

**Improving Effectiveness of Social Protection  
Programmes:  
Lessons from Sri Lanka's Recent Experience**

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# Trends in Consumption Poverty in Sri Lanka (excluding North and East)

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Poverty Indicators	1990-91	1995-96	2002	2006-7
Poverty Incidence	26.1	28.8	22.7	15.2
Poverty Gap	0.056	0.066	0.051	0.031
Poverty Severity	0.018	0.022	0.016	0.009
Poverty Incidence by sector				
Urban Poverty	16.3	14	7.9	6.7
Rural Poverty	29.4	30.9	24.7	15.7
Estate Poverty	20.5	38.4	30.0	32.0
Inequality (Gini coefficient by per capita expenditure)	0.32	0.35	0.40	0.40

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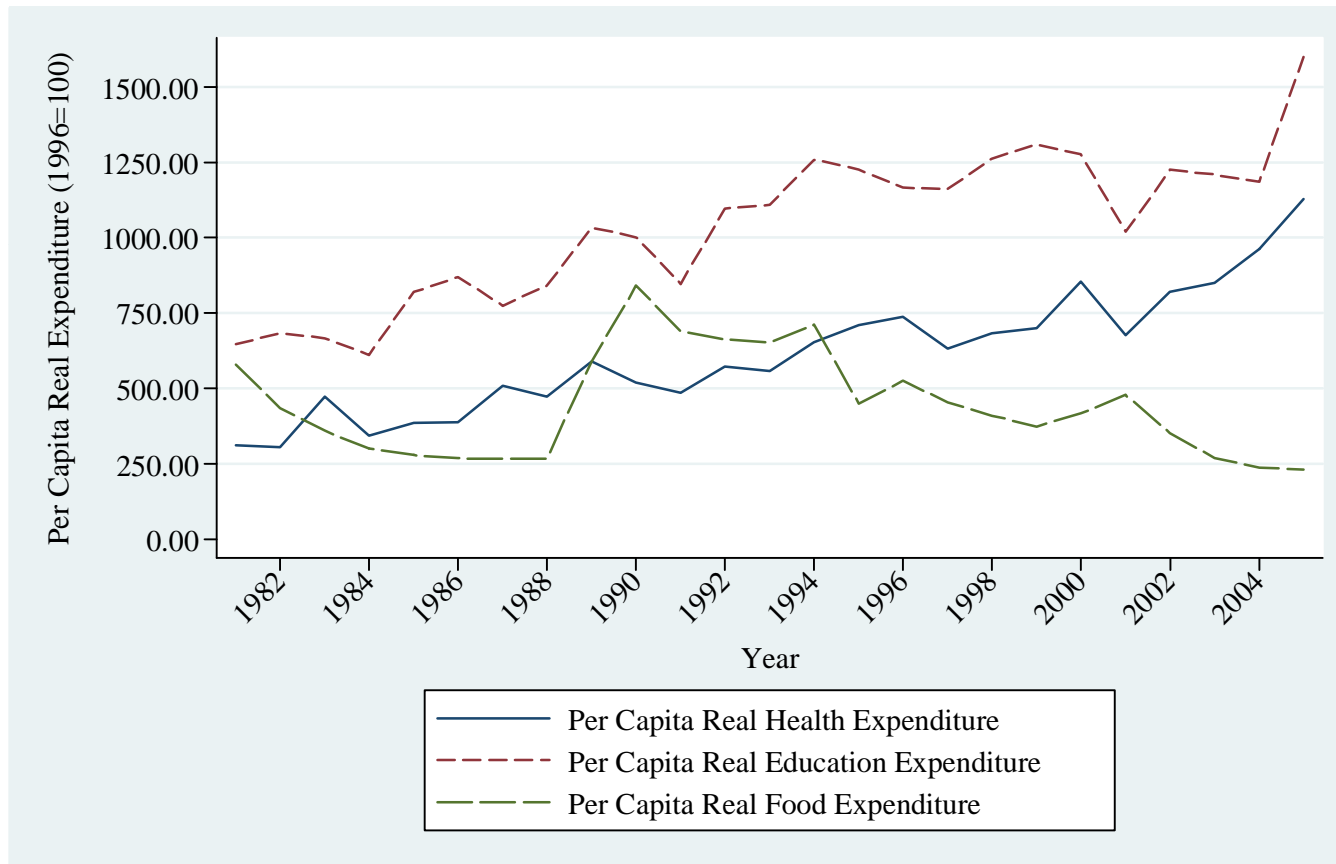
Source: World Bank (2007), estimations based on DCS' HIES for 1990-91, 1995-96 and 2002. DCS for 2006-7.

# Non-income Poverty

- Early achiever in MDG goals of
  - universal primary school enrolment
  - gender parity in primary and secondary school enrolment,
  - under five child mortality and infant mortality
  - universal provision of reproductive health services
  - TB prevalence and death
  - access to safe water and sanitation
  
- But malnutrition is prevalent especially among the poor: 13.5% of under fives stunted, 14% wasted, 29% underweight.
- National figures mask considerable gender-related, sectoral and regional variation in terms of non-income poverty indicators.
- Western Province performs the best in all indicators other than in infant mortality.

# Per Capita Real Public Expenditure on Health, Education and Consumption Support (1996=100)

## 1981-2005



# Social Protection Policy

- Before 1977, public policy geared towards universal subsidies and welfare services rather than market-oriented development.
- After liberalisation universal rice ration replaced by 'safety net' type measures, e.g. food stamp scheme.
- But by the late 1980s policy makers recognised that broad-based approach rather than mere nutritional interventions needed to 'protect' as well as 'promote' the poor.
- Samurdhi Programme is currently core of national system of social assistance. Consists of: (a) consumption grant transfer; (b) savings and credit programme through Samurdhi Banks; and, (c) workfare programmes to rehabilitate and develop community infrastructure.

# Samurdhi's Consumption Support

- Serious weaknesses: inefficient targeting, minimal impact, high administrative costs.
- 38% of the population currently gets Samurdhi when only 15% are poor!
- Lacks explicit selection criteria, so riddled with significant targeting errors that excluded 40 % of households in poorest consumption quintile while spending 44 % of the budget on households in top three quintiles (World Bank 2007).
- Targeting errors largely due to capture of programme by local level politicians. Poverty mapping exercise found wide divergence between Divisional Secretary (DS) level poverty estimates and distribution of Samurdhi beneficiaries across DS divisions.

# Consumption Support 'Reform'

- Welfare Board Act instituted, proxy means test formula (PMTF) developed with World Bank Assistance.
- But politicians argued weights assigned to household characteristics were unfair. Suggested community screening as an alternative.
- Instead of refining formula and implementing it along with community screening and appeal procedure, PMTF abandoned.
- Selection only through community screening by *Jana Sabha* – made up of all members of village led by three government officers and two community leaders. *Jana Sabha* extremely vulnerable to capture by local elites.
- New selection mechanism reduced proportion of population receiving Samurdhi from 40 % to 38%.

# Samurdhi Bank System

- Based on the Grameen model but run by government. Has been highly successful at generating vast volume of investible funds, providing members with secure savings instruments, easily accessible consumption and other loans.
- Reaches large numbers of poor excluded by other programmes. All who get consumption grant and more.
- System more sustainable than most donor-financed microenterprise programmes because it raises vast amount of funds.
- At least half of the total number of Samurdhi Banks were breaking even by 2003 and able to meet the staff costs of the banking programme.

# Challenges Faced by Samurdhi Bank System

- Little hard evidence to show that Samurdhi Bank system has made any significant impact on promoting poor to higher income growth paths. Like other microfinance programmes, Samurdhi helps the poor to diversify risks and do what they are doing a little better.
- When other factors (e.g. infrastructure) necessary for non-farm employment generation are absent, it is inevitable that target population would have low loan absorption capacity.
- Large volume of savings (invested in Treasury Bills) diverted through government's fiscal operations to develop areas with more potential. This causes resentment, discontentment and excuses for political interference in the loan allocation process.
- System highly vulnerable to political capture and needs to be made autonomous.

# Policy Challenges:

## Recognising Dynamics and Heterogeneity

- This presentation, as well as the existing policy framework are based on a static analysis of poverty which does not address poverty dynamics in a systematic way. Existing disaster relief measures *ad hoc*.
- We urgently need to look at poverty dynamics and develop appropriate policies to deal with them. For this we desperately need longitudinal data and data collection agencies need to gear up fast.
- Policy needs to recognise heterogeneity of poor: System has to be flexible to provide different strategies for
  - (a) working poor who can be promoted through income diversification and generation;
  - (b) unable to-work poor – e.g. aged, chronically disabled - presently inadequately covered and numbers set to grow;
  - (c) always poor because they live in areas prone to natural disasters; and,
  - (d) suddenly poor because of shocks – individual shocks (illness, death), climatic shocks (increasing), economic shocks such as the global financial crisis (imminent).

# In the meanwhile...

- Refine PMTF and combine with community screening to target Samurdhi consumption transfer efficiently and enable more generous support to those who really need it.
- Develop institutional mechanisms and procedures to minimise political interference and capture of programmes.
- Make the Samurdhi Bank system autonomous, enhance its BDS capacity, link up with entrepreneurship and technical and vocational education services.
- Create other necessary conditions for economic growth and job creation – transport linkages, power generation, law and order, skill development, entrepreneurship training in school curriculum.

**The End**