COVID-19 and social protection in South Asia: Sri Lanka

Isabela Franciscon and Pedro Arunda, International Policy Centre for Inclusive Growth (IPC-IG)

The COVID-19 pandemic and its ramifications are posing an unprecedented challenge to social safety nets globally. Groups particularly at risk are children, older people, persons with disabilities, and informal workers belonging to a ‘missing middle’ that is covered by neither social assistance nor social insurance. In a recent policy brief, the International Policy Centre for Inclusive Growth and the United Nations Children’s Fund Regional Office for South Asia (IPC-IG and UNICEF ROSA 2020) analyse the economic fallout from the crisis and the policy measures taken in eight South Asian countries, and offer policy proposals for the inclusion of workers and households in the ‘missing middle’ in social protection frameworks. This One Pager summarises the study’s findings for Sri Lanka.

Sri Lanka was one of the first countries in South Asia to deploy strong stringency measures. So far it has been largely successful at containing the pandemic’s epidemiological impacts, which has allowed for a steady easing of measures and led to the country halving its Stringency Index measures by early June.

The crisis, however, continues to cause social and economic damage. The International Labour Organization has estimated an 87 per cent income reduction among informal workers following the initial lockdown. Between January and June, the World Bank’s gross domestic product (GDP) growth projections for Sri Lanka decreased substantially from 3.3 per cent to -3.2 per cent for 2020, and from 3.7 per cent to 0 for 2021, despite taking the country’s macroeconomic and epidemiological responses into consideration in the estimates. As a result, in June the institution still estimated that between 44,000 and 65,000 persons would fall below the extreme poverty line (USD1.90 at 2011 purchasing power parity) due to the crisis.

In addition to a broad set of monetary and fiscal responses, including a substantial increase in public health expenditures, Sri Lanka also undertook important social protection responses, using its existing social protection system. Concerning contributory social insurance and labour market interventions, the Farmers’ and Fishermen’s Pension and Social Security Benefit Scheme, a scheme for fishermen and farmers, provided an LKR5,000 emergency grant in response to COVID-19. The National Insurance Trust Fund, a government insurance fund, doubled the value of its benefits to health public health centres.

Furthermore, considering that the emergency transfers were only for two months, the increase in consumption is likely to be very limited.

As a consequence of the regular structure of Sri Lanka’s social protection system, those belonging to the ‘missing middle’ are not targeted by non-contributory social assistance or contributory social insurance systems.

Important challenges remain to expand Sri Lanka’s social protection floor and include informal and self-employed workers. Accordingly, some key policy recommendations include:

- registering beneficiaries of emergency responses into a comprehensive information system that could support a dynamic shock-responsive system in the near future;
- adding COVID-19-responsive features to the social insurance scheme for self-employed people—Surekuma—and overall expanding social insurance benefits to the recipients’ families; and
- shifting social assistance responses from an ad hoc arrangement towards an institutionalised response better equipped to transition from a mitigation to a recovery strategy, which could include rolling out universal benefits for children, elderly people and persons with disabilities.

References:


Note:
1. The authors gratefully acknowledge the support and comments received from Louise Moreira Daniels (UNICEF Country Office for Sri Lanka). Full references for the data cited in this One Pager can be found in the full report (IPC-IG and UNICEF ROSA 2020).