Sri Lanka: Universal Social Welfare vs. Targeted Social Protection

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Government's plan to make Sri Lanka a zero poverty country, took the beating due to political and economical instability which led to the worst inflation in the island nation's history

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Every crisis leads to reflections about our past and debates about the way forward. The devastating crisis now is similarly a time of reflection and debates about our people's social and economic life, and the kind of relief and social security they need.

What has historically been the strengths of our society? What kind of relief should the people get during the current crisis? How should the state address the tremendous shortages and global price hikes that are affecting the essential needs of the people?

Inflation in Sri Lanka today is at 60% and food inflation is at 90%. That is the price of goods compared to a year ago have risen sharply. These price rises, which is a one-time jump due to the depreciation of the rupee and price hikes in global commodity markets with the war in Ukraine, have been aggravated by shortages due to the limited foreign exchange for imports. The state is trying to address these shortages by finally prioritising imports; something it delayed for years and months due to the disastrous neoliberal faith in markets and trade liberalisation.

The central issue I address here is the kind of relief to the people and the mechanisms for distribution. As in my previous columns, I reiterate the importance of the state controlling the import and supply of essential goods through a public distribution system. Furthermore, the distribution of essential goods needs to be coupled with universal measures of relief.

Strong welfare pillars

Sri Lanka's human development success compared to other developing countries has been grounded in free education and free healthcare to date, and until the late 1970s a universal food subsidy. In other words, universal social welfare has been at the heart of the high levels of human development and reduced poverty levels compared with even other countries with much higher per capita incomes.

Such universal measures led to our citizenry's sense of equality and entitlements, which influenced other policies as well. For example, unlike other developing countries, 99% of the people here have access to electricity at affordable rates.

It was the cunning slight of the JR regime with its open economy policies in the late 1970s that led to the dismantling of the universal food subsidy; it was first made into a cash transfer, then targeted to a smaller constituencies and then inflated away to an assistance of little support. The Samurdhi program that is the legacy of the food subsidy system is now limited to a meagre sum of between Rs. 1,900 and Rs. 4,500 per month per family, depending on family size. Indeed, we would be much better able to address the current food crisis, if the food subsidy system had survived the neoliberal attack in the late 1970s. Furthermore, the working people's income streams are so volatile now with the crisis; one day farming families are affected and the next day fishing families, and so on. Therefore, targeted relief being promoted now is next to impossible, and only universal food support will be meaningful, particularly for the large informal sector.

Samurdhi debate

There is one point on which there is a growing consensus in the country. Relief needs to be provided to the people affected by the economic crisis. However, the crucial question is what kind of support and through what mechanism.

When it comes to the mechanisms for relief, the current poverty alleviation program, namely Samurdhi, is used as a straw man to attack any state instituted welfare program. The neoliberal lobby claims that Samurdhi is politicised and inefficient. While the Samurdhi program has many shortcomings, chiefly that it is not a universal measure and its allocations are abysmally low, it requires a more careful analysis so we don't throw the baby out with bathwater, or at least until we come up with a better alternative. For example, the argument that it is inefficient and that 22% of budget is used for administration, is a consequence of the extremely low allocation of Rs. 73 billion per year (0.5% of GDP), and if that allocation is made tenfold for social security as we should consider now with the crisis, the administrative cost will come down to 2%.

Two lessons from work in the North and the East of Sri Lanka are instructive in getting a deeper sociological understanding of the Samurdhi program and its limitations.

First, in the North, amidst the microfinance led debt crisis in 2017, three alternative mechanisms for rural credit were being considered by the Central Bank and Finance Ministry. Small loans through a commercial bank, credit expansion through the Samurdhi banks and mobilising the credit co-operatives. I along with others pushed for the co-operative model, for the reason that it is more participatory, and we could do that successfully in subsequent years because of the extensive reach of the vast co-operative infrastructure in the Northern Province. Therefore, when it comes to rural development, the commercial sector and the state sector have inherent limitations. However, in provinces without a strong co-operative network, I would have argued for the Samurdhi system, because that has much better reach in the rural areas.

Again in 2017, the Suriya Women's Centre and the Law and Society Trust, did an excellent piece of research on the Samurdhi program in the East. Their main conclusions was that despite its many limitations, women fought for access to the Samurdhi program. Getting on the Samurdhi list allowed women to engage the state at the rural level; they could take their grievances and kept the option of demanding supports from the state during difficult times. In other words, they saw Samurdhi as a social security system that was necessary throughout their lifespan as opposed to the policymaker's view of it as a poverty alleviation support that could be targeted at a moment in time for the most vulnerable people. This rural sociological understanding of not just Samurdhi but any form of relief, and how it would work on the ground is crucial, when considering an extensive program of relief amidst the current crisis.

Mooting flawed systems

In recent weeks, there are some neoliberal analysts, who are as distant from the rural world as the sun is from the moon, and whose audience is limited to the policy echo chambers in Colombo and international donor agencies, are proposing a new system of targeted relief based on the levels of electricity consumption of households. Their laziness in terms of understanding the realities of the rural and urban working people is combined with the now fashionable approach of crunching whatever data sets available, in this case electricity billing data.

The first flaw is that it neglects the social outlook underpinning longer-term relief; people need a sense of security, and if relief is going to change from month to month based on how much electricity one consumes, it will add to their precarious life. Second, working people use electricity for various reasons; for small forms of petty production such as tailoring and carpentry, to irrigate home gardens and small farms etc. Therefore, even much needed local production and livelihoods can be penalised or disrupted if people try to keep their electricity charge low to qualify for relief.

More significantly, as the debate becomes about what is the best form of targeted cash transfer, in-kind assistance of food more consistent in value with respect to inflation is rejected, and universal relief is not considered. In dealing with shortages, as with the recent success of the fuel quota system, it works because it is universal; there are of course concerns that fuel prices are too high, and three wheelers are not getting their proper share compared to cars, but there is the general perception of fairness. If allocations are limited, then again universal measures such as the mid-day school meal for all school children and relief for all senior citizens, will work better. Ultimately, Sri Lanka needs to redistribute wealth, including through a massive wealth tax to fund relief that is universal. Without the political will for redistribution we will be continuing the sham of targeted social protection.

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