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# Social protection system far from perfect Dr. Ganga Tilakaratne

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In an interview with *The Sunday Morning Business*, Institute of Policy Studies of Sri Lanka (IPS) Research Fellow Dr. Ganga Tilakaratne shares her expertise and perspective about social protection in Sri Lanka.

She elaborated on how the country had responded to the Covid-19 challenge, the impact of the economic crisis on its social fabric, and the existing gaps and inefficiencies in the social protection system.

Dr. Tilakaratne also discussed the ongoing efforts to enhance the efficiency and effectiveness of social protection through initiatives such as the central social registry. Furthermore, she explored the Aswesuma welfare benefit scheme and its implications for the Samurdhi programme, providing a comprehensive view of Sri Lanka's evolving social protection landscape

*Following are excerpts of the interview:*

**The Covid-19 pandemic led to a significant expansion of social protection measures globally. Could you elaborate on how Sri Lanka responded to this challenge in terms of social protection?**

Social protection gained even more importance following the Covid-19 pandemic. In response to the pandemic, many countries around the world took various measures to strengthen their social protection systems and to support vulnerable groups.

As a result, the pandemic led to a rapid expansion in social protection measures worldwide – especially cash and in-kind transfers. Parallel to the rising global interest, an increasing recognition of social protection was seen in Sri Lanka too from the onset of the pandemic.

As an immediate response to the pandemic, the Government introduced a relief package that included both financial and non-financial assistance to help affected families/individuals. One of the key measures was a monthly cash transfer scheme (or the Rs. 5,000 scheme).

While this scheme was built on the existing social protection schemes like the Samurdhi cash transfer programme, disability assistance, elders' assistance, and

assistance for kidney patients, it led to both a horizontal and vertical expansion of some of these key programmes.

For example, it covered not only the existing beneficiaries of those programmes but also those who were on the waitlists as well as individuals or families identified by the committees set up at the divisional level. Since the pandemic, the Government has taken measures to improve the coverage of assistance programmes for disabled persons and kidney patients by absorbing those who were on the waiting lists for these programmes.

The pandemic also gave an opportunity to identify the gaps in the existing system and to take measures to strengthen the country's social protection system.

**The economic crisis since 2022 has exacerbated poverty levels and income inequality in Sri Lanka. Can you describe the key impacts on the country's social fabric and economic stability?**

Even prior to the economic crisis, there was a notable increase in Sri Lanka's poverty levels due to the pandemic-induced adversities such as job and income losses. The pandemic led to a reversal in Sri Lanka's progress in poverty reduction over the years.

This situation was aggravated in 2022 when Sri Lanka was hit by its worst-ever economic crisis since independence. The economic crisis added to the significant job and income losses. Additionally, high inflationary pressures caused rapid increases in the cost of living, drastically reducing the standard of living of almost all segments of the population.

These multiple negative shocks have pushed more individuals and households into poverty while pushing the already poor further into poverty. As per the World Bank estimates, urban poverty tripled in 2022, rural poverty doubled, and the poverty rate in the estate sector continued to be over 50%.

The crisis has not only increased poverty levels, but has also led to widening inequality and increasing malnutrition among children. These effects may not be reversed immediately, and the existing poverty trends are more likely to continue over the next few years.

Therefore, many new households that traditionally did not have to rely on Government assistance for survival are now in need of support. Providing them with adequate and

appropriate support through social protection is also crucial for recovery. This further stresses the need to build a strong, resilient, and integrated social protection system capable of providing adequate support to all those in need.

**One of the key issues highlighted in the report is the existence of gaps and inefficiencies in Sri Lanka's social protection system. Can you provide examples of these gaps and how they affect the population?**

Sri Lanka's social protection system has been far from perfect. Despite having many programmes, it has several gaps at the system level as well as at the programme level.

Inadequate coverage is a main weakness of the existing social protection system. That is, the existing system has not been able to cater to the needs of all deserving groups. For example, more than half of the elderly population (or the 60+ population) is currently not covered by the available social protection programmes like pensions, EPF, or cash assistance schemes.

Inadequacy of coverage is also a common issue in many existing cash transfer programmes. Although coverage of programmes like assistance for disabled persons and kidney patients has improved to some extent in recent years, they still cover only a fraction of the deserving groups. This is primarily due to the limited budgetary allocations for these schemes.

Moreover, programmes like the Samurdhi subsidy programme had considerable targeting errors – both inclusion errors and exclusion errors. The main reasons behind this were the lack of clearly defined eligibility criteria and exit mechanism, and the politicisation of the scheme.

Another issue that is common to many social protection programmes is the inadequacy of benefits. Estimates have shown that the monthly benefits under most cash transfer programmes are less than 40% of the country's official poverty line expenditure, which defines the minimum required expenditure per person per month to fulfil basic needs.

In addition, there is a highly unequal distribution of resources within the existing social protection system. For instance, a disproportionately higher share of the country's social protection expenditure (over 40%) is spent on pensions for public sector employees. While these benefits go to a small share of the country's elderly

population, over 50% of elders are still without access to any form of social protection, whether pensions, EPF, or cash transfers.

The existing social protection system is also a highly fragmented system. There are several programmes implemented by different agencies, but there is little or no coordination among them. This has led to various inefficiencies like high administration costs, duplication of programmes, and overlap of beneficiaries. Moreover, the lack of digital payment mechanisms also leads to delays in payment distribution and incurs higher transaction costs.

**The report mentions efforts to integrate the social protection system by creating a central social registry, etc. How will these efforts help enhance the efficiency and effectiveness of the social protection system?**

As mentioned earlier, the fragmented nature of Sri Lanka's social protection system has led to several inefficiencies. International experience has shown that integrating social protection systems requires integration/improvement in several areas: developing a centralised database or social registry of potential beneficiaries, a single agency acting as the central coordinating body, and a clear and coherent social protection policy in place.

The Government of Sri Lanka has taken several initiatives in recent times, aiming at integrating the social protection system. A national social protection policy and a social protection strategy are being prepared while the Welfare Benefit Board has been established as the central agency for social protection in the country.

Initiatives have also been taken to create a centralised database, based on the information collected on around 3.7 million households/families. The central database or the Integrated Welfare Management System (IWMS) also includes national identity card numbers of individual members of these households and will include their bank account details to facilitate direct payments to their bank accounts.

This in a way can be considered an improvement from the payment methods used by social protection programmes so far, where the payments have been made largely through Samurdhi banks (which are outside the purview of the CBSL), post offices, or collected from Grama Niladhari officers.

These initiatives can play a key role in improving the overall efficiency of social protection systems. However, digitalisation of social protection in countries like Sri

Lanka can face the potential risk of exclusion of vulnerable segments such as the elderly, the disabled, the extremely poor, or those in remote rural areas, who may not have the digital literacy or access to required technology.

Therefore, it is important to remain sensitive to these vulnerable groups who may get further marginalised in the process of digitisation/integration. A hybrid system can be used in the initial stages of the integration and digitisation process, where the beneficiaries have relevant officials to assist them in registration, etc.

**The report discusses the Aswesuma welfare benefit scheme where the benefits are given for a fixed period. Do you think this is a step up from the previous Samurdhi programme? What models or interventions based on international experiences can be used to ensure that the beneficiaries would be able to live without having to rely on Government support after that period?**

In the Aswesuma scheme, benefits are given for a fixed period. For example, for a period of three years for the identified poor and severely poor families. Having a fixed-term scheme, in a way, would help prevent beneficiaries from treating Government cash transfers as 'lifetime benefits' or 'entitlements'.

One of the main limitations of the Samurdhi subsidy scheme was not having a clear exit mechanism and a specified duration or time limit for benefits. Some beneficiary families have received Samurdhi cash payments for over 20 years. As a result, the programme has also failed to absorb the 'new' poor groups due to budgetary limits. This has also been a main contributory factor to the substantial targeting errors of Samurdhi.

In this sense, having a fixed term for benefits in the Aswesuma scheme can be considered a positive move towards reducing the burden on the Government budget and minimising possible targeting errors.

However, some mechanism is needed to ensure that these poor families no longer need to rely on Government cash assistance for survival at the end of the three-year period. This may require providing them with livelihood and other support to help them create sustainable income-generation opportunities that in turn enable them to move out of poverty.

In the 'Sri Lanka: State of the Economy 2023' report, I discuss in detail about the 'Graduation Approach,' which is an integrated approach adopted globally aimed at

lifting poor/severely poor households out of poverty and into sustainable livelihoods. This approach has shown positive and lasting results in many countries around the world.

It is built on four key pillars – social protection, livelihood promotion, financial inclusion, and social empowerment. This approach has also been under discussion in Sri Lanka in recent years. It can be used as an effective method to empower poor families and help them to move out of poverty.

**With the introduction of the Aswesuma welfare benefit scheme, what kind of implications do you foresee for the Samurdhi programme? The report discusses the implications of Aswesuma on the Samurdhi programme, including on the Samurdhi banking network. Can you elaborate on this?**

With the full implementation of the Aswesuma scheme, the Samurdhi cash transfer programme would cease to operate. Alongside this, the Samurdhi social security scheme, which has been funded through deductions made from the monthly cash transfers, is also likely to come to a halt.

Therefore, the role of the Samurdhi programme is likely to be confined to its long-term objective of alleviating poverty through livelihood development and empowerment. It will have little or no role in its initial short-term objective of reducing vulnerabilities through cash transfers and the social security scheme.

However, the Samurdhi programme (or the department), with its existing resources, in particular the network of around 1,086 Samurdhi community-based banks and over 20,000 development officers, can play a vital role in empowering the identified poor families and helping them to move out of poverty over time.

Samurdhi cash transfers were primarily dispersed through the Samurdhi banking network. Its discontinuation is likely to have implications on the functioning of the Samurdhi banks and their sustainability in the long term.

These banks grant loans against savings for Samurdhi beneficiaries and their families. It has been a common practice among many Samurdhi beneficiaries to use at least part of the monthly cash transfer they receive to settle their loan instalments or to meet the required compulsory savings to be eligible for a loan from the bank.

However, when the Samurdhi cash transfer programme ceases to operate, those beneficiaries who are not selected to receive benefits under the new scheme may have less incentive to pay back the loans already taken from Samurdhi banks. Some may even want to withdraw their savings, as Samurdhi banks may no longer serve them any purpose. If a large group of beneficiaries tends to do so in a selected bank, this can even affect the sustainability of the banks.

In the above context, it would be important to issue clear guidelines/instructions detailing how to address and manage such circumstances to ensure the sustainability of Samurdhi banks. Moreover, strengthening the regulations pertaining to Samurdhi banks would be important.

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