



RIGHT TO LIFE
HUMAN RIGHTS CENTRE

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Strengthening Social Safety Mechanisms in Sri Lanka

Insights from 12 Districts and Advocacy for Inclusive
Welfare Reforms



2024

September

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Right to Life Human Rights Center

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Printing
adARTS - Maharagama
011 3103181

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Introduction

Social safety nets are programs implemented by the government or non-government sectors aimed at protecting vulnerable social groups in a country, such as children, women, the elderly, displaced individuals, the unemployed, and those suffering from chronic illnesses or permanent disabilities, with the goal of minimizing poverty. Social safety nets contribute to strengthen income or consumption capabilities.

Sri Lanka has a long-standing tradition of providing social safety net programs. Historically, extended families and communities played a significant role in meeting social protection needs. The history of social safety nets began during the British colonial period with the importation of laborers from India to work in the plantations in Sri Lanka. With the expansion of the plantation economy, a strong middle class and an upper middle class emerged. Consequently, due to the increasing income disparity between urban, rural, and plantation sectors, the government decided to provide financial benefits to those living in extreme poverty, expand free healthcare services nationwide, and establish a broad social protection system that included entitlements for wage earners.

Thus, in 1898, the Widow and Orphan Pension Fund was established, in 1901, a mandatory pension scheme (PSPS) for public servants was introduced, and in 1931, maternity benefits were initiated.

Currently, more than 50 social safety net programs operate in Sri Lanka. These programs can be broadly categorized into three groups: social insurance programs, social assistance programs, and labor market programs. These categories contribute to the overall social welfare, providing individuals with financial security, support, and assistance at various stages of life, while also taking measures to minimize poverty through these social safety nets.

Social Insurance Programs

Social insurance programs generally provide coverage during unexpected life events such as old age, death, permanent disability, and other life cycle events. These programs are often employment-related and include providing individuals with retirement income in their old age. The goal is to provide a financial safety net for individuals facing various life challenges and ensure economic security at different stages of their lives. Currently, more than 15 social insurance programs operate in Sri Lanka. For example:

- Public Service Pension Scheme
- Public Service Provident Fund
- Widow and Orphan Pension
- Employees' Provident Fund (EPF)
- Suraksha (School Student Insurance)
- Agrahara (Public Service Insurance)
- Manusavi (Pension Scheme for Overseas Workers)
- Surakuma (Pension Scheme for Individuals Without a Pension)
- Kalakaru (Artist Insurance Scheme)

Social Assistance Programs

Social assistance primarily aims to provide financial or non-financial material aid to individuals or families at risk, who lack alternative support. This category includes assistance for the elderly, health support, child protection initiatives, aid for drug users, family allowances, and various welfare and social services programs designed for individuals facing illness, risk, or disability. These programs address diverse needs within the social assistance sector. In Sri Lanka, more than 30 social assistance programs operate. For example:

- Aswesuma
- Samurdhi
- School Textbook Programs
- Distribution of Cloth for School Uniforms
- Thriposha Programs
- Flood and Drought Relief
- Disability Allowances
- Mahapola Scholarships

Labor Market Programs

Livelihood development programs conducted by the Samurdhi Development Department and vocational training programs for at-risk groups fall under labor market programs.

- Samurdhi Livelihood Development Programs:
 1. Agricultural Development Programs
 2. Livestock Development Programs
 3. Fisheries Sector Development Programs
 4. Micro-Enterprise Programs
- Labor Market Programs for At-Risk Groups:
 1. Self-Employment Support for Disabled Individuals in Low-Income Families
 2. Vocational Training Programs for Individuals with Disabilities
 3. Rehabilitation Programs for Single Parents

The 'Aswesuma' Welfare Benefits Scheme

The 'Aswesuma' welfare benefits scheme, implemented under the Welfare Benefits Board in 2022, is a social assistance program established with the goal of uplifting the economically vulnerable population of Sri Lanka and improving their living standards. Following the collection of applications in 2022, the distribution of benefits under the Aswesuma scheme began in 2023.

The benefits under the Aswesuma program are primarily provided under four categories. Accordingly, LKR 2,500 is allocated for the transitional category, LKR 5,000 for the at-risk individuals, LKR 7,500 for the poor, and LKR 15,000 for the extremely poor.

The first round of benefits under Aswesuma was completed, and a survey for the second round was conducted from July 15th to 31st. As a result, following research on social safety nets conducted by our institution, awareness programs on social safety nets were held across 12 districts. After the awareness programs, 48 small group meetings were conducted in each district, with four meetings held in each district. These programs took place in areas such as Anamaduwa (Puttalam), Anuradhapura, Gampaha, Hambantota, Hatton (Nuwara Eliya), Imaduwa (Galle), Kantale (Trincomalee), Kegalle, Matara, Mathugama (Kalutara), Monaragala, and Trincomalee. A total of 1,545 individuals across these districts were made aware of social safety nets and micro-entrepreneurship.

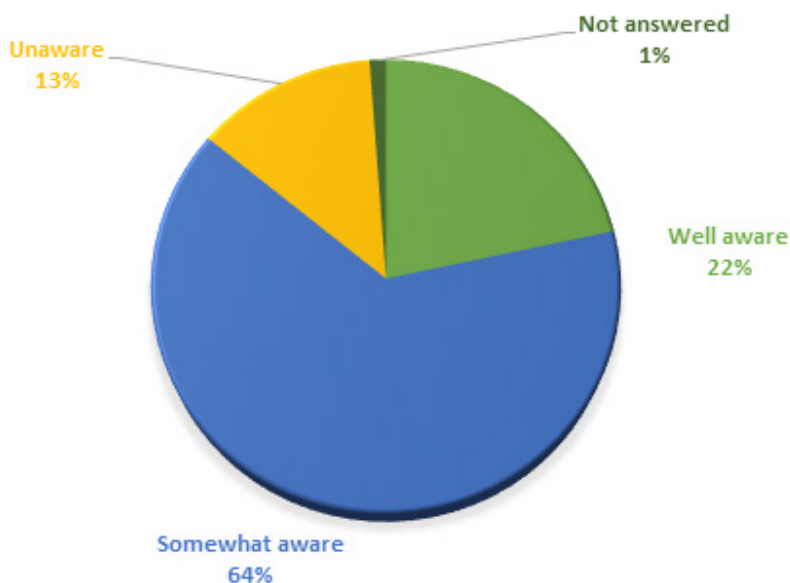
The aim of these awareness programs was to inform attendees about the existing social safety nets in Sri Lanka, their history, scope, and the currently operational Aswesuma program. Additionally, the programs aimed to educate participants on the dependency mentality formed by reliance on social safety nets and how micro-entrepreneurship can help alleviate poverty, reducing dependence on such nets.

At the conclusion of these awareness programs, evaluation forms were distributed to the attendees. These forms assessed the extent of their knowledge regarding social safety nets, whether they were beneficiaries of these nets, and the issues they faced in obtaining benefits.

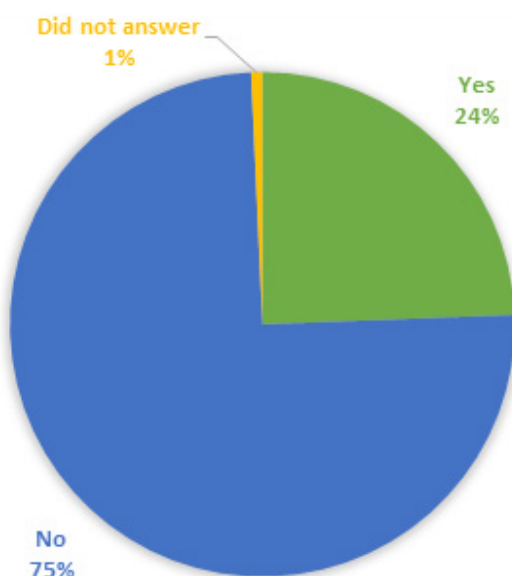
The first question on the form asked participants how much they knew about the social safety nets implemented by the government. According to the

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responses, 334 individuals across the 12 districts were well-informed about social safety nets, 993 had some level of awareness, 199 had no knowledge, and 18 individuals did not respond to the question. In percentage terms, the responses are as follows.



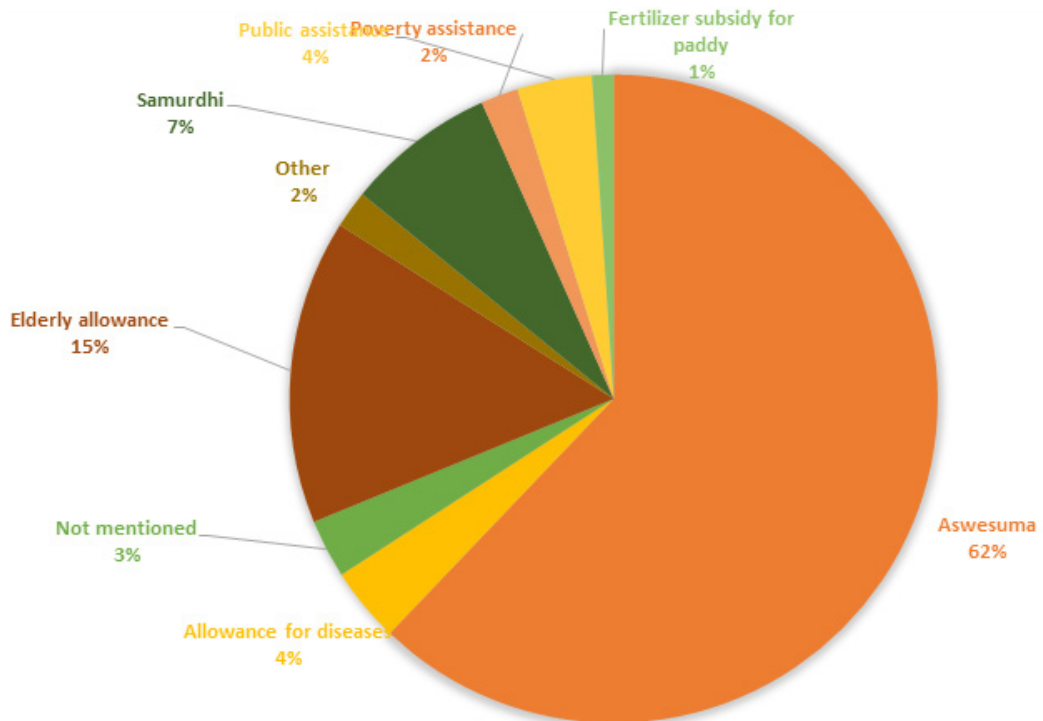
The second question asked was whether they are currently beneficiaries of any social safety net implemented by the government. According to the responses from the participants of the program, 384 individuals stated that they are beneficiaries of some form of social safety net, while 1,151 individuals indicated that they are not beneficiaries, and 9 individuals did not respond to the question.



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The third question presented to them was, if they were beneficiaries of any social safety net implemented by the government, what specific benefit they received. Several social assistance programs were mentioned in their responses, and accordingly,

Social safety net	Number of beneficiaries
1. Aswesuma	233
2. Samurdhi	28
3. Elderly allowance	57
4. Public assistance	14
5. Poverty assistance	7
6. Fertilizer subsidy for paddy	4
7. Allowance for diseases	14



Even though there are over 50 social safety net programs in Sri Lanka, the government uses a specific selection process to determine beneficiaries of these programs. Eligible individuals are selected according to the government's criteria, but the public often faces various challenges when applying for these assistance programs. Many of these issues are practical problems faced by

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individuals at the rural level, and most of them go unnoticed by government officials. As a result, during the awareness programs conducted at the district level, participants were asked about the difficulties they encountered when applying for assistance. According to the responses, despite their poverty, many were unable to access these benefits. The following issues were identified as reasons for individuals not being selected as beneficiaries and the challenges they currently face:

- If a family member is abroad, individuals cannot apply for or receive benefits provided by the government.
- Some previous Samurdhi beneficiaries lost both the Aswesuma and Samurdhi benefits after the introduction of Aswesuma.
- Some individuals who previously received Samurdhi had amounts from their accounts deducted because they had signed as guarantors for loans taken by others who did not repay.
- Many people lack proper understanding of the accurate information required to apply for government assistance, resulting in their inability to obtain benefits.
- Although many applied for the first round of Aswesuma, a large number were not selected as beneficiaries.
- A significant number of people are unaware of the welfare benefits implemented by the government.
- Individuals earning more than LKR 15,000 cannot apply for benefits, but the salary they earn is insufficient compared to the economic situation.
- Some participants mentioned that if a family member works in the public sector, they are ineligible to apply for any government-provided benefits.
- Certain individuals reported that when they attempted to apply for these benefits, government officials did not assist them, and some were ignored by the Divisional Secretariat Office.
- In some cases, people in the Gampaha district could not receive assistance because they did not own land.
- Government officials told some individuals that their assets disqualified them from applying for benefits.
- Some minority communities faced language barriers due to their lack of knowledge of the Sinhala language.

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- When multiple family units live in the same household, it caused issues for sub-families in obtaining benefits.
- Certain Tamil individuals reported that, due to their ethnicity, government officials overlooked them for employment opportunities as well as assistance.
- Estate workers living outside of the plantation areas struggled to receive support from government officials, leading to their exclusion from benefits.
- People without a National Identity Card faced difficulties applying for assistance, preventing them from becoming eligible beneficiaries.
- Some individuals mentioned that traveling long distances and incurring high transport costs, along with spending significant time in queues and bearing the costs of paperwork, created major challenges in accessing benefits.
- Some reported that government officials did not cooperate with the survey process, resulting in a lack of awareness about the assets and incomes of residents in those villages, making them ineligible for Aswesuma.
- Previous Samurdhi beneficiaries, who lost all benefits after the introduction of Aswesuma, mentioned their current lack of support.

Thus, individuals face a wide range of challenges in applying for and receiving assistance. Some of these challenges are common across society, while others are specific to individuals. As a result, many people in need have been unable to access the benefits they require.

The goal of this awareness program was to encourage individuals to move towards entrepreneurship rather than relying on social safety nets in the long term. Feedback was gathered regarding their ideas, suggestions, and challenges related to entrepreneurship, and the following thoughts were presented by the participants:

- Many participants mentioned that they would use the knowledge gained from this program to improve their economic conditions and share this knowledge with others.
- A significant number of individuals expressed hope in starting their own businesses and stated that they would use the knowledge acquired through this program to do so.

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- One participant proposed forming a group that could receive entrepreneurial training and then divide the profits from the business started by that group.
- Many participants requested that similar awareness programs be conducted at the rural level in the future.
- Some participants stated that moving forward, they would take action if they faced injustice and now knew about institutions that could support them.
- Among the participants, some were already operating businesses, while others expressed concerns about lacking the necessary raw materials and equipment to start a business.
- There was also a request for more training related to entrepreneurship, emphasizing the need for such programs.
- Some individuals mentioned that they intended to take out low-interest or agricultural loans through a bank to achieve productivity.
- Participants requested that self-employment opportunities be created to strengthen the economy of low-income earners in the village.
- Some suggested that instead of providing long-term benefits to the same individuals, it would be better to offer benefits to a larger number of people over a limited period, thereby strengthening their economic situation.

During the awareness program, a general discussion was held regarding the challenges associated with social safety nets. The key points and issues raised during the discussion were as follows:

- Many people are not adequately informed about the social safety programs implemented by the government due to a lack of communication from government officials.
- In some areas, enumerators did not properly record information gathered during home visits, resulting in eligible individuals not receiving the benefits they were entitled to.
- Participants suggested that the government should organize more awareness programs to encourage individuals to strengthen their own economic situation rather than depending on government aid and to provide support for starting or improving small businesses and self-employment opportunities.

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- In the past, when welfare benefits were distributed, village officials had used the opportunity to require public services from the beneficiaries, resulting in well-maintained public spaces and roadsides.
- It was revealed that many Grama Niladharis and development officers were not paying enough attention to the Aswesuma benefits program.
- Some individuals reported that disabled allowances provided by the government had not reached them.
- The social safety net eligibility criteria based on estimated income levels caused some individuals in the village to be excluded from the programs.
- Low literacy levels among some participants created difficulties in accessing benefits and navigating the application process.
- Some officials involved in the surveys had conducted an excessive number of surveys for financial gain, rather than following the proper protocol.
- Favoritism was reported in the Aswesuma survey process, with officials allegedly altering data to provide benefits to ineligible individuals, while rightful beneficiaries were denied due to inaccurate data recording.
- In instances where the household head or an elder was absent, information was collected from children, resulting in incorrect data and denial of benefits to many.
- In cases where multiple family units were registered in the same household, survey officials only recorded information for one family, leaving the others without benefits.
- Individuals without National Identity Cards or elderly ID cards were unable to apply, resulting in them missing out on benefits.
- Some individuals attempting to start businesses (e.g., ornamental fish farming) faced challenges, such as needing approval with official stamps from local council members or provincial representatives to operate legally.
- In families with special needs children, if a family member held a minor government job, the social services department would reduce the aid given to the special needs individual.
- When reporting issues regarding the Aswesuma program to Samurdhi officers, participants were redirected to the Divisional Secretariat, which failed to address the complaints.

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- It was reported that Samurdhi bank officials were withholding benefits for several months, causing delays and congestion when beneficiaries came to collect their payments on a single day.
- Some individuals stated that they intended to use the aid for productive purposes, such as starting a business, but could not access the funds all at once, making it difficult to initiate such endeavors.
- There were cases of confusion when individuals with similar names in the same village applied for benefits. Those eligible received the aid, but misunderstandings led to protests from ineligible individuals.
- Tea plantation workers faced challenges due to a lack of National Identity Cards and birth certificates, language barriers, and financial issues, making it difficult to complete necessary paperwork.
- Plantation leaders only informed their subordinates about important government messages, leaving the rest of the plantation population unaware.
- In some plantation homes with multiple families living together, officials only registered one family, leaving the others without access to Aswesuma benefits.
- Beneficiaries mentioned that they incurred high transportation costs to visit the bank to collect their Aswesuma aid, and in some cases, the aid was not enough to cover these expenses.
- Non-Sinhala-speaking individuals faced language barriers when applying for Aswesuma benefits, often having to pay someone who knew Sinhala to accompany them.
- Many individuals were unaware of how to appeal after being denied Aswesuma benefits and expressed frustration with the inefficiency of government officials in processing their appeals.
- The software used in the survey process required phone numbers and National Identity Card numbers, and when this information was missing, the survey could not proceed. As a result, elderly, disabled, and extremely poor individuals without phones or IDs were excluded from receiving Aswesuma benefits.
- When individuals visited government offices to inquire about Aswesuma, they found it difficult to obtain correct information due to the absence of relevant officials.

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- Some fishing families, despite having a stable income, were reluctant to exit the social safety net programs.
- Many individuals dependent on welfare became accustomed to it and were unwilling to seek employment.
- Both government officials and the general public were found to be unaware of the term "social safety net," and even government officials were not informed about the existence of over 30 social safety programs.

Through the 48 small group meetings conducted across 12 districts, a review was carried out on public awareness of social safety nets. Among the 1,545 participants, 22% were well-informed, 64% had some knowledge, and 13% had no knowledge at all. It was particularly noted that many participants were unfamiliar with the term "social safety net." Furthermore, it was observed that many people still depend on social safety nets and look to them for support. Some participants who were involved in small businesses highlighted common challenges, such as difficulties in purchasing raw materials, securing capital, the need for training programs, and finding good markets for their products.

Therefore, it is crucial to continue supporting those who are striving to strengthen their economy independently, without depending on social safety nets. The government and society must also realize that social safety nets alone cannot eliminate poverty.

Programme of developing entrepreneurial skills among the microlevel entrepreneurs and developing financial literacy among them

In recent times Sri Lankan economy has faced twin disasters, one was the Covid-19 pandemic, and the other was the economic bankruptcy. In fact, the former triggered the latter. Sri Lankan enterprises were affected by both these disasters.

The first case of the Covid-19 virus was reported in January 2020. Sri Lanka has declared that all principal and interest payments falling due after 5 pm Sri Lankan time on 12 April 2022 under Affected Debts including ISBs, bilateral credits and foreign currency loans from commercial banks or institutional lenders excluding swap lines shall be deemed to have been capitalized and such amounts shall bear interest during the interim period at the normal contractual rate applicable to that credit.

It was a declaration of bankruptcy by the State. Since then Sri Lanka has entered into Extended Fund Facility agreement with the IMF and so far managed to receive three installments totaling to around USD one billion.

The IMF focuses on the fiscal stabilization which the root cause of the problem. The IMF is not addressing the issue of growth strategies. In addition to the budget deficit the country is facing a perennial problem of deficit in the balance of payments of which the main issue is the continuous trade deficit. In recent years Sri Lankan growth of the economy was weighted in construction of infra structure projects initiated by the government on borrowed money. In order to overcome this issue, at the policy level government should focus on export promotion strategies rather than on import substitution strategies so that a major component of the economic growth should be exports of the country which will eventually address both the issues of trade deficit and economic growth.

Therefore, Sri Lanka should support the export promotion. In order to achieve this at the ground level entrepreneurs should be supported. Sri Lankan growth of the economy is skewed towards the Western Province. Hence entrepreneurs of the whole country should be supported.

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Sector of Small and Medium Enterprises (SME) in Sri Lanka supposed to be account for around 52% of the GDP in Sri Lanka and they provide around 45% of employment. Some studies came out with the figure that MSME (Micro, Small and Medium Enterprises) sector employed 75% of labour force in 2013. According to the National Policy Framework published by the Ministry of Industry and Commerce defined MSMEs as follows.

This definition is in line with the definition of the Institute of Chartered Accountants related to different Accounting Standards for SMEs and Micro enterprises.

However all of them contribute less than 5% to the exports of Sri Lanka. Business failure of SMEs is very high and the main reasons for their failure are lack of financial literacy and record keeping. In addition to that, although it is improving gradually the culture in the country does not recognize entrepreneurs favorably. Hence those who venture into entrepreneurship are school or university dropouts which may be the phenomenon world-wide.

Considering the contribution they make to the economy, it is extremely important thing to contribute to the revival of MSME sector in this country. The only comprehensive database of MSMEs that exists is the Department of Census and Statistics' National Economic Census 2013/14, which reported 1,019,681 such enterprises.

Central Bank of Sri Lanka has carried out a survey of Financial Literacy in Sri Lanka in 2021 which was based on the Financial Literacy around the world by Standard & Poor.

Financial literacy was defined as the combination of knowledge, attitudes and behavior necessary to make informed financial decisions and achieve financial wellbeing.

Based on the findings, 57.9 percent of adults were reported to be financially literate in Sri Lanka.

In a study carried out by the International Labour Organisation titled the Impact of multiple crises on Sri Lanka's micro, small and medium- sized enterprises, it was suggested among many policy recommendations that to carry on entrepreneurship development through advisory, counselling and business coaching services by way of developing entrepreneurship skills among MSMEs through well-designed entrepreneurship training programmes.

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Right to Life has conducted 48 programmes throughout the island with the participation of around 40 participants each comprising of beneficiaries of Aswesuma social support who are engaged or intended to engage in micro level businesses and a group of micro level entrepreneurs including few government employees. One of the main intentions was that to encourage the beneficiaries of Aswesuma not to depend on the said programme too long and to shift to entrepreneurship. A detailed study carried out by Right to Life about social security systems in Sri Lanka is also presented to them. Then there was a presentation to an introduction to entrepreneurship which would generate interest of the participants to the subject.

Thereafter a detailed discussion was done covering the following areas which would be beneficial to the start-ups as well as the entrepreneurs who are already engaged in business.

- Attitudes
- Pricing of the products in financial perspective and in marketing perspective
- branding
- Calculating gross profit and net profit and importance of profitability
- Financial literacy
- Expenditure management
- Cashflow management
- Customer management and supplier management
- Management of banks and loans
- Effective interest rate calculations of loans

It was observed that the majority of the participants were females, which was encouraging since ILO report recommended to increase the number of female entrepreneurs.

As ILO report suggests to provide coaching on crisis management, business continuity planning and sustainability initiatives for MSMEs. Most of them fail in business continuity planning and sustainability since they do not divulge their responsibilities even to their close family members. Therefore future programmes could be enriched with those aspects as well.

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The other requirement is to Improve the digital competencies of owners of micro enterprises related to communication, networking, social media, customer relationship management, payments, accounting and finance operations and improving the digital visibility of enterprises.

As micro level entrepreneurs most of them did not obtain loans from banks or established institutions. However, if there are persons in that category a mechanism to monitor the progress of business recovery of them and to introduce remedial measures to minimize potential negative impacts are also would be useful.

All in all continuous engagement with them in a learning scale upwards would be beneficial in upgrading the rural economy in Sri Lanka which in turn would contribute to the faster economic recovery of the country.



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