



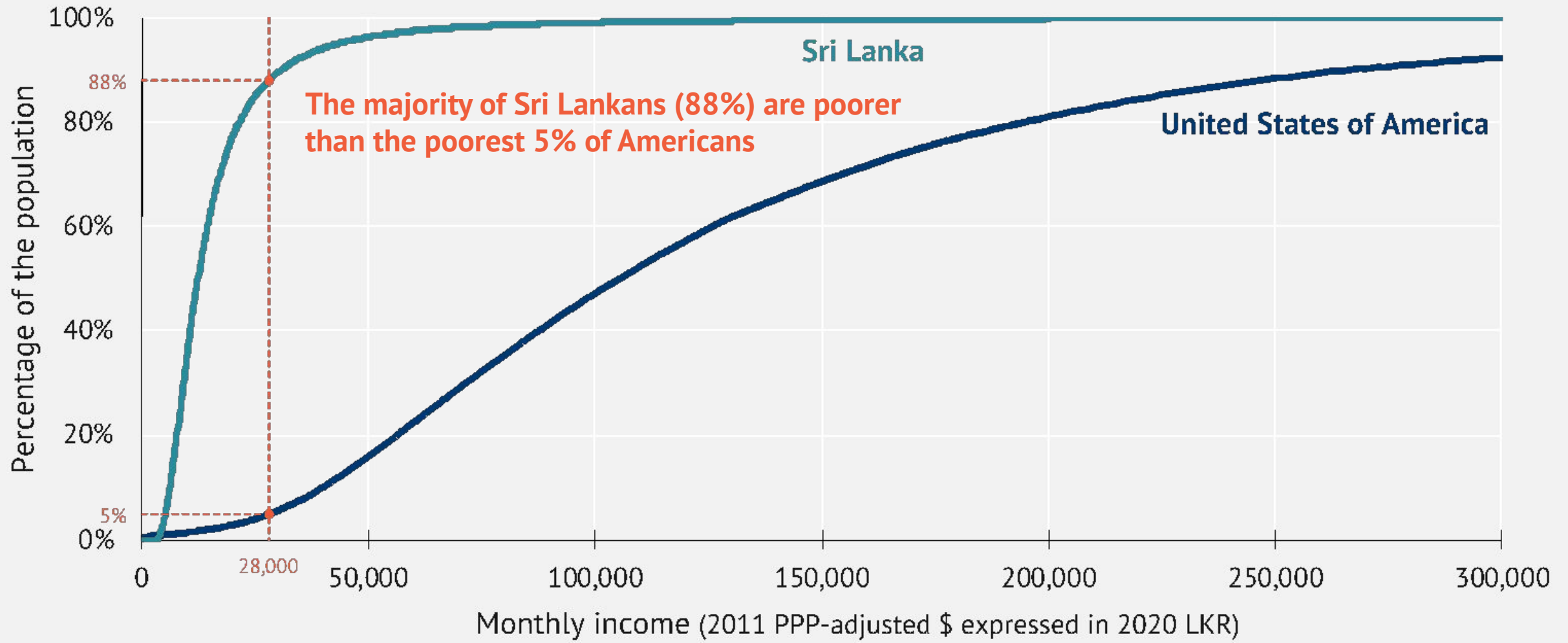
# DEVELOPMENT PATHWAYS

Strengthening Sri Lanka's social contract: reforming Samurdhi and building a modern social security system

Dr Stephen Kidd

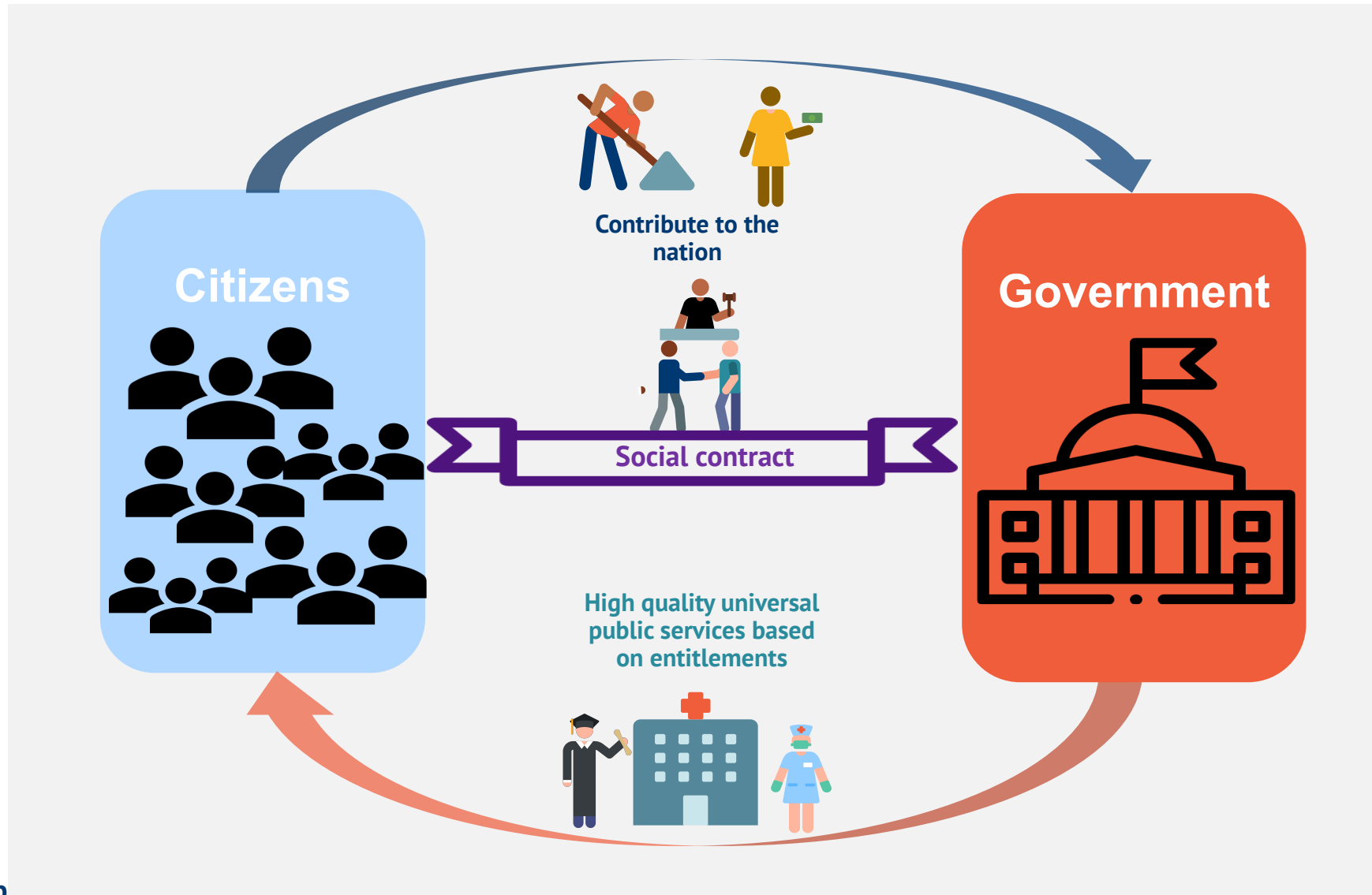
5<sup>th</sup> August 2022

# Comparison of income distributions in Sri Lanka and United States



Source: PovcalNet API (accessed in Sep 2020).

# A strong social contract: at the core of a successful nation-state

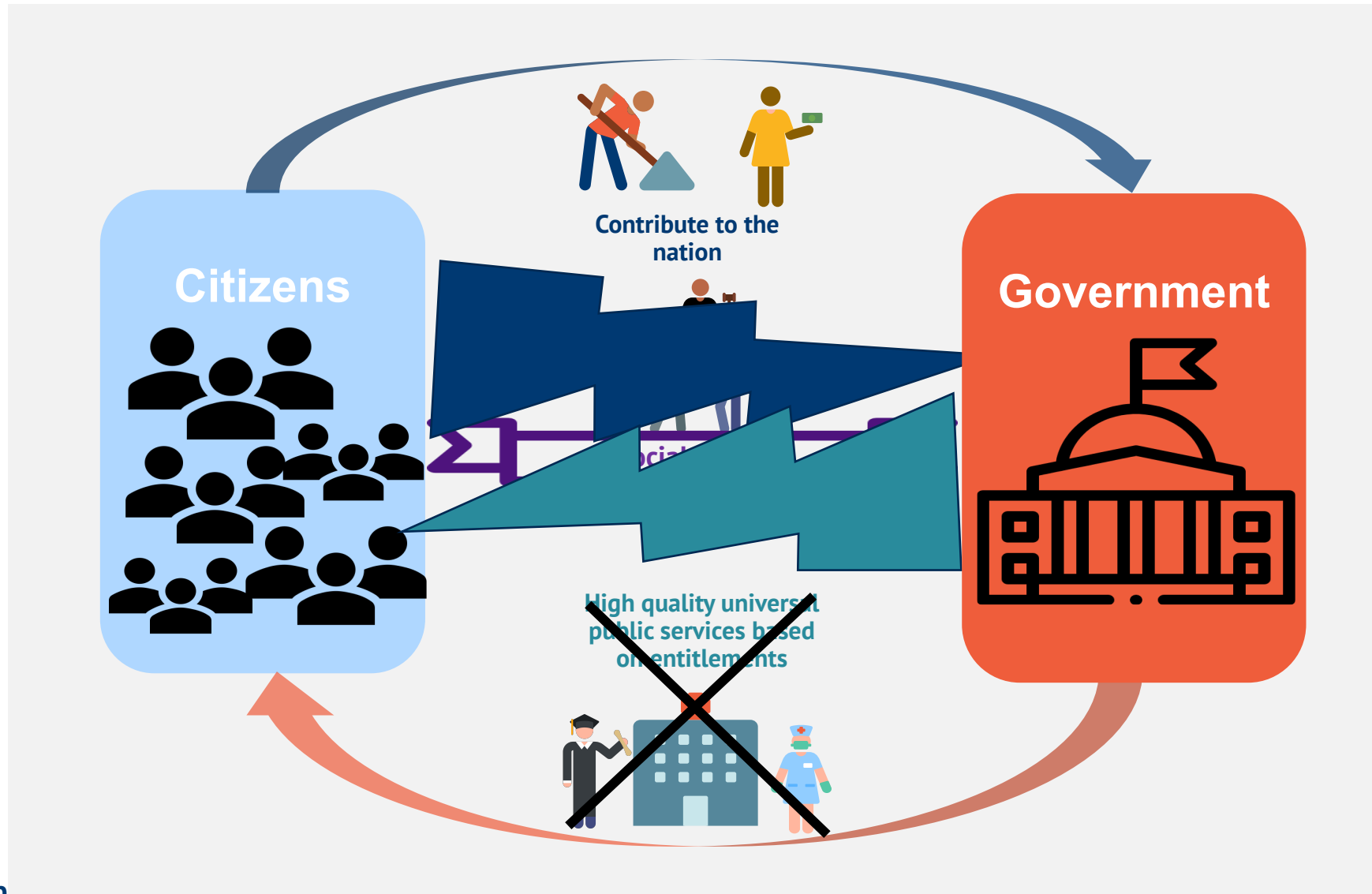


# Universal public services build trust in government

## Sweden's Ministry of Finance:

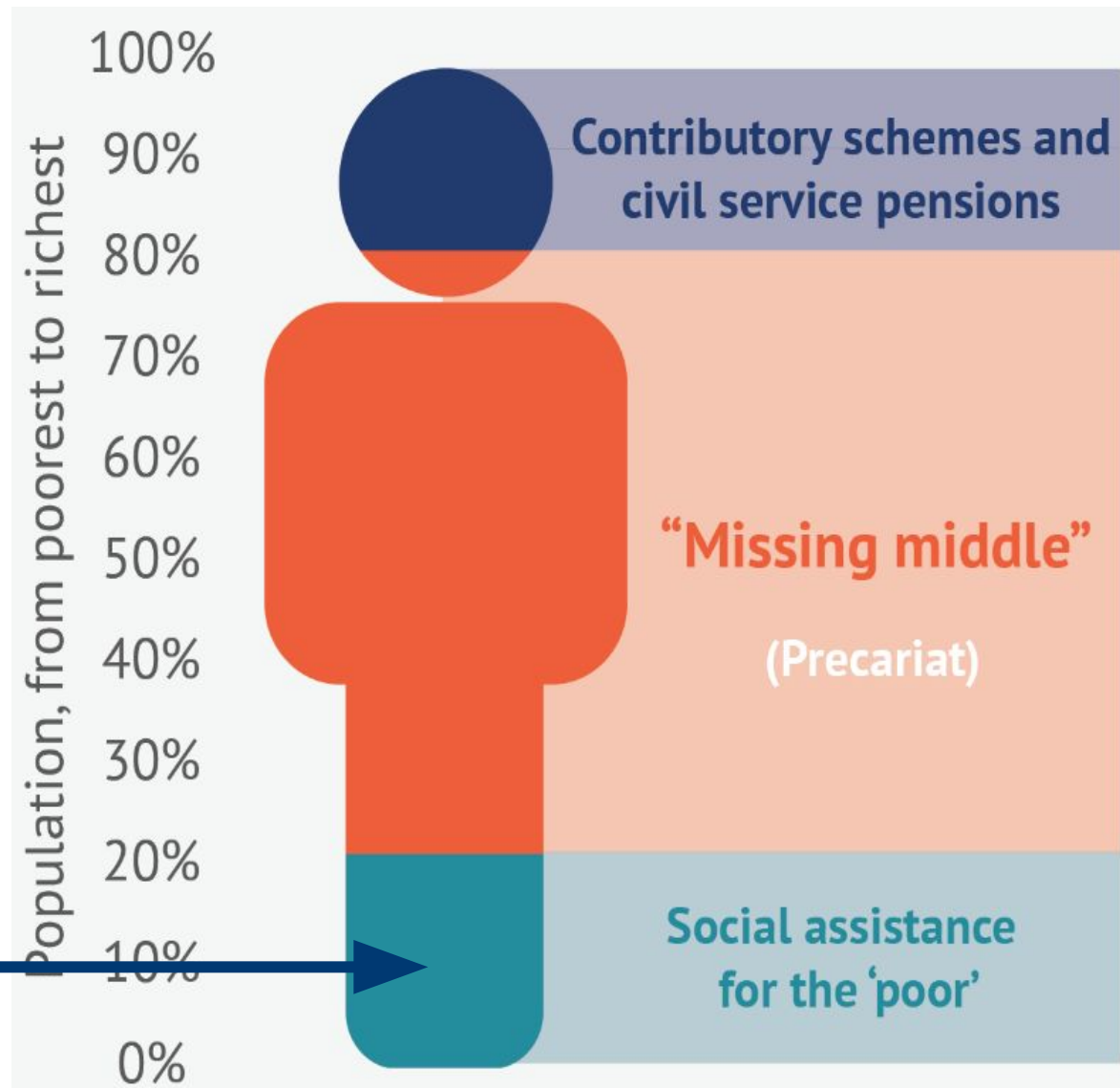
“Another important explanation for the widespread public trust in the welfare systems and for why they are perceived as legitimate is **that they have been mainly universal and covered everyone, rather than being needs-based (selective)** and covering only those with the greatest need. **It is easier to build a universal welfare policy on simple and clear-cut rules.** This creates legitimacy and reduces distrust in politics and the system. **The universal policy also means that commonly shared welfare benefits everyone.** Experience has shown that citizens are more willing to accept financial responsibility for various initiatives when they understand how the initiatives will benefit them.”

# When government does not fulfil its side of the bargain, the social contract breaks down



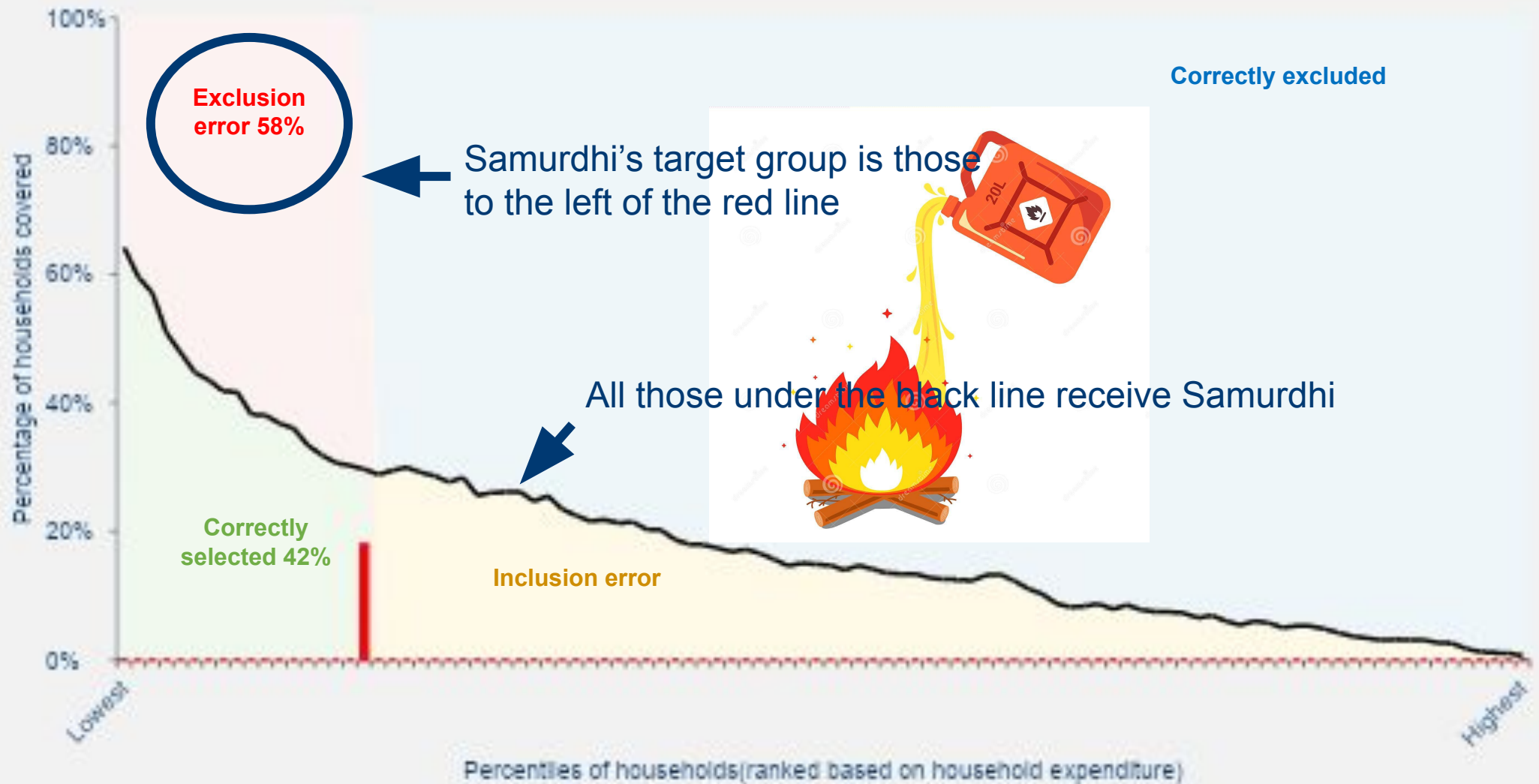
# Sri Lanka currently has a social security system that leaves those on middle – but still low – incomes without support

The model of providing benefits to the poorest is very much a model from 19<sup>th</sup> Century Europe



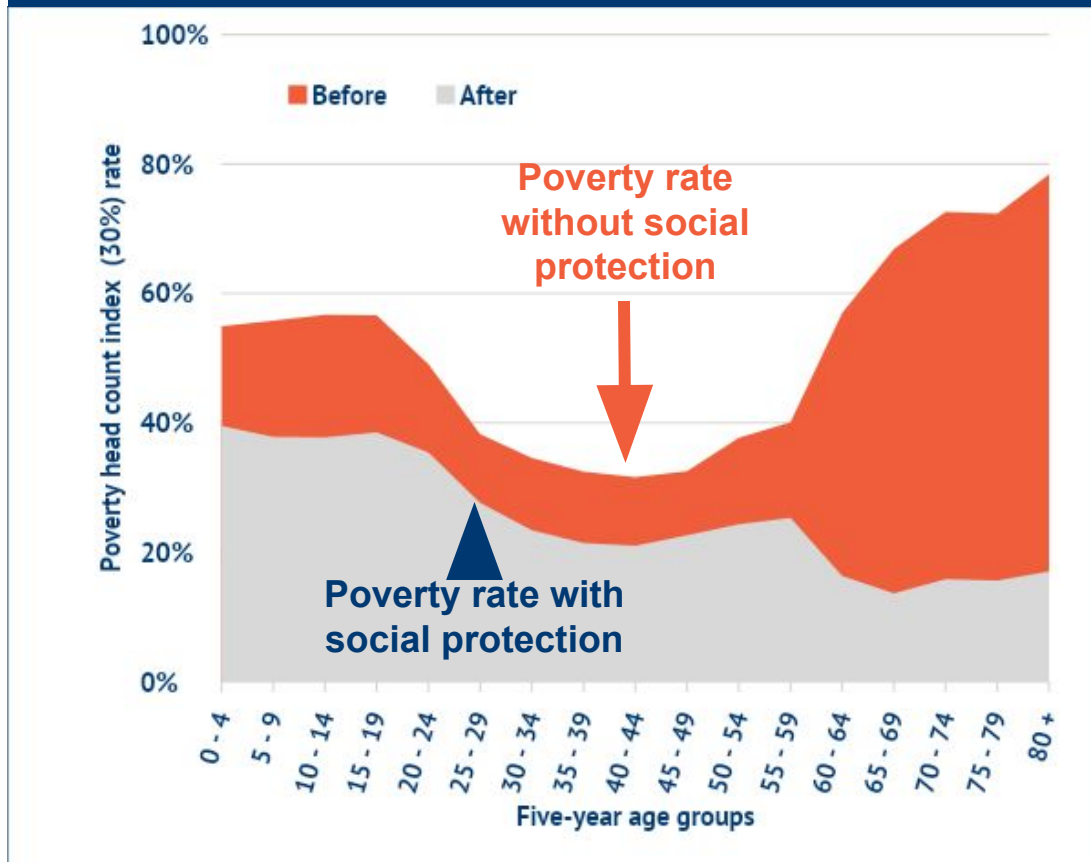
They are living on low and highly insecure incomes and would benefit from access to social protection

# Samurdhi is very poorly targeted and undermines trust in government

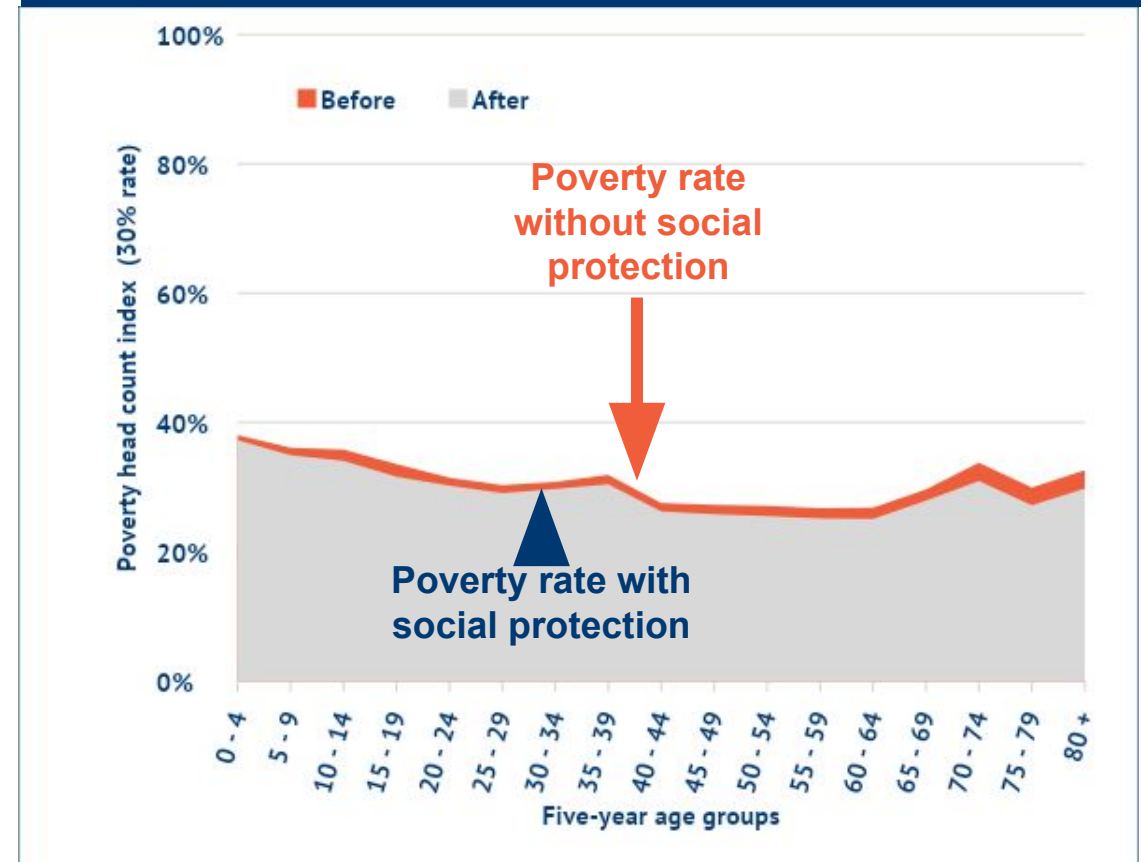


# Sri Lanka's social security system has minimal impacts

## South Africa, 2017, 3.4% of GDP

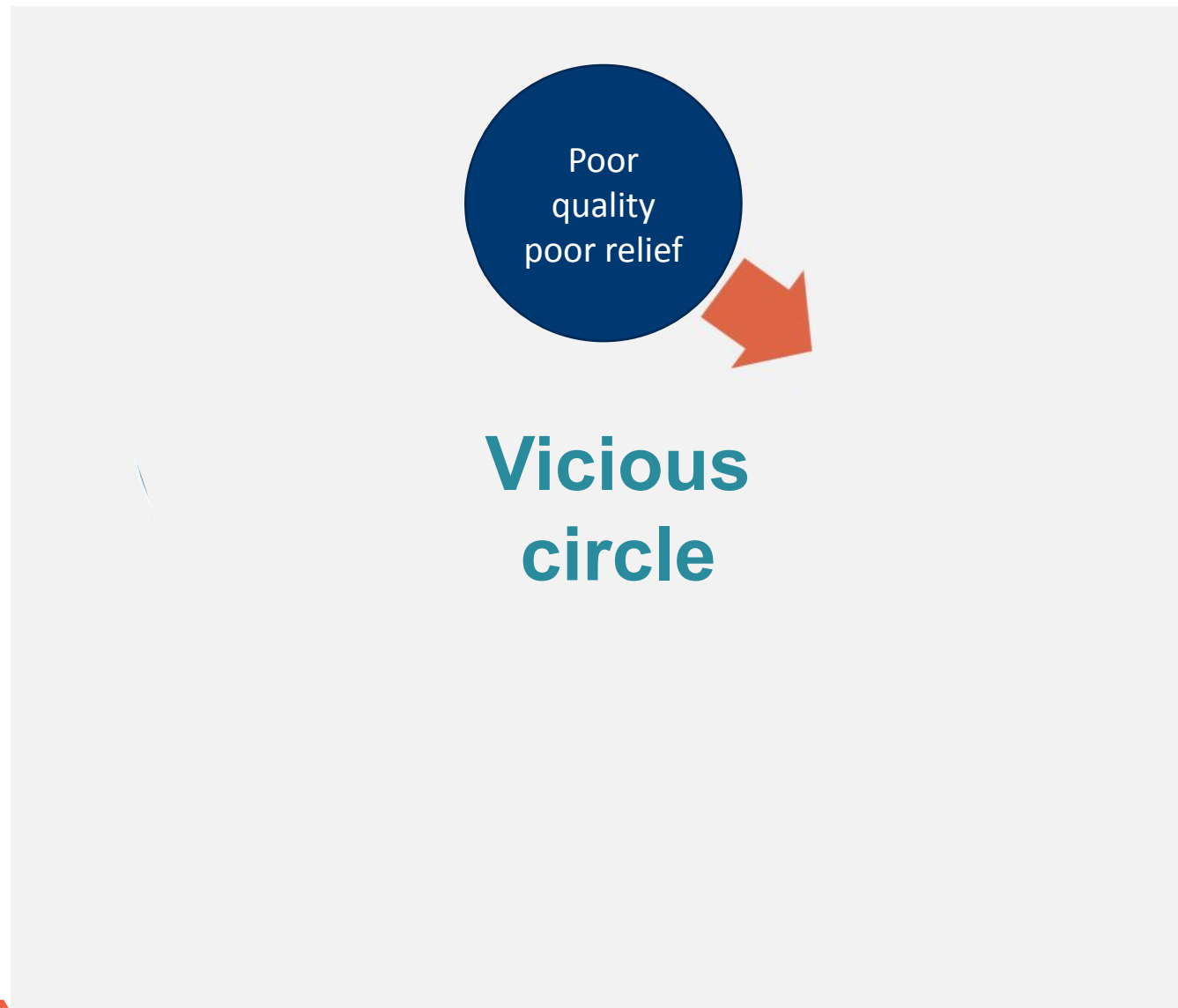


## Sri Lanka, 2016, 0.4% of GDP





# Sri Lanka is locked in a vicious downward circle with a weakening social contract



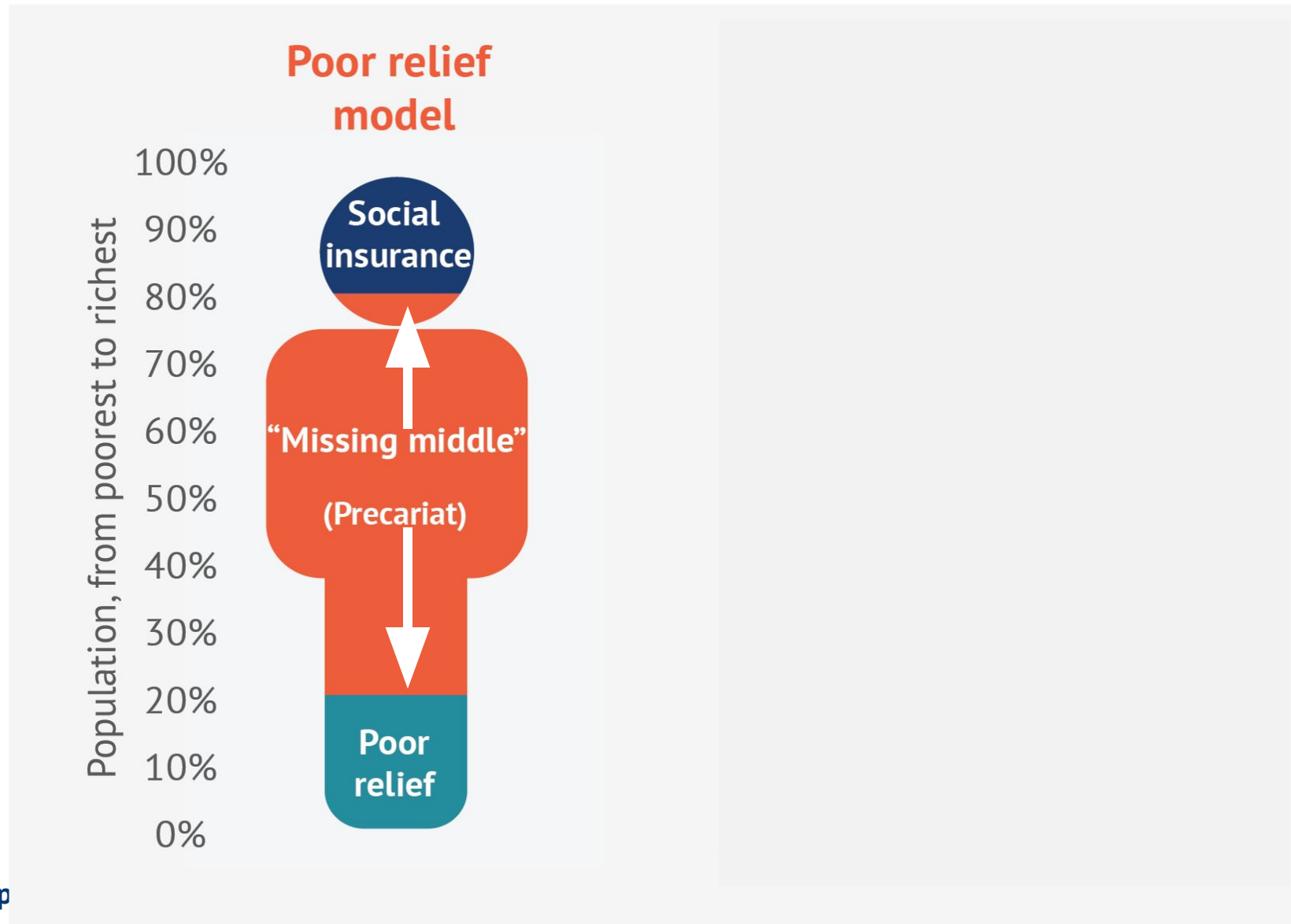
It is imperative that Sri Lanka builds a modern, universal social security system that establishes trust in government and a strong social contract



# A modern lifecycle social security system



# Moving from poor relief to modern, universal social security systems



# Short-term solution: over 6 months provide an emergency cash transfer scheme, on a universal basis

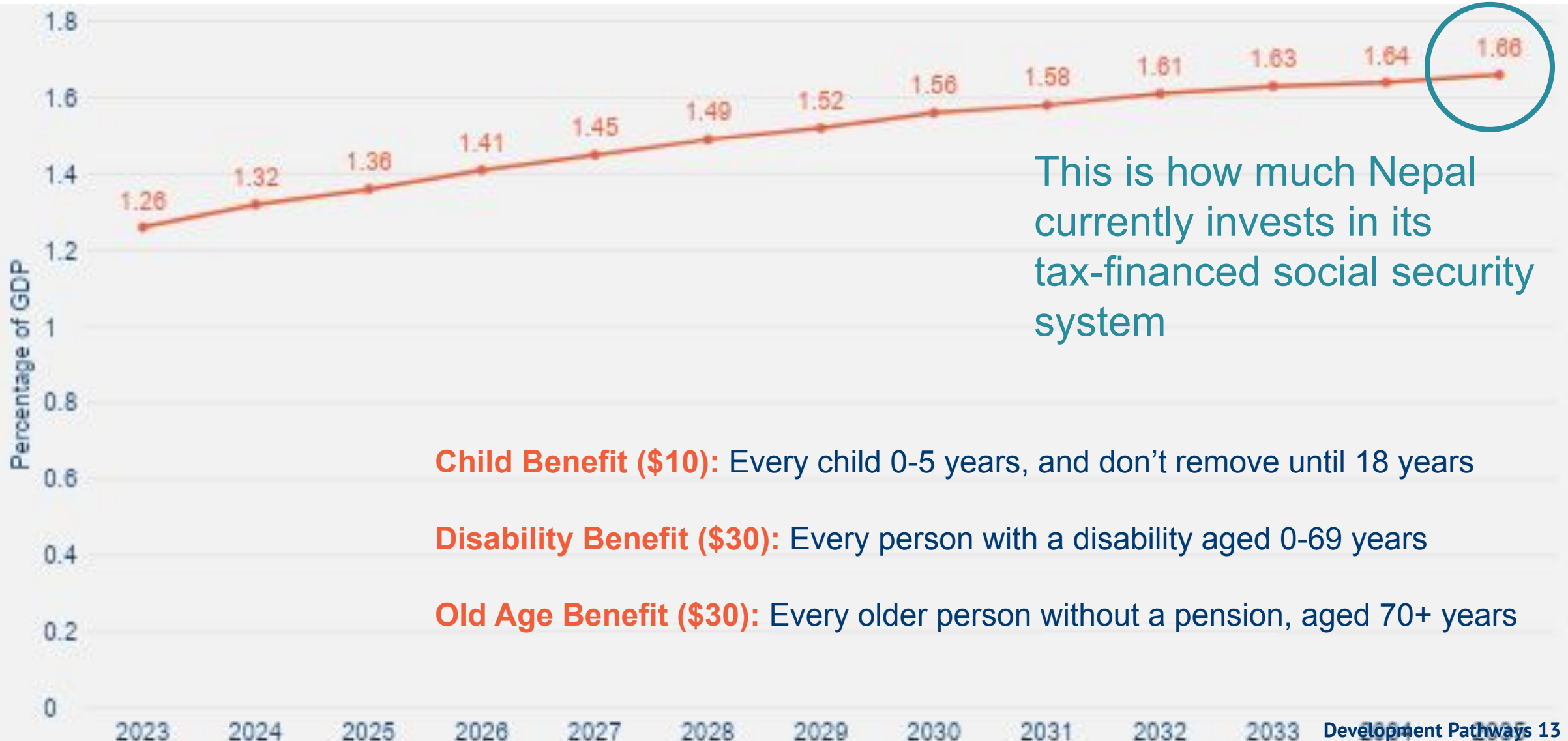
Category	Age group	Monthly transfer value (US\$)	Total cost (US\$ millions)	Total cost (% of GDP)
Children	0-17 years	\$10	\$340m	0.6%
Persons with disabilities	0-59	\$30	\$60m	0.11%
Older people	60+	\$30	\$661m	1.17%
<b>Total</b>			<b>\$1,061m</b>	<b>1.88%</b>

**87%** of households would be reached

On average, households would receive **\$32** per month

Households with with older people and persons with disabilities would receive over **\$50** per month

# From 2023, establish a comprehensive, modern social security system, financed from general taxation



# Sri Lanka needs to choose the type of social security system that it wishes to build

## CURRENT DEALS!!!

### Toyota inclusive social security

PROMO



Reaching the poorest



Child Benefits

Coverage



Disability Benefits

Administration



Pensions

Transparency



Unemployment Benefits

### Second-hand Lada poor relief

CLEARANCE



Reaching the poorest



CCT

Coverage



PMT

Administration



Workfare

Transparency



Anti-Social Registry

