligibility.

The verification process of the targeted benefits scheme failed to identify reportedly even the most explicit forms of poverty as its approach was framed by a uniform assumption about the experience of poverty devoid of a critical analysis about the factors affecting poverty.

Global Coalition for SOCIAL PROTECTION FLOORS

Introduction

The impact of COVID-19 lockdowns and Sri Lanka's unprecedented economic crisis which followed soon after proved to be the best time to strengthen the country's much neglected social protection systems. Unfortunately, this has not been so. While Sri Lanka's current IMF programme has language around social safety nets and protection for vulnerable communities, the economic reforms and social security discussions and policies have not been harmonized. The country has seen significant tariff hikes in utilities such as electricity, increase in energy costs and transport, and income tax and value-added tax on top of a rising cost of living. All of this meant with incomes shrinking faster than ever, competing expenses saw low income and middle income families compromising on nutrition, quality of life and even education of children and critical healthcare – with no safety nets to prevent them from debt, asset loss etc.

The Government and development actors such as the World Bank embarked on a strong narrative of the inefficiency and inaccuracy of the existing social protection programme – Samurdhi – which laid the groundwork for the rollout of a new digitized social registry which brings all existing protection schemes under one, and implemented by the newly regenerated Welfare Benefits Board of Sri Lanka.

While Samurdhi was not without huge issues and in need of an overhaul, the direction the country should have gone was towards universal social protection and not developing further targeted programmes. Many rights groups and think tanks such as the Feminists Collective for Economic Justice and Colombo Urban Lab raised concern about targeted schemes – stating that they divide communities further, that the vulnerability and deprivation was too great to be making selections – however the Government and the World Bank proceeded with the new programme named Aswesuma.

The reasoning given for a targeted scheme is that there is limited fiscal space. Sri Lanka has historically seen the lowest GDP allocations in the region for social protection and in terms of budget allocation, the country's military allocation remains extremely high. Sri Lanka has shown no meaningful efforts even amidst economic crisis to reduce military expenditure or any kind of government spending which could be reallocated to critical sectors like social protection, healthcare and education.

Sri Lanka's social protection systems

The social protection systems in Sri Lanka primarily consist of government-funded universal health care and education systems, retirement benefits provided through pensions or lump sums which are funded mostly through taxation, and a range of programs aimed at poverty alleviation and financial assistance (ILO, 2016). The country has over 25 social assistance programmes to offer citizens protection in times of hardship. Employers are mandated to provide benefits such as employment injury compensation and maternity benefits. Sri Lanka does not have any formal social insurance mechanisms in place for social protection. This reflects the country's institutional foundations established during the introduction of democratic governance based on universal franchise in the 1930s. Sri Lanka did not have a large formal sector and at the time the connection of citizenship rights to key benefits was more significant than to employment status.

The ILO (2016) notes that the significant gaps in the country's social protection schemes require substantial increases in public financing and the adoption of new methods such as social insurance schemes (e.g. social security financing).

In their Public Expenditure Review (PER), Bird et. al (2022) found that the Sri Lankan government spends approximately 0.63 percent of GDP on social assistance programmes (e.g. Samurdhi, Poshana Malla, Triposha, school feeding programmes, public welfare assistance programmes and the Elderly Assistance Programme (EAP)) but 1.97 percent on social insurance (mainly public pensions). It must be noted that this is despite having far fewer beneficiaries of social insurance schemes. The PER highlighted the importance of prioritizing public spending on "poverty reduction and life-cycle interventions" to improve the equity of the social protection system of Sri Lanka.

As of 2016, the ILO reported that public expenditure on healthcare as a share of GDP and government expenditure had seen a decline during the previous few years and was also notably significantly below international norms. Education expenditure was also reported to show similar trends of decline. Expenditure on health and education were shown to account for less than 5% of GDP and a fifth of a share of government expenditure. Expenditure on nutrition is low and the Ministry of Education's expenditure on necessary goods and services for children was reduced over time according to the ILO.

The country has no sickness, unemployment or maternity benefit schemes and therefore it is implied that there is no expenditure in this area. However, formally employed members of the active age are eligible to receive paid sick and maternity leave. Women in formal employment can receive paid maternity leave, while the ILO reports that there is the possibility that women in the informal sector also receive these benefits but there is no formal report of this.

Before the COVID-19 pandemic and the economic crisis, Sri Lanka spent less than 0.4% of GDP on social protection schemes in contrast to the 1.4% and 0.8% expenditure of India and Bangladesh respectively, but the country has increased expenditure in recent years. The Sri Lankan government is obligated to fulfill a LKR187 billion spending floor on social protection / social safety nets in adherence to the IMF programme, and 0.6%-0.7% of the GDP was planned to be spent on social protection ('safety nets') from 2020.

Social protection and the World Bank

Amidst Sri Lanka's worst economic crisis, catalyzed by soaring inflation and diminished real income, the discourse surrounding social protection has emerged as key for improving the lives of 31% of the Sri Lankan population living in poverty (as of 2023), which includes an additional 4 million people since 2019. The new social security scheme Aswesuma, funded by the World Bank, was intended to create a poverty free, entrepreneurial Sri Lanka by 2048. The Welfare Benefits Board (WBB) of Sri Lanka that also receives funding from the

World Bank to carry out Aswesuma began an enumeration exercise in 2023 whereby all those who applied to receive welfare benefits were scored across a 22-indicator list (many of them asset based) to determine their eligibility. According to the WBB 3.7 million applications were received to be included in this registry. It is noteworthy that the indicator list was developed in 2019 and gazetted under the Welfare Benefits Act No. 24 of 2002 as the 'Methodology for identify low-income families for welfare benefits payments'. During a time where Sri Lanka is still recovering from the impact of COVID-19 and an ongoing economic crisis, that welfare eligibility criteria developed long before these crises was used to select beneficiaries in 2023 is of serious concern. The indicators they are scored on - a permanent house, assets such as vehicles, cooking with a gas cylinder, usage of electricity over a certain number of units - would not capture vulnerability or need during an economic crisis.

The first transfer of cash to the Aswesuma beneficiaries took place in August 2023, and the process of and criteria for determining which families are eligible for the cash transfer, attracted widespread criticism, as many vulnerable households were excluded from this new scheme. Excluding deserving households who applied to be a part of the new social welfare registry from welfare benefits payments compounds the difficulties already faced by households, for whom receiving a cash transfer could improve access to the very basic necessities like food, utility or medication. More importantly, the inclusion in a social welfare registry also means being eligible for future welfare benefits or specific support like the cash transfers during COVID-19 lockdowns or access to low interest loans. Many households that previously received Samurdhi payments have been excluded from the new list under Aswesuma.

In response to the large number of people who did not get selected for Aswesuma, the government implemented an appeals and objections process to allow individuals to appeal their exclusion from the programme at their respective Divisional Secretariats (DS). At a very basic level there was an information gap in the appeals and objections process at the household level. Many were not aware of the deadline for filing an appeal, or where they should go in order to file an appeal. In addition to the gap in information, there is also the time spent on the appeals process (traveling to the DS, time spent waiting in line, etc.) for a payment that they may or may not be deemed eligible for, following evaluation, made the entire process an expensive one in terms of time away from work, resulting in some households not appealing the existing list. It was reported that 1,024,059 appeals and 124,495 objections related to the programme have been received by the Welfare Benefits Board (WBB) in August 2023. In addition, 84,374 families who were selected to receive benefits under the programme have appealed to be placed under a higher benefit category.

The use of a series of eligibility criteria including electricity usage, ownership of a vehicle or house, usage of gas cylinder for cooking, etc., under Aswesuma fails to take into account the economic complexity of people's lives and deprives them of their right to social security. This type of targeting fails to consider the everyday struggle to make ends meet, and the social tension that exclusion from Aswesuma precipitates. Sri Lanka must move away from targeted social welfare schemes to systems that offer universal social protection, particularly in the context of crises. According to a UNDP report in August 2023 on multidimensional vulnerability of Sri Lankans, as many as 12.34 million people in Sri Lanka (55.7% of Sri Lankans) are multi-dimensionally vulnerable, and yet only 2 million households have been selected as beneficiaries under Aswesuma. The Feminist Collective for Economic Justice highlighted in 2022 that the burden of the economic crisis invariably falls on women, who are faced with both earning and performing unpaid care work in the domestic sphere. This is all while the country simultaneously relies on women's labor in the realm of foreign labor remittances, plantation work and garment industry work.

Particularly in the context of growing household debt that is taken on to meet basic expenses such as electricity bills, education expenses, food and medicine, cash transfers offer some degree of stability in the form of a regular monthly payment that can be relied on. This is particularly important for the urban poor, whose informal livelihoods result in fluctuating and uncertain incomes, and are without benefits such as sick leave or pensions. However unless the monthly cash transfer amount is substantial, it would be meaningless.

Those with Chronic Kidney Disease were allocated LKR 5000 a month, when dialysis costs per session can range from LKR 20,000 - 25,000 - and many have been relying on private healthcare given the crippled status of the country's healthcare system. Furthermore, pregnant and lactating mothers were not identified as a specific group in need of assistance under Aswesuma. Moreover, there was an attempt to limit maternal social protection interventions such as provision of Thriposha along with vouchers for nutritious food, which were previously universally available to all mothers registered under the Ministry of Health. Emergency Nutrition Plan 2022-2024 has proposed to target supply of Thriposha to the most needed, and in addition, proposes to limit the provision of food vouchers to pregnant women in families whose monthly income is less than LKR 50,000. These targeted interventions resulted in pregnant women falling through the cracks of various social protection schemes, which will have long lasting health effects on the country's next generation of students and workers.

The Government of Sri Lanka must increase the fiscal allocation for social welfare. At present the World Bank in Sri Lanka and the WBB maintain that the choice is between expanding the safety net and transferring people a smaller amount of money versus selecting the most vulnerable and transferring them a larger amount of money. However, this larger amount of money is rather paltry at LKR 2,500, 5,000 and 8,500 across three categories, except for the 'Severely Poor' category that has been allocated LKR 15,000 a month for three years.

Furthermore, there has not been any reduction in spending on Defense, or on State events and functions, and on debt servicing and the Wickremesinghe Government continued the practice of the creation of grandiose new development master plans; therefore the reason for a lack of fiscal space for increasing beneficiaries for social welfare is unacceptable. In the 2023 budget, the Government allocated LKR 539 billion for defense and public security while household cash transfers and food relief (which includes all the key social welfare programs such as Samurdhi, allowances for elders, disabled, kidney disease, school meal programs and nutrition programs for mothers and children) was allocated LKR 187 billion.

Sri Lanka continues to remain one of the countries in the region that spend the least of its GDP on social welfare.

On October 7, 2024 it was reported that International Development Association (IDA) of the World Bank Group had approved a USD 200 million financing package to support the second phase of Sri Lanka's Resilience, Stability, and Economic Turnaround (RESET) Development Policy Financing (DPF) program. One of the three key pillars of RESET is '*Protecting the Poor and Vulnerable: Shielding the most affected segments of society from the economic fallout of the crisis'*. To qualify, the government had to fulfill nine prior actions under the three key pillars and maintain a sound macroeconomic policy framework. The World Bank Board granted approval for the financing facility, which will take effect upon the signing of the Financing Agreement.

In November 2023, USD 495.6 million as budget support loans from the World Bank interest free up to September 2023 was committed, after Sri Lanka was de-graduated to be eligible to cut-rate IDA credits. A further 196.3 million dollars was committed for social protection at an interest rate of 1.25 percent, service fee of 0.75 percent and commitment fee of 0.5 percent, repayable in 30 years with a 5-year grace period.

In 2022, it was expected that 70% of the country's households in the height of the economic crisis would need assistance to subsist. Any attempt at targeting households would be counterproductive, thereby making a strong case for a universally applied social security programme as an effective response to the economic crisis. The austerity-oriented recovery programme had devastated the lives of the country's working poor. The verification process of the targeted benefits scheme failed to identify reportedly even the most explicit forms of poverty as its approach was one framed by a uniform assumption about the experience of poverty devoid of a layered and critical analysis about the factors affecting poverty.

A month before the Presidential Election, a National Social Protection Policy was launched in August 2024. While only the draft policy, minus annexures (including section on financing) is publicly available, in its policy statement one of the "high-level deliverables" the government commits to included "Work towards progressive realization of universal social protection to cover all citizens across the life cycle with special attention to the poor and vulnerable." The fate and implementation of this policy is unknown given the change in the country's leadership in September. The new President's party - the National People's Power - in their manifesto stated that they aspire to provide "a universal social protection system based on the life cycle approach for all Sri Lankans." It further elaborates on social justice, solidarity and empowerment, reducing malnutrition, specific needs of different vulnerable groups and many more. However, with General Elections due in November 2024 which will see a new Parliament, the rolling out or shifts in social protection policies in Sri Lanka, or the adaptation of the new policy launched in August will possibly only be seen in the months to come.

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ABOUT THE GLOBAL COALITION FOR SOCIAL PROTECTION FLOORS

The Global Coalition for Social Protection Floors advocates for the right to social security for all individuals. We promote social protection floors as key instruments to achieve the overarching social goal of the global development agenda. Social protection is one of the foundations for inclusive, equitable and sustainable development. It can simultaneously address the economic, social, and environmental dimensions of sustainability and preservation of livelihoods.

Established in 2012, the Coalition now comprises over 130 NGOs and trade unions from around the world.

ABOUT THIS SERIES

In 2023, 96 economic justice, human rights, and faith-based organizations from around the world came together to advocate for the Right to Social Security. They called on the World Bank and IMF to stop promoting poverty-targeting programs and shift toward universal social security systems. They also advocated for equitable and sustainable public systems and for an end to harmful austerity. The group reiterated these demands in a public letter to the institutions' Board of Directors. They also started documenting the country-level impacts of World Bank and IMF policies. These findings are published in a series of policy briefs that spotlight urgent areas for reform. This is one of those briefs.

The views expressed in this brief are solely those of the authors and do not necessarily reflect the opinions of the Global Coalition for Social Protection Floors. The Coalition encourages its member organizations to share insights on national experiences that may support other members in shaping their own advocacy strategies.

ABOUT THE AUTHORS

Colombo Urban Lab leads the urbanization and cities research at the Centre for a Smart Future, an interdisciplinary think tank in Sri Lanka. CUL works towards creating sustainable and equitable cities in Sri Lanka, producing research and advocacy on key issues related to infrastructure, social protection, food environments and spatial justice.

The Feminist Collective for Economic Justice is a collective of feminist economists, scholars, feminist activists, university students and lawyers that came together in April 2022 to understand, analyze and give voice to policy recommendations based on lived realities in the current economic crisis in Sri Lanka.

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