

# Sri Lanka

## Draft National Social Protection Policy

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# Sri Lanka

## Draft National Social Protection Policy

### 1. Introduction

#### 1.1 Overview

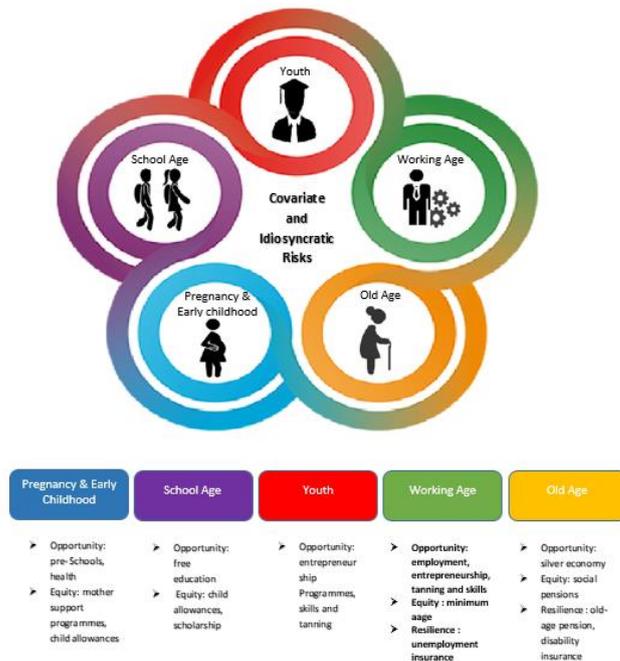
Well-designed social protection systems can be instrumental in enhancing human capital and productivity, reducing inequality, and ending the inter-generational cycle of poverty. They can also directly mitigate economic and fiscal shocks, consequently building resilience and allowing people to climb out of poverty and become productive members of society. They can also play an important role in promoting social stability and maintaining political and public support for needed economic reforms by protecting vulnerable households from any unintended consequences.

Access to social protection as a human right is enshrined in key international treaties, conventions, and global commitments: The Universal Declaration of Human Rights, International Covenant on Economic, Social and Cultural Rights, Social Security (Minimum Standards) Convention, Social Protection Floors Recommendation, Convention on the Rights of the Child, and Convention on the Rights of Persons with Disabilities among others. Social protection is also an integral part of the 2030 Agenda for Sustainable Development. Sustainable Development Goal (SDG) 1 calls on all countries to end poverty in all its forms everywhere by 2030. Social protection is fundamental in achieving this, as highlighted by SDG Target 1.3, which calls for the implementation of “nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and vulnerable”. A comprehensive social protection system can play a pivotal role in facilitating progress in achieving other SDGs. Further, Article 27 of the Constitution of Sri Lanka establishes social protection as a key policy principle and calls for an adequate standard of living as an objective to be fulfilled for the “establishment of a just and free society”. This first National Social Protection Policy (NSPP) considers the international treaties and conventions signed and ratified by Sri Lanka and aims to help cement the constitutional principles of Sri Lanka and complement existing legislation (Annexure 1).

The NSPP defines the scope of social protection in Sri Lanka and provides the basis for establishing an integrated social protection system by enabling the necessary policy and legislation, governance, and institutional arrangements, as well as operational systems. Further, the Policy describes the long-term objectives that social protection in Sri Lanka aims to achieve, the key components of the social protection system which will be developed to achieve that objective, and the principles which will guide all decisions made under this policy.

The NSPP can be used as a common guide and planning tool for building an integrated and efficient system of social protection. The integrated system will promote synergies among agencies, programmes, and interventions, avoiding duplication of efforts. In turn, this will increase the transparency and efficiency of processes, allowing for more effective

interventions, The NSPP together with the National Social Protection Strategy (NSPS) provides a framework for enabling a more equitable and efficient social protection system that supports all citizens throughout the lifecycle. The NSPP provides a long-term vision for the social protection sector in Sri Lanka while the NSPS will provide strategic guidance on the way forward for a specific period. Annex 2 provides an outline of the forthcoming National Social Protection Strategy: Road to 2030.



## 1.2 Assessment of challenges in the current system

The legal and policy documents have been developed over time, and have evolved, influenced by ideologies of regimes, and international treaties and conventions, amongst others, leading to a lack of sustainability in the approach to governing social protection. Furthermore, the linkages between the numerous documents, and as a consequence, the institutions established by these documents, are unclear. However, since historically social protection was not conceptualised nor managed as a single sector, there has been no national vision, policy, or strategy for social protection. This lack of coherence has resulted in weak governance as well as institutional and implementation challenges at all levels. In addition to these challenges, there are a range of systemic issues that must be addressed to ensure a coherent social protection system. There is no clear government definition of social protection in Sri Lanka. It follows that there is also no classification of what comprises social protection, and therefore the boundaries of the social protection sector are unclear.

The lack of a lead agency which develops relevant policies, proposes legislation, and provides oversight to the sector has been a significant gap. Numerous government ministries and departments deliver a range of social protection services and in the absence of a lead agency, have done so with little coordination or policy coherence. This has resulted in overlap and duplication of programmes. The lack of accountability has impacted

performance and resulted in a costly and inefficient system. Digital and data have not been sufficiently capitalized on thus far. Not only does the lack of coherence within the system increase inefficiency but it also impacts performance and effectiveness.

Going forward, Sri Lanka’s social protection system faces further challenges primarily related to demographic changes. Low levels of fertility and a rapidly aging population raises concerns on the ability of the social protection system to cater to the needs of the elderly. Care needs for other vulnerable groups such as children and persons with disability will continue to be of importance. This highlights the need for affordable, accessible social care.

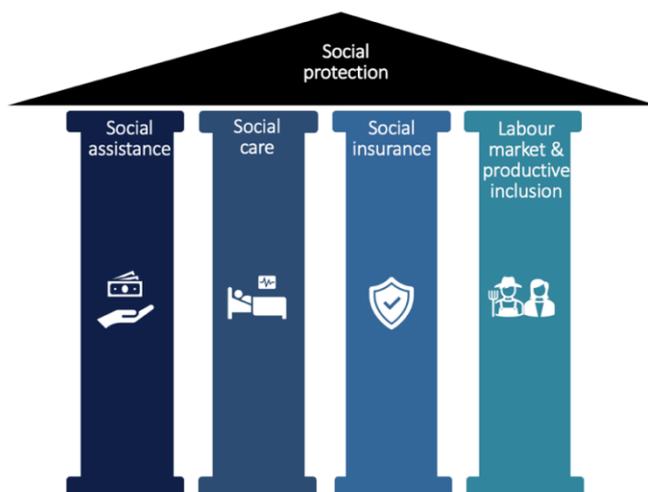
Sri Lanka has also faced several covariate shocks including pandemics and natural disasters. However, the social protection system has not been sufficiently adaptive. As a result, a large percentage who live just above the poverty line risk falling below whenever there are economic or climate shocks.

Several key reforms have been undertaken, however. The government has committed to increasing budgetary allocations for safety nets. The reform agenda needs to continue in the broader social protection space to protect citizens adequately and effectively in times of need throughout their life cycles.

### 1.3 Rationale for the Policy

The absence of comprehensive policy guidance and an integrated strategic framework can be considered key reasons for the existing challenges faced in the social protection landscape. The shortcomings resulting from this are many, including issues ranging from coverage of beneficiaries to adequacy of benefits. Further, the set of scattered programmes, schemes, institutions, and products which are integral in the current social protection system are proven to have limited effectiveness, thereby, inadequate impacts on developmental outcomes.

### 1.4 Scope



This policy defines social protection as a set of policies and programmes that help individuals and societies to manage risk and volatility, protect them from poverty and inequality, and help them to access economic opportunities throughout the life cycle.

Social protection aims to achieve this by increasing peoples’ resilience, equity, and opportunity, the three goals of social protection, by means of a range of instruments, which we categorise into pillars. The key pillars

of the new social protection system include social assistance, social care, social insurance, and labour market and productive inclusion programmes.

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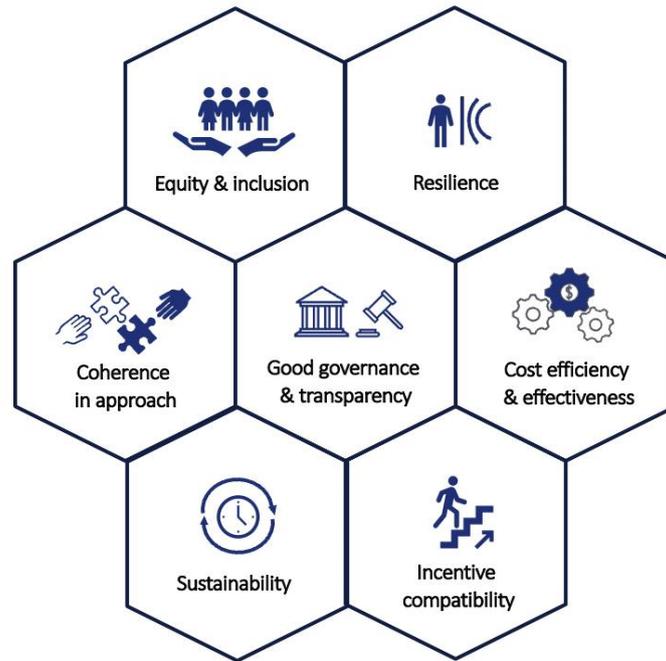
- (i) **Social assistance** for vulnerable groups with no other means of adequate support. Social assistance is defined as non-contributory transfer programmes or safety nets designed to protect households/families from poverty and destitution by ensuring some minimum level of economic well-being. They are also often designed to play a promotion role through enhancing investments in human and physical capital of recipient and supporting them to pull themselves out of poverty.
- (ii) **Social care**, which refers to a range of activities and services to help people who are unable to care for themselves; activities and resources designed to enhance or promote the well-being of individuals, families/ households, and the larger society.
- (iii) **Social insurance**, which includes publicly provided or mandated insurance against old age, disability, death of the main household provider, as well as various health and economic shocks. Social insurance programmes are largely employment related - both formal and informal employment. In the context of Sri Lanka, contributory and non-contributory schemes are considered social insurance<sup>1</sup>.
- (iv) **Labour market and productive inclusion programmes**<sup>2</sup>, which includes both passive and active interventions and contribute to the decent work agenda. Passive labour market policies and programmes include compliance with core labour standards, job security provisions, and improving working conditions. Active programmes increase the human capital of individuals/ recipients through training support, including on-the-job training, while also facilitating employment through intermediation services and job creation. Productive inclusion programming helps vulnerable groups attain sustainable livelihoods through a package of interventions that include financial support, training and coaching and mentoring.

## 2. Policy Principles

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<sup>1</sup> Historically in Sri Lanka, social insurance has been termed social security. In this policy, the term social insurance, which is more current and internationally recognized, is used.

<sup>2</sup> Policies related to demand side of labor market interventions are not discussed in this policy framework.



The NSPP is based on the following key principles:

- **Equity and inclusion:** All citizens should have access to adequate economic and social protection throughout the life cycle, as needed. The design and implementation of social protection systems according to the principles of equity and social inclusion mean that delivery systems will pay particular attention to the challenges and obstacles faced by vulnerable and disadvantaged groups.
- **Resilience:** Promoting adaptive social protection systems will help build the resilience of poor and vulnerable households by investing in their capacity to prepare for, cope with, and adapt to shocks, ensuring that they do not fall (deeper) into poverty.
- **Coherence in approach:** Social protection should be one element within a broader national development strategy and ensure policy coherence to increase the government’s ability to achieve desired development goals and to ensure that social and economic policies reinforce each other in coordinated manner. Further, initiatives by the government, private sector and non-governmental organizations should complement each other, to maximize coverage and effectiveness following the multi-sectoral approach. Select social assistance programmes, for example, should take a graduation approach to facilitate sustainable livelihoods opportunities.
- **Good governance and transparency:** Social protection systems must be grounded in a strong institutional and legal framework and ensure transparency and accountability at all levels of the public sector delivery chain. Rigorous impact assessments and evidence-based policy making will allow for maximum impact of programme results. To effectively guarantee transparency, information should be available, accessible, and disseminated among the population. Access to information is crucial in ensuring participation, and can contribute to reducing or preventing corruption, clientelism and inefficiency. Thus, transparency and good governance are inextricably linked.

- **Cost efficiency and effectiveness:** Close coordination and harmonization of social protection programmes and policies will reduce duplication and redundancy in the system. This includes ensuring that the system is capable of prioritizing those most in need of support through measures such as effective targeting, which will allow for scarce resources to be distributed most effectively.
- **Sustainability:** Long-term political commitment to social protection is essential if measures are to be effective in tackling social exclusion and economic inequalities across the life cycle and across generations.
- **Incentive compatibility:** Social protection programmes must be designed in a way that it provides positive incentives for individuals to work, save and invest. This includes realigning views to focus on and contributing towards social insurance interventions and graduating from social assistance programmes, where applicable.

### 3. Strategic Framework for the Policy

The strategic framework for the NSPP includes vision and mission statements, which explain what Sri Lanka aims to achieve in the future (the Vision), and how the government seeks to achieve this (the Mission). The policy objective then highlights the role of the NSPP in realising the vision and mission.

#### 3.1 Vision

The overarching vision of the NSPP is to increase equity and enhance the resilience of all citizens by improving their capacity to manage risks and contributing meaningfully to sustainable national development.

#### 3.2 Mission

The mission of the NSPP is to develop and manage an effective and efficient social protection system which enables all citizens to access social protection by enabling cohesion in planning, greater coordination in implementation, and monitoring and evaluation.

#### 3.3 Policy Objective

The objective of the NSPP is to develop a social protection system which enables access by all citizens to appropriate social protection support across the lifecycle, as needed. Further, the NSPP aims to provide strategic guidance for the development of a well-coordinated and harmonized social protection system for stakeholders across the government and private sectors, as well as non-governmental organizations, who need to work together to ensure adequate social protection for all. It addresses the weaknesses in the current system and provides an overall framework within which planning, budgeting, and implementing social protection activities should take place. It also identifies the wider policy framework that must exist to ensure a coordinated and strategic approach to the sector.

#### 4. Policy Statements

The policy statements made in this section are the high-level deliverables which the government of Sri Lanka commits to in this policy, and which are each necessary to achieve the objective of this policy. The policy statements are designed to describe the key elements of the integrated social protection system which is promoted in the NSPP. The Government of Sri Lanka will:

1. Work towards progressive realization of universal social protection to cover all citizens across the life cycle with special attention to the poor and vulnerable.
2. Ensure access to adequate social assistance by all vulnerable segments (through an effective, sustainable, and integrated system) to ensure a minimum level of well-being among all citizens of the country.
3. Ensure access to adequate care for those in need/those unable to look after themselves.
4. Ensure access to adequate and affordable social insurance programmes for all citizens, to building resilience against covariate and idiosyncratic shocks.
5. Improve access to decent work/productive employment and facilitate the creation of sustainable livelihoods through labour market and productive inclusion programmes.
6. Enable alignment, coordination and harmonisation of social protection programmes and systems.
7. Facilitate long term, sustainable financing to progressively fulfil the national vision for social protection.

A NSPS will elaborate on each of these policy statements, by providing more detail on the actions required to ensure each one will be delivered effectively.

#### 5. Applicability

The NSPP strengthens the long-term strategic vision for the planning, implementation, and monitoring of social protection at the national and subnational levels in Sri Lanka. Social protection programmes are cross cutting and are implemented by several government agencies, at national and subnational levels. The NSPP therefore provides overall guidance to promote a holistic approach to the delivery of an integrated social protection system for the country.

#### 6. Implementation

Social protection programmes will be delivered by a cross section of line agencies, and at national and subnational levels. Therefore, an Inter-Ministerial Coordination Committee shall be appointed to provide leadership to, and facilitate coherence in, the sector (hereafter referred to as the Committee). The Committee will be chaired by the Secretary to the Ministry assigned to the subject of planning.

The Committee will be a multi stakeholder one, comprising of all Secretaries, and relevant Additional Secretaries or Director Generals, of all Ministries relevant to implementation of the NSPP. Representatives from private sector and representatives from civil society and

Development partners will be invited to the Committee. The department tasked with national planning will provide technical support.

The Committee will be responsible for (i) proposing legislation and formulating policies/strategies and that will govern the sector and (ii) overseeing the coordination, implementation, monitoring and evaluation of the NSPP at national and subnational levels, ensuring that all social protection services are provided in a coherent and efficient manner. The Committee shall use the targets and key performance indicators highlighted in the NSPS to monitor the progress of outcomes. The Committee will meet once a quarter, at a minimum. The Chair can decide to increase the frequency of the meetings on a needs-basis.

There will be a focal point at the level of Additional Secretary or Director-General in each implementing Ministry to oversee, coordinate, and monitor the implementation of activities. A Committee of focal points too will meet quarterly at a minimum to coordinate activities, review, and monitor progress, update work plans and timelines, and prepare reports for consideration of the Committee.

## 7. Definitions

**Adaptive social protection:** A set of programmes and interventions that help households prepare for, cope with, and adapt to shocks, thereby protecting their wellbeing and ensuring that they do not fall into or become trapped in poverty. These are systems that can be scaled up and scaled down quickly, especially during shocks and crises, when expanding the system is paramount. Expansion can be horizontal, which means covering more people with social protection systems or vertical, covering the same people more in depth, with higher benefits. They are also known as shock-responsive social protection.

**Graduation:** Graduation refers to support that aims at helping individuals move out of extreme poverty and putting them on the path to resilient and sustainable livelihoods by providing a phased, intensive and holistic package of support. The package of support could include combining targeted social assistance with technical and life skills training, financial inclusion, and coaching and mentoring.

**Labour market and productive inclusion programmes:** This include both passive and active interventions and contribute to the decent work agenda. Passive labour market policies and programmes include compliance with core labour standards, job security provisions, and improving working conditions. Active programmes increase the human capital of individuals through training support, including on-the-job, while also facilitating employment through intermediation services and job creation. Productive inclusion programming helps vulnerable groups attain sustainable livelihoods through a package of interventions that include financial support, training and coaching and mentoring. These programmes are essential to improving people's lives, especially those most in need, highlighting the fact that employment is the primary source of income and consumption for families. (Issues to do with the demand-side of labour markets are not addressed as part of social protection policy.)

**Life cycle approach:** A life cycle approach to social protection recognizes that individuals face different risks and vulnerabilities at various stages in life, and that social protection programmes can be designed to address these risks at each stage. It also emphasizes the double role of risk management - protecting basic livelihoods as well as promoting risk taking. It allows the poor -since they are the most vulnerable to risk and typically lack appropriate risk management instruments, which constrains them from engaging in riskier but also higher return activities- to gradually move out of chronic poverty.

**Recipient:** Individual or household receiving benefits at a specific point in time or a during a period of time.

**Risk:** Several types of risks exist, including those related to (i) the individual lifecycle, (ii) the economy, (iii) the environment and (iv) governance. These shocks hit individuals, communities, and regions mostly in an unpredictable manner or cannot be prevented, and therefore, they cause and deepen poverty. Risk is a dynamic concept—insecurity means exposure to risks of events that if they occur, result in further vulnerability.

**Social Assistance:** Social assistance is defined as non-contributory transfer programmes or safety nets designed to protect households from poverty and destitution by ensuring some minimum level of economic well-being. They are also often designed to play a promotion role through enhancing investments in human and physical capital of recipient households and supporting households to pull themselves out of poverty and avoiding future poverty.

**Social Care:** Social care refers to a range of activities and services to help people who are unable to care for themselves; activities and resources designed to enhance or promote the well-being of individuals, families, and the larger society; and efforts to limit social conflict.

**Social Insurance:** Social insurance includes publicly provided or mandated insurance against old age, disability, death of the main household provider, sickness as well as various health and economic shocks. Social insurance programmes are largely employment related - both formal and informal employment. In the context of Sri Lanka, contributory and non-contributory schemes are considered social insurance.

**Social Protection:** Social Protection policies and programmes that help individuals and societies to manage risk and volatility, protect them from poverty and inequality, and help them to access economic opportunity throughout the life cycle. Social protection aims to achieve this by increasing people's resilience, equity, and opportunity, the three goals of social protection, by means of a range of instruments in the social insurance, labour and economic inclusion, and social assistance and care domains.

**Sustainability:** The ability for an intervention to be continued over a lengthy period.

## Annex 1. Social Protection Policies and Legislation

- Welfare Benefits Act No. 24 of 2002
- Social Security Board Act (No. 17 of 1996)
- Divineguma Act No. 1 of 2013 (Replacing the Samurdhi Authority Act of 1995)
- Protection Of the Rights Of Elders No. 9 of 2000 (and subsequent Protection Of The Rights Of Elders (Amendment) Act No. 5 of 2011)
- Protection of the Rights of Persons with Disabilities Act, No. 28 of 1996
- Education Ordinance No. 31 of 1939 (and subsequent Amendments, most recently Education (Change of Designations) Law (No. 35 of 1973) )
- Mahapola Higher Education Scholarship Trust Fund Act (No. 66 of 1981)
- Shop and Office Employees (SOE) (Regulation of Employment Remuneration) Act No. 19 of 1954 (and subsequent amendments, most recently Shop and Office Employees (Regulation of Employment & Remuneration) (Amendment) Act, No.14 of 2018)
- Minutes of Pensions (Ordinance No. 2 of 1947)
- Maternity Benefits Ordinance No. 32 of 1939, Maternity Benefits (Amendment) Act No 15 of 2018
- Workmen’s Compensation Ordinance (WCO) of 1934
- Army Pensions and Gratuities Code of 1981
- Air Force Pensions and Gratuities Code of 1981
- Widows’ and Orphans’ Pension Fund Ordinance (Chapter 431) and the Widowers’ and Orphans’ Pension Fund Act No 24 of 1983
- Public Servants Provident Fund Act No. 18 Of 1942
- Employees’ Provident Fund Act No 15 of the 1958
- Employees’ Trust Fund Act No 46 of 1980
- Payment of Gratuity Act No 12 of 1983
- Wages Boards Ordinance No. 27 of 1941
- Farmers’ Pension and Social Security Benefit Scheme Act No 12 of 1987
- Social Security Contribution Levy Act No. 25 of 2002
- Orphanages Ordinance of 1941
- National Child Protection Authority Act No. 50 of 1998
- National Minimum Wages Act, No. 3 of 2016
- Allowances to Plantation Workers Act, No. 72 of 1981
- Budgetary Relief Allowance of Workers Act No. 36 of 2005
- Budgetary Relief Allowance of Workers (BRAWA) Act No.4 of 2016
- Foreign Employment Act No. 21 of 1985
- National Policy for Decent Work (2006)
- National Alternative Care Policy for Children in Sri Lanka (2019)
- National Policy for Disability in Sri Lanka (2003)
- National Policy for Elders (2006)

## Annex 2. Outline of National Social Protection Strategy: Road to 2030

Note: The National Social Protection Strategy (NSPS) will be aligned with the National Social Protection Policy (NSPP). There will be some overlap in content (definition, scope, vision, mission, principles) so that the NSPS can be a standalone document. Other sections will build on the NSPP.

**Foreword:** (TBD, by the President, Prime Minister, or Subject Minister)

**Executive Summary:** Provides a 1–2-page summary of the NSPS.

- 1 **Introduction:** Defines social protection and its scope and articulates need for NSPS. The scope can be defined in alignment with the 4 pillars defined in the NSPP, which are: (i) Social Assistance (ii) Social Insurance (iii) Social Care (iv) Labour Market and Productive Inclusion
- 2 **Current Social Protection Landscape:** Provides an assessment of the existing social protection landscape, including the legal, institutional, and programme specific considerations. Key performance indicators (KPIs) will be defined at various levels of granularity (high level, pillar level) and used in this assessment.
- 3 **Strategic Framework: Vision, Mission, and Targets:** Articulates the focus of the NSPS. The Vision and Mission will align to the NSPP. Targets will be set, drawing on KPIs defined in Section 2.
- 4 **Principles:** Draws on the strategic framework (Section 3) and lays out the foundational principles which guide the development of the key programmes and implementation plan (Sections 5 and 6).
- 5 **Key strategic interventions by pillar:** Indicates key programmes planned under each pillar. This will define strategic objectives, provide details of programme, including how it will help achieve Targets defined in Section 3 and Principles defined in Section 4, and relevant timelines.
  - 5.1 Key Social Assistance programmes
  - 5.2 Key Social Insurance programmes
  - 5.3 Key Social Care programmes
  - 5.4 Key Labour Market and Productive Inclusion programmes
6. **Implementation plan:** Spells out the high-level implementation plan for social protection to implement programmes defined in Section 5. This will have 4 subsections.
  - 6.1 Governance: Highlights the **institutional framework** for governing social protection.
  - 6.2. Coordination: Highlights mechanisms for coordination within and outside government.
  - 6.3 Financing: Highlights **strategies to finance** programmes detailed in the NSPS.
    - Voluntary contributions
    - Mandatory contributions

Basic needs, usually provided by the Government

6.4 Monitoring & Evaluation (M&E): Highlights mechanisms for monitoring and evaluating progress, drawing on the KPIs defined in Section 2, along with more detailed programme specific KPIs. Mechanisms to improve programme design and implementation based on M&E will also be discussed.

**Annex:** Provides a more detailed description of the social protection programmes including the leading agency as well as proposed budget.