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COVID-19 and social protection in South Asia: Sri Lanka[1]

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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 care, police and civil security professionals. The government announced *ad hoc* relief on lease instalments for 1,500,000 self-employed people—such as owners of three-wheelers, school buses and vans—which corresponds to 16.8 per cent of the labour force.

Regarding non-contributory social assistance programmes, Sri Lanka had the highest pre-crisis coverage in South Asia (27 per cent of its population). Its main cash transfer programmes (*Samurdh*i; Senior Citizens Allowance—SCA; Disability Allowance—DA; and Kidney Disease Allowance—KDA) have all expanded horizontally, enrolling those on waiting lists, and entitling them to access the LKR5,000 emergency benefit under the SCA, the DA and the KDA. For *Samurdh*i, a massive horizontal expansion also incorporated almost 2 million self-employed people.

*Samurdh*i and the SCA also undertook vertical expansion. *Samurdh*i provided LKR5,000 in addition to the regular benefit value, as well as in-kind food items. The SCA provided an additional LKR3,000 on top of its regular benefit. These vertical and horizontal expansions took place in April and May, amounting to approximately 5.7 million cash transfers.

Finally, the *Triposha* programme continues to provide take-away nutritional supplements to pregnant and lactating women and undernourished children. Its delivery modality shifted during the curfew towards delivering these supplements to beneficiaries' homes, rather to public health centres.

UNICEF estimates that over 60 per cent of the population were covered by the measures described above. Coverage is particularly high for the poorest decile, at 97 per cent. Nonetheless, around 31 per cent of households in the third poorest decile were estimated to be excluded from these interventions, as are over 30 per cent of children and 30 per cent of people aged over 70. 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. Around 31 per cent of the households in the middle quintile are estimated to be excluded.

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:

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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).

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