



**BUDGET BRIEF: SOCIAL ASSISTANCE SECTOR**  
SRI LANKA 2021

## KEY MESSAGES:



This brief focuses on the social assistance part of social protection, specifically on expenditure on the main cash transfers programmes in the country. Whilst most of the related programmes primarily come under the State Ministry of Samurdhi, Household Economy, Micro Finance, Self-Employment and Business Development, there are social assistance programmes that fall under the purview of other ministries. The issue of multiple ministries implementing social protection programmes brings about issues such as increased costs and overlapping beneficiaries.



Central government social assistance expenditure consists mainly of recurrent expenditure given the nature of the spending under consideration (i.e. cash transfers). Approximately one fifth of social assistance expenditure is spent on administration-related costs. Sri Lanka's social assistance expenditure has relied entirely on domestic financing since 2016.



As of 2021, Samurdhi relief assistance (excluding admin-related expenditure) accounts for 70 per cent of all social assistance expenditure whilst the balance 30 per cent is accounted for by financial support to the elderly, support for low-income persons with disabilities, financial assistance for kidney patients, and nutritional food allowances for expectant mothers. Samurdhi expenditure has been increasing in nominal terms but not in real terms, whilst the number of beneficiaries has also increased in recent years.



The COVID-19 pandemic has had significant economic impacts in Sri Lanka. These impacts have particularly been felt by vulnerable communities and daily wage earners. Whilst there were increased social assistance allocations, including a large cash transfer response of LKR 5,000 to existing beneficiaries of social assistance programmes and other affected individuals, Sri Lanka's overall expenditure on COVID-19 has been significantly less than that of its regional peers such as Pakistan and Bangladesh.<sup>1</sup>

1. Public Finance Platform: Sri Lanka's Expenditure on COVID-19 Response is Much Lower Than its Regional Peers (1st September 2021). Available at <https://publicfinance.lk/en/topics/Sri-Lanka%E2%80%99s-Expenditure-on-COVID-19-Response-is-Much-Lower-Than-its-Regional-Peers-1630477922>



## 1. INTRODUCTION

This brief is one of five that explore the context of government budgets to social sectors in Sri Lanka. The remaining briefs on Water, Sanitation and Hygiene services (WASH), education, health and child protection budgets explore the trends in the budgets for those sectors.

**Social protection** is a set of policies and programmes aimed at preventing or protecting all people against poverty, vulnerability and social exclusion throughout their life-course. It includes measures related to social assistance, social insurance, labour market programmes and social care services. **Social assistance** (or social transfers) refers to benefits provided by the government, without the need for contribution from the recipient/beneficiary ('non-contributory'), in order to reduce poverty/vulnerability/exclusion. Examples are cash transfers, vouchers or in-kind support, public works programmes, fee waivers or some subsidies. **Social insurance** (usually 'contributory, 'or financed from contributions by workers and their employers) refers to mechanisms that provide compensatory support against economic risks across the life-course to prevent people from falling into poverty when shocks or unexpected life events occur. Examples include health insurance, unemployment insurance, maternity benefits, old-age pensions, injury or disability insurance. **Labour market programmes** are programmes and services that support employment and livelihoods and enable individuals or households to have sufficient income while ensuring provision and time for quality childcare. Examples include childcare services and family-friendly workplaces to facilitate employment, particularly of women. **Social care services** are those aimed at people facing social risks such as violence, abuse, exploitation, discrimination and social exclusion, with a workforce that provides direct outreach, case management and referral services.

This brief provides a comprehensive analysis of Sri Lanka's *social assistance* budget and expenditure. It informs

readers of trends in spending on the sector over the recent years and serves as a source of information on the social assistance budget. The brief includes an analysis of underlying policy goals and the functional and regional distribution of budget allocations. It seeks to increase the availability of information on how much is being spent to meet the social assistance goals of the social protection sector. The brief is the result of a research partnership between UNICEF and Verité Research that aims to unpack the contours of government budgets in Sri Lanka, which counts with the support of the European Union.

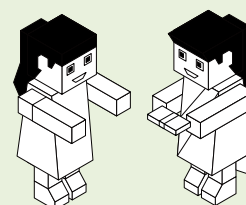
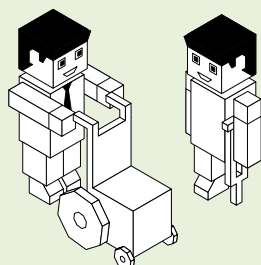
Data for the brief on central level spending on social assistance was collected from Sri Lankan Central Government Annual Budget Estimates 2015—2021. This sector mainly includes allocations to the State Ministry of Samurdhi, Household Economy, Micro Finance, Self-Employment and Business Development, which also includes the Department of Samurdhi Development. Other significant allocations considered in this brief are outlined in the next section on definitions.

Social assistance expenditure at the Provincial Council (PC) level is not considered in this brief as data is not available at a disaggregated level and therefore cannot be linked to the social assistance definition used in this brief. Further, even on an aggregated level, data is only available up to 2018.

Finally, local authority-level [municipal councils (MCs), urban councils (UCs) and *pradeshiya sabhas* (PSs)] data has not been included in this brief because of the inherent difficulties and data constraints associated with accessing this information. Information at this level is not publicly available and would need to be obtained by physically visiting all of the local authorities. Further, disaggregated data for the social assistance sector is not available at the local authority level.

### The brief was developed under several constraints:

- Availability and comparability of data/information varies over time. These variations are seen across the central government and the nine PCs. For example, while central government budgets are available in electronic format, PC budgets are not. Instead, in the case of PCs, past budgets need to be physically sourced directly from these entities.
- Ministerial portfolios have undergone significant ad-hoc changes, creating difficulties in comparing budgets from one year to the next. The constant movement in portfolios has increased considerably since 2015. Further to this, changes occurred in government in the period under review. As a result, ministerial portfolios changed significantly with certain allocations being moved to other ministries rendering the search for data difficult. Additionally, the actual spending for 2018 and 2019, and the revised estimates for 2019 are not available for many data points due to the change of ministry portfolios. Whilst all of the spending is available on an aggregate level, certain ministries were recorded as 'discontinued ministries' giving no disaggregation at the level of activity head or line item. This resulted in a shortage of data and the inability to capture the defined sector to its fullest.
- There is no standard definition of a "social protection" or of "social assistance" sector in national budgets. Identifying the relevant spending items based on the scope proved to be challenging. Further, different government institutions also differ in their definition of social protection/assistance. Differing definitions is problematic because any interpretation of public financing in the sector is dependent on such definitions. The lack of a coherent definition posed a major challenge to the analysis in this brief.
- Moreover, the analysis was made difficult by the cross-cutting nature of the sector. For instance, the use of certain definitions indicated a potential overlap with other sectors such as health, education WASH and Child Protection. This has been explained wherever it has taken place, in this brief or in other briefs.
- Finally, as mentioned above, local authority-level budget data has not been considered in this analysis, and disbursements at this level have not been considered in the brief.





## 2. HOW IS THE SOCIAL ASSISTANCE SECTOR DEFINED?

### 2.1 Institutional framework

#### Sector definition

The definition of social protection is broad and can vary from country to country. In terms of social assistance, Sri Lanka has a long history of programmes and schemes including universal public education and healthcare, as well as provision of free uniforms and textbooks and transportation subsidies, amongst other measures. However, this brief focuses on the main social assistance programmes (including administration costs where data is available) based on transfers that constitute public expenditure on social protection. The programmes that will be covered in this brief are

- Samurdhi payments
- Payment to low-income families suffering from disabilities
- Payments to elders
- Payments to those suffering from chronic diseases (i.e. those suffering from kidney diseases)
- Nutritional voucher package for pregnant and lactating mothers.

Further, the brief will separately consider the social assistance allocations provided in the 2021 Budget Estimates to combat COVID-19.

The responsibility for social protection services and programmes is shared between central and provincial governments.

#### Central government

##### Ministries

As of September 2021, the State Ministry of Samurdhi, Household Economy, Micro Finance, Self-Employment and Business Development is the primary national-level ministry responsible for the formulation of programmes and policies concerning the social protection sector. Responsibilities also include the empowerment of low-income-earning disabled persons as well as the provision of financial assistance to those suffering from kidney diseases.

The Samurdhi programme, carried out by the Department of Samurdhi Development, comes under the purview of this State Ministry. Samurdhi is the largest social assistance programme in Sri Lanka.<sup>2</sup> This programme provides support to low-income families through cash transfers, insurance programmes, microfinance schemes and livelihood development.

##### Statutory boards and institutions

Under the stated scope of social protection, there are six statutory boards and institutions that operate under specified ministries:

1. State Ministry of Samurdhi, Household Economy, Micro Finance, Self-Employment and Business Development:
  - National Social Development Institute
  - National Council for Persons with Disabilities
  - National Secretariat for Persons with Disabilities
  - Sri Lanka Social Security Board

2. Sánchez Ramos, Karen Melissa & Abdul Matin Karimi, Social protection in Sri Lanka: An Analysis of the Social, Economic and Political Effectiveness of the Samurdhi Program (24 July 2020).

- 2. Ministry of Finance
  - Welfare Benefits Board (WBB)
- 3. Ministry of Health
  - National Secretariat for Elders

WBB was established in 2016 under the Ministry of Finance to manage the beneficiary selection and payment for all the social welfare programmes.<sup>3</sup> Allocations for this will be considered as an administrative expense component of spending in this Brief.

Over the years, the composition of ministerial portfolios associated with social protection has undergone significant changes, as shown in Table 1 below.

**TABLE 1 |** Changes in the composition of ministries and their heads in the social assistance sector 2015–2021<sup>4</sup>

2015	Ministry of Finance	Ministry of Women and Child Affairs	Ministry of Social Empowerment & Welfare	
2016			Ministry of Social Empowerment, Welfare & Kandyan Heritage	
2017		Ministry of Women & Child Affairs and Dry Zone Development	Ministry of Primary Industries and Social Empowerment	
2018			Ministry of Health	State Ministry of Samurdhi, Household Economy, Micro Finance, Self-Employment and Business Development
2019		State Ministry of Women and Child Development, Preschools and Primary Education, School Infrastructure and Education Services		
2020				
2021				

Source: Ministry of Finance Budget Estimates 2015–2021

Note: Apart from ministries that are relevant under the social assistance sector, the above table also provides changes to the ministries under which relevant line items for the social assistance sector are nested from 2015 to 2021

It is also important to note that the National Planning Department (NPD), which used to be under the Ministry of Finance until 2021, and is now under the Ministry of Economic Policies & Plan Implementation, has a significant role in terms of setting the social protection policy direction. NPD has been leading the development of a national social protection strategy. Yet, no expenditure is considered from this department in this Brief.

### Sub-national government

The central government transfers a portion of the funds allocated to the social protection sector to the nine PCs through the Finance Commission (FC). There are several provincial departments under each PC that are involved in the provision of broader social protection services, such as the ‘Department of Social Services’ or the ‘Department of Probation & Childcare Services’ (the latter is covered

3. World Bank, Project Appraisal document for Social Safety Nets Project (9 November 2016), p5. Available at: <http://documents.worldbank.org/curated/en/285991480906853560/pdf/Project-Appraisal-Documents-Final-submitted-to-SECP0-11112016.pdf>.  
 4. 2021 Ministry names are those provided in the 2021 Budget Estimates

under the budget brief on child protection). However, the expenditure at the PC level is not clearly aligned to the definition of social assistance at the central level used in this Brief. This is due to inadequate data disaggregation at provincial and local government levels.

Sub-national agencies are responsible for the implementation of most social assistance programmes under the various central-level ministries. *Grama Niladaris* (GN) within each Divisional Secretariat (DS) are responsible for conducting social protection activities.<sup>5</sup> A few of the programmes implemented by sub-national agencies have objectives that overlap with national-level social protection programmes.<sup>6</sup>

### Issues with the current institutional framework

Sri Lanka has an extensive yet fragmented social protection system. Currently, there are multiple ministries and institutions at the national and sub-national levels responsible for implementing a host of social protection programmes. For example, there were approximately 38 social protection programmes implemented by 12 ministries as of September 2018.<sup>7</sup>

Two main issues arise from the current institutional framework:<sup>8</sup>

1. Decentralisation of the social protection system limits the control, monitoring and evaluation functions of

central-level agencies. This is because record-keeping at the sub-national DS levels is mainly paper-based and information about social protection programmes that reaches central-level agencies is often insufficient.

2. Limited coordination between government agencies and the various social protection programmes results in increased costs and overlap of beneficiaries. Households sometimes receive benefits from several ministries, PCs and government agencies, which is not in itself an issue, but when government agencies don't have this type of information it makes it hard to properly plan, budget and assess impact. On the other hand, there are a significant number of households that qualify for social assistance but are not currently enrolled in programmes due to weak coordination mechanisms and targeting errors, as seen particularly in the case of the Samurधि programme.

Development partners, like members of the United Nations Social Protection Results Group, which include ILO, UNDP, UNFPA, UNICEF (Lead), WFP and World Bank have been supporting the Government to overcome the challenges of the social protection system in the country. The Government of Sri Lanka also signed a loan agreement with the World Bank in 2018, in the amount of approximately USD 75 million, to develop a social protection system that better manages the selection, administration, and payments to beneficiaries of social assistance programmes.<sup>9</sup>

## 2.2 Strategic and policy framework

**The legal and policy framework of social assistance in Sri Lanka attempts to address a wide range of vulnerabilities through several parliamentary acts, ordinances and policy documents. Currently there is no overarching policy framework for the entire social protection sector.** Different ministries design and implement policies depending on the social protection responsibility assigned to them. Some key guiding documents and policies are as follows:

- The *Constitution* of Sri Lanka guarantees the right to social welfare and to adequate living standards.
- The *Welfare Benefits Act No. 24 of 2002* is the main document that governs the provision of 'welfare services,' setting out the legal framework for (i) payment of all welfare relief benefits, (ii) establishing a transparent selection process to identify recipients, and (iii) providing for the termination of benefits.

5. "Village Officers." GN are public official appointed by the central government to perform administrative duties in a Grama Niladhari division (a sub-unit of a divisional secretariat).

6. UNICEF Sri Lanka, *Responding to Shocks through the Social Protection System: Opportunities for Sri Lanka* (25 September 2018). Available at: <http://pubdocs.worldbank.org/en/996001538412428837/6-Sri-Lanka-Safety-Nets-Paula-Bulancea.pdf>.

7. Sugath Ranugge, *Adaptive Social Protection in Sri Lanka: Building Resilience to Disasters and Climate Change* (26 September 2018). Available at: <http://pubdocs.worldbank.org/en/842841538412424182/3-Social-Registry-Sugath-Ranugge.pdf>.

8. World Bank, *Project Appraisal Document for Social Safety Nets Project* (9 November 2016), p.2. Available at: <http://documents.worldbank.org/curated/en/285991480906853560/pdf/Project-Appraisal-Documents-Final-submitted-to-SECPO-11112016.pdf>.

9. Ibid.

- The *Samurdhi Act No. 1 of 2013* (which replaced the Samurdhi Authority Act No. 30 of 1995) provides for the establishment of the Samurdhi Authority and the organizational and operational elements of the Samurdhi programme.
- The *National Policy on Disability for Sri Lanka*<sup>10</sup>, published in May 2003 by the then Ministry of Social Welfare (and one of the current policy documents under the State Ministry of Samurdhi, Household Economy, Micro Finance, Self-Employment and Business Development). The policy contains 26 policy areas for the promotion of the rights of differently-abled persons in areas of employment, education, health, social security, housing, etc.
- The *National Policy for Senior Citizens in Sri Lanka*<sup>11</sup>, published in March 2006 by the then Ministry of Social Services and Social Welfare (and one of the current policy documents under the State Ministry of Samurdhi, Household Economy, Micro Finance, Self-Employment and Business Development). The policy contains 17 strategies for the empowerment of senior citizens, including ensuring access to education and training facilities, income security and suitable employment, healthcare, appropriate housing facilities, etc.
- The *National Policy on Early Childhood Care and Development*<sup>12</sup> was drafted in 2017 by the Ministry of Women and Child Affairs and subsequently passed by the Cabinet of Ministers in 2018. The policy aims to effectively integrate health and education services, childcare and child protection services for children with disabilities and social services related to early childhood care and development across all sectors.

Sri Lanka has also ratified or signed in agreement of several international human rights instruments (Conventions, Treaties, Declarations) that provide rights related to social security/protection, such as the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, the Convention on the Rights of the Child, and the Convention on the Rights of Persons with Disabilities.

Finally, the *Vistas of Prosperity and Splendour* national policy framework, published when the incumbent government came into power, also sets out policies on social protection. The most relevant under the definition used in this brief of social protection are as follows:<sup>13</sup>

1. Restart and revitalize the Divineguma programme.
2. Provide professional training opportunities to youth in Samurdhi families
3. Increase all existing Samurdhi benefits provided for low-income families
4. Restructure Samurdhi using modern technology
5. Set up new contributory pension scheme for people who are not receiving pension at present
6. Implement a “New Nutrition Aid Programme” to provide proper nutrition need for pregnant women and infants and upgrade all hospitals and clinics with human and infrastructure facilities.
7. Provide a monthly allowance for single parent family with kids below 12 years of age and does not have any income sources.
8. Easter Attack: Providing monthly financial assistance to the orphan children due to that attack.
9. Increase the monthly allowance currently provided for fatal diseases.
10. Regulate, standardize and expand childcare facilities for increasing women participation in the labour force.
11. Introduce flexible working arrangement for young mothers.
12. Introduce home-based enterprise with required assistance for rural women.
13. Add Rs.100/- deducted from the elderly assistance programme back to (the existing Rs. 2,000/and increase the monthly allowance to Rs. 2,500/-.

10. State Ministry of Samurdhi, Household Economy, Micro Finance, Self-Employment and Business Development, *National Policy on Disability for Sri Lanka* (May 2003). Available at: [http://stateminsamurdhi.gov.lk/web/images/content\\_image/pdf/legislation/disability\\_policy.pdf](http://stateminsamurdhi.gov.lk/web/images/content_image/pdf/legislation/disability_policy.pdf)

11. State Ministry of Samurdhi, Household Economy, Micro Finance, Self-Employment and Business Development, *National Charter for Senior Citizens & National Policy for Senior Citizens Sri Lanka* (March 2006), p.5–20. Available at: [http://stateminsamurdhi.gov.lk/web/images/content\\_image/pdf/legislation/citizens\\_national\\_pfsc.pdf](http://stateminsamurdhi.gov.lk/web/images/content_image/pdf/legislation/citizens_national_pfsc.pdf)

12. *National Policy on Early Childhood Care and Development* (2017). Available at: <http://34.196.27.239/storage/app/media/National%20Policy%20english.pdf>

13. The *Vistas of Prosperity and Splendour* was released by the current ruling government as of September 2021 and outlined its vision and strategy. See <http://www.doc.gov.lk/images/pdf/NationalPolicyframeworkEN/FinalDovVer02-English.pdf>



## BUDGET AND EXPENDITURE ANALYSIS

*This section of the Brief analyses public spending trends in Sri Lanka's social assistance sector. This analysis is based exclusively on budget and expenditure data that is publicly available between 2015-2021.*



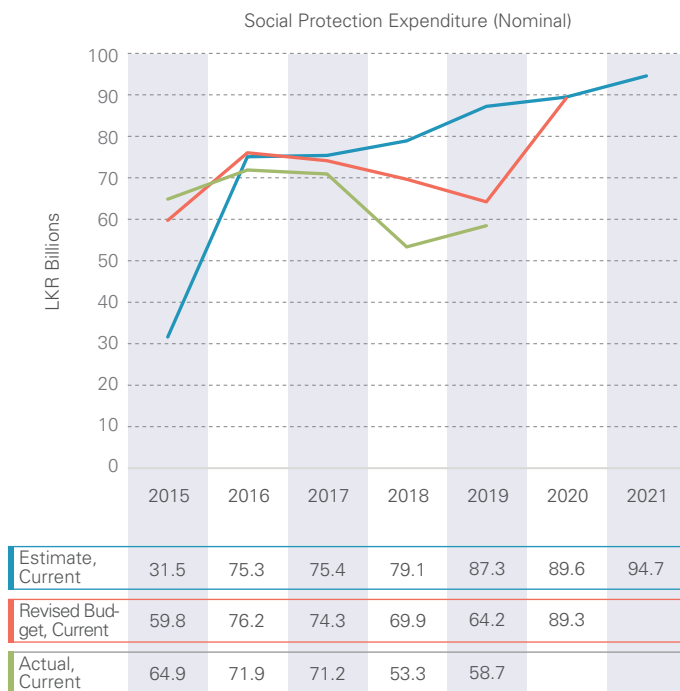


### 3. WHAT TRENDS EMERGE FROM THE SOCIAL ASSISTANCE SECTOR BUDGET AND EXPENDITURE?

The social assistance sector was allocated LKR 95 billion in the 2021 central-level budget (see Figures 1 and 2). This allocation represents a 6 per cent increase in nominal terms (absolute expenditure for the year without adjusting for inflation) and a 2 per cent increase in real terms (adjusted for inflation) relative to the 2020 revised budget estimate. Compared to the 2019 central-level expenditure estimate (expenditure on social assistance is underrepresented due to information only being available for the Department of Samurdhi and the WBB), the 2021 allocation denotes a 9 per cent nominal increase and a decrease by 0.4 per cent in real terms. There has been a tendency to use less than the allocated amount (known as under-execution) of budgetary allocations, hence actual spending may be less than originally estimated levels.

Between 2015 and 2021, allocations have grown (see Figures 1 and 2). In 2015, there was only an allocation of LKR 31.5 billion that has grown to LKR 94.7 billion in 2021 reflecting a growth of 200 per cent in nominal terms and 129 per cent in real terms. However, in actual terms, expenditure has declined from LKR 64.9 billion in 2015 to LKR 58.7 billion in 2019. **The decline is even more pronounced when real terms are considered due to data on the actual expenditure on social assistance only being available for the Department of Samurdhi and the WBB for the years 2018 and 2019.**

**FIGURE 1 |** Social assistance sector budgetary allocations (Nominal Terms)



**Source:** Author’s calculations using Ministry of Finance Budget Estimates 2015–2021. Inflation for 2021 as measured by the Colombo Consumer Price Index (CCPI) was estimated by the author by adjusting the 2020 CCPI with the 12-month moving average as of July 2021.

**FIGURE 2 |** Social assistance sector budgetary allocations (Real Terms)



**Source:** Author’s calculations using Ministry of Finance Budget Estimates 2015–2021, and annual average inflation as measured by the CCPI, for which data is available from the Central Bank of Sri Lanka. Inflation for 2021 as measured by the CCPI was estimated by the author by adjusting the 2020 CCPI with the 12-month moving average as of July 2021.

**It should be noted that the calculations in Figures 1 and 2 should be considered as a stand-alone from the rest of the Budget Brief and cannot be compared with other analyses.** This is due to the missing data for the actual expenditure mentioned before and elaborated more on in Note 1 below.

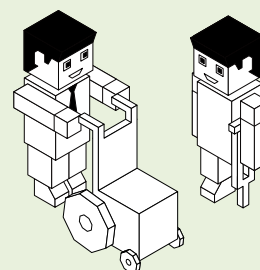
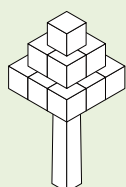
\*Note 1: For 2018 and 2019, only the actual spending for the Department of Samurdhi Development and the WBB under the Ministry of Finance are available. With the change in the government at the recent elections (2019), several ministries were discontinued or renamed. Accordingly, 2018 and 2019 data on the actual spending for certain ministries, which are generally found in the

2020 and 2021 budget estimates respectively, were not available at a disaggregated level in the latest estimates. Accordingly, the actual expenditure containing areas of social protection expenditure (as mentioned in Table 1 except the Department of Samurdhi Development and the WBB) is unavailable for the years 2018 and 2019, although revised estimates and estimates are available respectively. As a result, for 2018, actual expenditure of the Department of Samurdhi Development and the WBB have been combined with the available revised estimates of expenditure of the remaining line items for social protection. A similar exercise is carried out for 2019, but with the estimates of expenditure as the revised estimate expenditure is unavailable.

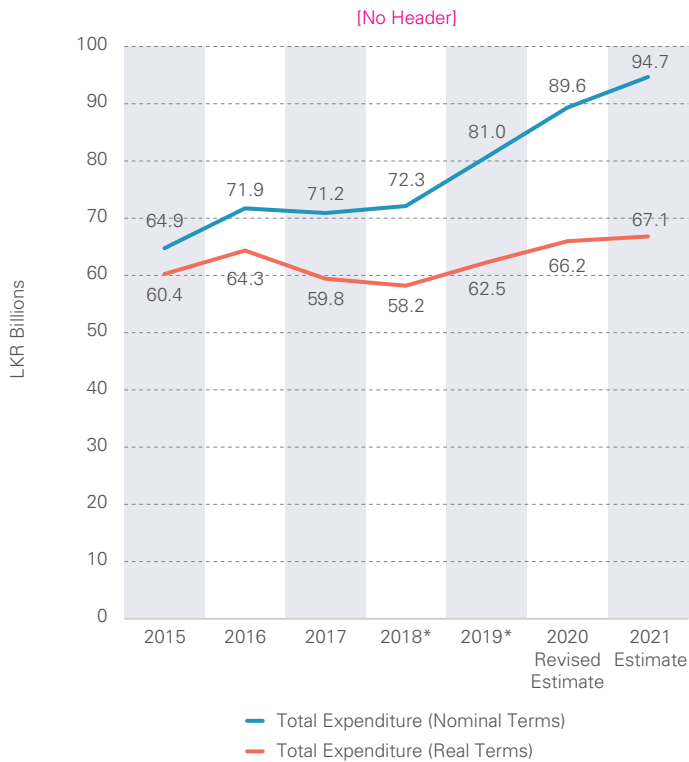
**TABLE 2 |** Composition of data for social assistance line items as mentioned in Note 1

Line Item considered for Social Protection	Available data by year				
	2015 - 2017	2018	2019	2020	2021
<ul style="list-style-type: none"> <li>• Payment to low-income families suffering from disabilities</li> <li>• Payments to elders</li> <li>• Payments to those suffering from chronic diseases (i.e. those suffering from kidney diseases)</li> <li>• Nutritional voucher package for pregnant and lactating mothers.</li> <li>• All expenditure considered for social protection under State Ministry of Samurdhi, Household Economy, Micro Finance, Self Employment and Business Development excluding the Department of Samurdhi Development</li> </ul>	Actual	Revised Estimates	Estimates	Revised Estimates	Estimates
<ul style="list-style-type: none"> <li>• Department of Samurdhi Development</li> <li>• Welfare Benefits Board</li> </ul>	Actual				

Accordingly, it is the above definition of expenditure that will be considered for the rest of the analyses in the brief unless specified otherwise and is reflected in Figure 3.



**FIGURE 3 | Social protection actual expenditure as defined by Note 1 (Nominal and Real Terms)**

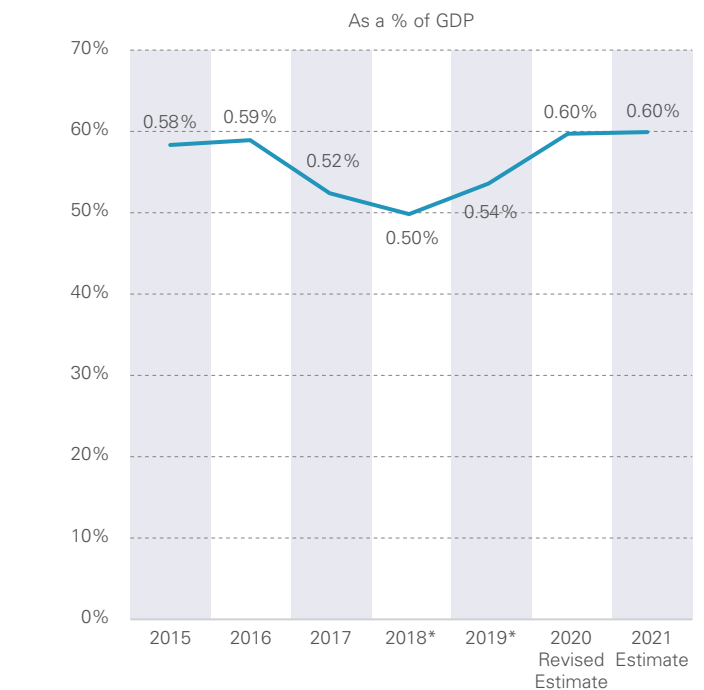


Source: Author’s calculations using Ministry of Finance Budget Estimates 2015–2021.

\*Social protection actual expenditure for 2018 and 2019 is based on Note 1

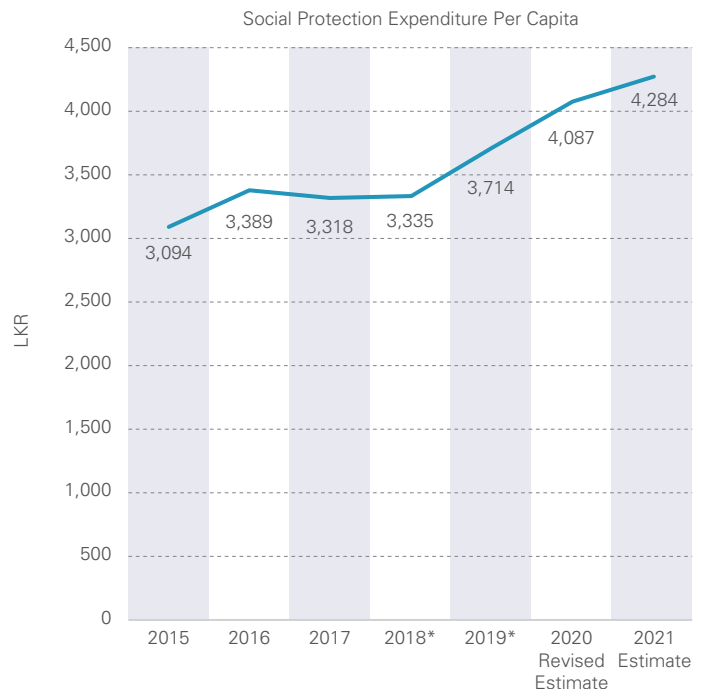
**Overall expenditure on social protection as a percentage of gross domestic product (GDP) compared to 2015/2016 is stagnant or declining, suggesting that social protection expenditure is not growing in line with GDP** (see Figure 4). Spending on social protection as a percentage of the country’s GDP is unchanged from 2020 to 2021, suggesting that the growth in social protection spending would grow in line with the projected GDP growth if there are no deviations from the estimate. The dip in spending in 2018 and 2019 suggests that the growth in GDP is greater than that of the growth of the social protection spending in these years.

**FIGURE 4 | Social assistance expenditure as a percentage of GDP**



Source: Author’s calculations using Ministry of Finance Budget Estimates 2015—2021. 2021 GDP estimate was obtained by adjusting the 2020 GDP figure with the growth rate of 5 per cent for 2021 projected by the Central Bank of Sri Lanka.<sup>14</sup>

**FIGURE 5 | Social protection expenditure per capita**



Source: Author’s calculations using Budget Estimates 2015—2021. Population figures from 2015 to 2020 were obtained from the Department of Census and Statistics (DCS), Sri Lanka. The 2021 population was obtained via an estimate by the author by adjusting the 2020 population with the 5-year annual average population growth rate.

\*Refer Note 1 above

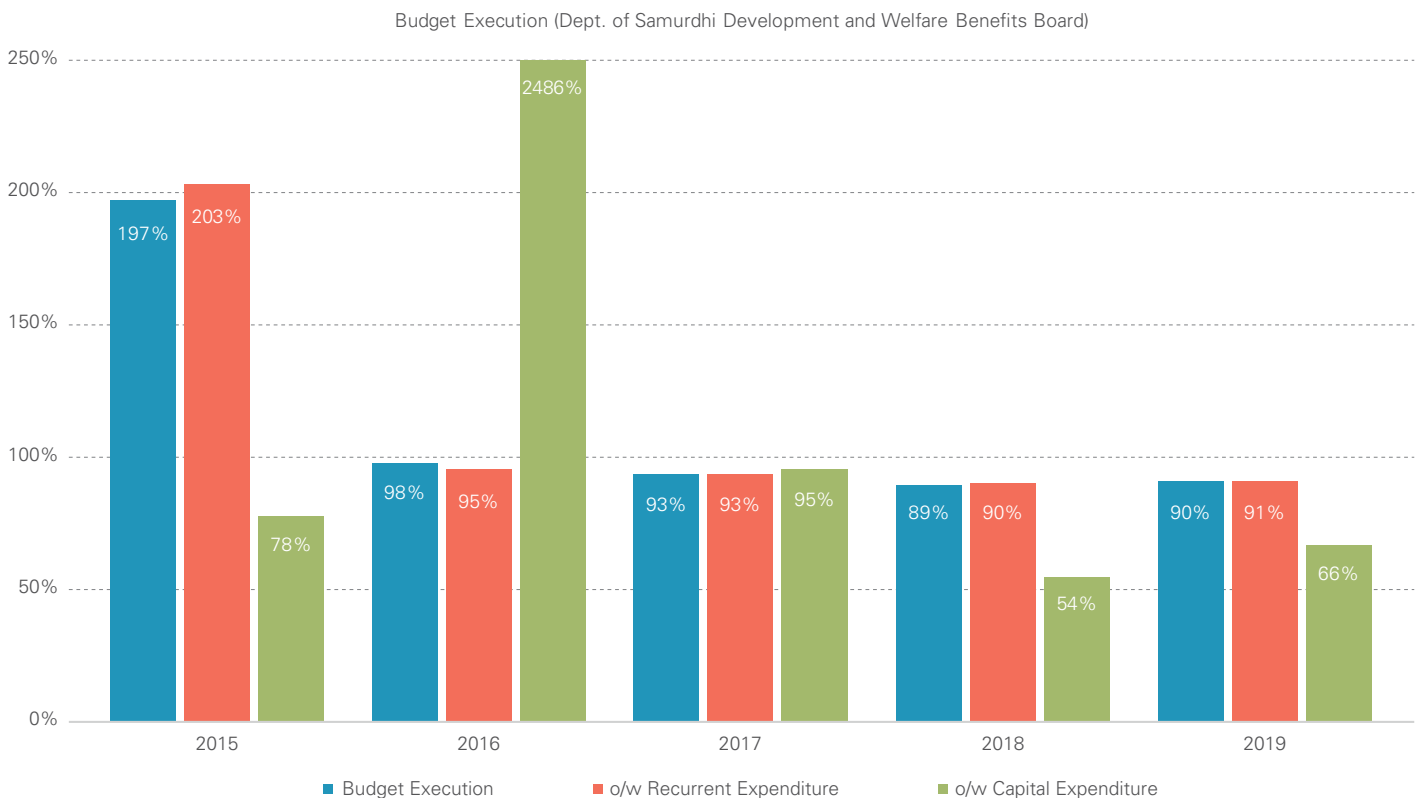
14. Central Bank of Sri Lanka, Monetary Policy Review: No. 05 (July 2021), p1 Available at: [https://www.cbsl.gov.lk/sites/default/files/cbslweb\\_documents/press/pr/press\\_20210708\\_Monetary\\_Policy\\_Review\\_No\\_5\\_2021\\_e\\_K82di.pdf](https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/press_20210708_Monetary_Policy_Review_No_5_2021_e_K82di.pdf)

Figure 5 above shows that from 2018 onwards, the allocation of social protection expenditure has been increasing from a per capita perspective. However, potential shortfalls of actual spending compared to estimates should be considered.

Execution of the budget for the Department of Samurdhi Development and Welfare Benefits Board is shown in Figure 6 below. The narrower focus is due to data for the actual spending during this period being only available for the Department of Samurdhi Development and the WBB under the Ministry of Finance. The actual expenditure in 2015 was twice what was initially allocated. This is mainly attributed to the change in governments in 2015

and the new government expanding social protection spending above previous allocations. In line with the then government’s welfare policy, the Samurdhi allowance was increased by 200 per cent.<sup>15</sup> Execution levels have remained above 90 per cent or thereabouts, however, 2017 onwards there has been a decline in the execution level of the budget with the execution of the budget related to Samurdhi Relief Assistance being the main contributor towards the overall performance. This is reflected in recurrent expenditure execution being in excess of 90% for almost all years. In 2016, the budget execution for capital expenditure is high due to only LKR 47.6 Mn being allocated whilst LKR 1.18 Bn was actually spent. This was allocated towards empowering Samurdhi beneficiaries.

**FIGURE 6 | Execution of budget (central-level)\***



**Source:** Author’s calculations using Ministry of Finance Budget Estimates 2015—2021.

\*Contains data only for Department of Samurdhi Development and Welfare Benefits Board.

**COVID-19 has exacerbated the poverty conditions in the country.** In the wake of the pandemic and enforced lockdowns, poverty is expected to rise due to loss of livelihoods and earnings losses. As a result, it over 500,000 people are estimated to have been pushed into the

poverty bracket which is an increase in the poverty rate of \$3.2 from 9.2 per cent in 2019 to 11.7 per cent in 2020.<sup>16</sup> Those that were susceptible to losing their jobs were concentrated in the lower-middle-income distribution ranks, particularly those who did not work in the formal

15. Ministry of Finance, Annual Report (2015) p.10-11

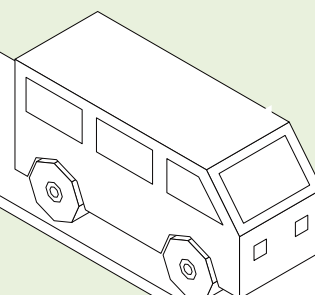
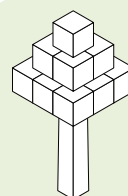
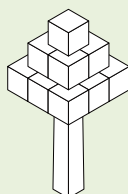
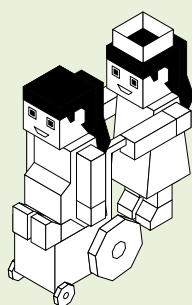
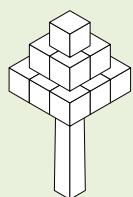
16. Ministry of Finance, Annual Report (2020) p.151 Available at <https://www.treasury.gov.lk/api/file/0b7d1935-6235-4156-97b6-752d6a8039d0>

sector or who did not have access to digital technology to carry out their business operations.<sup>17</sup> Restoration of livelihoods would contribute strongly to a return to normalcy and can be assisted through the current social protection system.<sup>18</sup> COVID-19-related expenditure incurred by the government included the provisioning of a cash allowance of LKR 5,000 to senior citizens, kidney patients, differently-abled persons, farmers, displaced daily wage-earners and low-income families in areas where the lockdown was imposed over several months from April 2020 to December 2020.<sup>19</sup> The expenditure incurred amounted to

LKR 56.6 billion.<sup>20</sup> A further LKR 9.9 billion was incurred through providing this allowance to 1.7 million families that were quarantined.<sup>21</sup> Sri Lanka allocated LKR 38.5 billion in the 2020 Budget for the reimbursement of funds and bank loans utilised by the government at the central-level for COVID-19 assistance.<sup>22</sup> However, allocations for COVID-19 have been lower than allocations by its peers in South Asia such as the Maldives, India, Afghanistan, Pakistan and Bangladesh that have spent 0.8 per cent of GDP on COVID-19 relief as of June 2021.<sup>23</sup>

17. World Bank: Sri Lanka Development Update (2021). Available at <https://thedocs.worldbank.org/en/doc/15b8de0edd4f39cc7a82b7aff8430576-0310062021/original/SriLanka-DevUpd-Apr9.pdf>
18. Ibid
19. Ministry of Finance, Mid-Year Fiscal Report (2020) p.11 Available at <https://www.treasury.gov.lk/api/file/791570d0-a453-48f4-870e-7c40cc6bbb87>

20. Ministry of Finance, Annual Report (2020) p.108 Available at <https://www.treasury.gov.lk/api/file/0b7d1935-6235-4156-97b6-752d6a8039d0>
21. Ibid
22. Ministry of Finance, Approved Budget Estimates (2021), Volume 1, p.234.
23. Public Finance Platform: Sri Lanka's Expenditure on COVID-19 Response is Much Lower Than its Regional Peers (1st September 2021). Available at <https://publicfinance.lk/en/topics/Sri-Lanka%E2%80%99s-Expenditure-on-COVID-19-Response-is-Much-Lower-Than-its-Regional-Peers-1630477922>



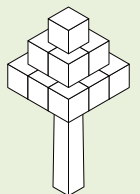
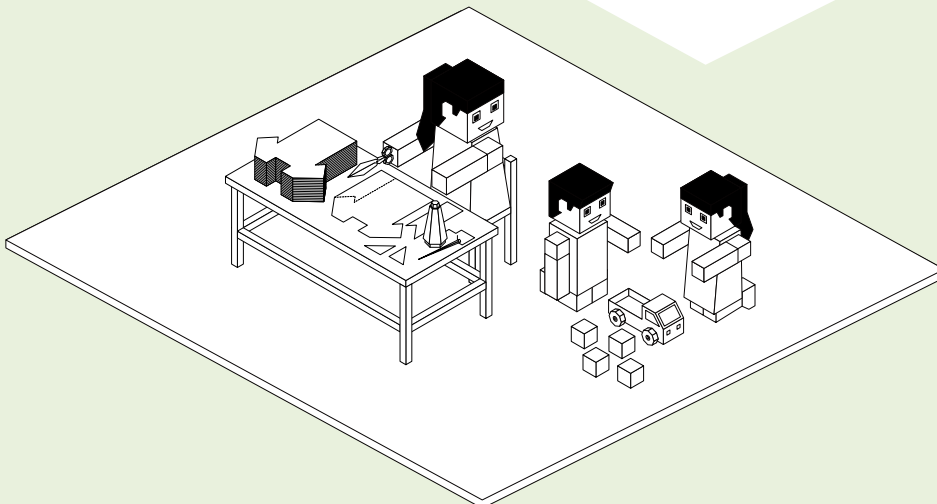


## 4. HOW ARE SOCIAL ASSISTANCE SECTOR RESOURCES SPENT?

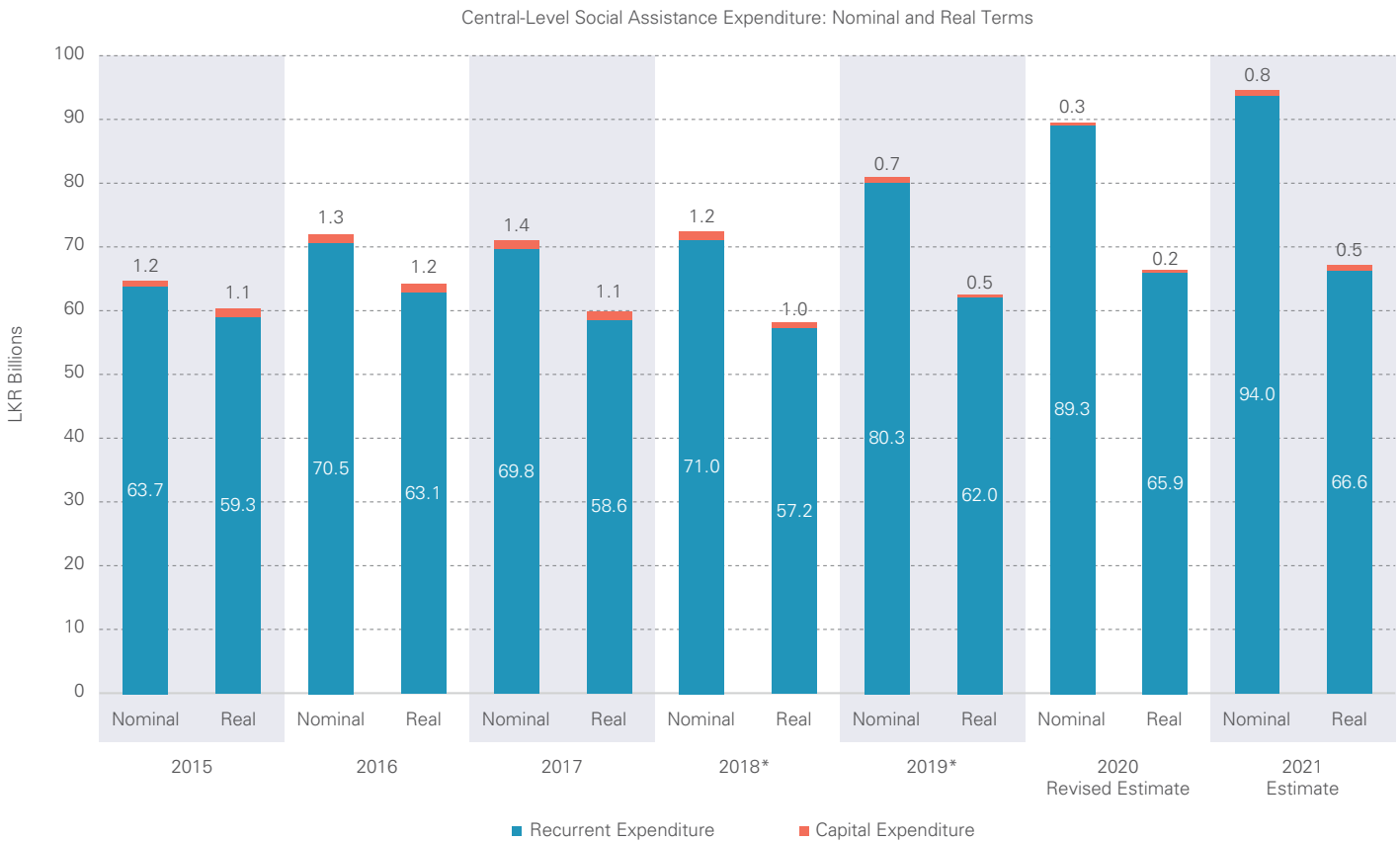
### 4.1 Recurrent versus capital expenditure

The government budget breaks down expenditure into two categories: recurrent and capital. Recurrent expenditure is the set of resources used to keep a system or an institution functioning and includes spending on salaries/remuneration, procurement of goods and services, other operating costs, and transfers. Capital expenditure (investment) is defined as funding aimed at improving longer-term productivity and efficiency.

**Social protection expenditure is predominantly recurrent spending** (see Figures 7 and 8). Recurrent expenditure comprises over 98 per cent of social protection spending at the central government level with the balance being allocated to capital expenditure. The high percentage of recurrent expenditure is mainly due to the emphasis on cash transfer programmes that are classified as recurrent spending.



**FIGURE 7 |** Recurrent vs. capital expenditure for social protection (Central-level: Nominal and Real Terms)

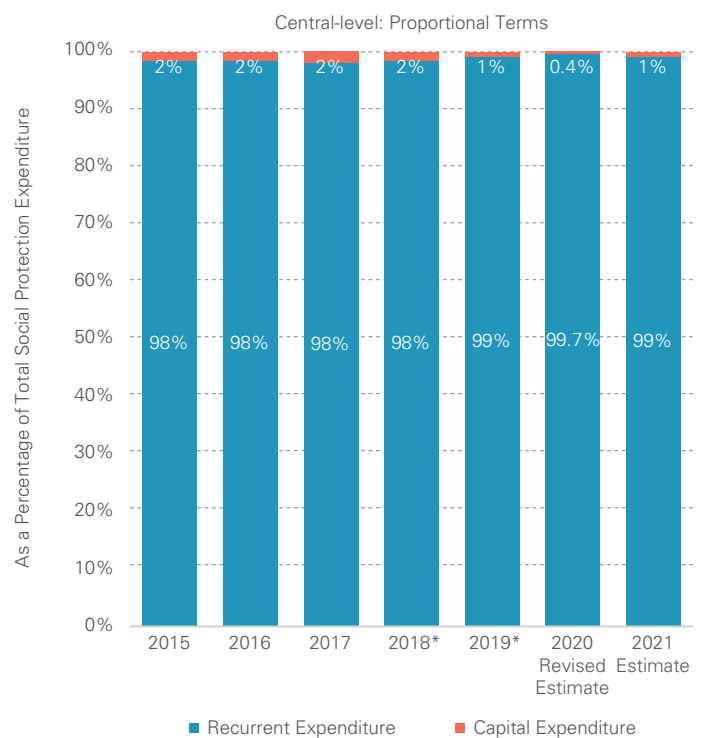


**Source:** Author’s calculation using Ministry of Finance Budget Estimates 2015—2021.

\*Refer Note 1 above

Similar to figure 5, figure 7 demonstrates that recurrent and capital expenditure over the years have not been increasing in line with inflation. Hence real expenditure in terms of recurrent and capital spending has stagnated.

**FIGURE 8 |** Recurrent vs. capital expenditure for social assistance (Central-level: Proportional Terms)



**Source:** Author’s calculation using Ministry of Finance Budget Estimates 2015—2021.

\*Refer Note 1 above

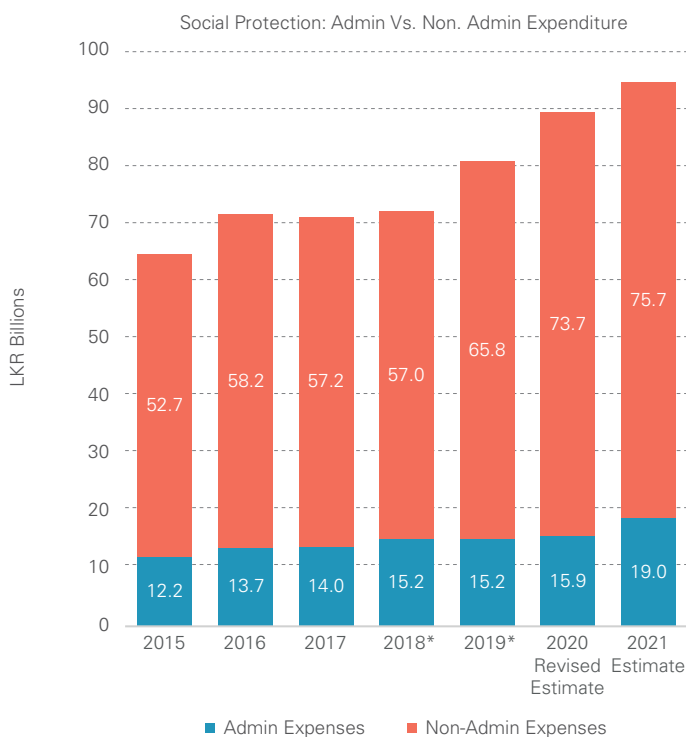


## 4.2 Administration expenditure

Identifying administration expenses and linking them with the relevant spending area is challenging since the administration cost data is provided on an aggregated basis. As such, administration costs for this analysis are those that come under the State Ministry of Samurdhi, Household Economy, Micro Finance, Self-Employment and Business Development.<sup>24</sup> Further, administration expenses for the Samurdhi Department are also included since the brief is considering the entire department as coming under the social protection sector.

As illustrated by Figures 9 and 10 below, administration costs are very similar across years, and amount to about 20 per cent of the total social protection expenditure. From 2015 to 2019, administration expenses have grown by LKR 3 billion in nominal terms whereas other non-administration expenditure has grown by LKR 13.1 billion in nominal terms during the same period.

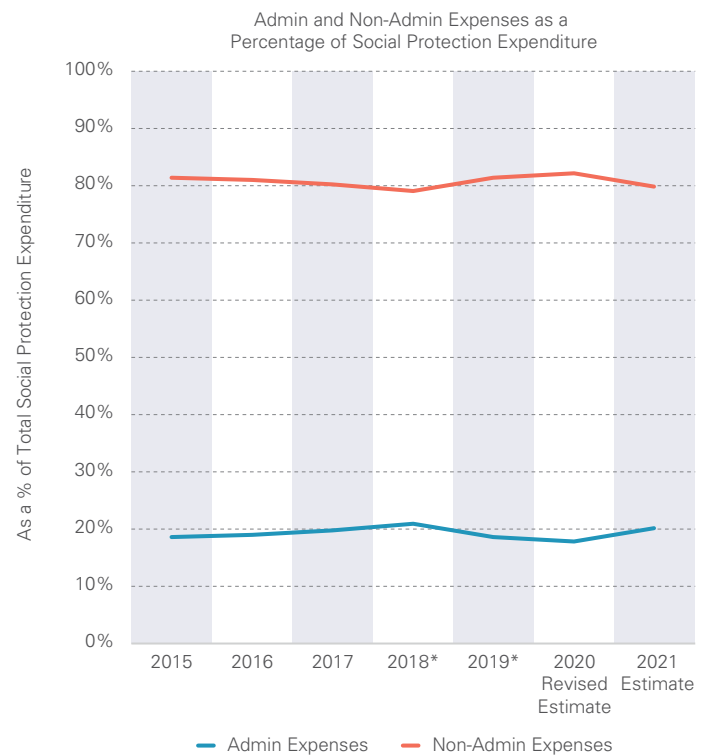
**FIGURE 9 | Administration vs. non-administration expenditure (Nominal Terms)**



**Source:** Author's calculation using Ministry of Finance Budget Estimates 2015—2021.

\*Refer Note 1 above

**FIGURE 10 | Administration vs. non-administration expenditure (As a percentage of Social Assistance Expenditure)**



**Source:** Author's calculation using Ministry of Finance Budget Estimates 2015—2021.

\*Refer Note 1 above

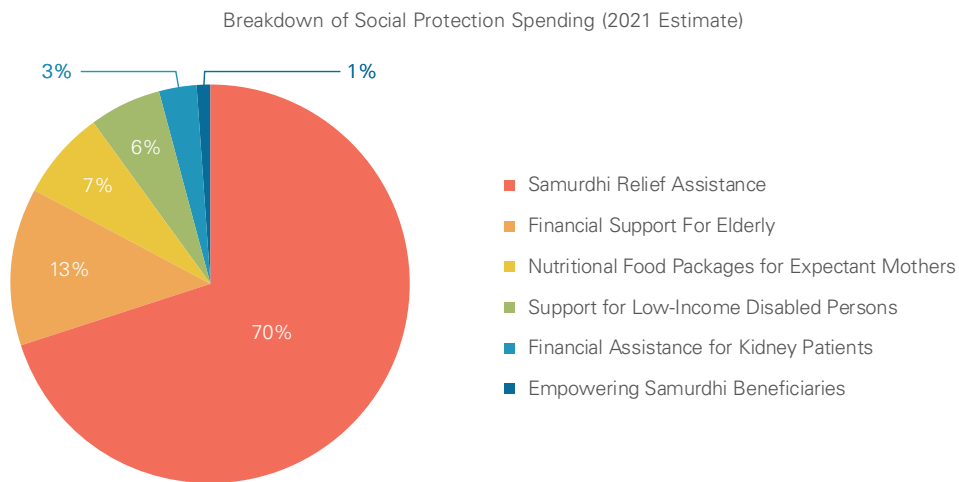
24. This excludes the spending head Empowering Villages and Strengthening Household Economy under the State Ministry of Samurdhi, Household Economy, Micro Finance, Self-Employment and Business Development



## 5. BREAKDOWN OF SOCIAL ASSISTANCE SPENDING

### 5.1 Overall breakdown of social assistance spending

**FIGURE 11 |** Overall breakdown of social assistance spending



**Source:** Author's calculation using Ministry of Finance Budget Estimates 2015- 2021.

\*Excludes spending on admin-related expenditure

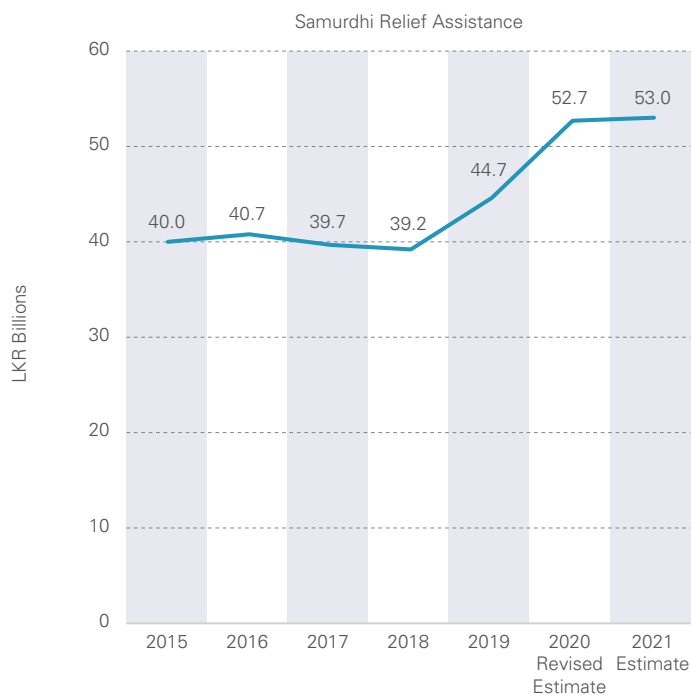
Figure 11 depicting the allocation to social assistance programmes above shows that Samurdhi payments account for 70 per cent of the total budget of social

protection expenditure. Financial support to the elderly accounts for 11 per cent.



## 5.2 Samurdhi relief assistance

**FIGURE 12 | Samurdhi relief assistance over the years**



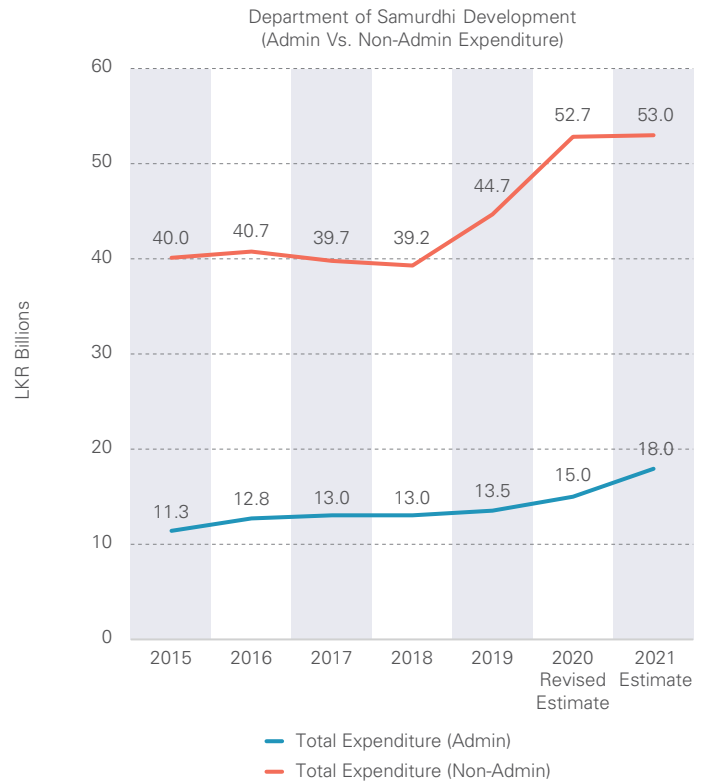
Source: Ministry of Finance Budget Estimates 2015—2021.

**Given the significant contribution of Samurdhi to social assistance, expenditure on this programme is considered in detail.** There is an increase in Samurdhi relief assistance allocations in 2020 and 2021, crossing the LKR 50 billion mark as seen in Figure 12 above. It should be noted though that in the last year that the actual expenditure was recorded (i.e., 2019), the actual expenditure of LKR 44.7 billion on Samurdhi relief reflected a 12 per cent increase from LKR 40 billion in 2015. However, in real terms, spending on Samurdhi has declined from LKR 37.2 billion in 2015 to LKR 34.5 billion in 2019.<sup>25</sup> Samurdhi payments per family amounted to LKR 2,428 per month as of 2020, which is an increase from LKR 2,058 in 2019 where, in the same period, the number of beneficiaries from Samurdhi also increased from 1.4 million people to 1.8 million people.<sup>26</sup> The Samurdhi expenditure per family is low compared to the national poverty line, which was Rs. 5,147 per person per month as of end-2020. The National Poverty Line (as defined by the Department of Census & Statistics) is the minimum expenditure per person per month to fulfil basic needs.

25. Author's calculations using CCPI inflation figures from the Central Bank of Sri Lanka.

26. Public Finance Platform: Government Expenditure on Samurdhi Payments (5<sup>th</sup> August 2021). Available at <https://publicfinance.lk/en/topics/Government-Expenditure-on-Samurdhi-Payments-1628160503>

**FIGURE 13 | Admin and Non-Admin Expenditure of the Department of Samurdhi Development**

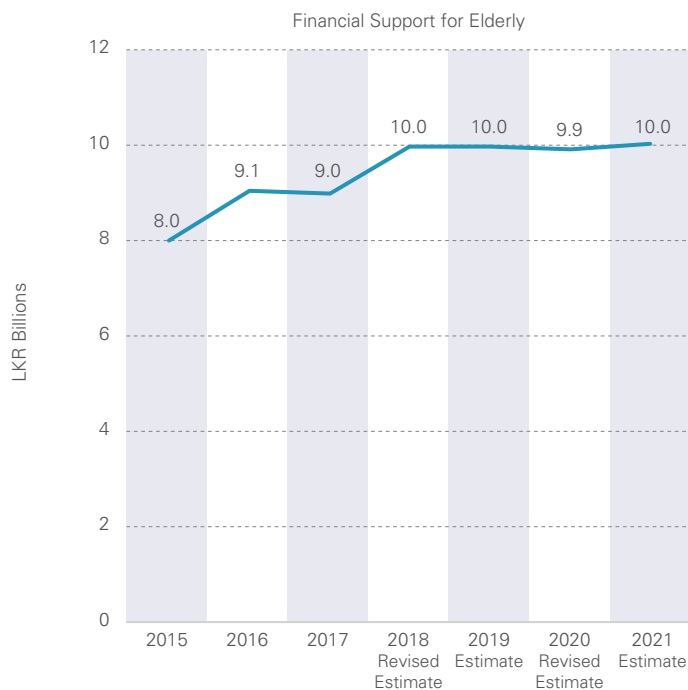


Source: Author's calculation using Ministry of Finance Budget Estimates 2015-2021.

Administration related expenditure has typically accounted for around 25 per cent of total expenditure associated with the Department of Samurdhi Development.

### 5.3 Financial support to the elderly

**FIGURE 14 |** Financial support for the elderly over the years



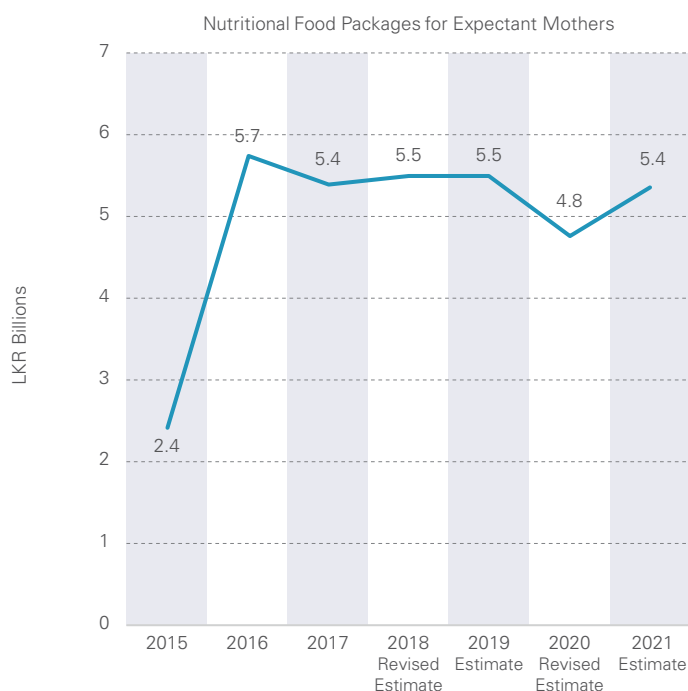
Following the increase in expenditure between 2015 and 2018, the allocations for financial support for the elderly from 2018 to 2021 have stagnated in nominal terms as seen in Figure 14 above.

**Source:** Ministry of Finance Budget Estimates 2015—2021.

\*Given that the actual data for spending on financial support for the elderly is unavailable for 2018 and 2019, this brief has used the revised estimate spending for 2018 and estimated spending for 2019. This is also applicable for the analyses in sections 5.4—5.6.

### 5.4 Nutritional food packages for expectant mothers

**FIGURE 15 |** Allocations for nutritional food packages for expectant mothers over the years

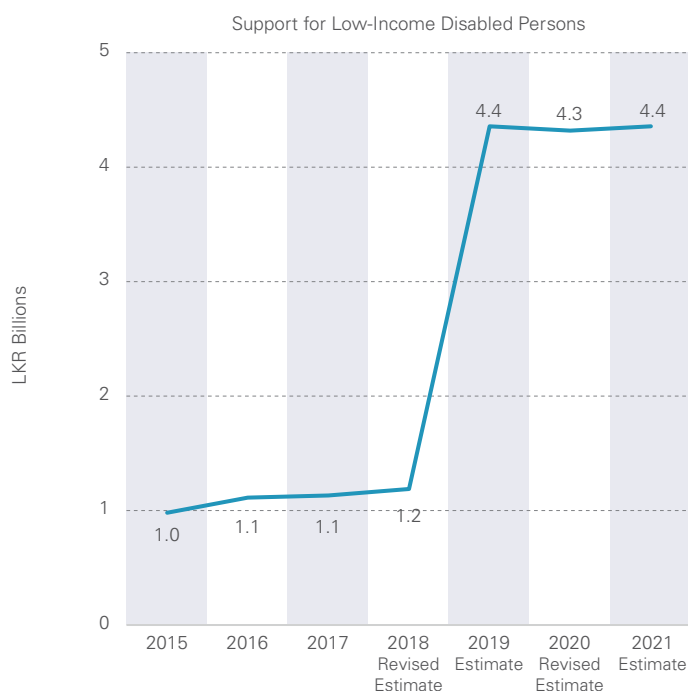


As reflected in Figure 15, barring 2020 where the revised estimate was LKR 4.8 billion, allocations and the actual expenditure on nutritional packages for expectant mothers exceeded LKR 5 billion every year. This is more significant given that, in 2015, the actual expenditure was only LKR 2.4 billion, which then grew to LKR 5.7 billion in 2016, amounting to a growth of 137 per cent before plateauing in subsequent years.

**Source:** Ministry of Finance Budget Estimates 2015—2021.

## 5.5 Support for low-income disabled persons

**FIGURE 16 |** Support for low-income disabled persons over the years

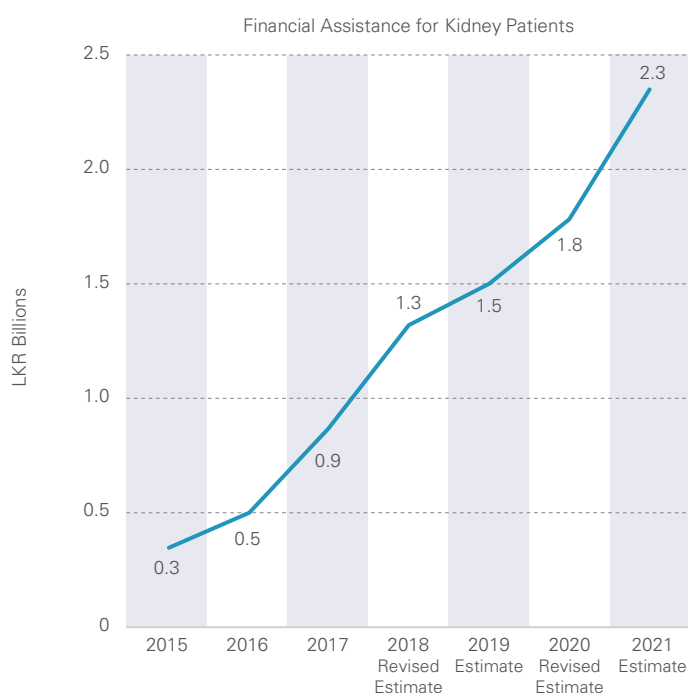


Source: Ministry of Finance Budget Estimates 2015—2021.

As seen in Figure 16 above, from actual spending of LKR 1 billion in 2015, there has been a significant change in the financial allocation in 2019 for support for low-income-earning disabled persons that amounted to LKR 4.4 billion. This is mainly due to the expenditure on allowances for disabled persons increasing from LKR 1.1 billion to LKR 2.8 billion.<sup>27</sup>

## 5.6 Financial assistance for kidney patients

**FIGURE 17 |** Financial assistance for kidney patients over the years



Source: Ministry of Finance Budget Estimates 2015—2021.

Allocations for financial assistance for kidney patients have been steadily growing, albeit from a low base. The increase had been fivefold between 2015 and 2019. In terms of number of beneficiaries, an additional 4,000 persons were added in 2019 whilst an additional 13,849 persons suffering from kidney diseases who were on waiting lists for the allowance for a long period of time were also added to the number of beneficiaries in 2020.<sup>28</sup>

27. Ministry of Finance, Annual Report (2019)

28. Ministry of Finance, Annual Reports (2019 & 2020)

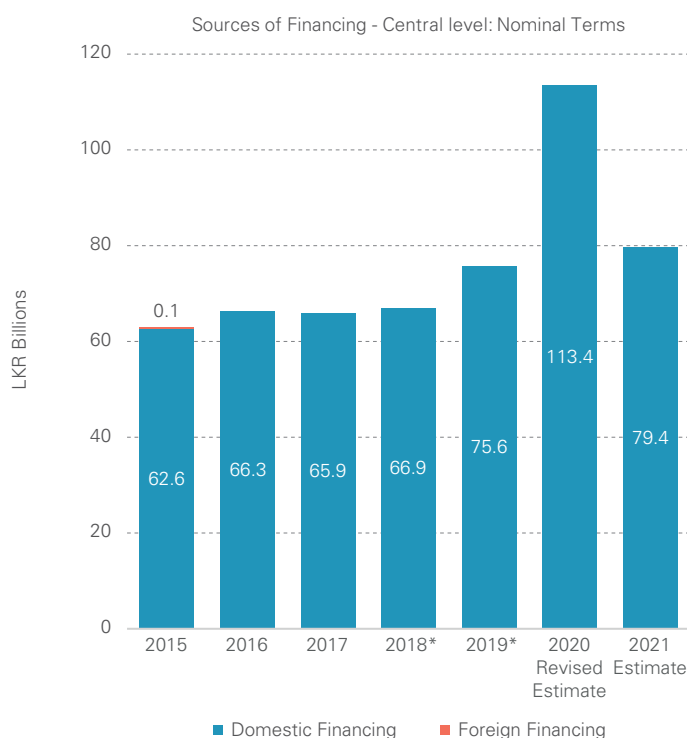


## 6. WHERE DO SOCIAL PROTECTION RESOURCES COME FROM?

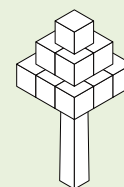
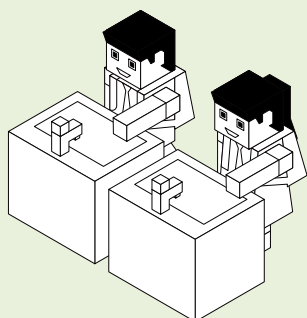
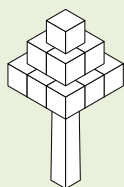
Given the availability of only aggregated data for the breakdown of funding, the analysis on funding will be conducted only based on the Department of Samurdhi Development and the activity heads coming under the State Ministry of Samurdhi, Household Economy, Micro Finance, Self-Employment and Business Development.

**Central government expenditure on social protection is funded entirely by domestic sources** (see Figure 18). Apart from a small allocation in 2015, there is no foreign financing involved in the spending lines under consideration. Domestic funding for social protection services is sourced from tax revenue and government borrowings.

**FIGURE 18 | Social assistance sector sources of funding at the central level**



Source: Ministry of Finance Budget Estimates 2015–2021.





## 7. PC ALLOCATIONS

There is a lack of disaggregated data at the sub-national government level based on the definition of social protection outlined at the beginning of the brief. As such, the PC level allocations for social protection will not be analysed for this brief.

However, it should be acknowledged that there are a number of supportive programmes carried out at the PC level under a broader definition of social protection.

Areas covered in this respect are welfare in education programmes, welfare and social assistance of women, rural and estate development, rehabilitation and reconciliation and other social security and welfare programmes.





## 8. HOW WELL HAS THE SOCIAL ASSISTANCE SECTOR PERFORMED?

**Sri Lanka has made important achievements in poverty reduction and social development over the last decade.** The poverty headcount ratio declined from 15.2 per cent in 2006 to 4.1 per cent in 2016.<sup>29</sup> Sri Lanka's poverty line is defined by the Department of Census and Statistics. In 2016, the poverty line stood at Rs. 4,166 per month per person.<sup>30</sup> This amounts to approximately USD 28 as at end 2016<sup>31</sup> which is a relatively low level and may therefore understate the poverty headcount rate. The country also graduated to upper-middle-income status in 2018, with a GDP per capita of USD 4,057. However, the GDP per capita has declined since then, leading to Sri

Lanka being downgraded back to a lower-middle-income country in 2019.<sup>32,33</sup>

**Poverty still affects large pockets of the Sri Lankan population.** In spite of the low poverty headcount ratio, significant geographic inequalities exist in this regard. The poverty ratio is highest in the Northern and Eastern Provinces at 7.7 and 7.3, respectively, followed by the Sabaragamuwa and Uva Provinces at 6.7 and 6.5, respectively.<sup>34</sup> Large sections of the population remain vulnerable to income and other shocks, with limited social protection measures to support them.

29. Department of Census and Statistics, Poverty Indicators. Available at: [http://www.statistics.gov.lk/poverty/Poverty%20Indicators\\_2016.pdf](http://www.statistics.gov.lk/poverty/Poverty%20Indicators_2016.pdf).

30. Department of Census and Statistics: Household Income and Expenditure Survey 2016. Available at <http://www.statistics.gov.lk/IncomeAndExpenditure/StaticInformation/HouseholdIncomeandExpenditureSurvey2016FinalReport>

31. December 2016 Average Exchange Rate based on Central Bank of Sri Lanka data: 1 USD = LKR 148.8

32. World Bank, Sri Lanka Country Profile Overview (updated 6<sup>th</sup> April 2021). Available at: <https://www.worldbank.org/en/country/srilanka/overview>

33. Central Bank of Sri Lanka: Annual Report 2020

34. Department of Census and Statistics, Poverty Indicators. Available at: [http://www.statistics.gov.lk/poverty/Poverty%20Indicators\\_2016.pdf](http://www.statistics.gov.lk/poverty/Poverty%20Indicators_2016.pdf).





**Analyses and studies have highlighted some inherent weaknesses in Sri Lanka's social protection systems pertaining to poverty and inequity outcomes. First, benefits are inadequate.** According to the World Bank Group study titled *Poverty and Welfare in Sri Lanka*, Samurdhi transfers were too small to make a large impact on poor households' budgets, as they contributed only 1.7 per cent to household consumption of the poorest 20 per cent of the population in 2012/13.<sup>35</sup> On the inadequacy of benefits, the Institute of Policy Studies of Sri Lanka highlighted that as benefits are insufficient to meet a households' requirements under normal conditions, beneficiaries may be unable to cope with shocks in everyday life.<sup>36</sup>

**Targeting of social protection programmes is subject to both inclusion and exclusion errors due to the lack of clearly defined selection criteria.**<sup>37</sup> Targeting of Samurdhi has worsened over the years. In 2002, 42 per cent of all transfers reached the bottom quintile and 70 per cent reached the bottom 40 per cent; by 2012/2013, this had fallen to 39 per cent and 65 per cent, respectively.<sup>38</sup> However, a new and more objective criterion for

beneficiary selection was developed and published in June 2019. The new methodology was expected to be implemented from January 2020.<sup>39</sup> In 2013, the measure of social assistance dedicated to the poorest quintile was 6.6 per cent, significantly below that of Pakistan and the Philippines.<sup>40</sup>

**There is a lack of coordination between the several government bodies implementing the social protection programmes, generating overlaps and duplication.**<sup>41</sup> The WBB was established in 2016 to address this third challenge.<sup>42</sup> The WBB's mandate is to create an integrated social protection system that will minimise programme overlaps and improve targeting.

**Supporting those vulnerable in the face of the COVID-19 pandemic is key.** As highlighted earlier in the Brief, the pandemic has both exposed gaps in the social assistance system and exacerbated pre-existing vulnerabilities. Whilst the government allocated monthly cash transfers of LKR 5,000 to vulnerable communities, overall expenditure on COVID-19 still fell short of peer countries in South Asia.<sup>43 44</sup>

35. World Bank, *Poverty and Welfare in Sri Lanka* (2016), p.57. Available at: <http://documents.worldbank.org/curated/en/996911467995898452/pdf/103281-WP-P132922-Box394864B-PUBLIC-poverty-and-welfare-021216-final.pdf>.

36. Institute of Policy Studies of Sri Lanka, *Policy Insight: Social Protection and Disaster Risk Management in Sri Lanka* (11 October 2018), p.2. Available at: <http://www.ips.lk/wp-content/uploads/2018/10/13-Social-Protection-and-Disaster-Risk-Management-in-Sri-Lanka.pdf>

37. Institute of Policy Studies of Sri Lanka (2018), p.1

38. World Bank, *Poverty and Welfare in Sri Lanka* (2016), p.57.

39. Available at: <http://www.documents.gov.lk/files/egz/2019/6/2128-24-E.pdf> and <http://www.documents.gov.lk/files/egz/2019/9/2141-16-E.pdf>

40. World Bank, *Poverty and Welfare in Sri Lanka* (2016), p.56–57.

41. Institute of Policy Studies of Sri Lanka (2018), p.2.

42. Government of the Democratic Socialist Republic of Sri Lanka (2018), p.68.

43. Ministry of Finance, *Mid-Year Fiscal Report* (2020) p.11 Available at <https://www.treasury.gov.lk/api/file/791570d0-a453-48f4-870e-7c40cc6bbb87>

44. Public Finance Platform: *Sri Lanka's Expenditure on COVID-19 Response is Much Lower Than its Regional Peers* (1st September 2021). Available at <https://publicfinance.lk/en/topics/Sri-Lanka%E2%80%99s-Expenditure-on-COVID-19-Response-is-Much-Lower-Than-its-Regional-Peers-1630477922>





## GLOSSARY OF BUDGET TERMS:

**Budget Estimate:** First allocation of funds, approved by parliament

**Revised Budget Estimate:** Revised allocation of funds, approved by parliament

**Actual Expenditure:** Allocated funds that are spent by the end of the fiscal year

**Budget Execution:** Percentage of allocated funds spent out of the total allocation

**Nominal/Current Values:** Numbers not corrected for the effect of inflation

**Real/Constant Values:** Numbers corrected for inflation

## ABBREVIATIONS:

<b>CCPI:</b>	Colombo Consumers Price Index
<b>DCS:</b>	Department of Census and Statistics
<b>DS:</b>	Divisional Secretariat
<b>FC:</b>	Finance Commission
<b>GDP:</b>	Gross domestic product
<b>GN:</b>	<i>Grama Niladaris</i>
<b>LKR:</b>	Sri Lankan Rupee (Local Currency)
<b>MC:</b>	Municipal Council
<b>NPD:</b>	National Planning Department
<b>UC:</b>	Urban Council
<b>PC:</b>	Provincial Council
<b>PS:</b>	<i>Pradeshiya Sabha</i>
<b>WASH:</b>	Water, Sanitation and Hygiene
<b>WBB:</b>	Welfare Benefit Board

