Building Synergies for Equality and Economic Recovery: Innovation in Social Protection Systems in Sri Lanka

Karin Fernando and Thilini De Alwis[1]

Historically, rapid social or economic change has forced Governments and leaders to rethink development strategies. The global shock of the COVID-19 pandemic exposed flawed institutional processes and inequalities in many countries, making it clear that many of the traditional approaches to governance and development were not sustainable in the face of emergencies. The experience of Sri Lanka, presently struggling to deal with its waning economy, clearly illustrates the need for innovative and accountable reform. This contribution examines how the country's management of competing policy priorities (reducing debt, controlling foreign trade, enhancing sustainable agriculture, and safeguarding vulnerable communities) has impacted its citizens. It also highlights recent efforts by the Government and various development partners to enhance synergies between equality and economic growth and improve social protection mechanisms.

Setting the context: the current economic predicament of Sri Lanka

In Sri Lanka, the pandemic shock and subsequent economic crisis occurred against the backdrop of pre-existing development challenges, including slow progress in securing wider private sector participation in the economy, the lack of export orientation, and inadequate integration into the global value chain.[2] While Sri Lanka ranks relatively high in the Human Development Index, its score declines when adjusted for inequalities,[3] clearly indicating that growth is not equitable. With the adoption of low-tax-revenue policies in 2019 and high non-discretionary expenditures, there was little room left for critical development spending, including on health, education and infrastructure.[4] By the end of 2021, the country's difficult fiscal and debt positions could not withstand forex liquidity constraints,[5] causing the rupee to crash and the cost of living to triple in the first half of 2022.[6] This sets the context for the next phase of development in Sri Lanka. Overcoming these challenges will require institutional reform, accountability, and economic recovery but also ensuring the protection of vulnerable communities.

Progress towards achieving the SDGs in Sri Lanka

The already fragmented Sustainable Development Goal (SDG) process in Sri Lanka has been losing momentum since 2018 due to a constitutional crisis, major shocks such as the Easter Sunday bombings in 2019, and a lack of commitment from subsequent administrations.[7] Furthermore, the institutional positioning of the SDG agenda has shifted from a separate ministry (in 2015) to a unit within the Ministry of Environment (since 2018), where it is a subtopic rather than a key area of focus. Progress continues to be hindered by the current economic crisis. Seven years after the launch of the SDGs, Sri Lanka has yet to fully adopt a comprehensive plan for SDG implementation. Low political will and the fragmented nature of public administration have caused policy planning processes to be carried out in silos, with little to no intended coherence or coordination across sectors. It has also been noted that policymakers tend to downplay the negative trade-offs of their own sectors[8] and hence do not grapple with the need for policy coherence. Furthermore, economic growth remains the key priority over social policy and environment planning,[9] which is symptomatic of the lack of a holistic approach to policy design and implementation. Frequent policy changes undermine consistency and stability, rendering policymaking a political exercise. Balancing and indeed achieving the three domains of economic growth, social inclusion and environmental sustainability requires political commitment coupled with integrated planning and managing policy trade-offs to mitigate any unintended consequences of prioritizing one over the others.

The SDGs offer a framework for understanding the interlinkages and spillover effects of development goals. The Stockholm Environment Institute (SEI) developed a methodology for identifying and selecting Goals and targets with the most synergistic effects.[10] The application of the methodology in Sri Lanka was guided by an expert committee led by the Ministry of Sustainable Development, Wildlife and Regional Development. The interactions among the SDG targets were scored during a national consultation workshop in 2019 that brought together 40 experts from the Government, civil society, academia and development partners. This exercise revealed that among the prioritized targets, those that had the greatest potential to accelerate progress on other targets were strengthening policy coherence (target 17.14), reducing corruption (target 16.5), and enhancing capacity for dealing with climate change (target 13.3).[11]

The extent to which development priorities can intersect and require integrated action on multiple fronts was recently brought to light through a policy decision to ban chemical fertilizer in Sri Lanka. In 2021, against the backdrop of the country's mounting debt crisis, a ban on chemical fertilizer was put in place with the idea that it could address multiple challenges, including saving foreign currency, reducing chemical inputs, and making farming more sustainable and food systems healthier. However, the lack of an integrated policy decision-making process[12] led to a severe loss in productivity, a reduction in farming income, and an unprecedented food security crisis.[13] A rapid food security assessment carried out in mid-2022 indicated that families in Sri Lanka were spending an average of 82 per cent of their household budget on food.[14] A World Food Programme report released in January 2023 revealed that 32 per cent of the country's residents were not able to satisfy their nutritional requirements.[15] The lack of an integrated plan caused a chain of events that affected nutrition and food security as well as the stability of farming as a source of livelihood, increased poverty rates, and had an impact on the well-being of women.

Because of the financial crisis, Sri Lanka has lost significant ground on the progress made towards achieving SDG 1. The poverty rate is estimated to have doubled between 2021 and 2022, rising from 13.1 to 25.6 per cent ($3.65 per capita, 2017 purchasing power parity).[16] As the World Bank observed, "not only are more people living below the poverty line; they have also fallen further in terms of their current living standards relative to the minimum threshold represented by the poverty line. The average distance between the poor and the poverty line … increased to 27.4 per cent of the poverty line in 2022–up from 18.9 in 2019."[17] Better social safety protection mechanisms are needed to ensure that people are able to meet their basic needs and are also able to get back to productive work.

Economic recovery and social protection reforms

Application of the SEI interaction model showed how progress on social protection (target 1.3) may not be pivotal but supports targets aimed at economic development, including innovation (target 8.2), food and nutrition (targets 2.1 and 2.2), equality (targets 5.1, 10.3 and 10.4) and the environment (targets 13.2, 12.3, 14.1 and 15.1).[18] Social protection has been critical for supporting or providing a cushion for households in the pandemic and post-pandemic periods,[19] but there are several gaps that undermine the fair and efficient delivery of social programmes.[20]

The approach to social protection in Sri Lanka is fragmented; many social protection schemes have been implemented, but there is no coordination among them. There are also challenges relating to the disbursement of allowances, mainly because delivery mechanisms are inefficient and beneficiary databases are not yet digitized and must be updated manually. Beneficiaries are still compelled to queue to access cash transfer schemes. The lack of good governance practices is a key reason why countries lag behind on their development targets.[21] Reducing corruption (target 16.5) in countries such as Sri Lanka could improve access to social protection and service delivery, thereby accelerating progress on achieving substantial social protection coverage (target 1.3).[22] Perceptions of bias, discrimination and political interference in programme delivery are a main source of public dissatisfaction; there have been complaints among social protection programme applicants and recipients, for example, that some beneficiaries are selected because they "know someone".[23] Finally, the country's lack of a reliable system for identifying those in need of social protection, the lack of preparedness to cover many new beneficiaries, and the lack of exit protocols for graduated beneficiaries could have an impact on the equitable distribution of funding.[24] During the pandemic, the Government's response was limited by the lack of data on which households were most seriously affected. Assistance was being provided based on existing lists of current programme beneficiaries and waiting lists assembled between 2016 and 2019.[25] As a result, social assistance did not reach those who were newly poor due to the COVID-19 crisis.

With mounting economic pressures, the increase in the number of those needing assistance, and the conditionalities and austerity measures imposed by the International Monetary Fund (IMF), the Government recently took steps to modernize the welfare benefits programme through the Welfare Benefits Board. By the end of 2022, the Board had begun working on a management system based on a single source of verified information on each citizen and household to facilitate better targeting.[26] Having a central registry can facilitate better recording and monitoring. While the new welfare benefits scheme has yet to be rolled out, the steps taken towards building a digitalized registry, the willingness to embrace innovation in assigning a QR code to each family, and the establishment of a decentralized system of data collection[27] are positive signs of a commitment to move forward. An appeal procedure has also been proposed to ensure transparency and accountability.

Another relevant addition to the process has been the identification of criteria for determining eligibility for social protection schemes,[28] developed for the purpose of reducing corruption and capturing multidimensional poverty. The methodology adopted to verify eligibility for social benefit payments uses six criteria relating to education levels, health conditions of family members, economic activity, ownership of assets, housing conditions and family demographics. There are 22 specific indicators that are used to measure these criteria.

The data collection process is under way; it needed to be innovative to ensure comprehensive coverage and optimal efficiency in a narrow window of time. When the process was launched, people were required to self-register (to the extent possible) to receive a QR code; assistance was provided to those who found the digital process daunting and to ensure the widest coverage possible. By the end of the registration drive, more than 3.5 million people across the country were signed up and needed to have their information verified to receive support. As data had to be collected in a few months, it was necessary to train a large pool of data collectors to use a computer-assisted personal interview tool designed for data collection. A combination of face-to-face and video-assisted training was provided to more than 14,000 ground-level implementation officers across the country's islands. The training was carried out by State and non-State partners working collaboratively.

Lessons learned

Several lessons have been learned in this process. The implementation has involved experts from various fields and has included input from civil society. However, interactions have been inadequate due to the lack of transparency and short time frames (linked to pressures to implement and meet IMF conditions). The multidimensional approach and the indicators should have been discussed more widely. For example, it is unclear whether a rigorous pilot test of the indicators was conducted, and there are some indicators, such as the threshold value for electricity and economic assets, that are being debated only after they have been published in the official *Gazette of the Democratic Socialist Republic of Sri Lanka*. Once the indicators are published, the procedure for changing them is cumbersome. In addition, there are unclear methodological aspects (such as the cut-offs) that create doubt about the approach. Strengthening ownership and the inclusion of ground-level implementation officers could have resulted in better support for the proposed changes, the data collection and the consequent implementation. Protests against the penalty clauses in the data collection process have hampered the roll-out and caused delays. This situation has also led to the use of alternative modalities to complete data collection that could have compromised the rigour of the process.

There is still work to be done, and a number of challenges remain. The data collected will have to be verified. There is also a fear that funding may be insufficient, since the redesigned social protection system would likely need to cover more people and provide more substantive support.[29] It is unclear what the potential fallout might be if the Government is unable to meet its social protection obligations, especially if there is no alternative plan in place, and if steps are not taken to establish a proper grievance redress mechanism. It must also be noted that implementation modalities are still unknown at this stage. The lack of overall awareness of the processes among both local-level officials and the general public has hampered acceptance and implementation.

Conclusion

The COVID-19 pandemic and subsequent economic crisis showed how critically important it is for a country such as Sri Lanka to have an effective and efficient social protection mechanism in place. The shock of the pandemic, followed by the economic crisis, has brought serious challenges that have necessitated the adoption of innovative approaches such as the use of QR codes and digitized registries, as well as the use of multidimensional poverty measures and video-based training, to revamp the social protection system. The renewed determination to overhaul social protection has been a positive step, and the process has been supported by collaboration with stakeholders whose inputs have been leveraged to address complex policy design and implementation challenges. Intentional efforts are being made to acknowledge the multidimensionality of poverty and to consider different dimensions of well-being in alignment with the SDGs. Social protection provides a cushion for achieving several of the other SDGs and related targets–highlighting the need to build on synergies and manage trade-offs. As a final caveat, it is important in development efforts such as these to ensure adequate consultation and transparency, to thoroughly test new ideas and make adjustments where necessary, to establish a realistic time frame for programme planning and execution, to ensure that all parties are on board, and to undertake an assessment of synergies and trade-offs in order to identify effective policy solutions aimed at improving the delivery of public services and building a more resilient society.

Endnotes

1 Karin Fernando and Thilini De Alwis are Senior Research Professionals at the Centre for Poverty Analysis.

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