Social Safety Nets and the State of Poverty in Sri Lanka

7 June 2023

# LIRNEasia: a regional pro-poor, pro-market think tank

Our Mission:

"Catalyzing policy change and solutions through research to improve the lives of people in the Asia and Pacific using knowledge, information and technology"

In this study we explore...

- What is the status of poverty in Sri Lanka today? Who has fallen into poverty since 2019?

- Who received social assistance under programmes such as Samurdhi? Did the right people receive assistance (how large are the inclusion and exclusion errors)? Was it adequate?

- What are the challenges and barriers to efficiency of current social assistance programmes? How can disbursement be made more efficient?

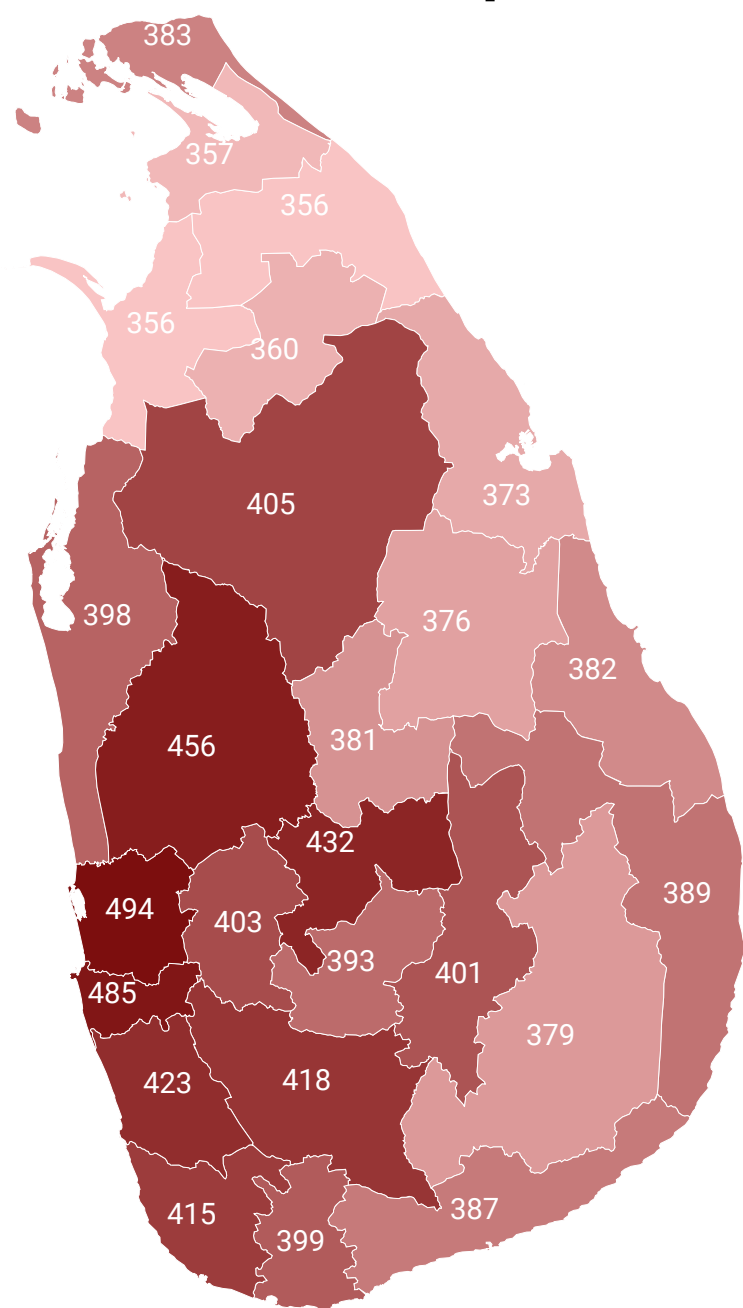- To what extent will the new 'Aswesuma' programme address these challenges?
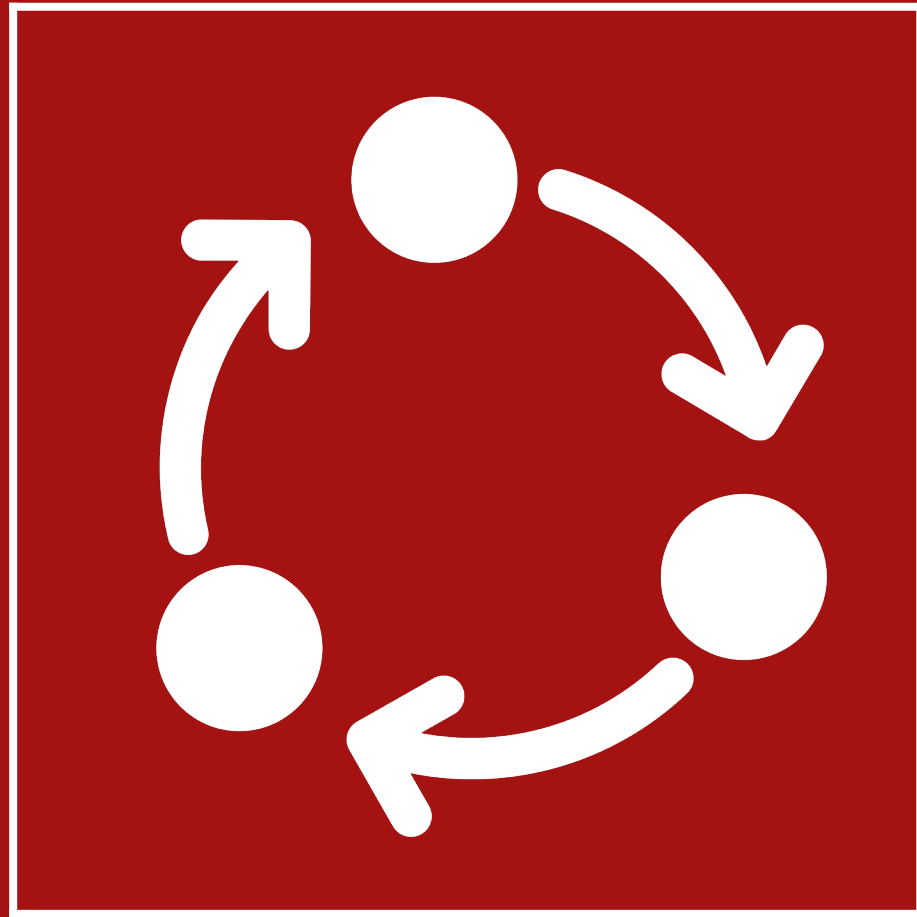
Methodology

Survey representative of all households and population in Sri Lanka
(95% confidence interval; +/-1.4% margin of error)

District level sample sizes

383
357
356
356
360
405
373
398
376
382
456
381
432
389
494
403
393
401
485
379
423
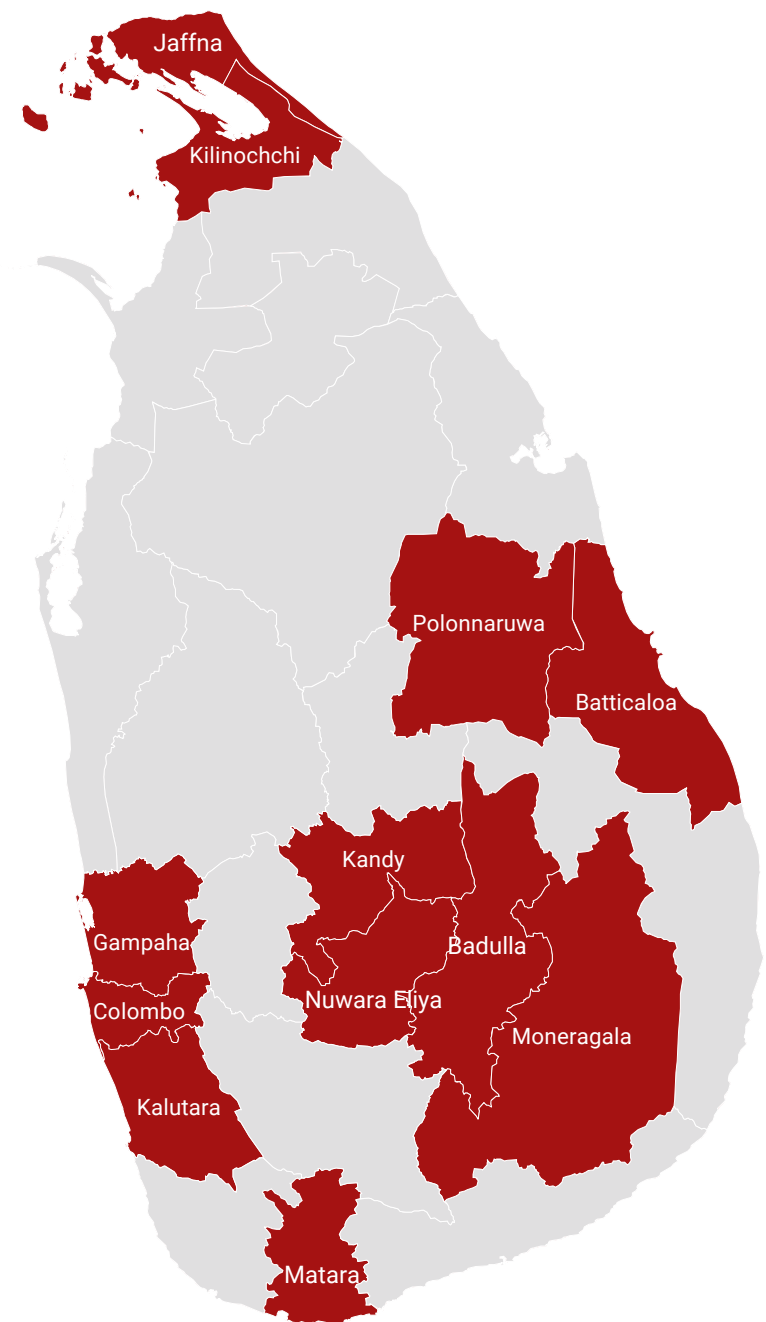418
415
399
387

Nationally representative sample

🏠 **10,000**
Households

📍 **400**
GN divisions

Sample designed to be representative households and population at:
- National level
- Urban, rural and estate level
- Province level
- District level
- Men vs. women
- SEC (socio-economic classification, a proxy for income)
- Age

Detailed methodology note can be found on :
https://lirneasia.net/2023/05/sri-lanka-social-safety-net-survey-survey-methodology-note/

Fieldwork time period: 20-Aug-2022 to 10-March-2023
Fieldwork conducted by **Survey Research Lanka Private Limited**.

5

Qualitative research across 13 districts with ~400 individuals

District level coverage

Jaffna
Kilinochchi
Polonnaruwa
Batticaloa
Kandy
Gampaha
Badulla
Colombo
Nuwara Eliya
Moneragala
Kalutara
Matara

Data collection tools & research participants

28 Focus Group Discussions (FGDs)

117 In-depth Interviews (IDIs)

117 Key informant interviews (KIIs)

20 Structured Observations (SOs)

Fieldwork time period: 10-October -2022 to 12-May-2023
Fieldwork conducted by **Sparkwinn Research Private Limited**.

Our focus
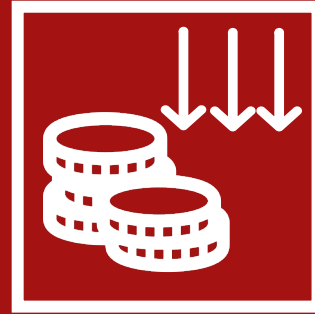
1. Poverty in Sri Lanka

2. State of social safety nets prior to reform

3. New reform agenda & policy recommendations

1.
Poverty in Sri Lanka
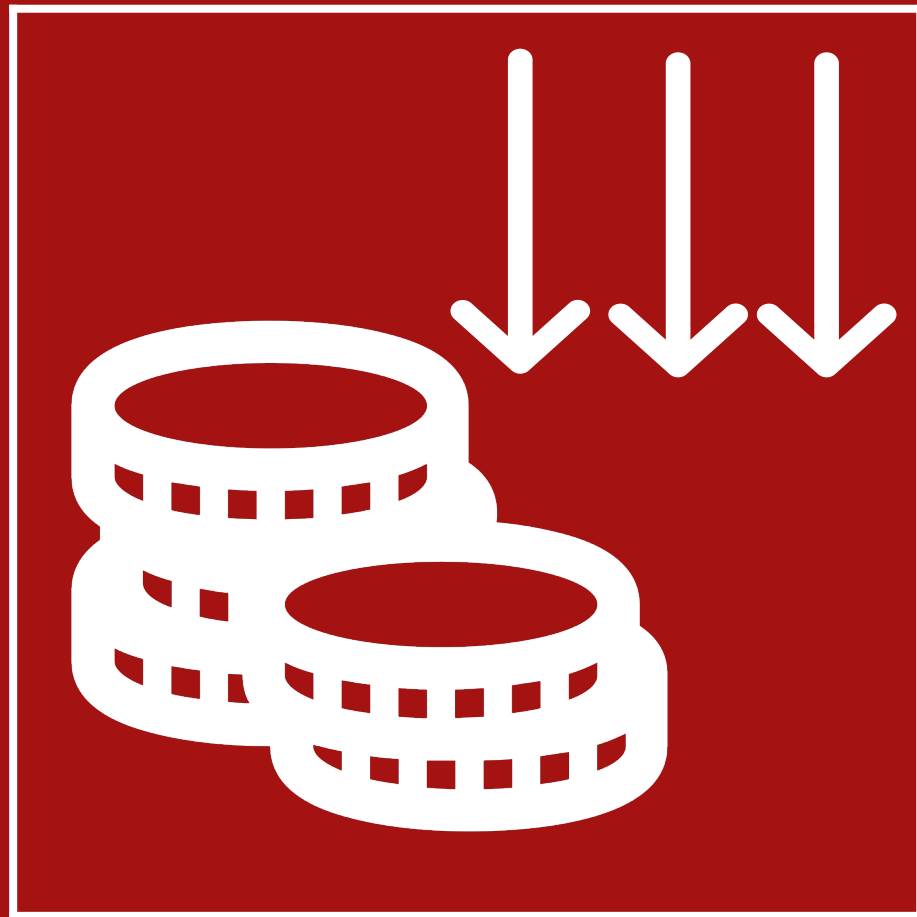
7 million

Sri Lankans
are living in poverty
as per the national poverty line
(2 million families)

31%
of population

Base: All households (n=10,062).
National poverty line (December 2022): LKR 13,777. District poverty lines used for estimation

4 million

Sri Lankans (17% of population) have fallen into poverty since 2019
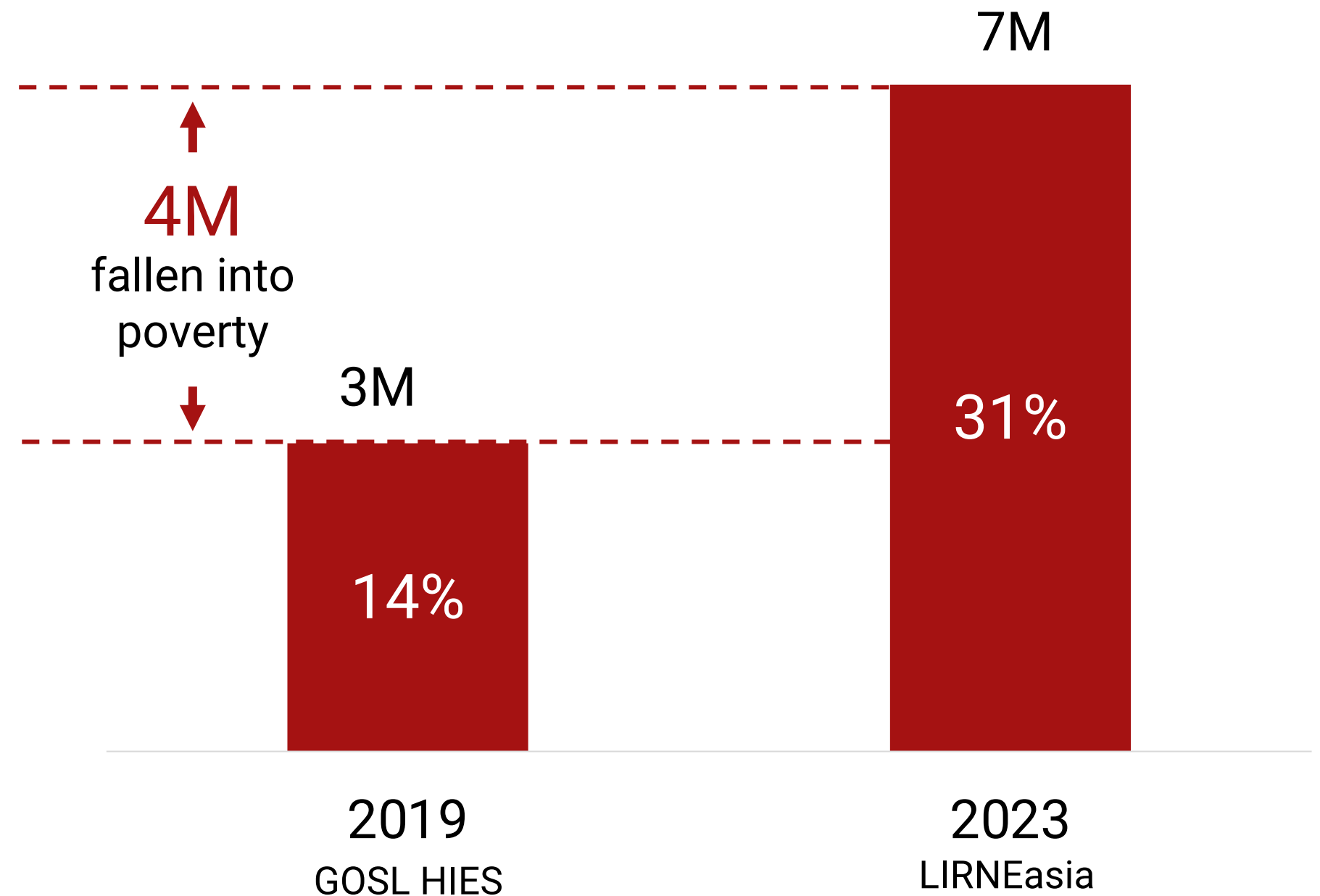
Poverty headcount ratio
(% of population)

7M

4M
fallen into poverty

3M

31%

14%

2019
GOSL HIES

2023
LIRNEasia

Base
2019: All households (n = 25,000). Poverty line: LKR 6,966
2023: All households (n=10,062). Poverty line: LKR 13,777

16

Poverty headcount ratio by province
(% of population)

Poverty increased across all nine provinces

2019 HIES GOSL

- Northern Province 28%
- North Central 18%
- North Western 19%
- Eastern 24%
- Central 28%
- Western 11%
- Uva 37%
- Sabaragamuwa 32%
- Southern 20%

2023 LIRNEasia

- Northern Province 33%
- North Central 31%
- North Western 23%
- Eastern 31%
- Central 38%
- Western 18%
- Uva 48%
- Sabaragamuwa 40%
- Southern 41%

Base
2019: All households (n = 25,000). Poverty line: LKR 6,966
2023: All households (n=10,062). Poverty line: LKR 13,777

17

Estate communities continue to be the worst off (51% living in poverty) although poverty has increased across all sectors

Poverty headcount ratio
(% of population)
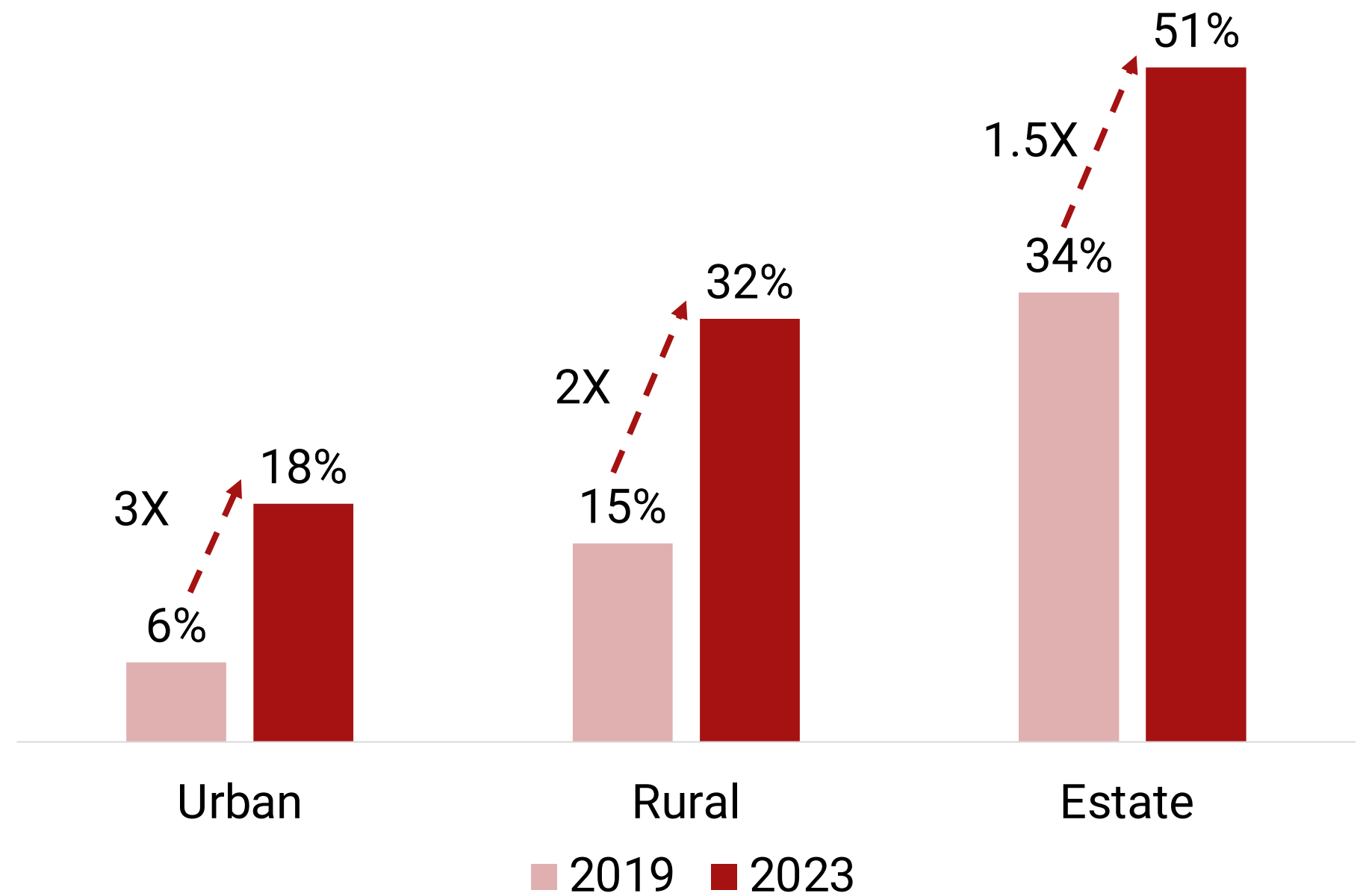
Urban: 3X — 6% (2019), 18% (2023)
Rural: 2X — 15% (2019), 32% (2023)
Estate: 1.5X — 34% (2019), 51% (2023)

■ 2019 ■ 2023
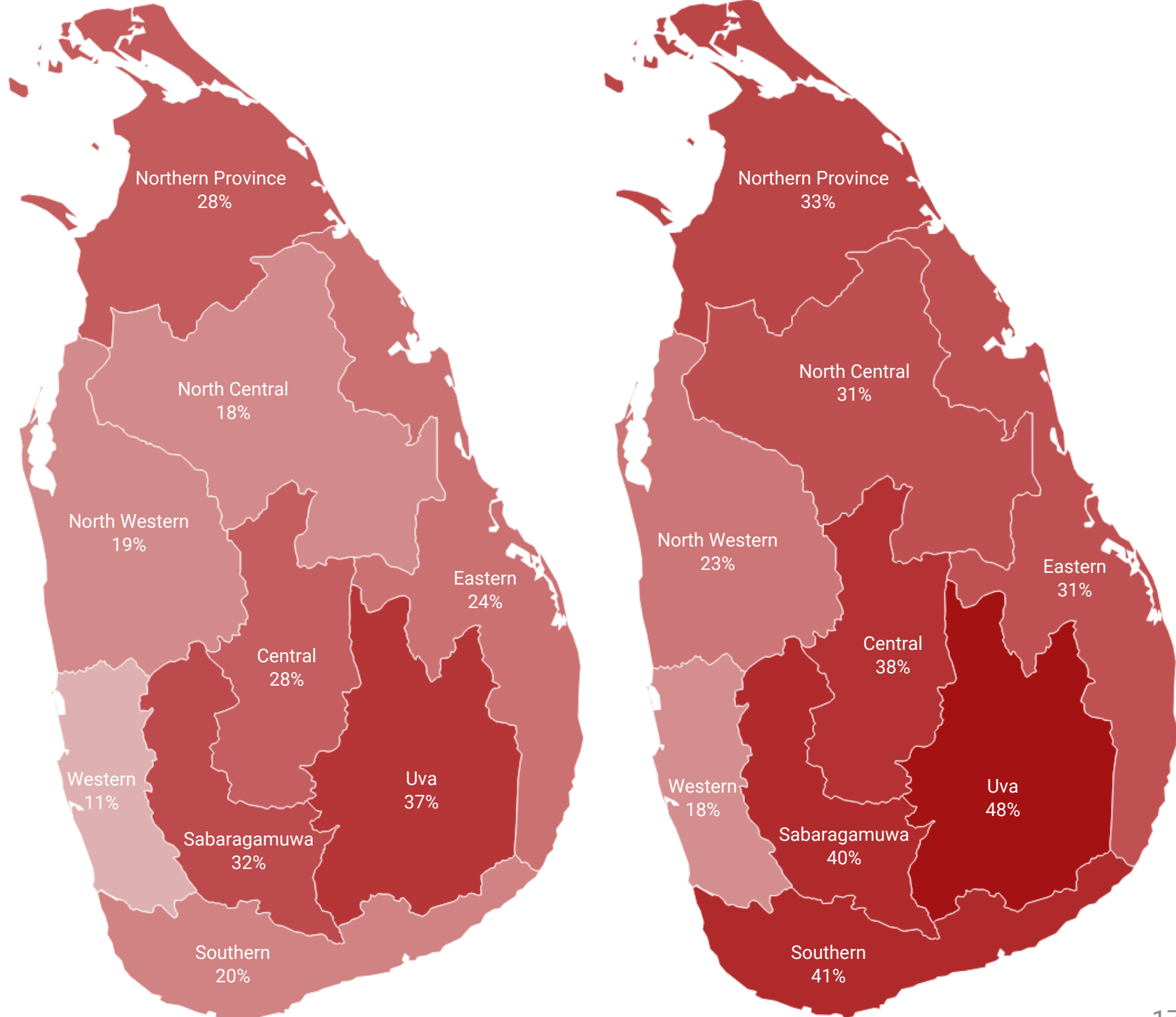
Base
2019: All households (n = 25,000). Poverty line: LKR 6,966
2023: All households (n=10,062). Poverty line: LKR 13,777

20

Many households reduced their food consumption due to the economic crisis

47%

of limited their portion sizes at mealtimes

33%

ate fewer meals a day

27%

restricted adults' food consumption to allow children to eat

"I used to buy all the food she [4-year-old baby] needed, but now I can't even buy half of what I used to. Even a bun... She used to eat baby rusks. It used to be Rs. 30.00 and now it's about Rs. 140 "
Fazeena, 31 years, SEC E, Kandy*

"It was nice and sunny two days ago, but my husband couldn't find work. He travelled all over [the town looking for work] but returned home in the evening with very little money. We made some food for the children with that money. **I went hungry. Like that I have gone hungry for several days**. I don't show my family that I don't eat."
Dharshini, 37 years, SEC E, Nuwara Eliya*

* name changed

Q. During the last 7 days, were there days (and, if so, how many) when your household had to employ one of the following strategies?
Base: All households (n=10,062)

23

Some sold their household assets and spent savings to meet their day-to-day needs

32%

sold their household assets

50%

spent their savings

"We used to have a refrigerator, but we sold it recently. It was because of the economic crisis. We weren't using it, so there was no point of keeping it. We sold it for between Rs. 6000 and Rs. 7000".
Farzana, 36 years, SEC E, Jaffna*

"Now people live because they have to live. We don't even go out, even riding a bus costs a lot. So, unless there's an absolute necessity we don't go out. We had a motorcycle we sold it. Now we have a foot cycle and we use it for anywhere closer. If it's somewhere far away, we travel by bus."
Sahan, 42 years, SEC E, Matara*

"I pawned my jewellery when we didn't have enough money to meet our monthly expenses"
Ranjini, 36 years, SEC D, Kandy*

* name changed

Q. During the past 30 days, did anyone in your household have to engage in any following activities?
Base: All households (n=10,062)

6%

of households with children aged 5-18
did not send a child to school
in the 30 days prior to survey implementation

At least **203,000**
children were not in school
(at least for one day in last 30 days due to economic difficulties)

"About half the boys [in the nearby estate] have dropped out of school. They take on odd jobs in the area. They can earn about Rs. 200 if someone calls them [to do some work]."
Sivaratnam, Community leader, Badulla*

* name changed

Q. During the past 30 days, did anyone in your household have to engage in any following activities? (Withdrew children from school or not send them to school)
Base: All households (n=10,062)

2.
State of social
safety nets
prior to reform

Sri Lanka has over 25 social assistance programmes to provide citizens a safety net in times of hardship

We focus on 4 key programmes, and identify 3 major challenges across these

Emergency cash assistance during the COVID crisis	Emergency cash assistance during the current economic crisis	Emergency cash assistance for food insecure families	Samurdhi monthly cash transfer
PAMA (PinPadi)	Assistance for thalassemia patients	Allowance for Persons with Disabilities (PWDs)	Thriposha Program
Assistance for cancer patients	Mahapola	Assistance for tuberculosis patients	President's Fund
Saubagya Village Programme	Grade 5 Scholarship	GCE A/L Technology Scholarship	Sujatha Diyani Scholarship
Saubhaga Scholarship	President's Fund Scholarship	Kepakaru Deguru Sponsorship	Allowance for Senior Citizens
Nutrition Package for expectant mothers	School Textbook Program	School Uniform Program	Subsidised Transport Program
Allowance for kidney patients	Morning Meal for Preschool Children	Fresh Milk for School Children	Midday Meal Program

Challenge 1: Poor coverage and targeting

Coverage is low across all 4 programmes; many of those eligible are excluded

Welfare benefit recipients by programme (% of eligible population)

0.6M

32%

Samurdhi

1.4M

22%

Senior Citizens' Allowance

1%

Allowance for PWDs

7%

Allowance for Kidney Patients
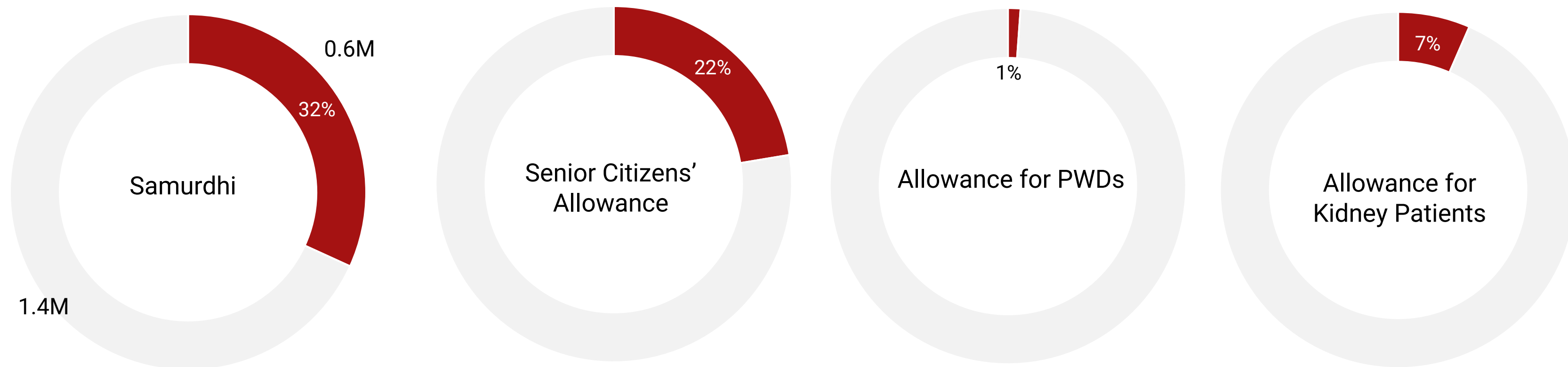
Key eligibility criteria

- Families below poverty line (2M)

- Persons above age 70, who receives PAMA or Samurdhi
- Household income < Rs.6000/= (57K)

- Persons with disabilities
- Household income < Rs. 6000/= (183K)

- Persons with Chronic Kidney Disease
- Household income < Rs. 6000/= (19K)

Q. Tell me which household members are currently receiving benefits from these Social Welfare programmes?
Base: All households (n=10,062)

1.7 million

families received monthly Samurdhi cash transfers…

… but only 40%
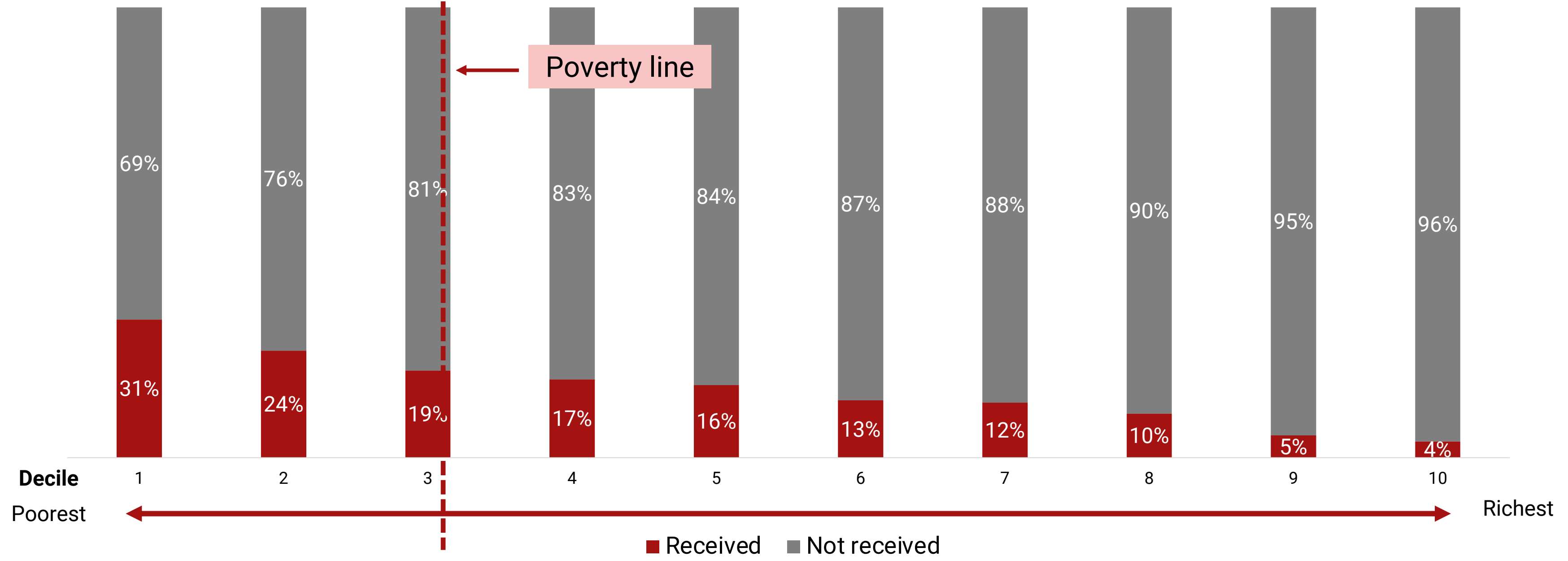
were poor

as per the national poverty line

Note: Department of Samurdhi reported number beneficaries in April 2022: 1.7 million

Q. Tell me which household members are currently receiving benefits from these Social Welfare programmes?

Base: All households (n=10,062)

Only 31% of the poorest 10% of households received Samurdhi; 4% of the richest 10% of households did

Samurdhi recipient households by expenditure decile
(% of households in expenditure decile)

Poverty line ←

Decile	1	2	3	4	5	6	7	8	9	10
Not received	69%	76%	81%	83%	84%	87%	88%	90%	95%	96%
Received	31%	24%	19%	17%	16%	13%	12%	10%	5%	4%

Poorest ← → Richest

■ Received   ■ Not received

Q. Tell me which household members are currently receiving benefits from these Social Welfare programmes?
Base: All households (n=10,062)

Difficulties in verifying eligibility criteria led to programmes being co-opted for political gain

- Eligibility critieria for many schemes have included monthly income/expenditure, which is difficult to verify in many poor households

- Officials exercise high levels of discretion when determining eligibility

- Programmes co-opted for political gain

"I didn't get Samurdhi until I began working for the ruling political party [at the time]. There was a key person who works with Ministers during elections…. The Samurdhi officer would go to him to see who needs to be given Samurdhi. [He would keep track of those who helped with elections]. **Only the people who attended political meetings got Samurdhi**. Initially, I applied for benefits, but didn't go for election meetings. But I didn't receive Samurdhi. [Meanwhile, others in the village who went for meetings, did]. **I then started going for elections meetings. Then they put me on the Samurdhi list**, [and I began receiving benefits]."
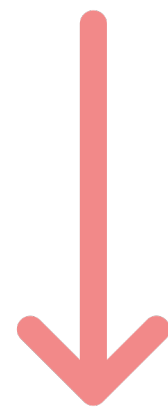*Amaraweera*, 49 years, SEC D, Polonnaruwa*

* name changed

50

28 years

↑
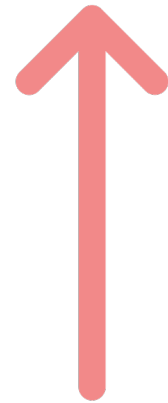
3 years & 9 months

average **waiting years** for Samurdhi recipients

↓

Less than one year

"The [Samurdhi Officers] keep postponing my registration. Now it has been four years since I settled in this village, but I am still unregistered. I can't go there and beg all the time"
Fathima, 32 years, SEC E, Jaffna*

The Samurdhi official said [it will be] difficult to get the Samurdhi 'Card' made, since their quota is full. **No one has left the programme, so we cannot receive benefits**. Since they had registered for this programme a long time ago, the officers cannot cut their names from the list, then there will be many unnecessary issues. So, the official at the Samurdhi asked us to wait until a spot opens up, and that he will fill it in with our names."
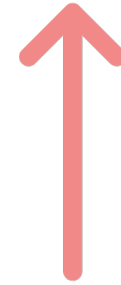*Lalitha*, 48 years, SEC C, Monaragala*

* name changed

Q. Please tell me when did the household member apply for the program?
Base: Families in Samurdhi waiting list (n=2,356)

Challenge 2: Low exit rates

28 years

↑

Those on Samurdhi receive monthly cash transfers for

10 years and 3 months

on average

↓

Less than one year

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Pro-poor. Pro-market.

Limited and opaque pathways to exit Samurdhi in practice

Migration

"My mother had Samurdhi, but since I was abroad, they took her off the list. But then my mother fell ill, I went several times [to the Samurdhi office] and somehow managed to convince and add the name in to the beneficiary list."
Kalpana, 59 years, SEC C, Polonnaruwa*

Obtaining government employment

"It has been a year since my oldest child joined the army. Then they removed me from Samurdhi. I asked them not to remove it since I was sick, but they removed it."
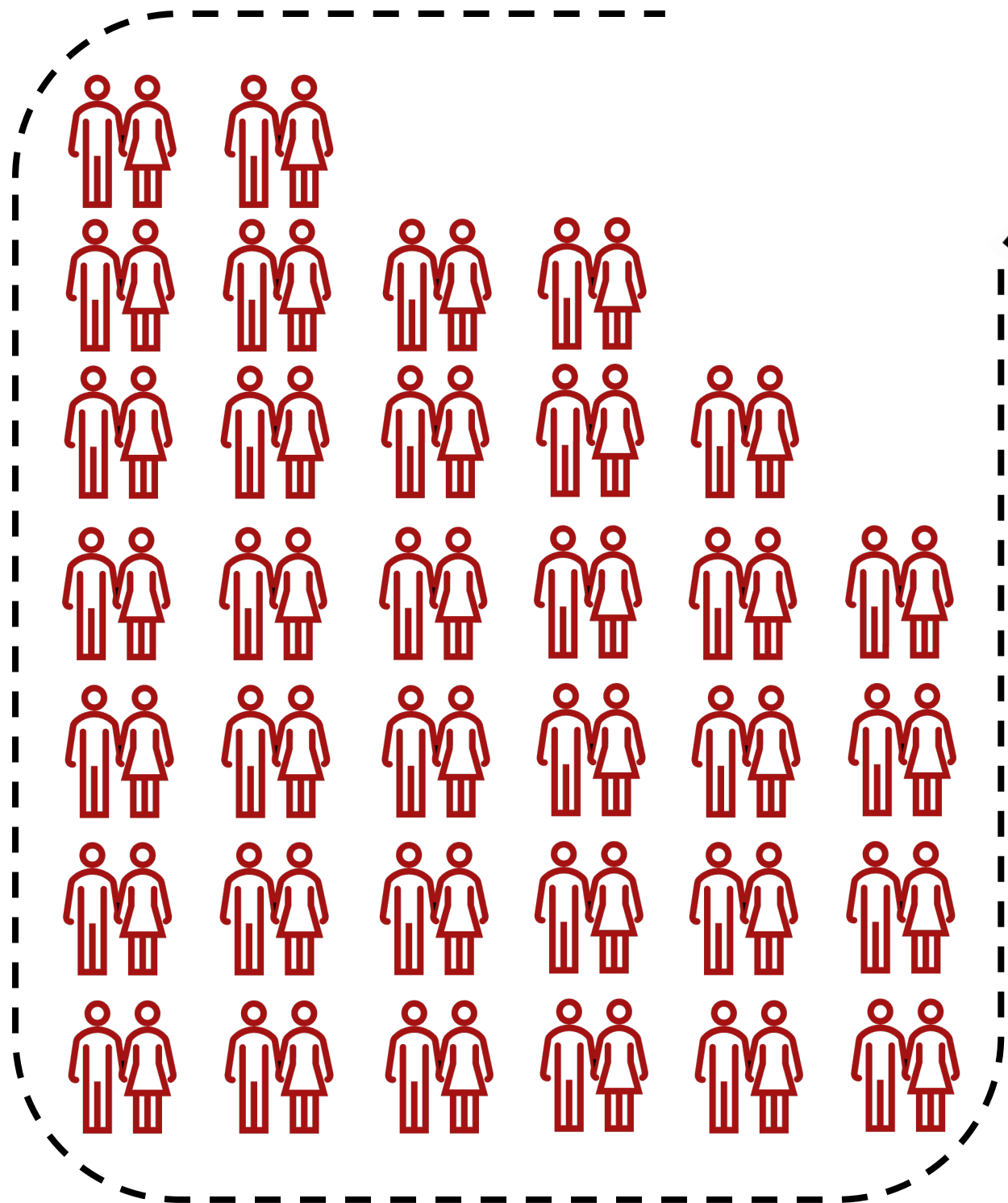*Kumari*, 53 years, SEC C, Polonnaruwa*

Ad hoc criteria imposed by government officials

"I used to get the Samurdhi benefit but the Samurdhi Officer struck my name off since I owned a tractor. Now I don't get that benefit."
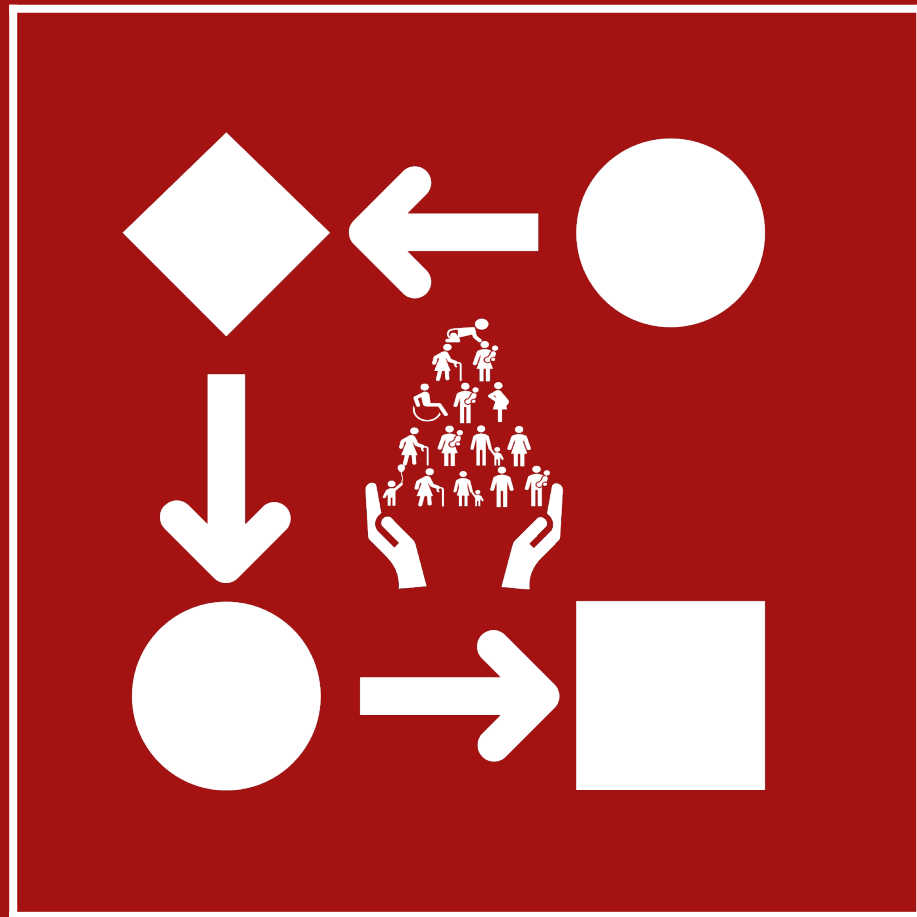*Kiribanda*, 88 years, SEC D, Monaragala*

* name changed

Only **17%** of those who have received Samurdhi benefits have exited the programme

Q. Please look at this card and tell me which household members received benefits in the past but no longer receiving benefits from these Social Welfare programs?
Base: All Samurdhi beneficiaries (n=3,524)

56

Challenge 3: Inefficient delivery mechanisms

1.5 hours
Travel time (to and back from) Samurdhi Bank

+

2.5 hours
Waiting time at Samurdhi Bank

=

12 hours

↑

4 hours
average time
cost for Samurdhi recipients

↓

15 mins

Median time cost for Samurdhi recipients: 2 hours and 18 minutes

Q1. How long it does it take for this member to travel to the benefit collection point?
Q2. How long does it take this member to collect the benefit at the benefit collection point?
Base: All Samurdhi beneficiaries (n=3,524)

61

Long waiting hours and high traffic at Samurdhi Banks on 'collection days' attributed to

- **Poor communication**

- **Low digitalization**

- **Disengaged officers**

"[My officer usually asks me to come into the Samurdhi bank] to collect the cash between 9.30 and 10.30am. But the Samurdhi officer is in at different times. We try get our work done by 1.30pm so that we can pick up our children from school. But it often takes a lot of time. On some days the officer is not in at the Samurdhi Bank, so we return home empty handed."
Ramani, 42, SEC C, Colombo*

"One person checks if a loan has been taken. Another person checks if the loan has been repaid. Another person checks if there are arrears to be paid. So, there are a lot of ledgers.",
Thilanka, 47, SEC D, Colombo*

"The staff there are very lethargic, that is the usual way. When they go for lunch, they take a long time to return to their desks. But we cannot complain. So, we must wait until the money is given to us."
Mohamed, 54, SEC D, Gampaha*

* Name changed

3.
New reform
agenda

National Transformation Roadmap identifies social protection as one of four key pillars

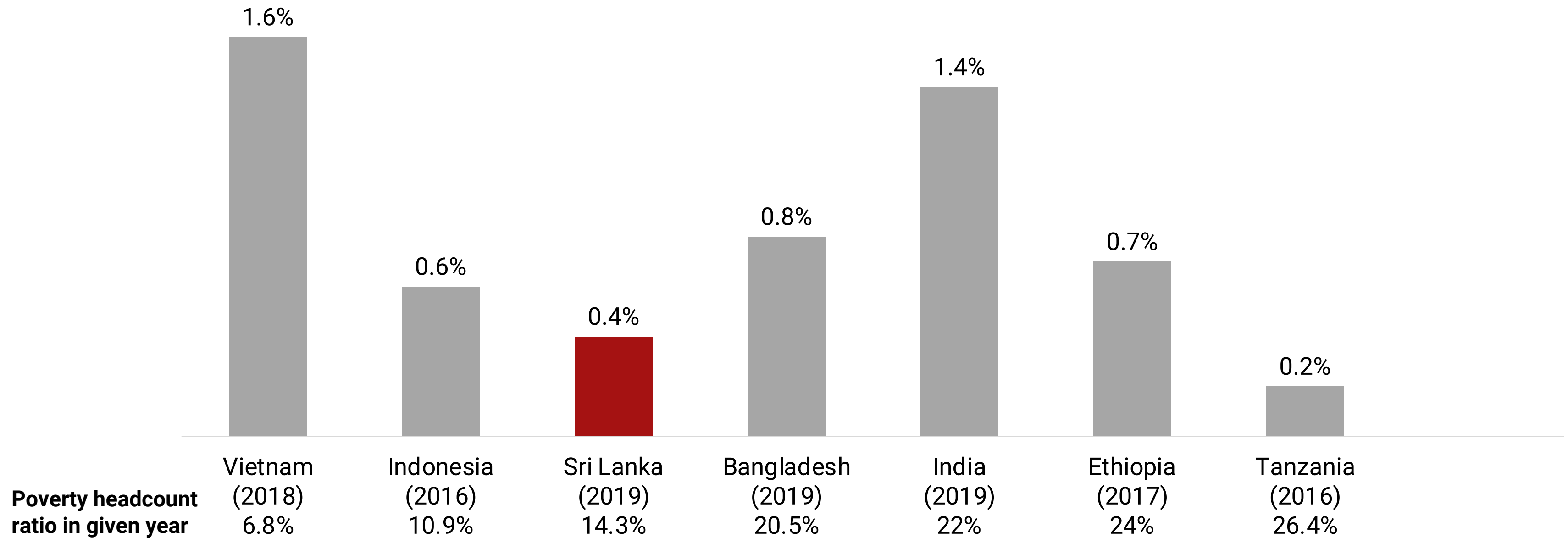|	
Fiscal and Financial Reform	Investment Drive
Social Protection and Governance	State Owned Enterprises Reform

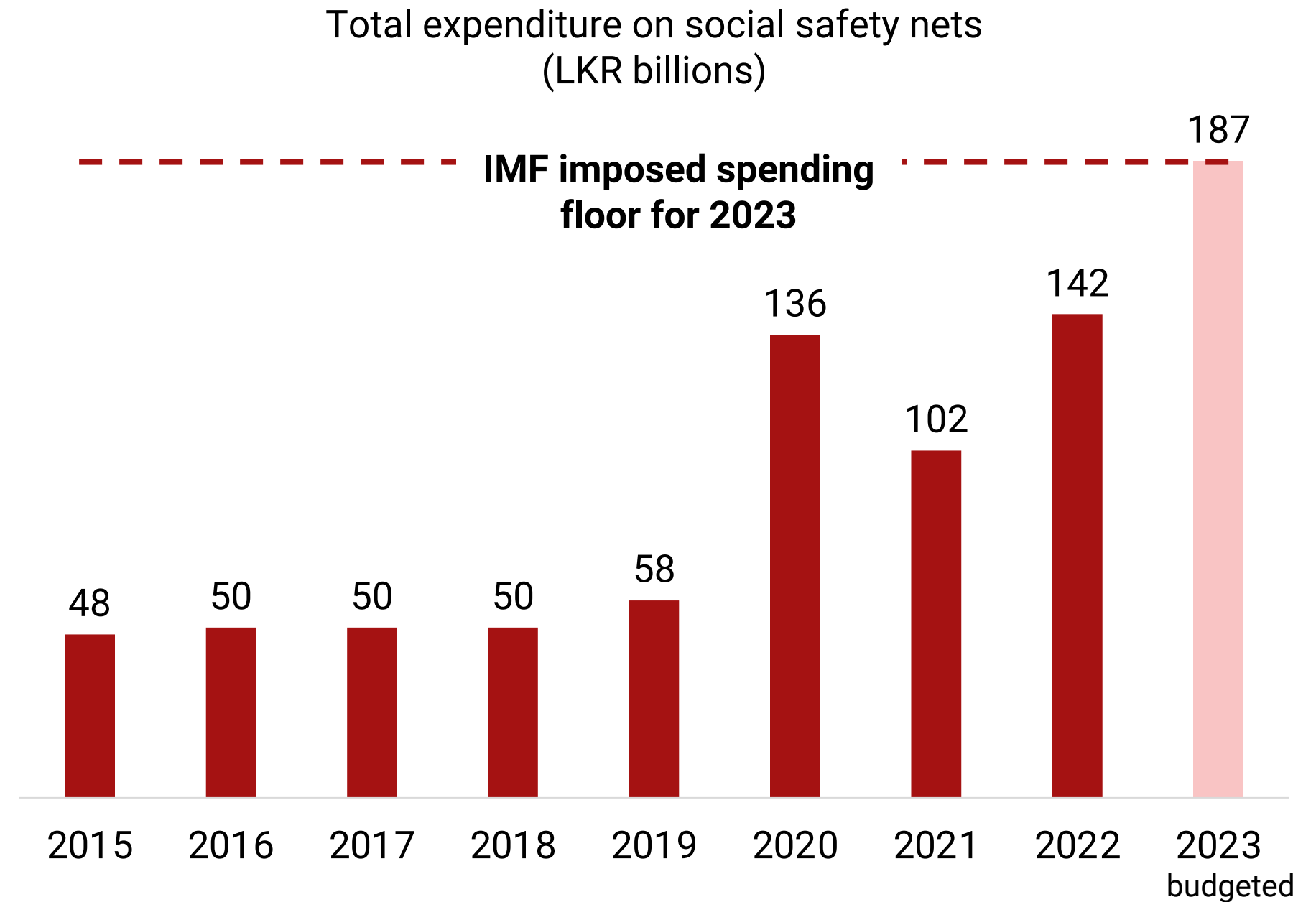Source: President's Address to the Nation – 1 June 2023

Pre-COVID and economic crisis, Sri Lanka spent less than 0.4% of GDP on social safety nets

Spending on social safety nets – Sri Lanka vs peers
(% of GDP)

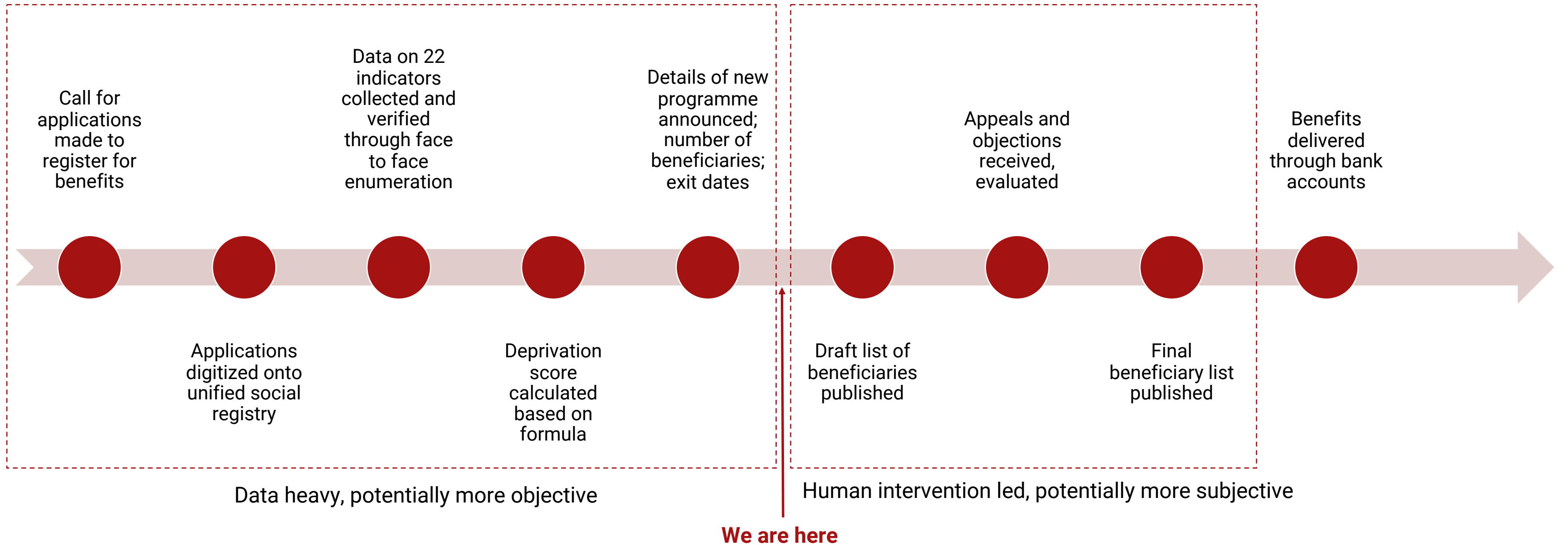|	Vietnam (2018)	Indonesia (2016)	Sri Lanka (2019)	Bangladesh (2019)	India (2019)	Ethiopia (2017)	Tanzania (2016)
	1.6%	0.6%	0.4%	0.8%	1.4%	0.7%	0.2%
Poverty headcount ratio in given year	6.8%	10.9%	14.3%	20.5%	22%	24%	26.4%

Social safety net expenditure increased since 2020; at least 0.6% - 0.7% of GDP to be spent from 2024

- Sri Lanka increased expenditure on social safety nets in recent years.

- IMF programme requires Rs.187 billion spending floor on social safety nets in 2023.

- At least 0.6%-0.7% of GDP to be spent on safety nets from 2024.

Total expenditure on social safety nets
(LKR billions)

- - - - - - - - - - - **IMF imposed spending floor for 2023** - - - - - - - - - - 187

2015	2016	2017	2018	2019	2020	2021	2022	2023 budgeted
48	50	50	50	58	136	102	142	187

Aswesuma programme: identifies beneficiaries through a multi-stage process

Call for applications made to register for benefits

Applications digitized onto unified social registry

Data on 22 indicators collected and verified through face to face enumeration

Deprivation score calculated based on formula

Details of new programme announced; number of beneficiaries; exit dates

Draft list of beneficiaries published

Appeals and objections received, evaluated

Final beneficiary list published

Benefits delivered through bank accounts

Data heavy, potentially more objective

Human intervention led, potentially more subjective

We are here

We use our research to discuss this process

Aswesuma programme provides differentiated benefits based on level of vulnerability

Programme/target group		Number of welfare beneficiaries/ families	Proposed monthly allowance (Rs.)	Last day for receiving benefits*
Poor and vulnerable families	Transitional	400,000	2,500	31 December 2023
	Vulnerable	400,000	5,000	31 March 2024
	Poor	800,000	8,500	30 June 2026
	Severely poor	400,000	15,000	30 June 2026
	Total	**2,000,000**	**-**	**-**
Allowance for PWDs		72,000	5,000	30 June 2024
Allowance for Kidney Patients		39,150	5,000	30 June 2024
Senior Citizens' Allowance		416,667	2,000	30 June 2024

* Possibly under a single evaluation cycle
Source: Extraordinary Gazette No. 2328/13

Recommendation

Improve clarity on programme operations

- whether one can receive multiple benefits
(e.g.: Can one's family can receive a grant, while one also receives a senior citizens' allowance and a kidney allowance)

- plan for reevaluation & exit mechanisms
(e.g.: Will the transitional poor not be eligible for any cash handouts after 31 December? Will there be a reevaluation before December for these groups?)
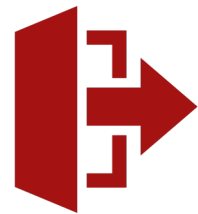
Some didn't register for Aswesuma due to a lack of awareness; high reliance on social capital to gain knowledge on programmes

- **Lack of awareness** despite scheme being advertised via multiple channels (newspapers, TV, SMS, loudspeakers, government officials)

- **Misinformation** who can register

- **Lack of trust** given unsuccessful efforts to obtain benefits in the past

"The Secretary and other officials are from the [redacted] area. Therefore, we don't get this news to the estate…The leaders or the people with authority in the Samurdhi programme are all Sinhalese… It is first told to their people"
Akeash*, 31 years, SEC D, Avissawella

"I heard that some forms were being circulated and this had to be completed and submitted to the Grama Sevaka by 31 October [2022] but those who are employed on the estate are not eligible. [So I didn't register]"
Shanthi*, 34 years, SEC D, Avissawella

"I know that if it is sponsored by the government, we will never get it. Therefore, I don't bother"
Prasanna*, 36 years, SEC E, Matara

* name changed

Recommendation

📁 Reopen & keep open Aswesuma registration

👤 Further improve communications on registration
Incentivise officials to engage in outreach beyond their circles
Highlight that all those who feel they are in need can apply for programme

Pen & paper used for registration, then entered into database

- Encountered instances where government officials collected registration forms, but chose not to further process it.

- Existing mechanism does not provide option for phone or internet-based registration options despite high of mobile ownership, and moderate internet use among the poor.

92%

32%

Mobile ownership (% of households in poverty)

Internet use (% of adult population in poverty)
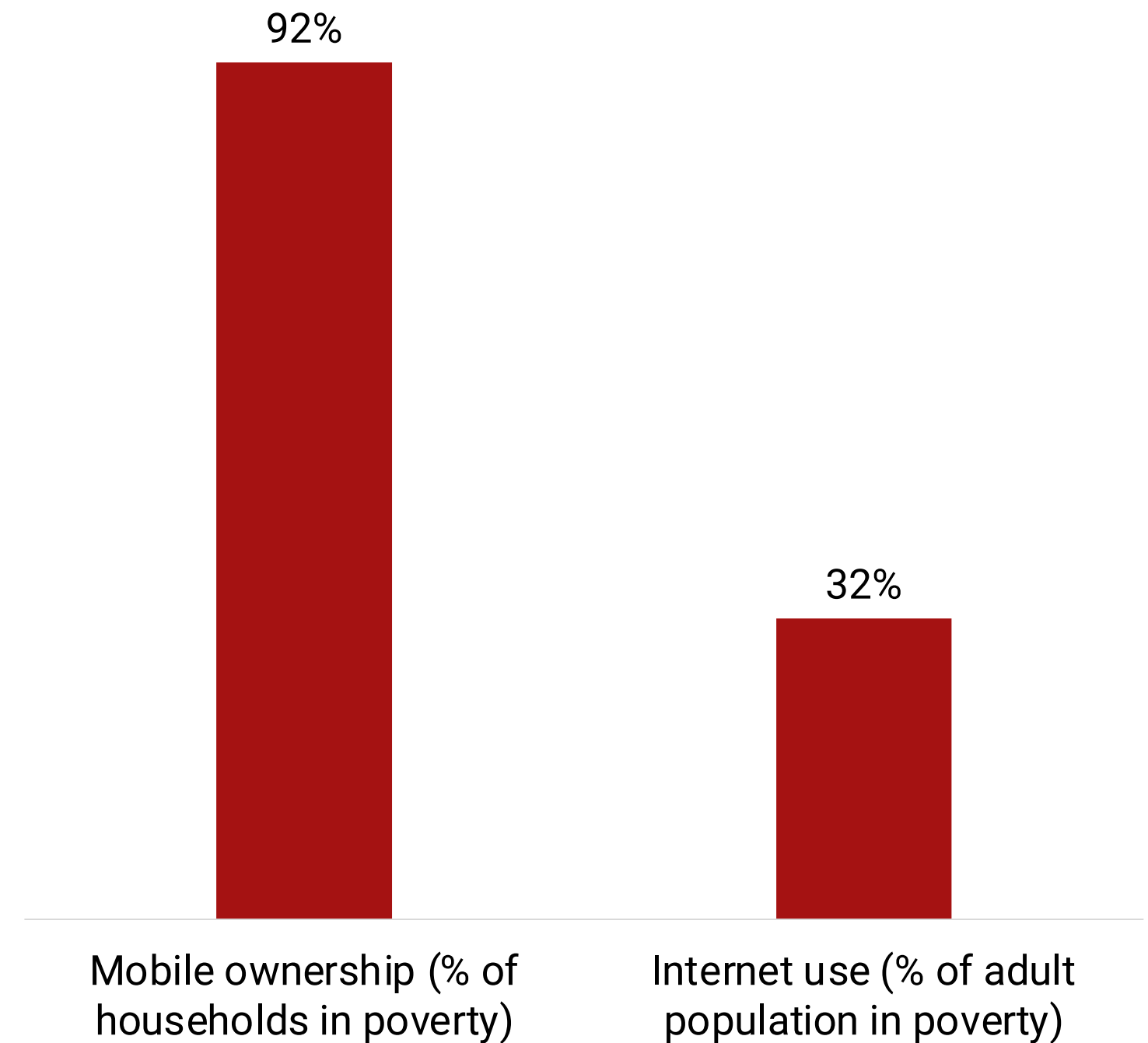
Q1. Item in working condition (exclusive for your household only)
Q2. Has this member ever used the internet? (Websites and applications like Google, Facebook, WhatsApp, email, YouTube etc.)
Base: Households in poverty (n=2,863)

73

Recommendation

Provide digitally enabled registration options

- 32% of the adults in poverty are internet users

- Already implemented in many South Asian countries

Explore low tech options such as SMS based registration

- 92% of poor households own a mobile phone
- most common method of applying for benefits during COVID-19 in South Africa

Government uses 22 indicators to assess eligibility for programmes through a formula to calculate a 'deprivation score'

Highest Education Level

School attendance

Chronic diseases

Disability

Monthly per capita expenditure

Monthly per capita income

Ownership of land(+ resident's house)

Ownership of other houses and buildings

High lands ownership

Paddy lands ownership

Vehicle Ownership

Machine ownership

Livestock ownership

Nature of Housing unit

Raw materials - floor

Raw materials - walls

Raw materials - roof

Floor area

Drinking water source

Toilet facilities

Source of lighting

Electricity consumption

Dependency ratio

Single parent family

Face to face surveys used to collect data to calculate deprivation score

- Face to face surveys are used to collect data to calculate deprivation score.

- Resource intensive but allows for some level of data verification (vs. relying purely on disclosed information). But process is largely reliant on potential beneficaries being truthful.

- Data collectors may be threatened or even assaulted

Excerpts from interview with data collector

"When I see a vehicle parked outside a house and ask if it's theirs, they say no, it does not belong to them. They say it belongs to a neighbor but since they don't have space to park it in their garden, they park it here. When I mentioned this to the Grama Niladhari, he confirmed that it belonged to that person."

"Even when we tell them it's illegal to hide such information or give false information, they don't care. They continue to give false information."

"At the time we were conducting the survey, one person in a household was intoxicated. He threatened to hit me with a pole if his family didn't receive benefits."

Recommendation

Integrate unified social registry with other digitized databases to verify accuracy of data collected. (e.g.: integrating with Department of Motor Traffic database to understand vehicle ownership)
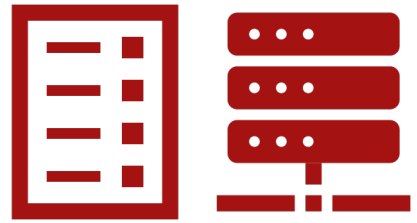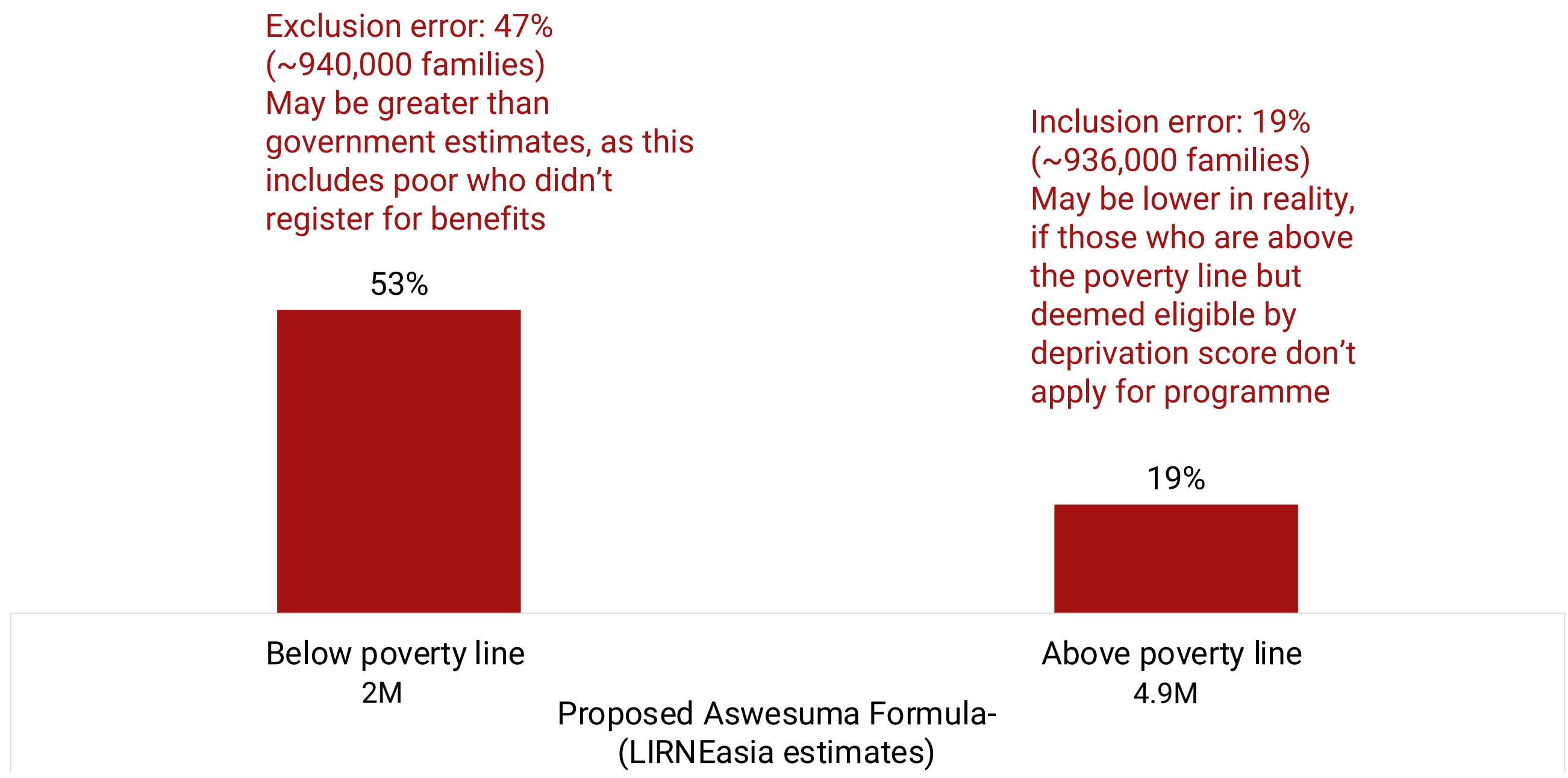
Government uses 22 indicators to assess eligibility for programmes through a formula to calculate a 'deprivation score'

We use data from our nationally representative survey to calculate deprivation score, and compare how the 2 miilion families with lowest scores fare on deprivation score vs. poverty line

Highest Education Level

School attendance

Chronic diseases

Disability

Monthly per capita expenditure

Monthly per capita income

Ownership of land(+ resident's house)

Ownership of other houses and buildings

High lands ownership

Paddy lands ownership

Vehicle Ownership

Machine ownership

Livestock ownership

Nature of Housing unit

Raw materials - floor

Raw materials - walls

Raw materials - roof

Floor area

Drinking water source

Toilet facilities

Source of lighting

Electricity consumption

Dependency ratio

Single parent family

# Aswesuma formula identifies only ~1.1 million of 2 million families below the poverty line in 2023

Aswesuma formula - coverage of families above and below poverty line
(% of families above and below poverty line)

Exclusion error: 47%
(~940,000 families)
May be greater than government estimates, as this includes poor who didn't register for benefits

Inclusion error: 19%
(~936,000 families)
May be lower in reality, if those who are above the poverty line but deemed eligible by deprivation score don't apply for programme

53%

19%

Below poverty line
2M

Proposed Aswesuma Formula-
(LIRNEasia estimates)

Above poverty line
4.9M

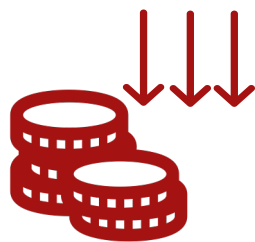Base: All households (n=10,062). Poverty line: LKR 13,777
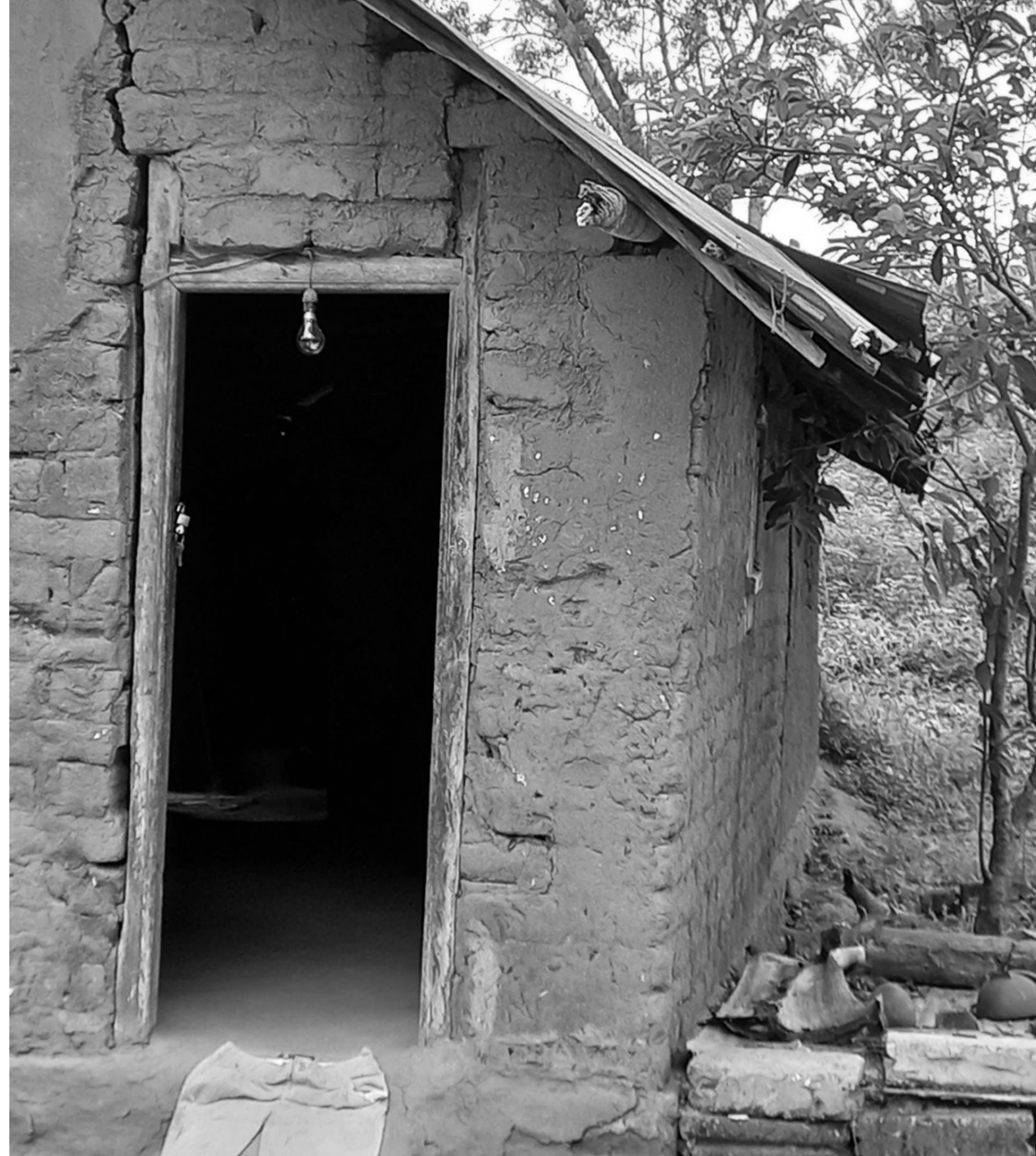
Recommendation

Ensure robust appeals & objections process, making basis for decisionmaking clear to the public
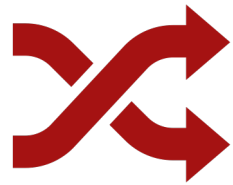
Integrate learnings from appeals & objections process to improve eligibility criteria
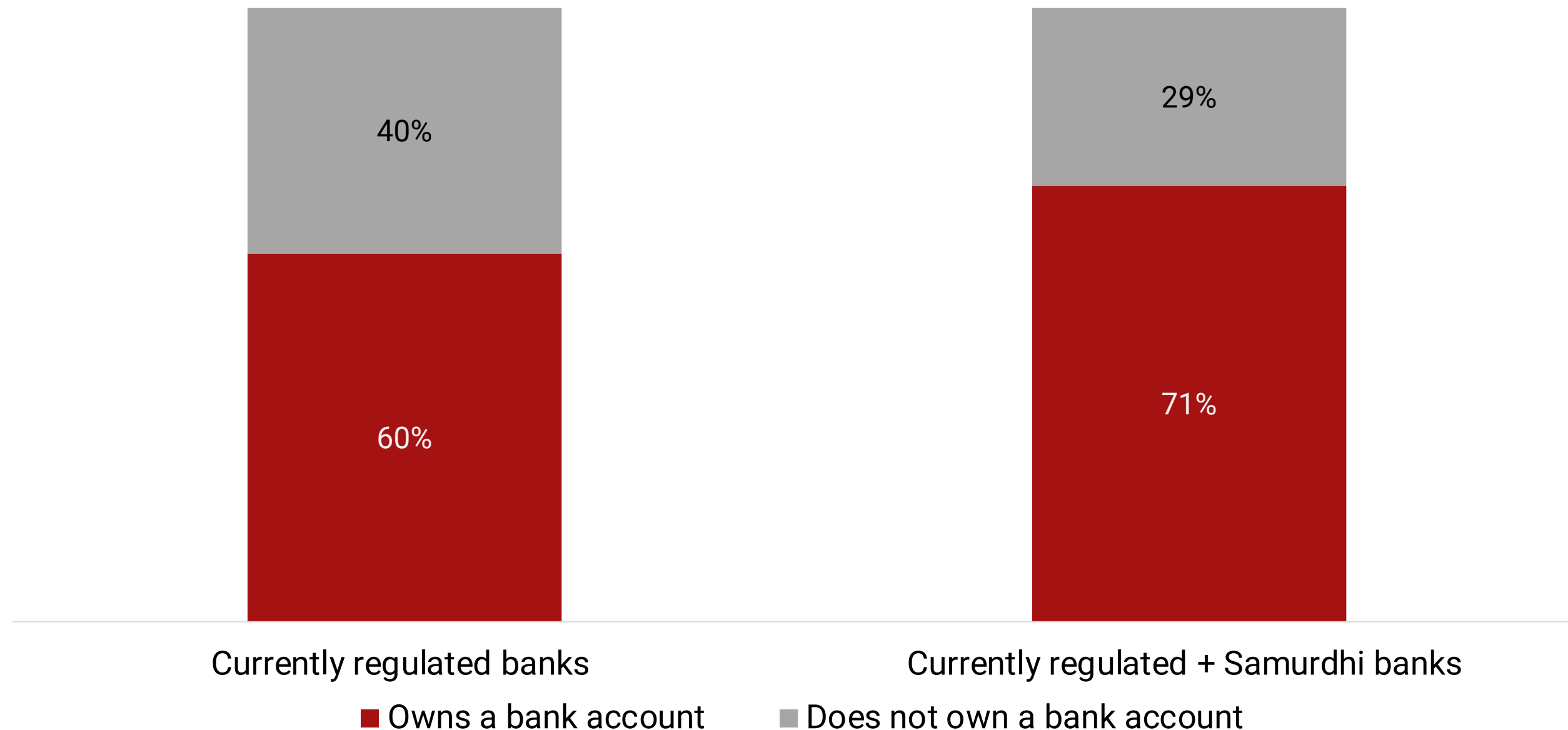
Reconsider definitions of poverty, with emphasis on capturing new poor

Efforts underway to regulate Samurdhi Banks, provide option to collect benefits at all banks

Bank account ownership among adult population living in poverty
(% of adult population living in poverty)

40%	29%
60%	71%

Currently regulated banks   Currently regulated + Samurdhi banks

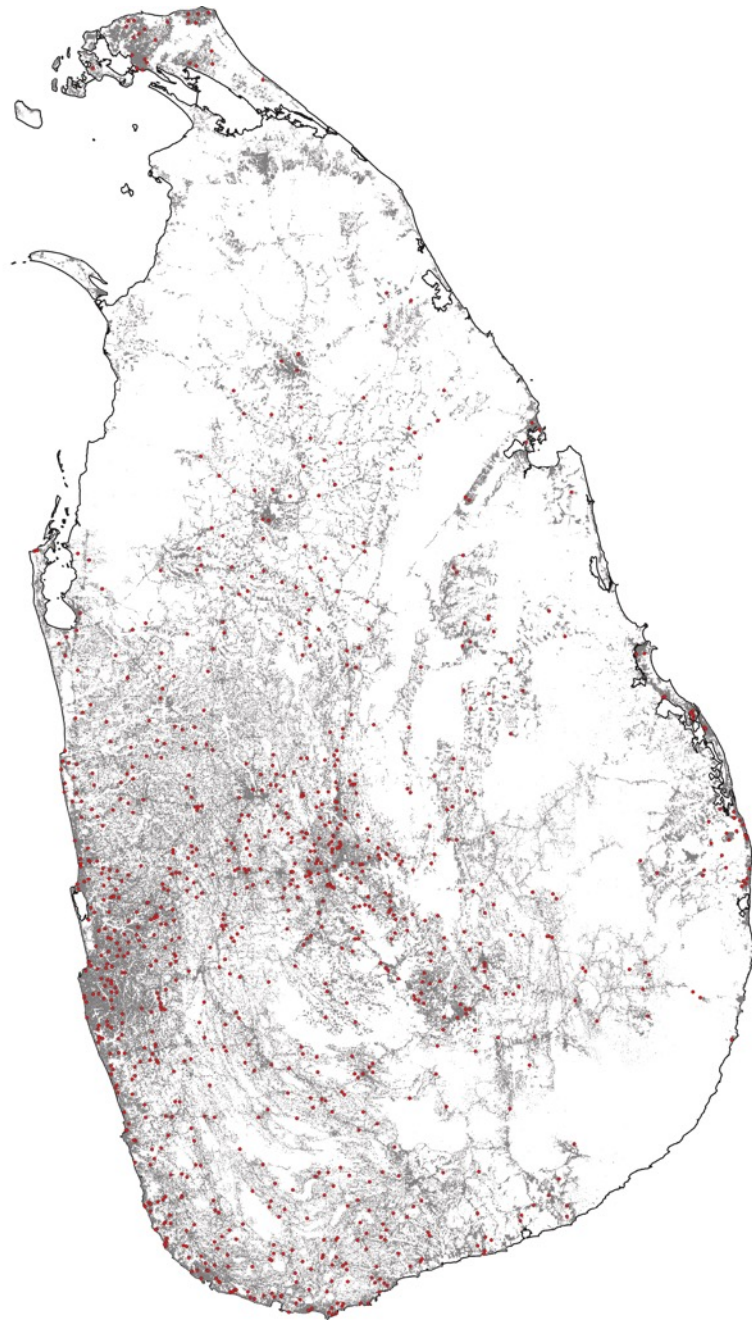■ Owns a bank account   ■ Does not own a bank account

Q1. Tell me which household members are currently receiving benefits from these Social Welfare programmes?
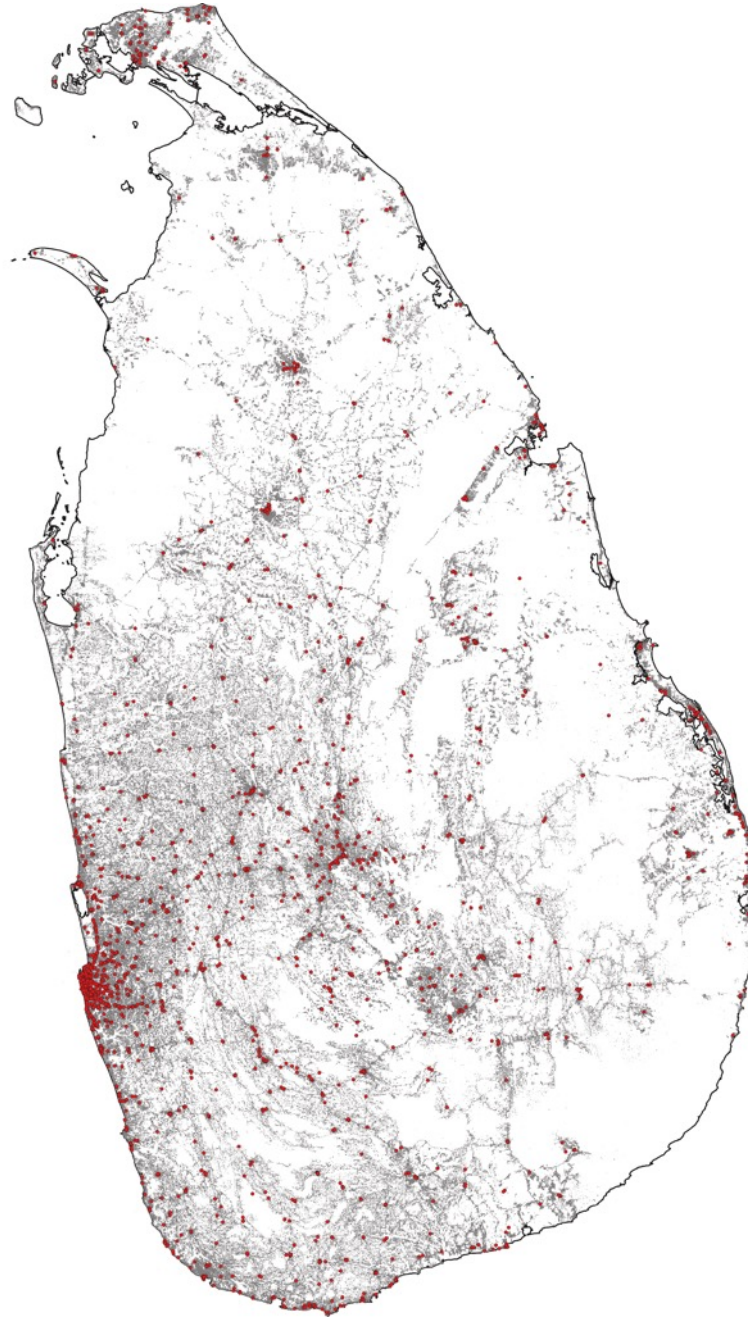Q2. Does this household member have her/his own bank account?
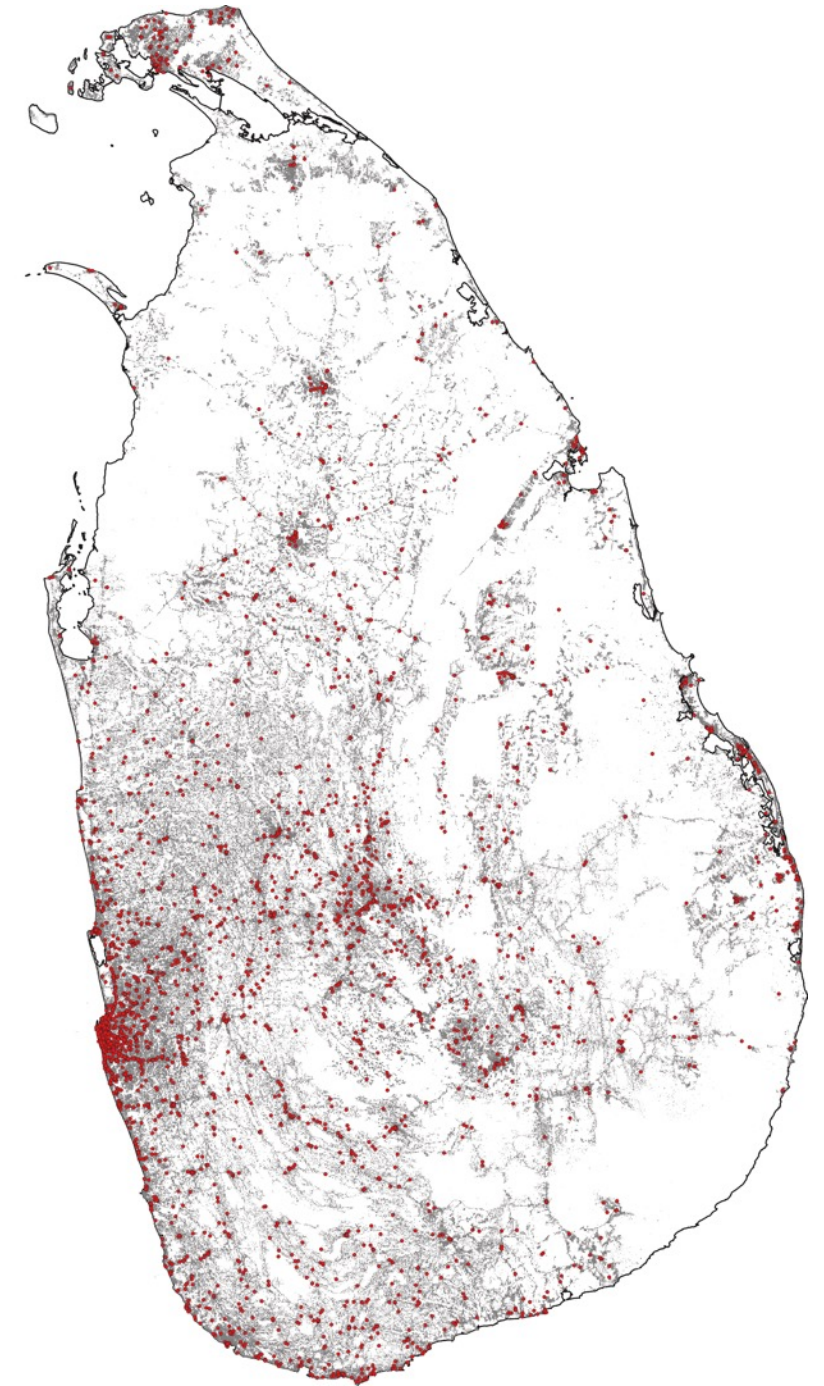Base: Poor households (n=2,863)

Delivering benefits through all banks should lower travel and waiting times

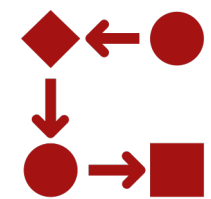**1050 Samurdhi Banks**

4000+ currently regulated bank branches

5000+ Samurdhi Banks & currently regulated bank branches

96

Recommendation

🏛️ Deliver benefits through regulated banks

◆←●
↓ ↑
●→■
Address underlying inefficiencies of Samurdhi Banks (poor communication, inefficient human resources, low digitalization)

New scheme signals that graduation from social asssitance is a priority

Target group		Current – average (LIRNEasia survey)	Proposed (Ex Gazette 2328/13)
Poor and vulnerable families	Transitional	10 years and 3 months	6 months
	Vulnerable		9 months
	Poor		3 years
	Severely poor		3 years
Persons with disabilities (PWDs)		3 years and 9 months	1 year
Persons with Kidney disease		3 years and 5 months	1 year
Senior Citizens		4 years and 4 months	1 year

* Possibly under a single evaluation cycle

Source: Extraordinary Gazette No. 2328/13

Recommendation

- Provide access to credit

- Provide beneficiaries access to capacity building programmes
- Entrepreneurship development & other livelihood training programmes
- Training on financial management

In summary…

- Improve communications on programme operations, including registration
- Reopen and keep open Aswesuma registration
- Provide mobile and internet-based registration options
- Integrate unified social registry with other digitized databases
- Ensure robust appeals & objections process, making basis for decisionmaking clear to the public
- Integrate learnings from appeals & objections process to improve eligibility criteria
- Reconsider definitions of poverty, with emphasis on capturing new poor
- Deliver benefits through regulated banks
- Address underlying inefficiencies of Samurdhi Banks (poor communication, inefficient human resources, low digitalization)
- Provide beneficiaries access to credit & capacity building programmes

Thank you!

LIRNEasia
Pro-poor. Pro-market.