

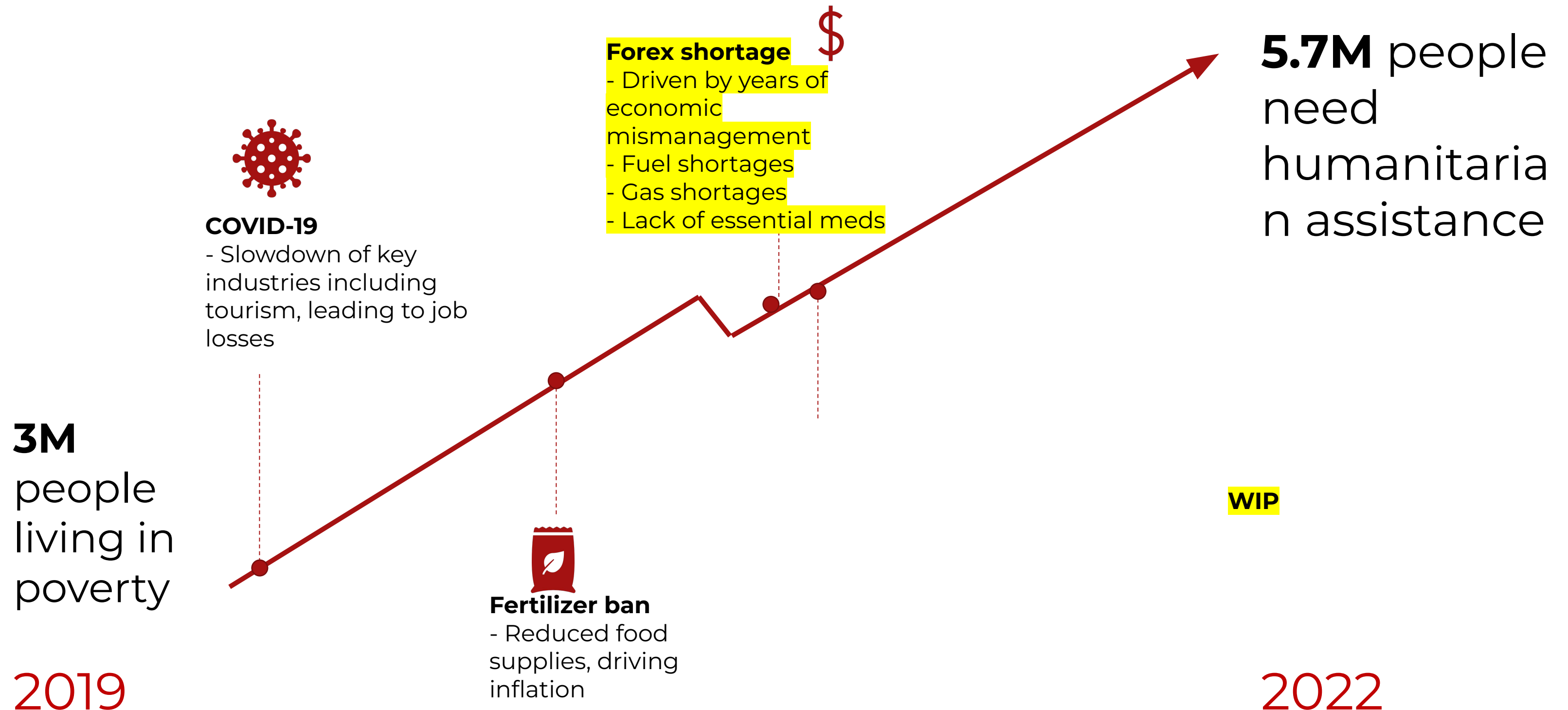
Social Safety Nets in Sri Lanka

#REFORMNOW Conference
5 August 2022

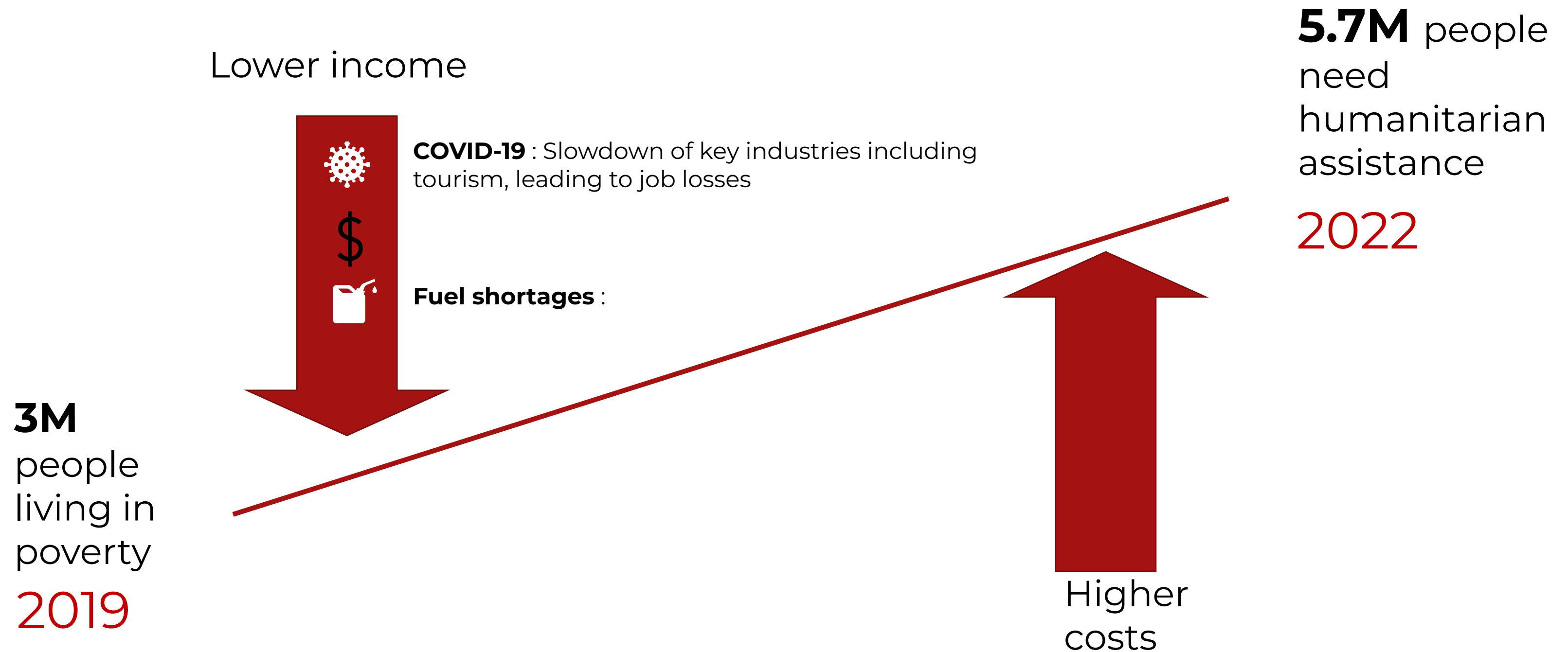
Research team (in alphabetical order of last name):

Anha Adhlee, Tharaka Amarasinghe, Shenali Bamaramannage, Sukitha Bandaranayake, Kavisha Batawala, Merl Chandana, Viren Dias, Helani Galpaya, Gayani Hurulle, Nilusha Kapugama, Imaad Mowhid, Rohan Samarajiva, Isuru Samaratunga

Millions thrown into poverty, driven by xxx



Millions thrown into poverty, driven by xxx



Social safety nets crucial to protect most vulnerable; most relevant in times of crisis

2019: 3 million individuals (14.3% of the population) living in poverty



- Fuel, gas & electricity shortages impacting manufacturing & service delivery
- Employees unable to travel to work to earn income

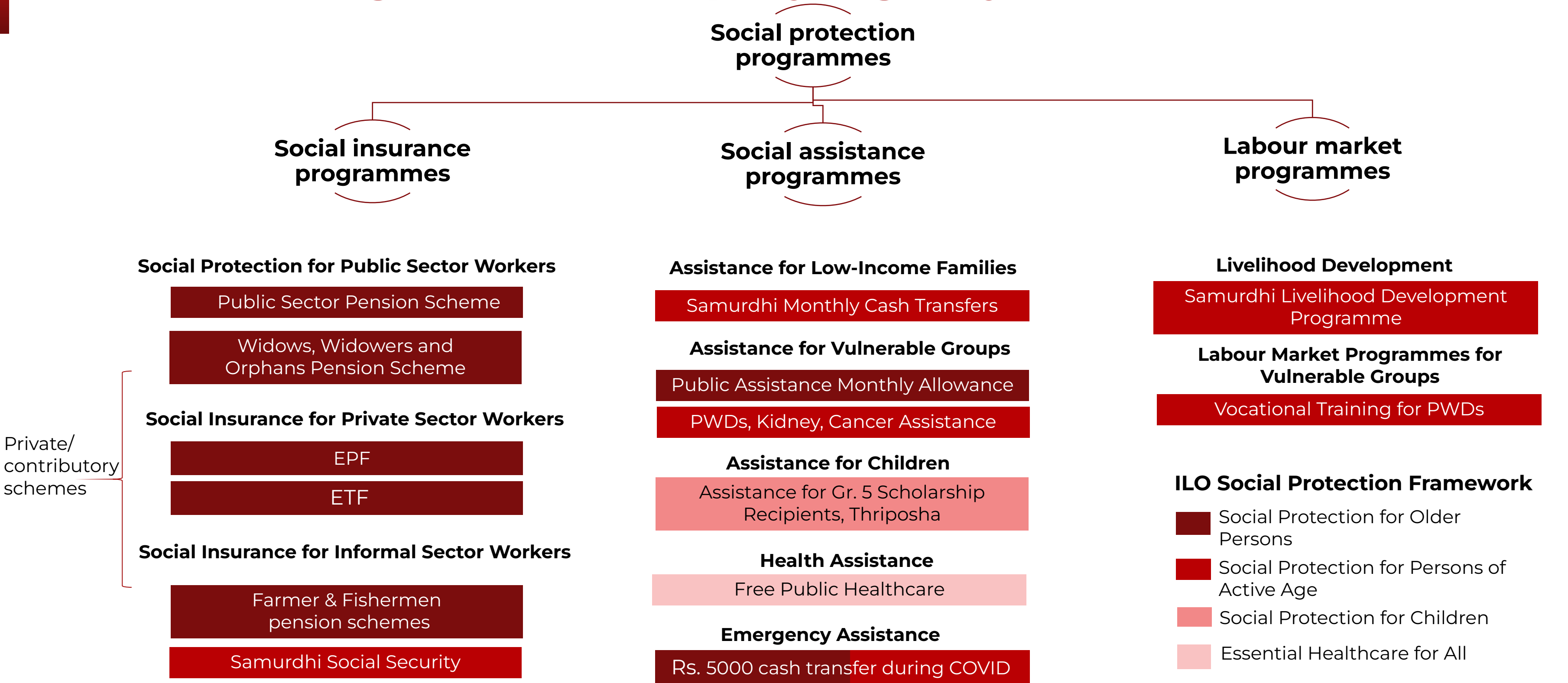
2022: 5.7 million in need of assistance – 2x those below poverty line in 2019



- Fuel shortages leading to
- Food scarcity, driven by fuel crisis & fertilizer ban.
- Sudden depreciation of LKR;
- Global inflation

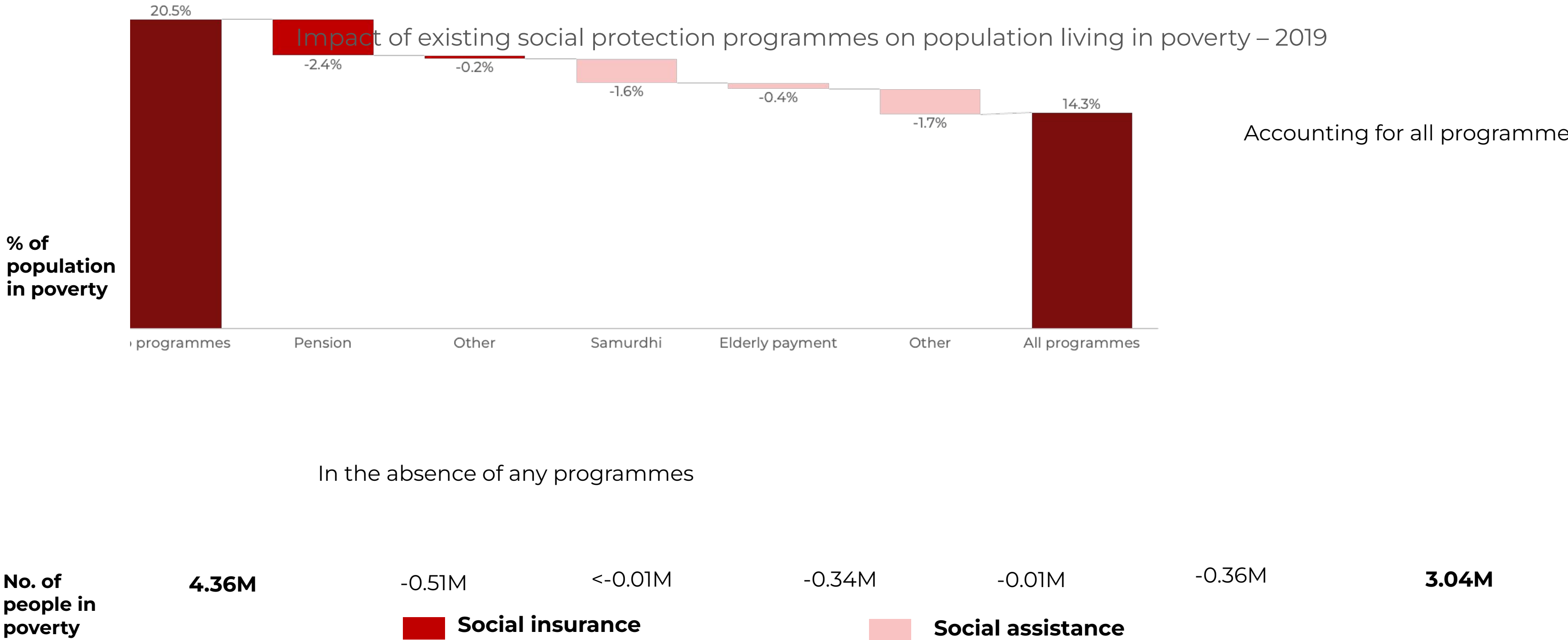


Over 30 social protection programmes in Sri Lanka, with government playing key role



* Schemes documented are illustrative; not exhaustive

Efficacy of programmes in poverty reduction subpar; 1.3M out of poverty, but 3M remained poor in 2019



Source: LIRNEasia based on [Department of Census and Statistics \(2022\)](#)

Over 5 ministries & 12 institutions overseeing provision of targeted welfare schemes

Ministry of Finance, Economic Stabilization and National Policies

Ministry of Women, Child Affairs and Social Empowerment

Ministry of Public Admin, Home Affairs, Provincial Councils and Local Government

Ministry of Education

Ministry of Health

- Some similarities in scope of work for different agencies, sometimes under different ministries
 - Duplication of work?
 - Unnecessary administrative burdens?
 - Higher transaction costs?
- Some programmes require coordination between multiple agencies (e.g.: Samurdhi Programme – under agencies within the purview of Ministry of Women, Child Affairs and Social Empowerment & Ministry of Public Admin, Home Affairs, Provincial Councils and Local Government; buy in of Ministry of Finance, Economic Stabilization and National Policies also clear)
- However, many have noted the lack of coordination amongst the different programmes, & presence of multiple lists leading to opaqueness. World Bank attempting to design and implement Unified Beneficiary Database

Reform necessary in many areas, to respond to both emergency & long term needs

Coverage/
Targeting

Adequacy of
benefits

Type of benefit
(cash vs in
kind)

- Important to balance between competing needs (e.g.: adequacy of funds & coverage vs. reducing financial & administrative burdens)

Ease of
access/delivery

Administrative
processes

Fiscal
sustainability

- Some areas more crucial in the short term given economic crisis (e.g.: coverage, adequacy of benefits & ease of access)

Depoliticization

Efficacy

Graduation

- Solutions that address deep seeded issues (depoliticization, efficacy of programmes & need for graduation) should not be ignored

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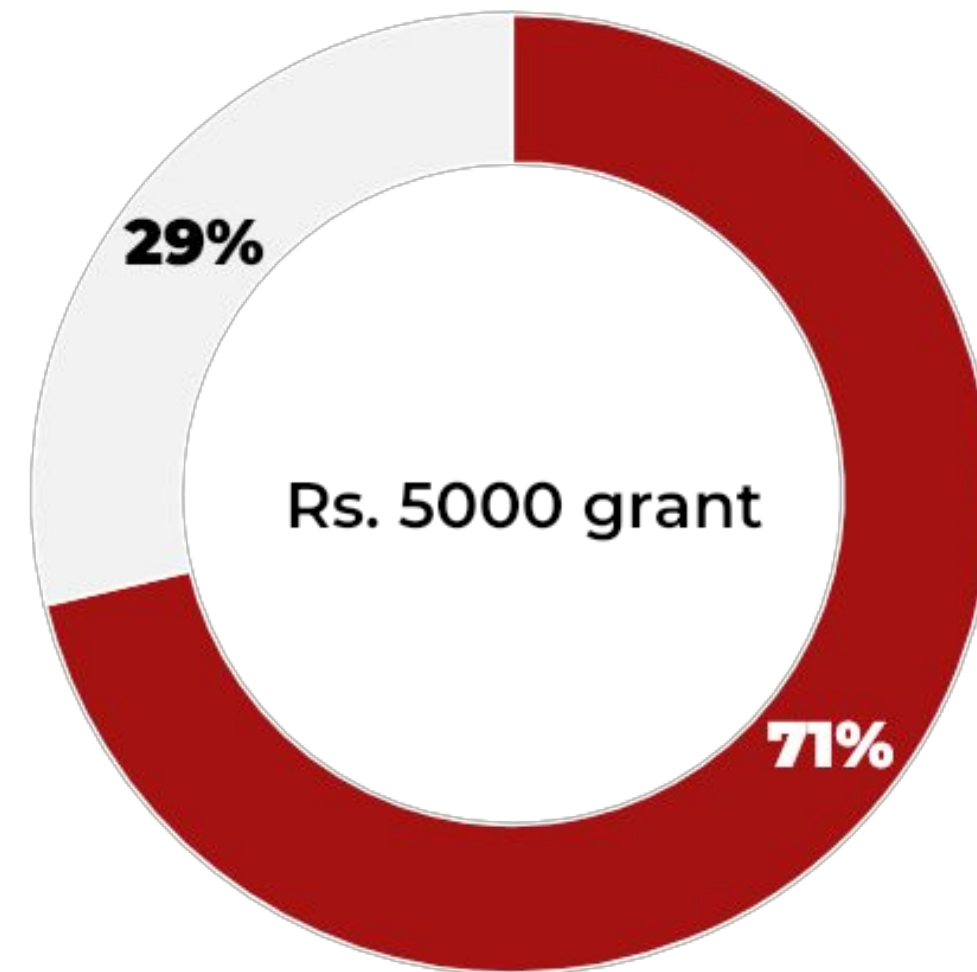
- Solutions that address deep seeded issues (depoliticization, efficacy of programmes & need for graduation) should not be ignored

30% of households received regular welfare payments in 2021; 71% received Rs. 5000 grant

Households that received regular social grants or benefits from the state (% of households)



Receipt of Rs. 5,000 grant from government during the lockdown (% of households)

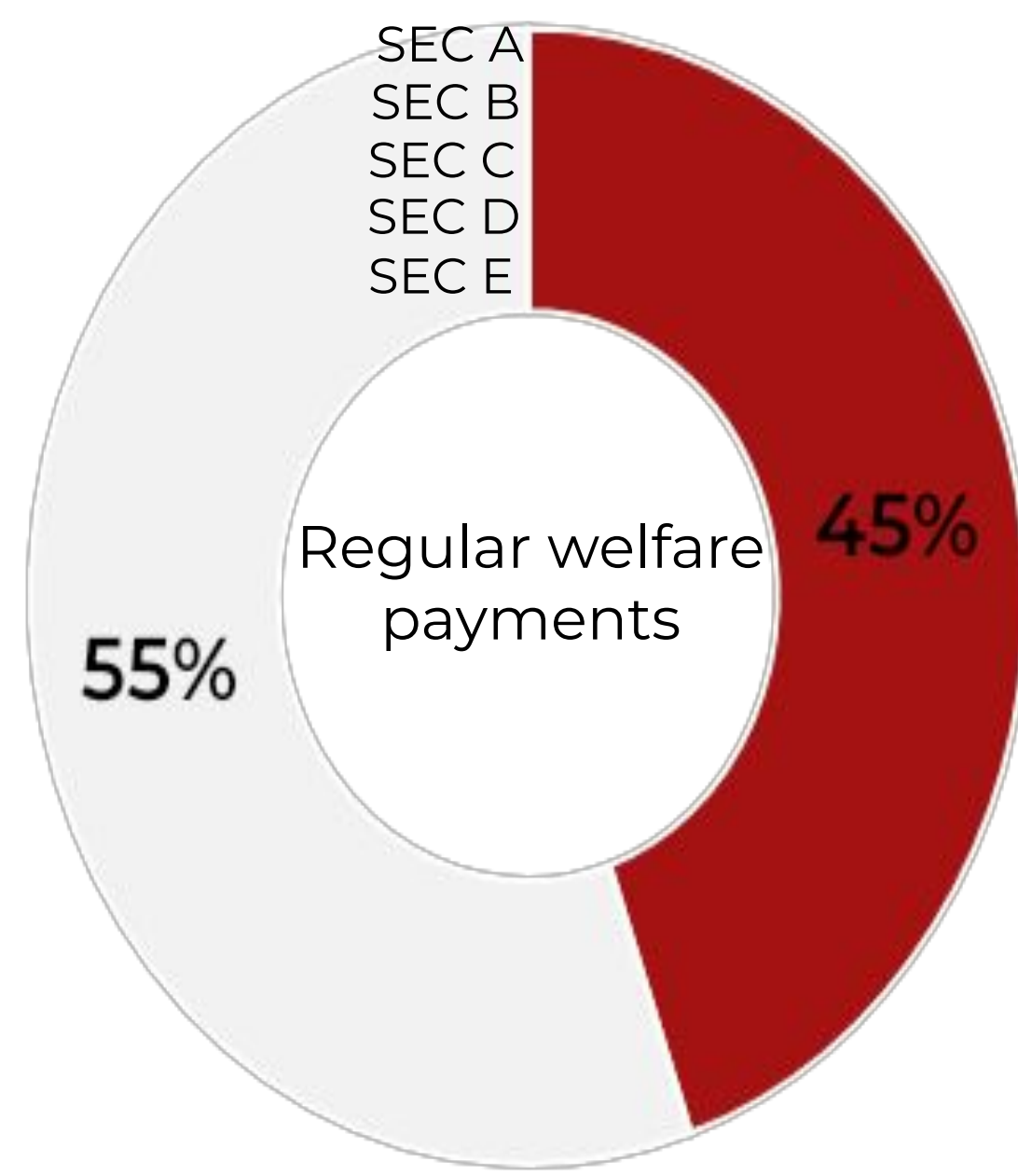


Source: LIRNEasia COVID impact survey, 2021. Representative of all households and age 15 and above population in Sri Lanka with a +/- 2.8% margin of error at 95% confidence interval. N = 2,501)

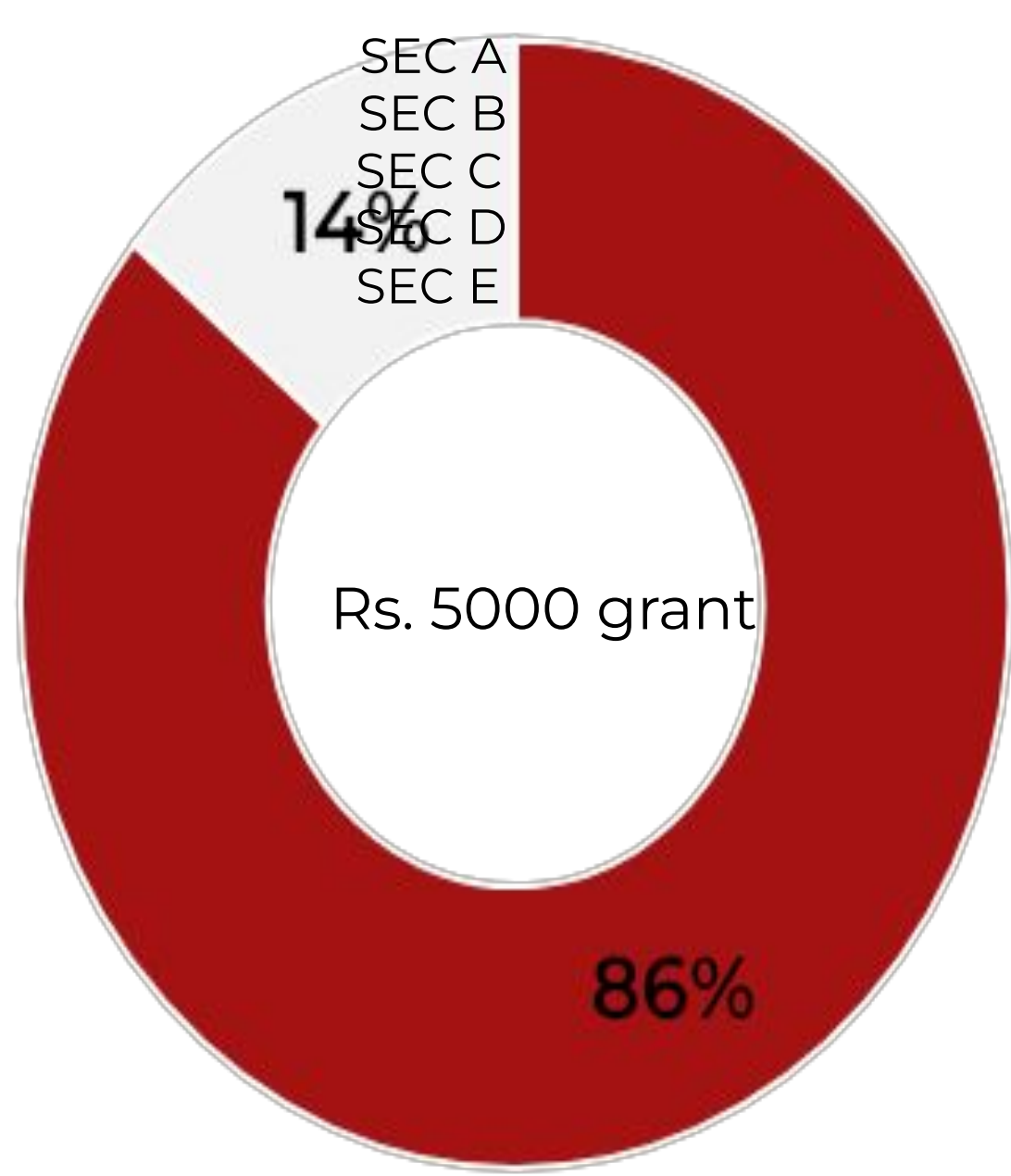
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Poor targeting evident, with many exclusion errors

Receipt of regular social grants or benefits from the state (% of households)



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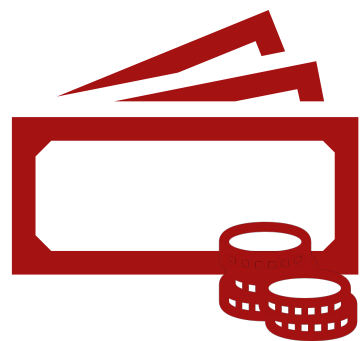


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Need new methods to identify those in need of assistance

Current

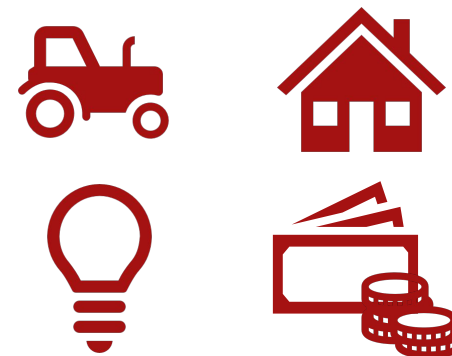
E.g.: Samurdhi



Last update: Households
those earning less than Rs.
6000 eligible (means
testing)

Proposed

Extr. Gazette 2128/24 of 2019 under
Welfare Benefits Act No. 24 of 2002



Asset ownership, household
characteristics, income &
expenditure considered
(means + proxy means
testing)

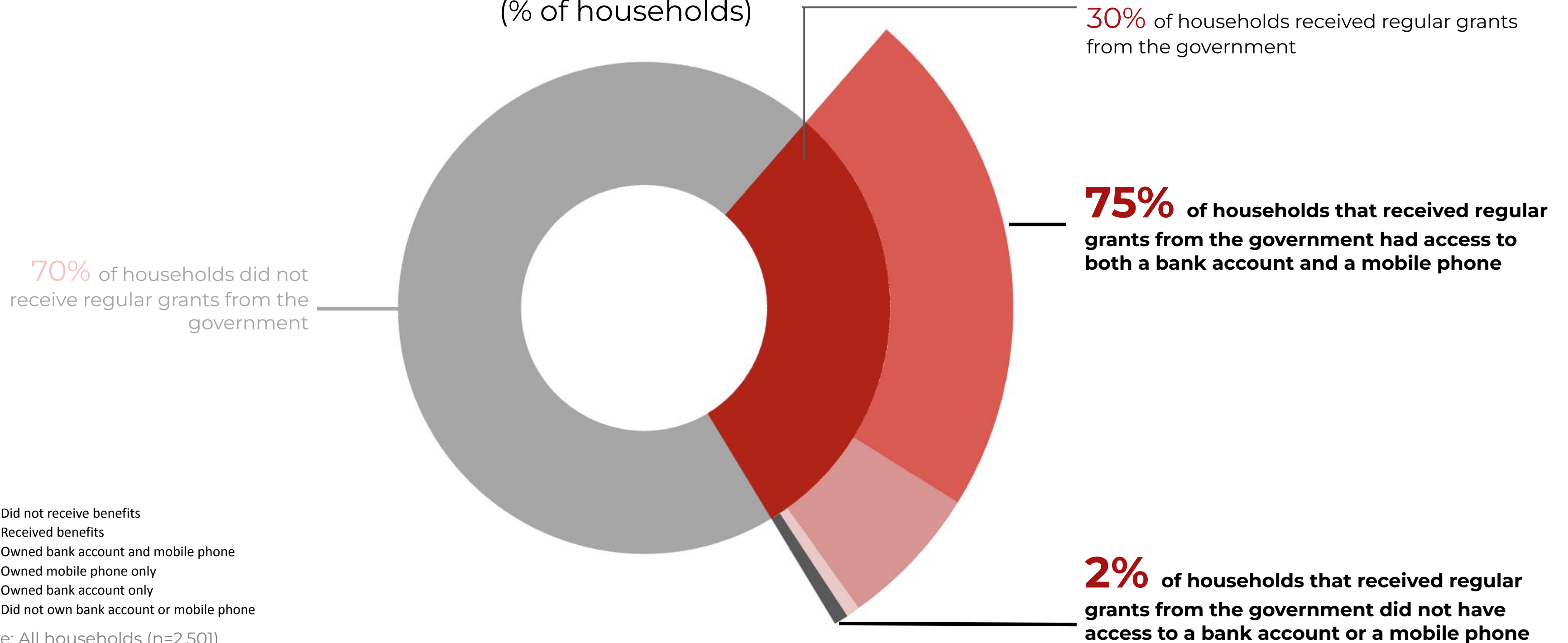
More options?



Explore new data streams
- identify geographical areas
that need most assistance
- to identify newly poor
households
(CDR, satellite imagery)

Transfer payments to mobile money accounts & banks

Households that received social grants or benefits from the state (% of households)



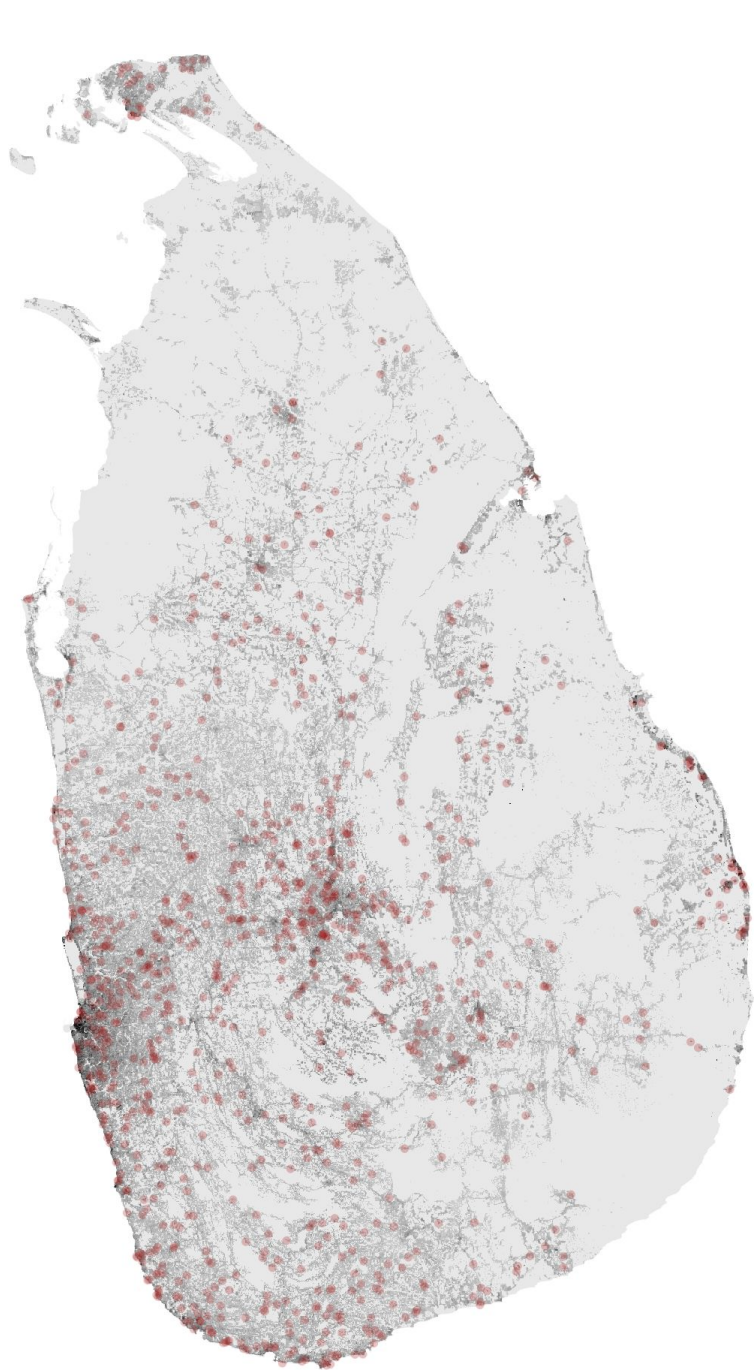
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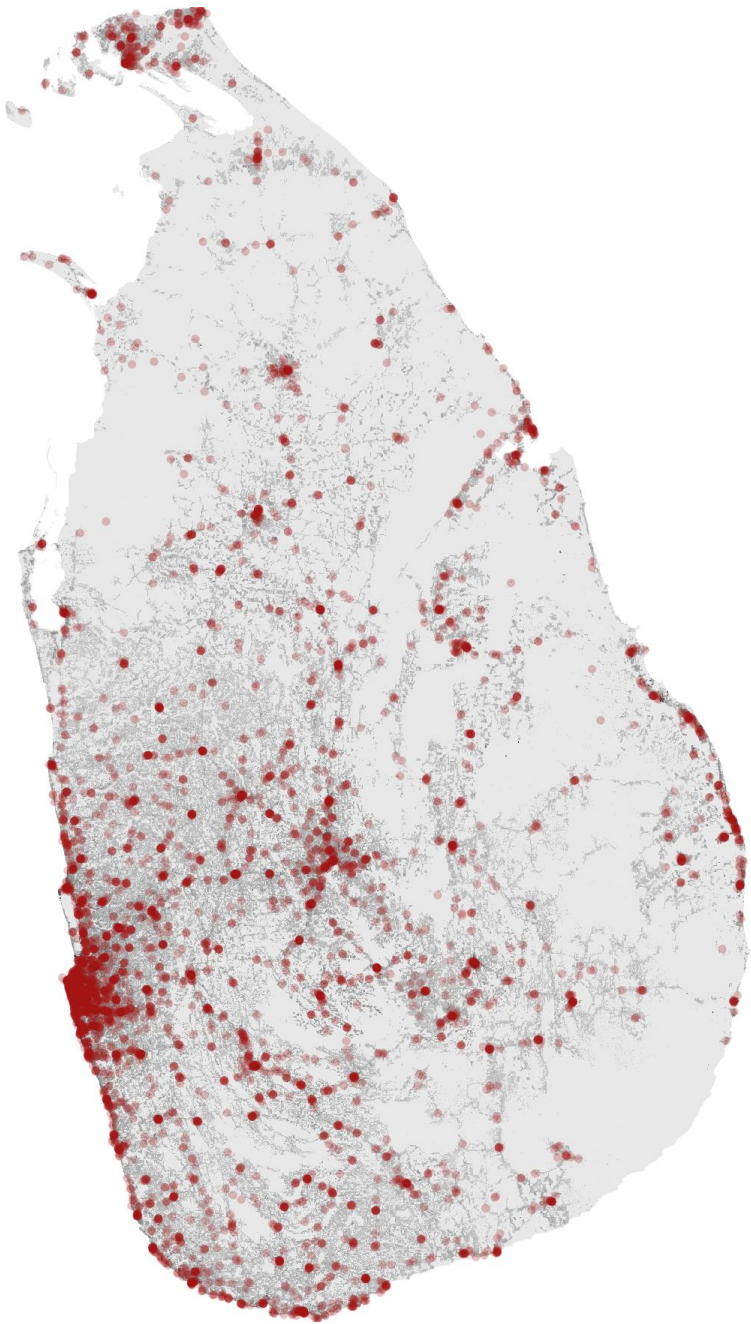
Source: LIRNEasia COVID impact survey, 2021. Representative of all households and age 15 and above population in Sri Lanka with a +/- 2.8% margin of error at 95% confidence interval.

Allow cash out at all ATM branches & mobile money outlets

Transfers to Samurdhi Banks		Bank and mobile transfers with ATM & mobile money cash out	
Samurdhi Bank	1,050	Dialog service points, Mobitel Touch Points & Communications	2767
		ATMs	2,675
		Sampath Bank	249
		Commercial Bank	266
		Bank of Ceylon	516
		Cargills Bank	25
		DFCC Bank	162
		Hatton National Bank	167
		National Development Bank	155
		Nations Trust Bank	133
		People's Bank	806
		Seylan Bank	196
Total	1,050	Total	5,442
Note: <ul style="list-style-type: none">Only 932 locations could be extracted for our analysisEach location is only accurate to its DSDThe exact locations within each DSD were simulated based on the population distribution*		Note: <ul style="list-style-type: none">Only 4,745 locations could be extracted for our analysisMobile money cash out is only allowed at Sampath Bank and Commercial Bank at present	



Samurdhi Bank Branches

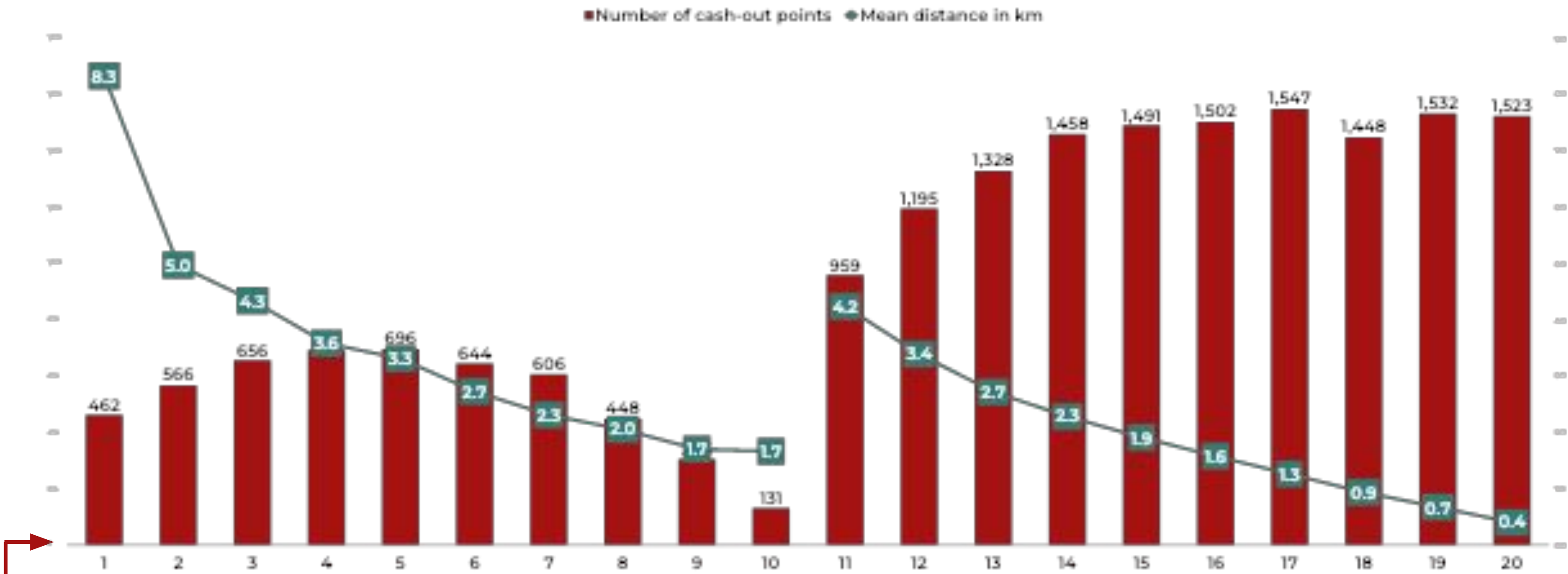


All ATMs, Dialog service points, Mobitel touch points & Communications

Source: LIRNEasia estimates

Recipients will incur lesser transaction cost (travel cost and time etc.)

Number of cash-out points and distance needed to travel by socioeconomic deciles



Socio economic indicator deciles*

* Methodology: 1. Developed a socioeconomic index based on 2011/2012 census data (<https://lirneasia.net/2020/01/mapping-poverty-and-wealth-an-alternative-socioeconomic-index-for-sri-lanka/>); 2. Split the population into deciles based on the socioeconomic index, where the 1st decile represents the poorest and the 10th decile represents the richest; 3. Obtained high-resolution (30 m) population density maps (<https://dataforgood.facebook.com/dfg/tools/high-resolution-population-density-maps>); 4. Determined the nearest cash-out point based on Euclidean distance for each 30 m x 30 m tile

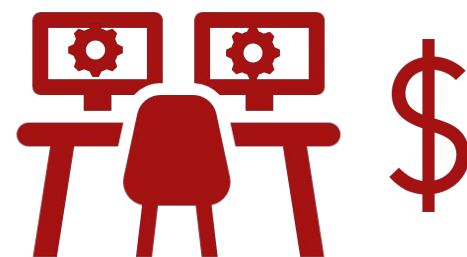
Thank you

For more information

<https://lirneasia.net/category/themes/social-safety-nets/>
gayani@lirneasia.net



1. Targeting
& coverage



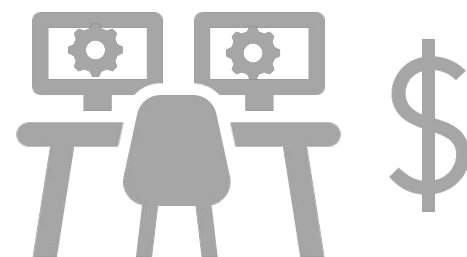
2. Administrative
processes & fiscal
sustainability



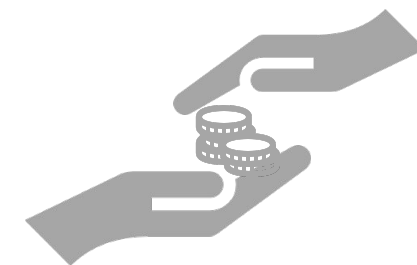
3. Delivery
mechanisms &
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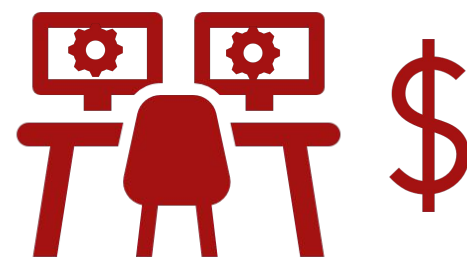
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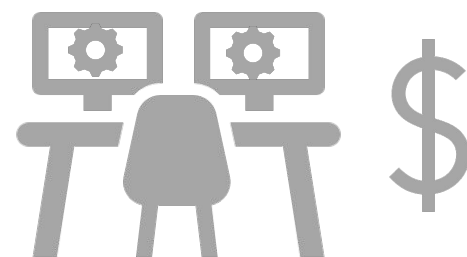
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XX

Funds required for sustenance is constantly changing given high inflation

Metric	Poverty line threshold		Emergency cash transfer
	(per capita)	(per household*)	(per household/capita depending on entry criteria)
Original	Rs. 7000 (2019)	Rs. 28,000 (2019)	Rs. 5000 (April 2020)
Adjusted by headline inflation level (NCPI, upto May 2022)	Rs. 11,216	Rs. 44,864	Rs. 7740
Adjusted by food & non-food inflation levels, as per food-non food ratio of those below poverty line (NCPI, upto May 2022)	Rs. 11,878	Rs. 47,512	Rs. 7892

- Some relief- in May 2022, DG of Samurdhi indicated that grants of between Rs. 5000 and 7500 would be provided to its recipients; some sign of inflation adjustments
- Unclear if same inflation adjusting took place for recipients of other programmes
- Samurdhi recipients to receive benefits through Samurdhi banks. Other recipients?

*average household size in bottom 2 deciles: 4

Source: Calculated by author based on data from Department of Census and Statistics (2022 [a](#); [b](#))

Need a system that allows for easily adjustable payment amounts for all programme recipients



If high inflation continues, or fuel price hikes come in, etc., payment amounts can be increased further to allow for citizens to continue to access basic necessities



If the need reduces (through deflation, or commencement of another programme such as an in-kind programme), payment amounts can also be decreased

Next steps: large quantitative & qualitative studies

- **Nationally representative survey (n= 10,000)**
to identify good predictors of need for support, delivery mechanisms
 - Exploring the use of big data analytics for quick verification through indicators understood to be good predictors of poverty
 - Longer term trends to be supplemented by obtaining and analysing 2019 HIES data
- **Qualitative research**
 - KIIs with relevant institutions, and FGDs & IDIs with GNs, Samurdhi Niyaamakass, Post officers, DS workers, beneficiaries/potential beneficiaries, etc. from 5 provinces

	Natio nal surve y (2022)	HIES data	Big data	Qualits
Targeting: systematic poor	✓	✓	✓	
Targeting: Newly poor	✓		✓	
Mapping schemes households have signed up for	✓			
Administrativ e processes: entry & exit from schemes				✓
Delivery mechanisms	✓			✓

Many newly poor in Sri Lanka

- In 2019: 3 million individuals (14.3% of the population) living in poverty (spending less than Rs. 7000 per capita per month)
- Today: Many more likely to have fallen into poverty given record inflation, unemployment etc.
- UN OCHA estimates 5.7 million in need of assistance now – 2x those below poverty line in 2019

Social safety nets necessary, and can come in many forms

- Cash transfers to vulnerable groups
 - Conditional cash transfers (payment made if program objectives are met)
 - Unconditional cash transfers (payment made without imposing conditions)
 - In-kind transfers for vulnerable groups
 - E.g. bags of food
 - Vouchers
 - Usable in designated shops (to purchase allowed list of goods)
 - Universal basic income
 - Everyone gets paid a flat amount, to enable living above poverty line
- Relatively simple to deploy
 - Reduces opportunities for leakages if well implemented
 - Gives households autonomy to prioritize expenses according to their needs

Cash transfers are proven to have improved food security, financial & psychological wellbeing

Country	Programme	Intervention	Impacts				
			Food security	Psychological wellbeing	Financial wellbeing		
					Savings	Entrepreneurship	Investment
Kenya	GiveDirectly	Provided eligible households with a series of three transfers totaling USD 1,000 delivered through the mobile money platform M-Pesa. The transfer amount was equivalent to 75 percent of recipient household's annual spending.	✓	✓		✓	✓
Niger	Zap	One-third of targeted villages received a monthly cash transfer of roughly USD 45 via a mobile money transfer system	✓				✓
Zambia	Child Grant Program (CGP)	Provided eligible households almost USD 12 per month (paid bimonthly) irrespective of household size and gives the money to the child's primary caregiver.	✓		✓	✓	
DR Congo	Concern Worldwide's social protection scheme	Households received an unconditional cash transfer of US\$130 over a seven-month period.	✓		✓		
Sri Lanka	Pilot Cash Transfer Project (CTPP)	The total transfer value amounted to 150 Sri Lankan rupees per beneficiary per week, or USD 1.5. The cash was distributed on a fortnightly basis to targeted households from randomly selected communities in Batticaloa, Galle, and Hambantota.	✓				✓
Ecuador	WFP cash transfer program	The value of the monthly transfer was USD 40 per month per household.	✓				

Sources: Zambia - Natali et al. (2016), Kenya - Haushofer and Shapiro (2016), Niger- Aker et al. (2016), Ecuador - Hidrobo et al. (2012), Sri Lanka - Sandström and Tchatchua (2010), DR Congo – Aker (2017)

Cash transfers do not increase consumption of temptation goods (alcohol, tobacco), nor reduce the incentive to work

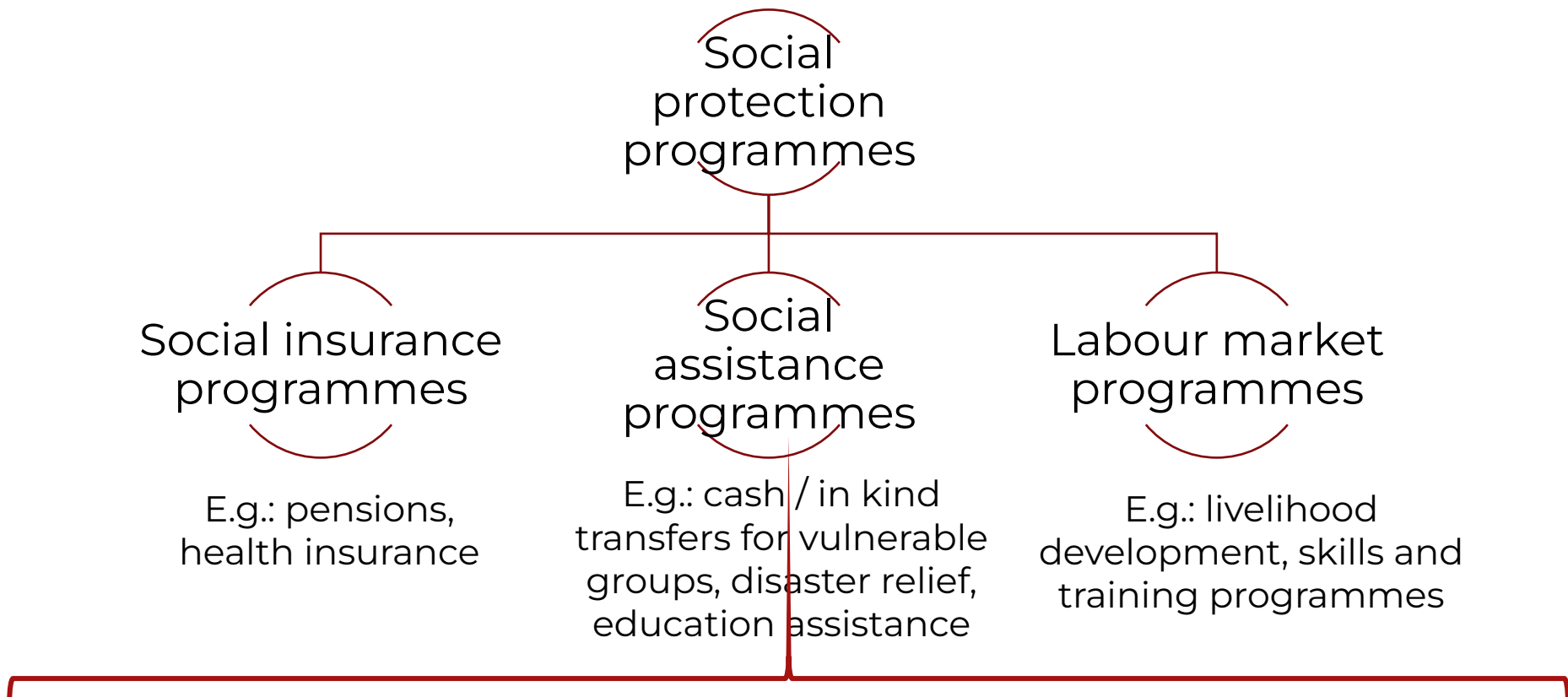
- Cash transfers are **not** used to purchase temptation goods

A systematic review with evidence from 19 countries in Asia, Africa and Latin America shows that cash transfers did not increase purchase of temptation goods such as alcohol and tobacco at a significant level. This is consistent across conditional and unconditional cash transfer programmes.
- Cash transfers do **not** reduce the incentive to work
 - Randomized controlled trials from 6 countries (Honduras, Morocco, Philippines, Mexico, Indonesia & Nicaragua) showed no evidence of cash transfer programs impacting either the propensity to work or the overall number of hours worked, for either men or women. This was true of conditional and unconditional cash transfer programmes.
 - Cash transfers could help households escape the classic poverty trap problem by allowing them to have a basic enough living standard to be productive workers.
 - An infusion of cash could reduce credit constraints to starting or growing a business.

Several cash transfer programmes in Sri Lanka; needs consolidation under Welfare Benefits Board



- Sri Lanka has over 30 different social protection programmes under 11 different ministries. These include social insurance, social assistance and labour market programmes.
- Monthly payments are made to beneficiaries of several programmes (Samurdhi, PAMA, Elders Assistance Programmes, Disability Assistance, Pensions etc.)
- Consolidate welfare schemes under Welfare Benefits Board and build unified beneficiary database

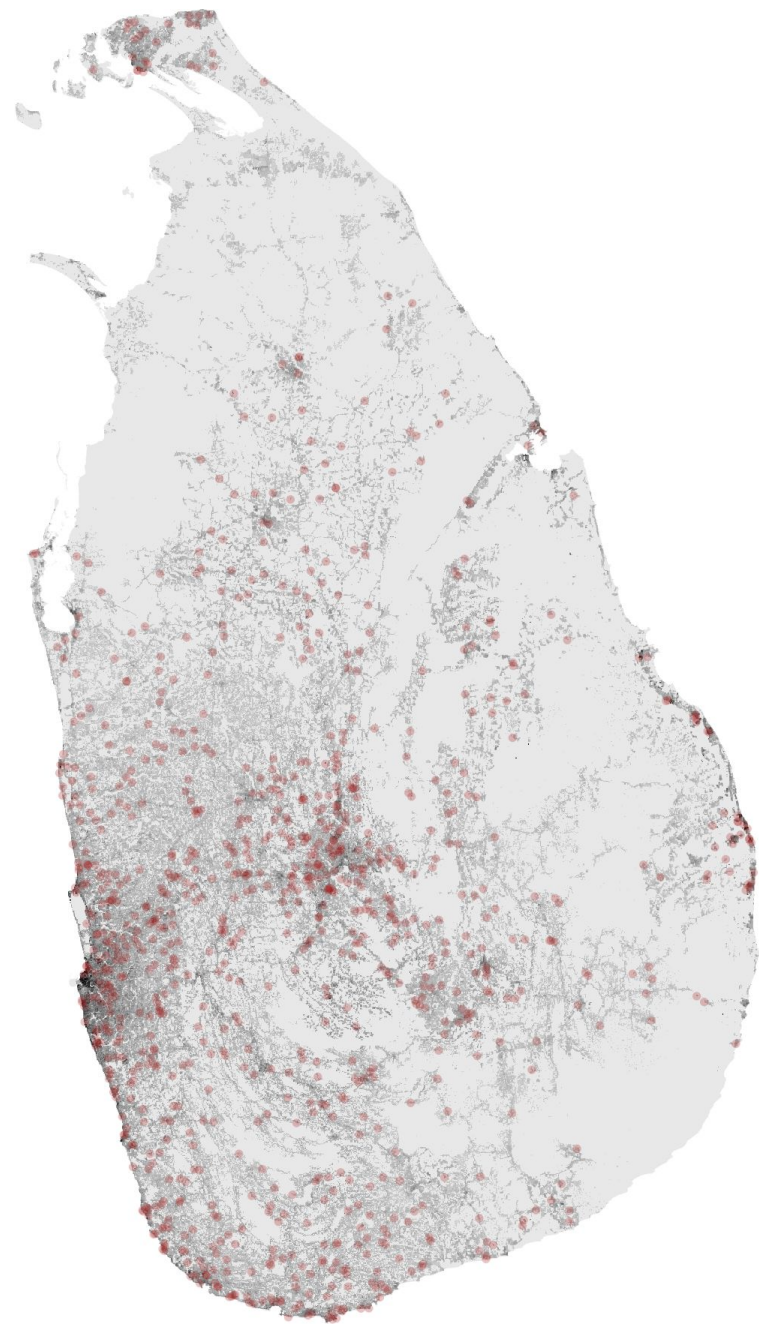


Monthly benefits for select social assistance programmes

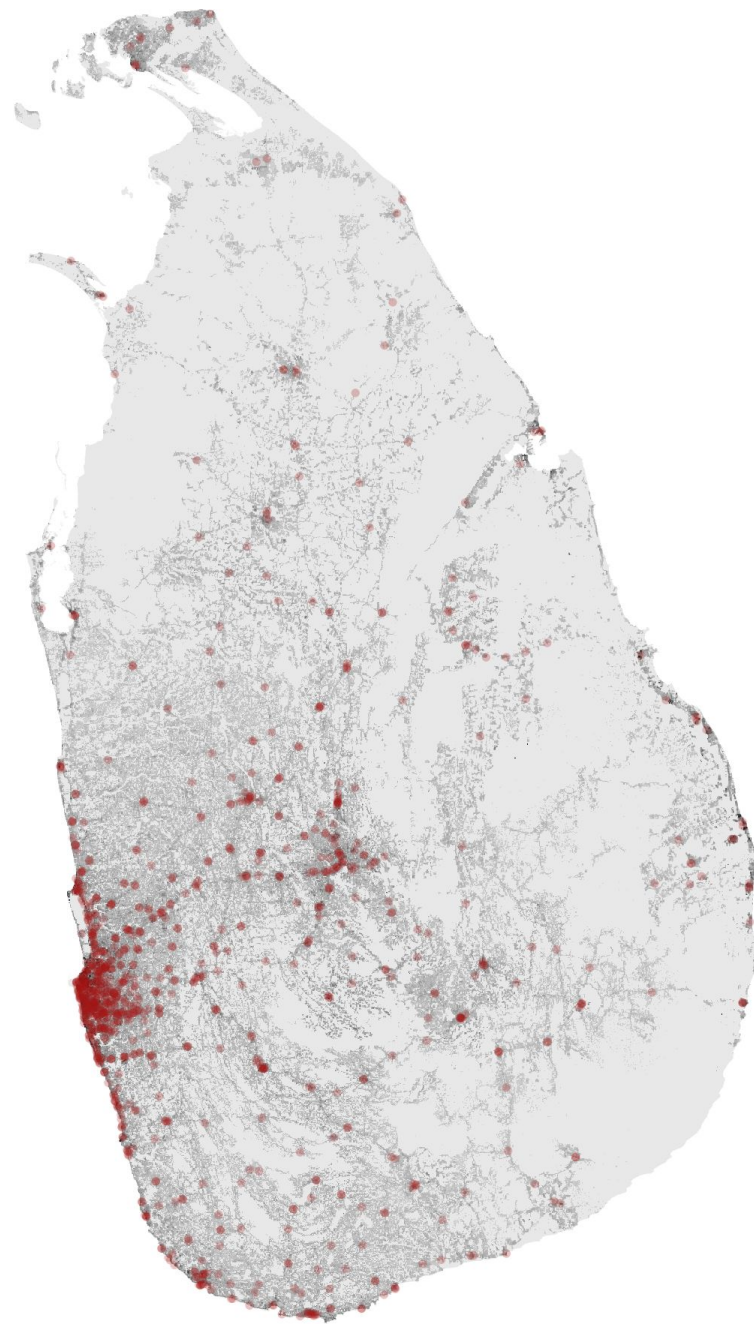
Programme	Monthly Benefit (LKR)	
	Total amount	Net amount
Samurdhi programme		
2 or fewer family members	1500	1345
3 member families	2500	2245
4 or more member families	3500	3145
Public Assistance Monthly Allowance (PAMA)	250-500	
Elders Assistance Programme	2000	
Disability Assistance	3000	

Sources: [Tilakaratna, G. & Jayawardana, S. \(2015\)](#), [World Bank \(2017\)](#), interviews with key informants and beneficiaries by research team

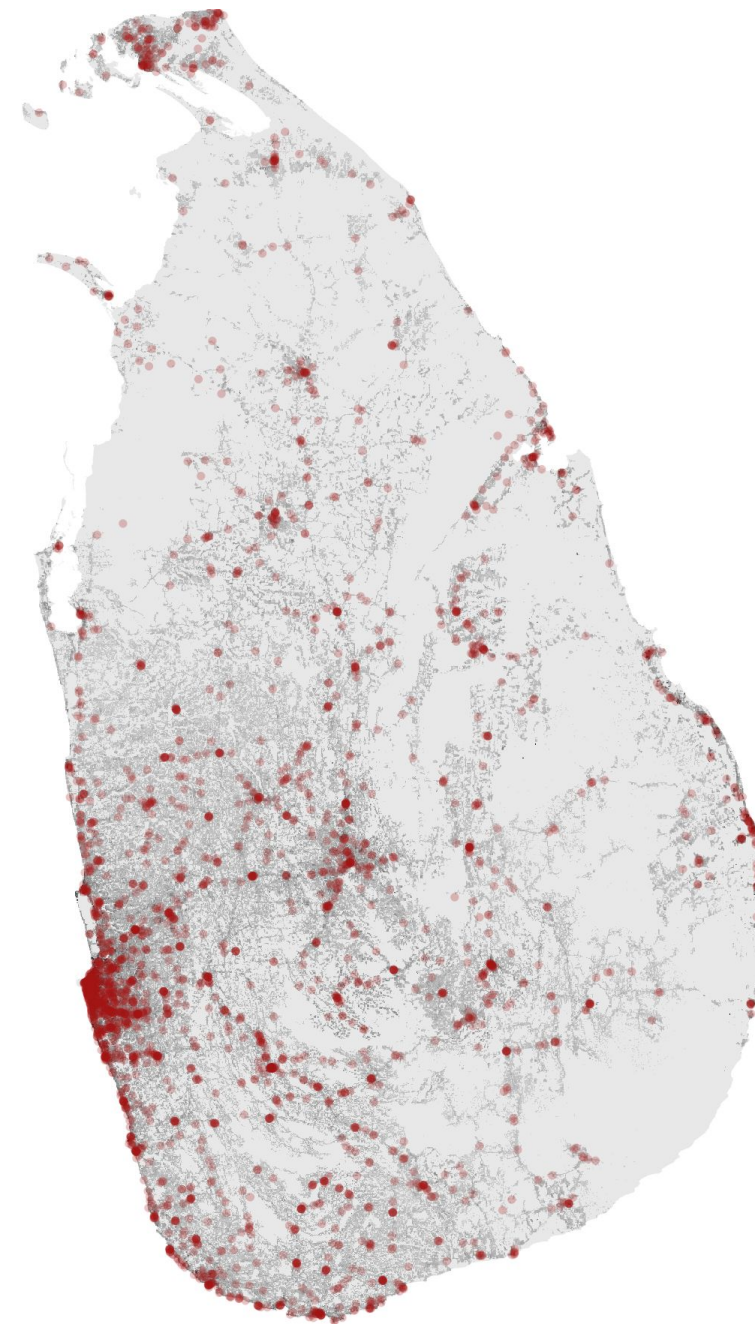
Transfer payments to banks; allow cash out at all ATM branches & mobile money outlets



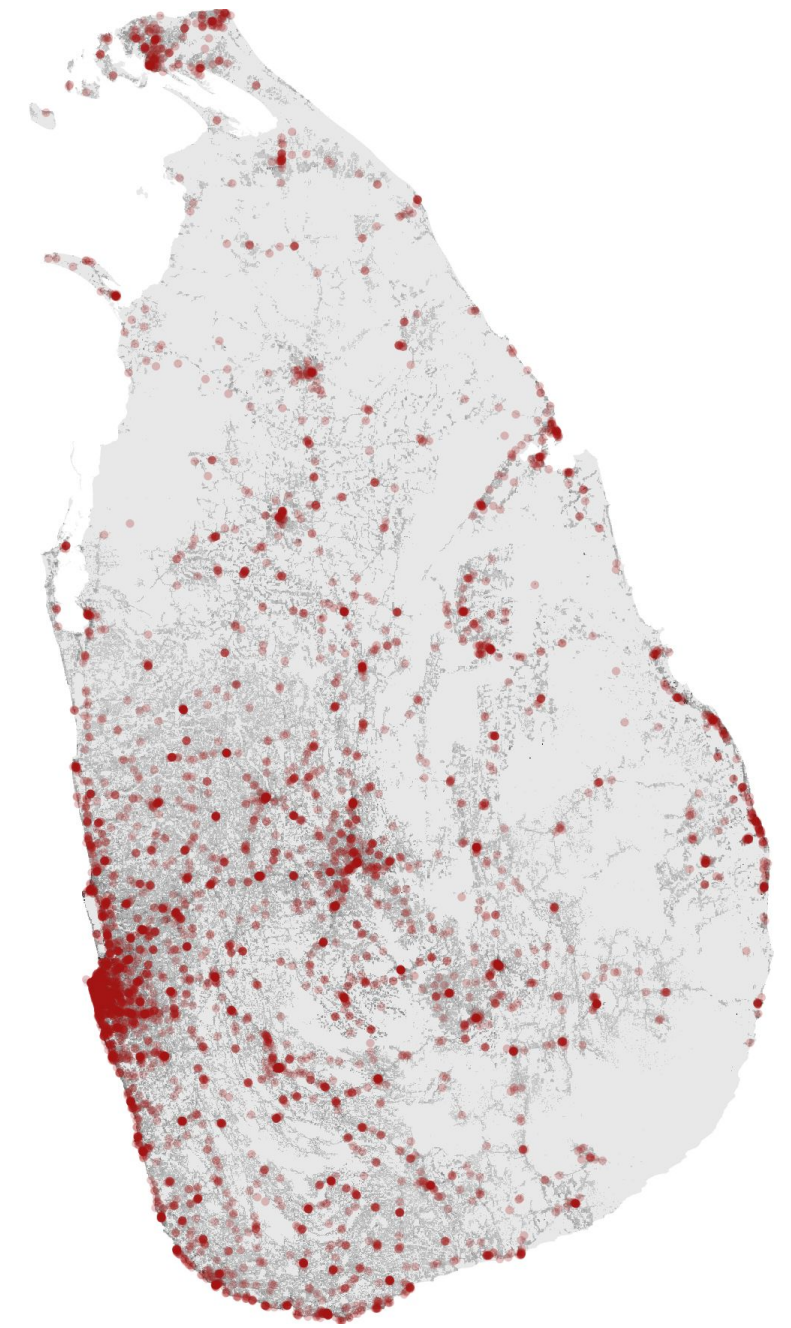
Samurdhi programme



Modern trade outlets



Mobile money

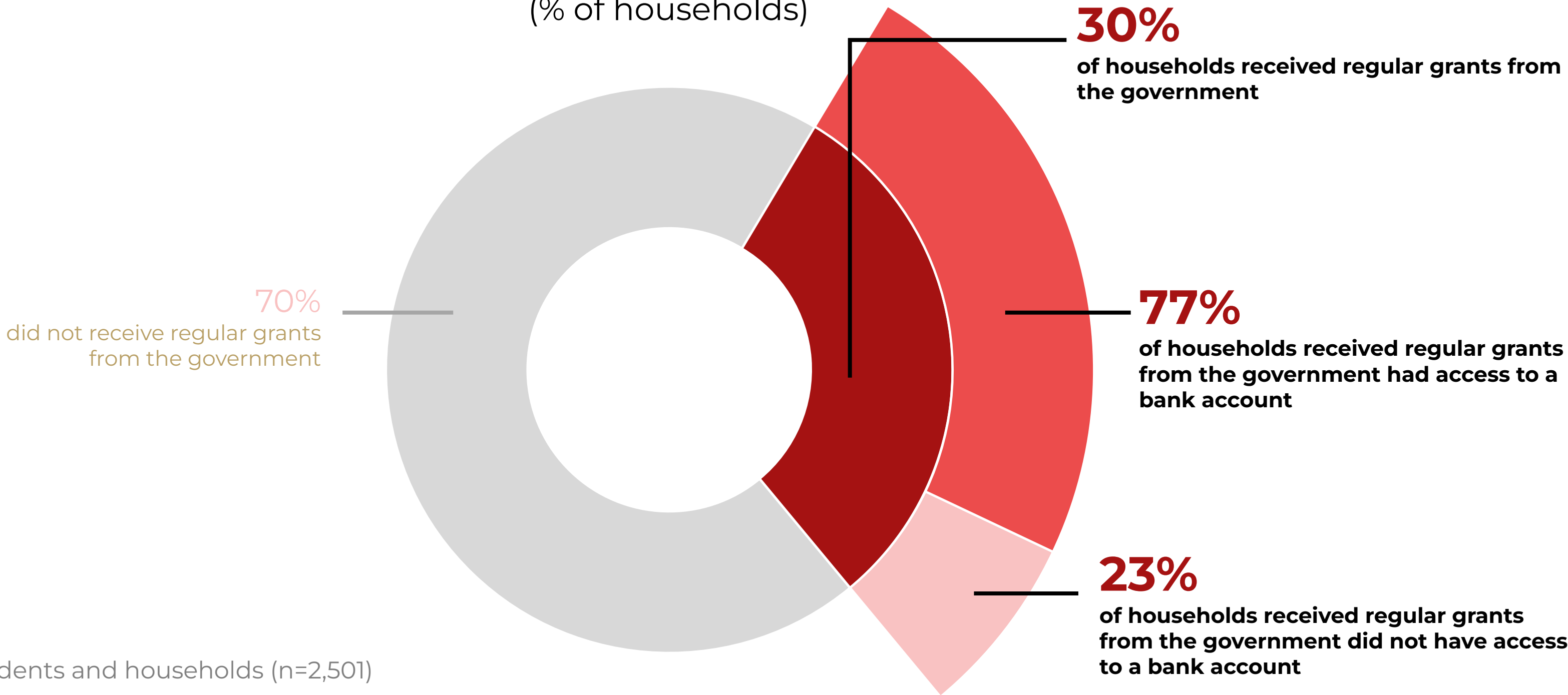


Mobile money (with expansion)

Source: LIRNEasia estimates

77% of regular welfare beneficiaries have a (non-Samurdhi) bank account

Households that received social grants or benefits from the state
(% of households)



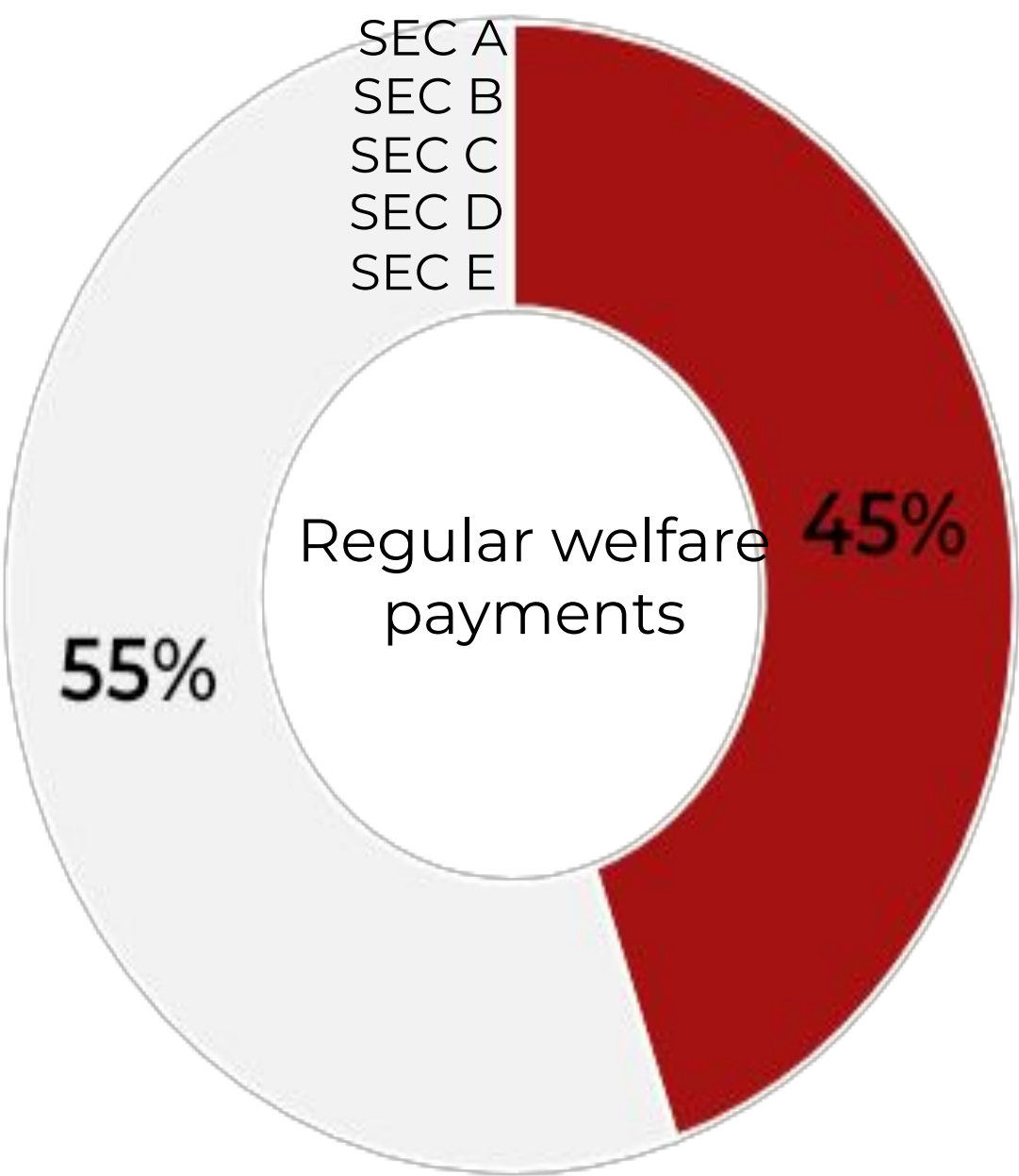
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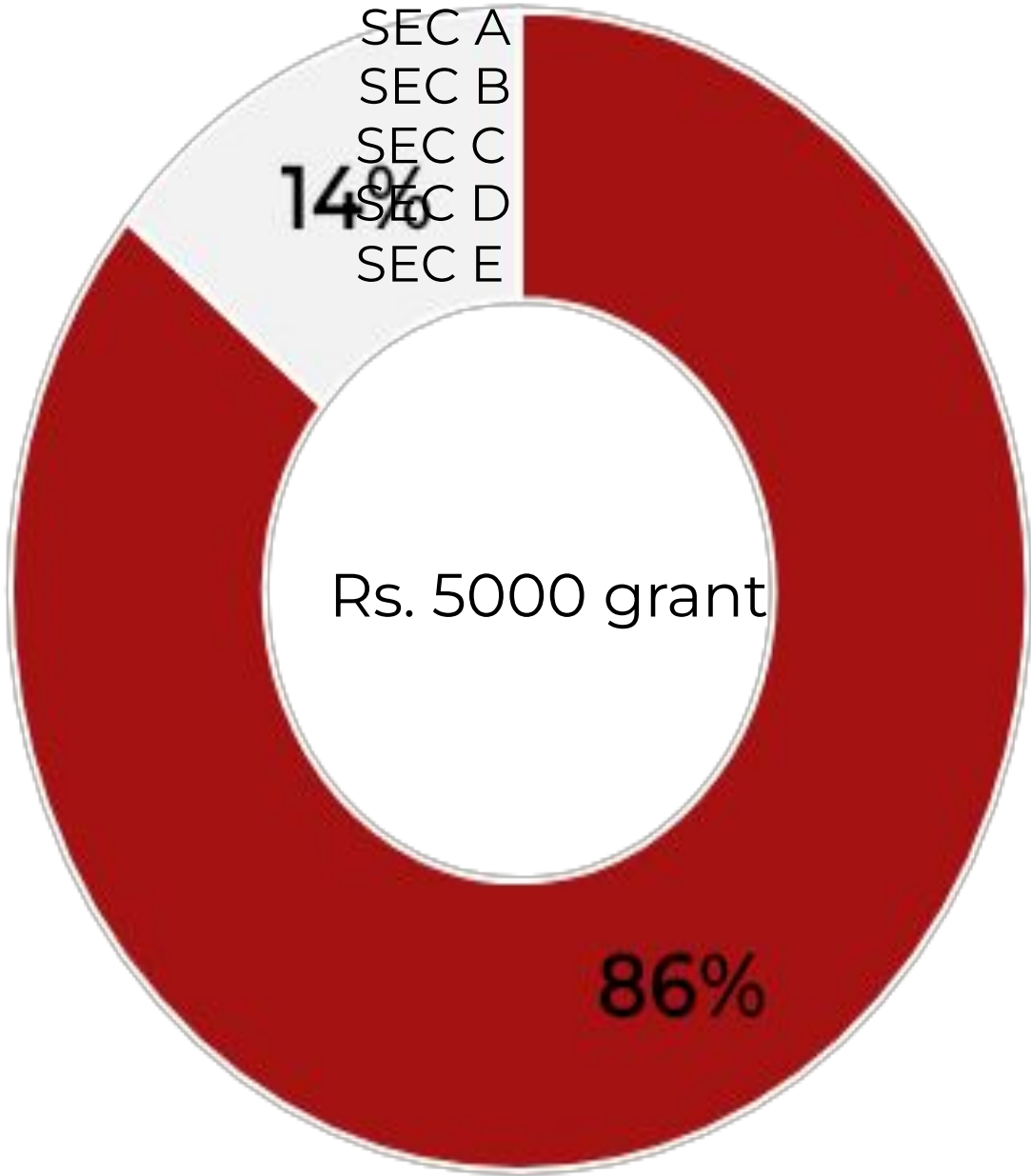
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Poor targeting evident in the past, with inclusion and exclusion errors

Households that received regular social grants or benefits from the state (% of households)



Receipt of Rs.5,000 grant from government during the lockdown (% of households)



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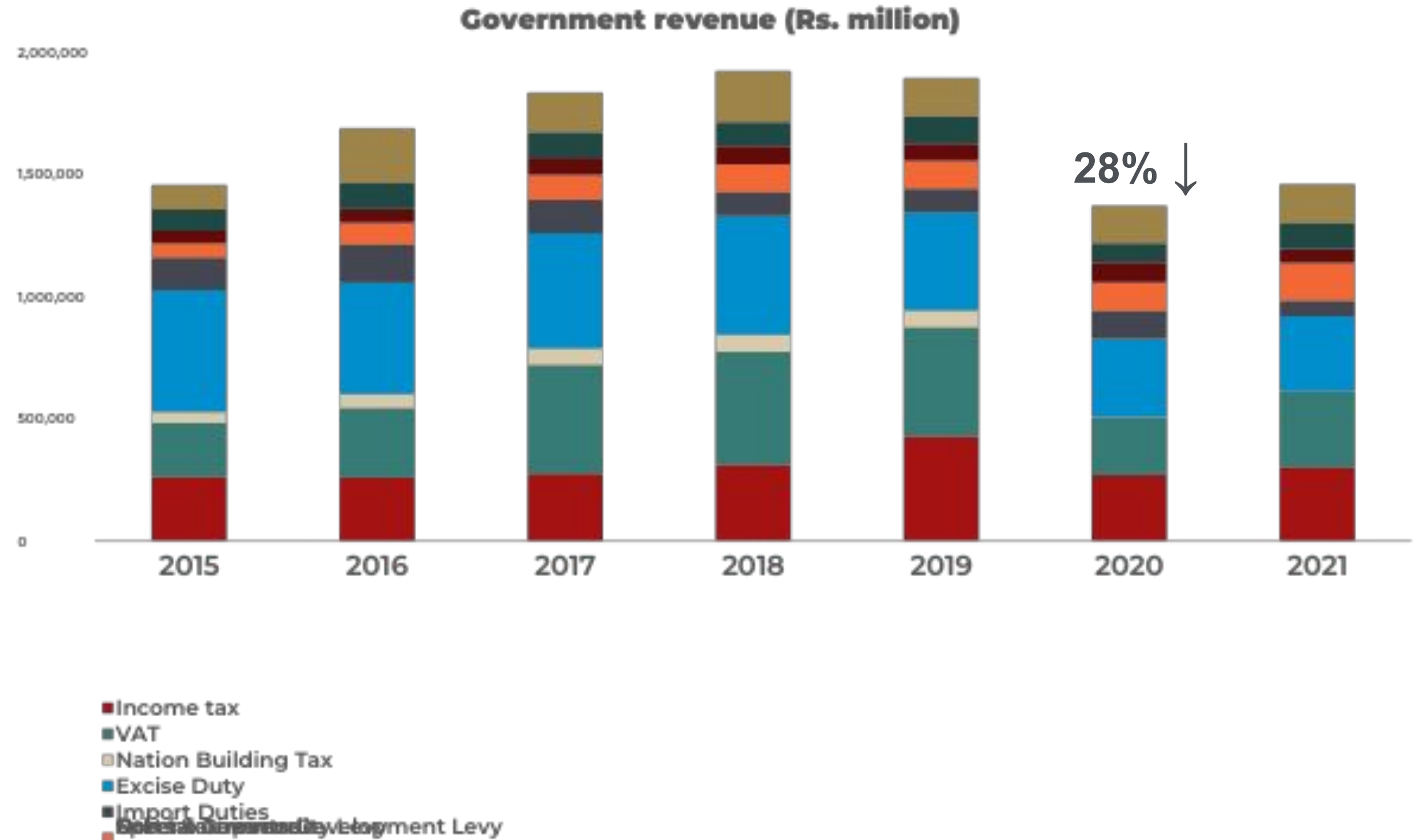
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Base: All households (n=2,501)

Increase tax and non-tax revenue to facilitate recovery

- Twin deficits (fiscal, and balance of payment) at heart of economic crisis
- 2020 saw major shift in tax policy -- lower VAT, higher thresholds for PAYE (APIT)
- Government revenue declined by 28% from 2019 (> Rs. 500 bn)



Source: Ministry of Finance (2022),

Major tax policy changes announced in early June -- first step towards bridging deficit

31/05/2022 3:16 PM FAX 0010

Annexure

Tax Reforms to be introduced in the immediate and near term

Immediate Measures

1. To be implemented with immediate effect

	Proposal	Method of implementation	Estimated Additional Revenue for 2022 (Rs. Bn)	Estimated Additional Revenue for a year (Rs. Bn)
	VAT Rate			
1.	Increase VAT rate from 8 percent to 12 percent	Issue of Gazette Notification subject to the approval of the Parliament	91	156
	Telecommunication Levy			
2.	Increase Telecommunication Levy from 11.25 percent to 15 percent	Issue of a letter by the Telecommunications Regulatory Commission subject to Act Amendment	3	5
	Additional Tax Revenue from Immediate measures (i)		94	161

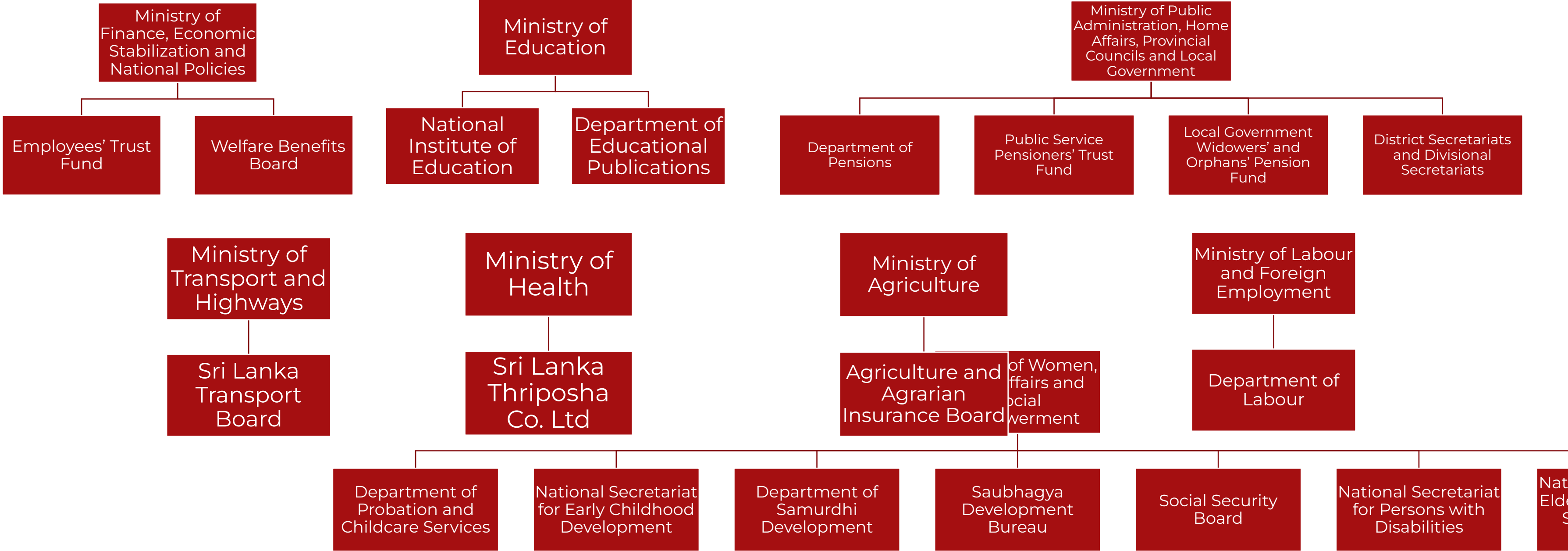
2. To be implemented effective from October 1, 2022

	Proposal	Method of Implementation	Estimated Additional Revenue for 2022 (Rs. Bn)	Estimated Additional Revenue a year (Rs. Bn)
	Income Tax			
	Personal Income Tax (PIT)			

Government expects the revised taxes to generate an additional Rs. 125 bn for the rest of 2022; if adjusted to a year, Rs. 292 bn

Similar calls in CMP, along with other long term targets such as the need to improve tax collection mechanisms

Social security programmes under the purview of 8 ministries and 19 institutions



Importance of social safety nets, particularly in context of other reforms

- Rapid inflation, inability to earn etc. --> implications on poverty
- Monetary and fiscal policy reforms much needed, but will have disproportionate impact on poor --> social safety nets needed to counterbalance impacts, keep those most impacted afloat

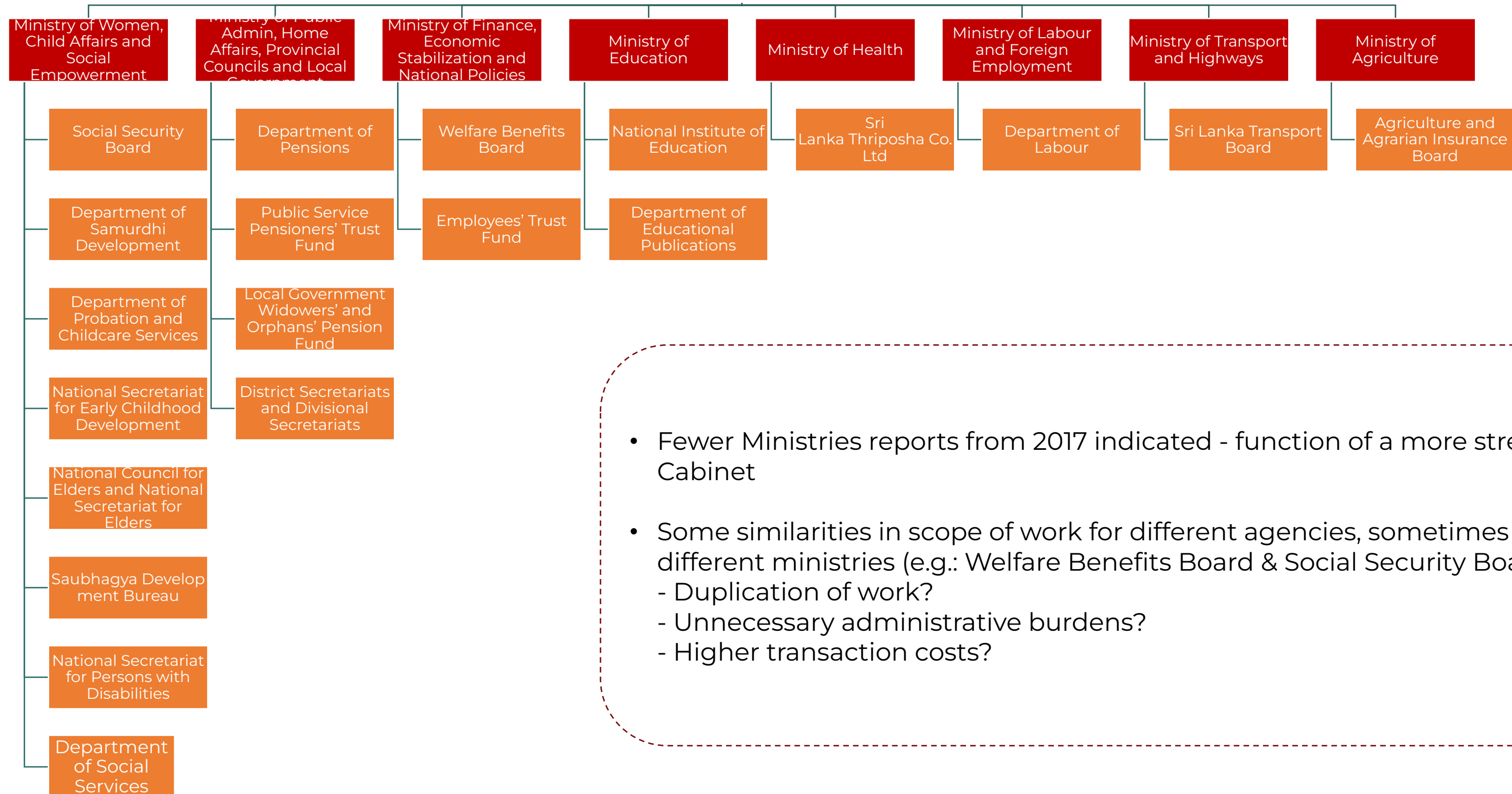
What are the existing social safety nets in Sri Lanka?

- Classified by Social Protection Floors Framework
 -

Some longstanding challenges

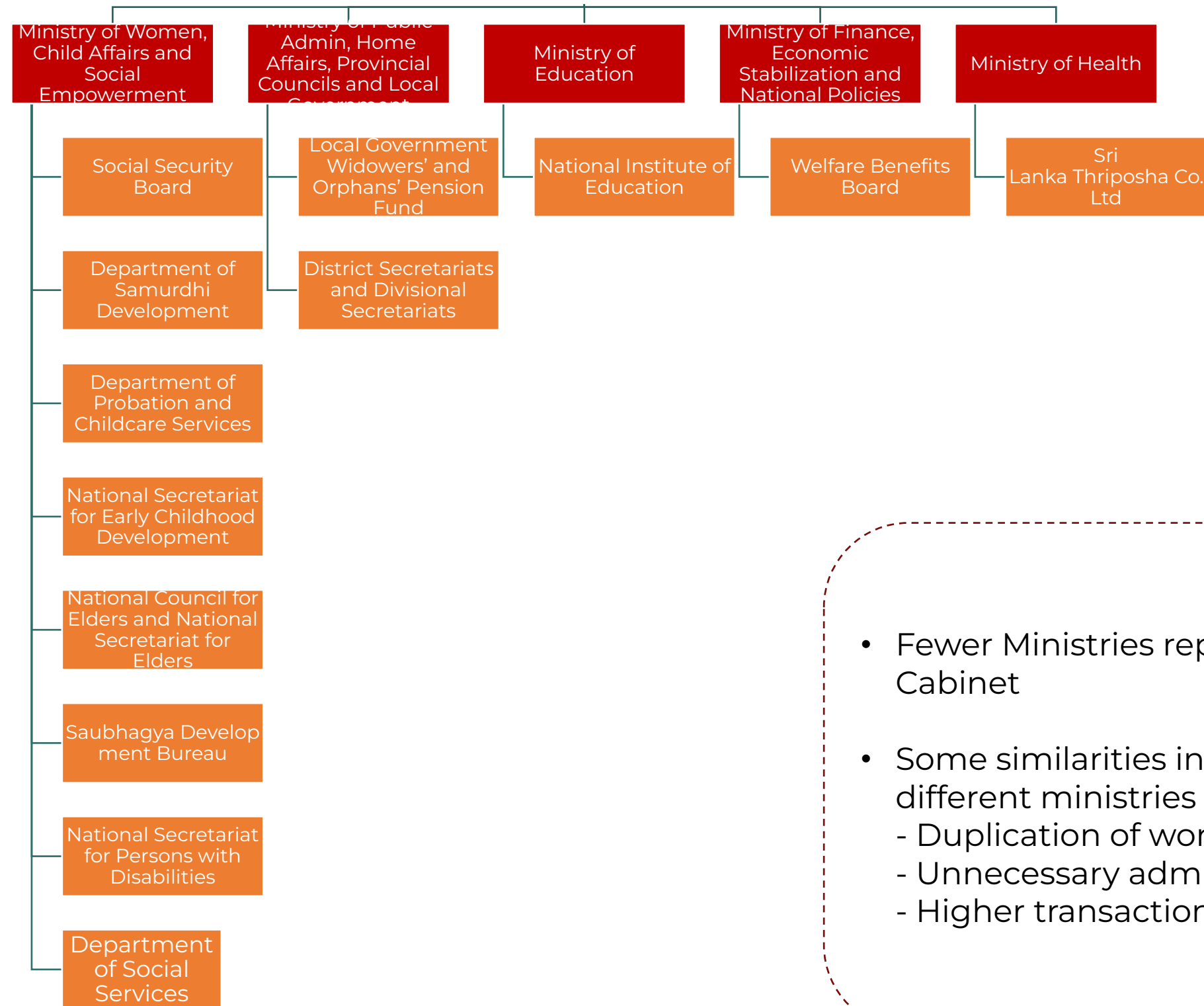
- Targeting/coverage – Samurdhi example 55% of those in SEC E don't get any benefits, 8% of SEC A do
- Inadequacy of funds
- Administrative burdens
- Leakages
- Etc etc

8 ministries and 19 institutions involved in providing welfare benefits



- Fewer Ministries reports from 2017 indicated - function of a more streamlined Cabinet
- Some similarities in scope of work for different agencies, sometimes under different ministries (e.g.: Welfare Benefits Board & Social Security Board)
 - Duplication of work?
 - Unnecessary administrative burdens?
 - Higher transaction costs?

5 ministries involved in providing targeted welfare benefits



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A thought -- Perhaps some classification on regular vs emergency programmes. To be fleshed out.

Ministry of Finance, Economic Stabilization and National Policies

- Agrahara Insurance Scheme
- Life Insurance Benefit Scheme
- Financial Assistance for Heart Surgeries
- Financial Assistance for Kidney Transplant Surgeries
- Re-imburement of Cost of Intra-ocular Lens
- "Shramasuwa Rakawarana" Hospitalization Medical Scheme

Ministry of Education

- School Textbook Programme
- Suraksha Student Insurance Scheme
- Grade 5 scholarship
- G.C.E Advanced Level (A/L) Technology Scholarship
- Sujatha Diyani Scholarship
- Subhaga Scholarship
- Fresh Milk for School Children
- Mid-day Meal Program

Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government

- Public Servants Provident Fund (PSPF)
- Public Servants Pension Scheme (PSPS)
- Armed Forces Pension Scheme
- Samurdhi Programme
- Scholarship and meal programmes

Ministry of Transport and Highways

- Subsidized Transport Program

Ministry of Health

- Thriposha Programme

Minister of Agriculture

- Farmers' Pension and Social Security Benefit Scheme
- Fishermen's Pension and Social Security Benefit Scheme

Ministry of Labour and Foreign Employment

- Employee's Provident Fund (EPF)
- Finance Assistance for Medical care
- Payment of EPF benefits on medical grounds
- Payment of EFP benefits in the event of death of the member
- Approved Private Provident Fund (APPFs)

Ministry of Women, Child Affairs and Social Empowerment

- Samurdhi Programme
- Public Assistance Monthly Allowance (PAMA) (Pin Padi)
- LKR 5,000 Cash Transfer during COVID
- Avurudu (New Year) assistance during COVID
- Cash assistance in the third wave (2000/=)
- Kepakaru Deguru Sponsorship Programme
- Senehasa Savings Programme
- Morning Meal for Preschool Children
- Saubagya Production Village Program
- Surakuma Pension Scheme
- Assistance for Persons with Disabilities
- Assistance for Kidney Patients
- Senior Citizens Allowance

Over 35 benefit schemes identified, including emergency transfers during COVID & economic crises

Needs work

Ministry of Women, Child Affairs and Social Empowerment	<ul style="list-style-type: none"> • Samurdhi Programme • Public Assistance Monthly Allowance (PAMA) (Pin Padi) • Kepakaru Deguru Sponsorship Programme • Senehasa Savings Programme • Morning Meal for Preschool Children • Saubagya Production Village Program • Surakuma Pension Scheme • Assistance for Persons with Disabilities • Assistance for Kidney Patients • Senior Citizens Allowance • Cash Transfers during COVID (Rs. 5000, Rs. 2000) • Cash Transfers during economic crisis (Rs. 5000, Rs, 7500)
Ministry of Public Admin, Home Affairs, Provincial Councils and Local Government	<ul style="list-style-type: none"> • Public Servants Provident Fund (PSPF) • Public Servants Pension Scheme (PSPS) • Armed Forces Pension Scheme • Samurdhi Programme • Scholarship and meal programmes
Ministry of Finance, Economic Stabilization and National Policies	<ul style="list-style-type: none"> • Agrahara Insurance Scheme • Life Insurance Benefit Scheme • Financial Assistance for Heart Surgeries • Financial Assistance for Kidney Transplant Surgeries • Re-imbursement of Cost of Intra-ocular Lens • "Shramasuwa Rakawarana" Hospitalization Medical Scheme
Ministry of Education	<ul style="list-style-type: none"> • School Textbook Programme • Suraksha Student Insurance Scheme • Grade 5 scholarship • G.C.E Advanced Level (A/L) Technology Scholarship • Sujatha Diyani Scholarship • Subhaga Scholarship • Fresh Milk for School Children • Mid-day Meal Program
Ministry of Health	<ul style="list-style-type: none"> • Thriposha Programme
Ministry of Labour and Foreign Employment	<ul style="list-style-type: none"> • Employee's Provident Fund (EPF) • Finance Assistance for Medical care • Payment of EPF benefits on medical grounds • Payment of EFP benefits in the event of death of the member • Approved Private Provident Fund (APPFs)
Ministry of Transport and Highways	<ul style="list-style-type: none"> • Subsidized Transport Program
Ministry of Agriculture	<ul style="list-style-type: none"> • Farmers' Pension and Social Security Benefit Scheme • Fishermen's Pension and Social Security Benefit Scheme

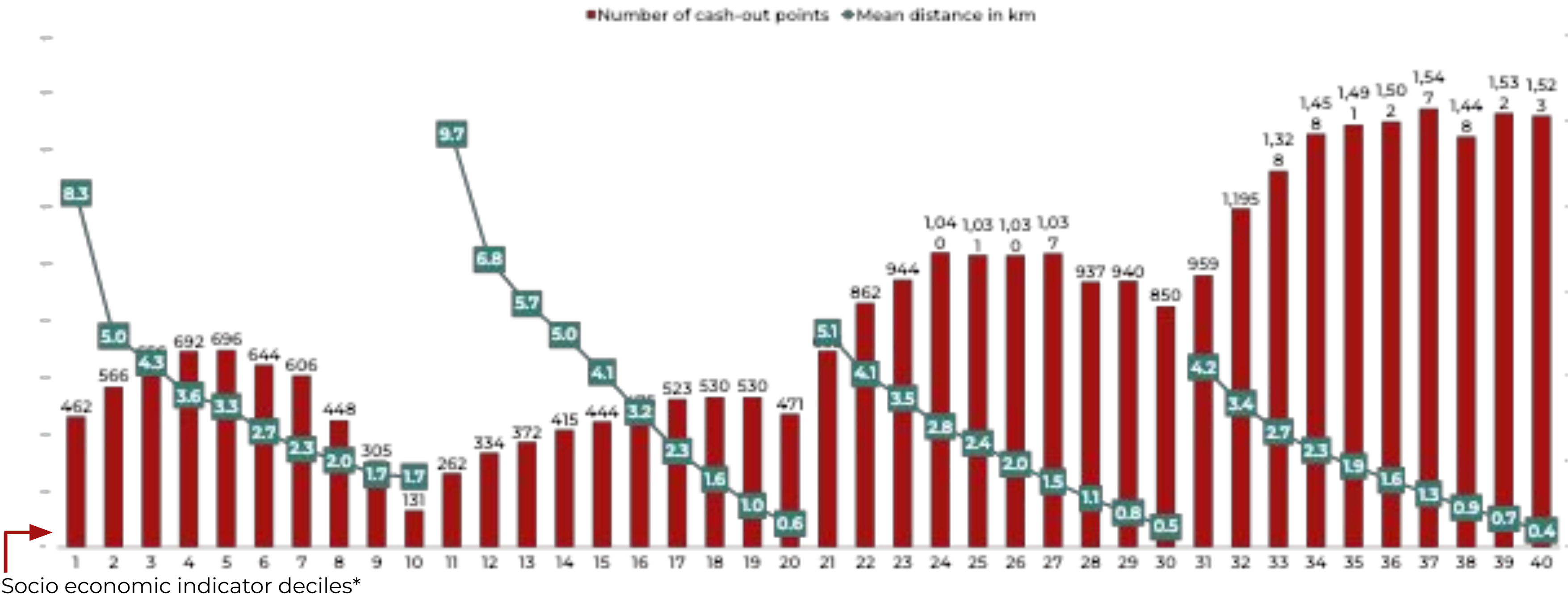
Source: [Extraordinary Gazette 2289/43 of 22 July 2022](#)

Existing policy landscape

- Welfare Benefits Board – consolidates the schemes under one board
- I think it may be gazetted under the prez
- 2019 Gazette – improve targeting. Will help with long term projects, may need more work for newly poor identification
(Nature article – read)
- WB – unified beneficiary database

The recipients will incur lesser transaction cost (travel cost and time etc.)

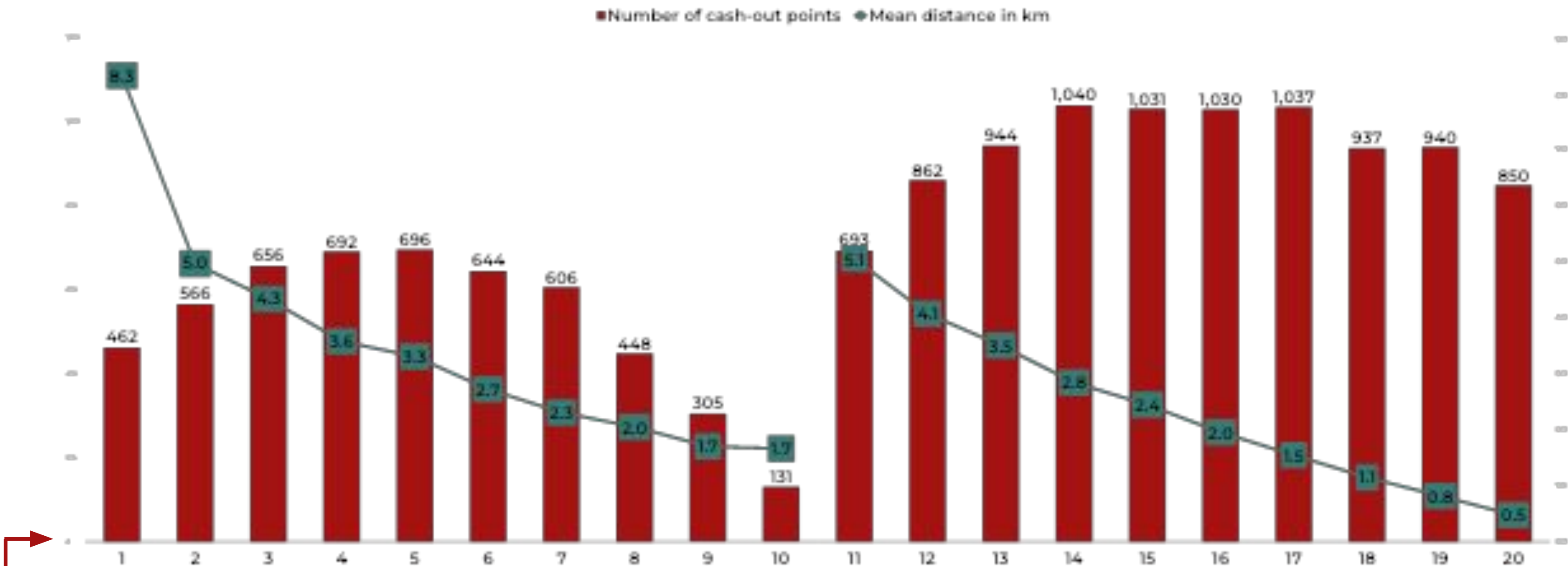
Number of cash-out points and distance needed to travel by socioeconomic deciles



* Methodology: 1. Developed a socioeconomic index based on 2011/2012 census data (<https://lirneasia.net/2020/01/mapping-poverty-and-wealth-an-alternative-socioeconomic-index-for-sri-lanka/>); 2. Split the population into deciles based on the socioeconomic index, where the 1st decile represents the poorest and the 10th decile represents the richest; 3. Obtained high-resolution (30 m) population density maps (<https://dataforgood.facebook.com/dfg/tools/high-resolution-population-density-maps>); 4. Determined the nearest cash-out point based on Euclidean distance for each 30 m x 30 m tile

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Number of cash-out points and distance needed to travel by socioeconomic deciles

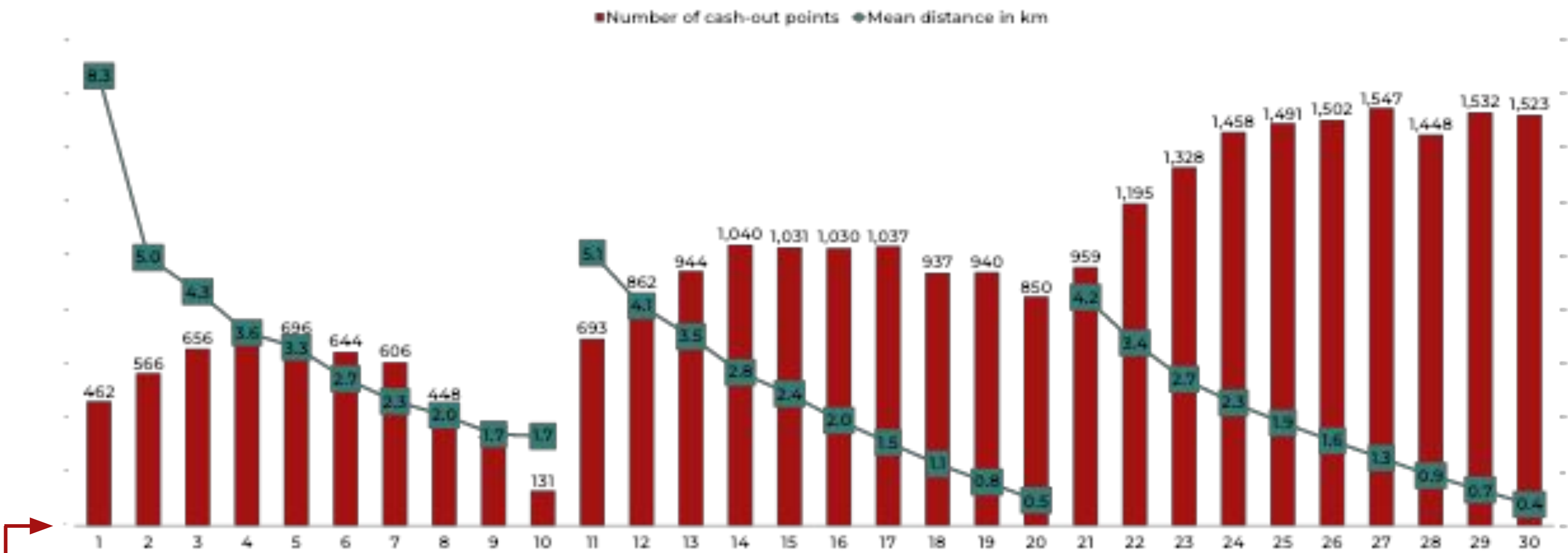


Socio economic indicator deciles*

* Methodology: 1. Developed a socioeconomic index based on 2011/2012 census data (<https://lirneasia.net/2020/01/mapping-poverty-and-wealth-an-alternative-socioeconomic-index-for-sri-lanka/>); 2. Split the population into deciles based on the socioeconomic index, where the 1st decile represents the poorest and the 10th decile represents the richest; 3. Obtained high-resolution (30 m) population density maps (<https://dataforgood.facebook.com/dfg/tools/high-resolution-population-density-maps>); 4. Determined the nearest cash-out point based on Euclidean distance for each 30 m x 30 m tile

The recipients will incur lesser transaction cost (travel cost and time etc.)

Number of cash-out points and distance needed to travel by socioeconomic deciles

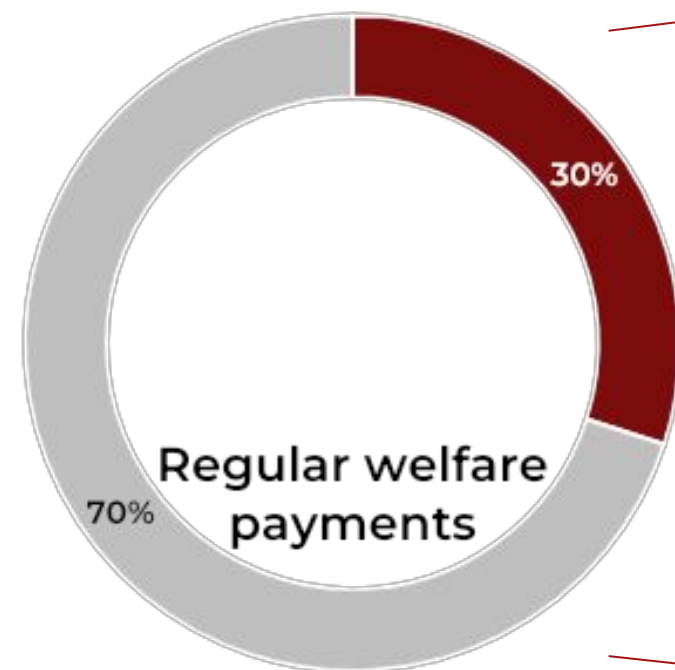


Socio economic indicator deciles*

* Methodology: 1. Developed a socioeconomic index based on 2011/2012 census data (<https://lirneasia.net/2020/01/mapping-poverty-and-wealth-an-alternative-socioeconomic-index-for-sri-lanka/>); 2. Split the population into deciles based on the socioeconomic index, where the 1st decile represents the poorest and the 10th decile represents the richest; 3. Obtained high-resolution (30 m) population density maps (<https://dataforgood.facebook.com/dfg/tools/high-resolution-population-density-maps>); 4. Determined the nearest cash-out point based on Euclidean distance for each 30 m x 30 m tile

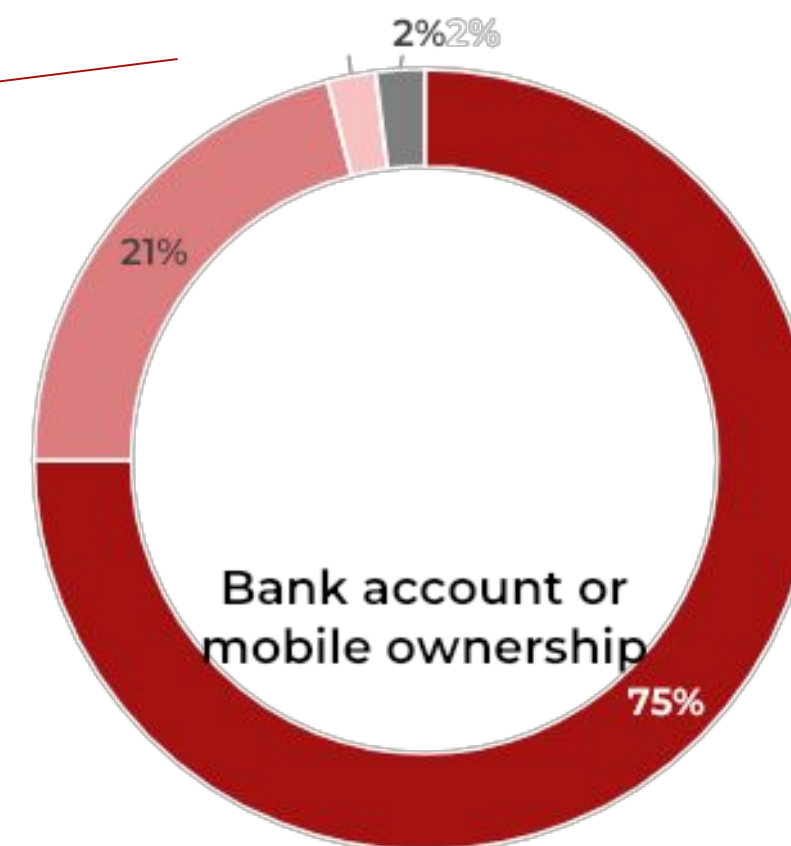


Receipt of regular welfare benefits
(% of households)



■ Received regular welfare benefits

Bank account & mobile money ownership (% of households receiving regular welfare benefits)



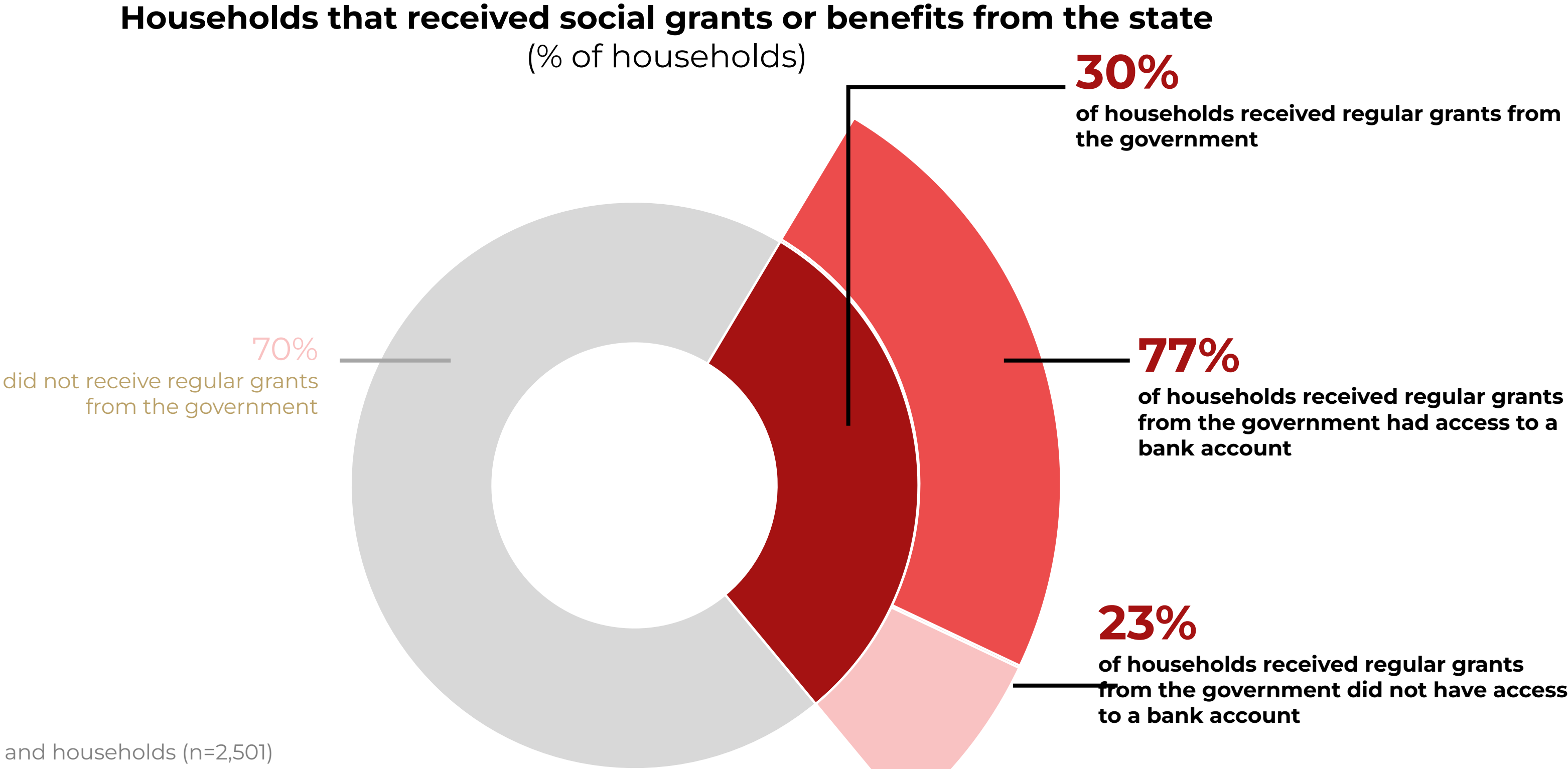
■ Bank account & mobile phone
■ Mobile phone only
■ Bank account only
■ No bank account or mobile phone

Base: All respondents and households (n=2,501)

Q: How many people in this household receive regular social grants or benefit (welfare) from the state (eg. disability, unemployment, veteran, child support, scholarship, Samurdhi)?

Source: LIRNEasia COVID impact survey, 2021. Representative of all households and age 15 and above population in Sri Lanka with a +/- 2.8% margin of error at 95% confidence interval.

Transfer payments to mobile money accounts & banks 77% of regular welfare beneficiaries have a (non-Samurdhi) bank account



Base: All respondents and households (n=2,501)

Q: How many people in this household receive regular social grants or benefit (welfare) from the state (eg. disability, unemployment, veteran, child support, scholarship, Samurdhi)?

Source: LIRNEasia COVID impact survey, 2021. Representative of all households and age 15 and above population in Sri Lanka with a +/- 2.8% margin of error at 95% confidence interval.

Outreach (screenshots)

Contents of this presentation

- Cash transfer programmes: an overview
- Options for better delivery of Sri Lanka's cash transfers
 - through modern retail
 - through mobile wallets
- Challenges

1

Cash transfer programs

Various forms of payments

- Universal basic income
 - Everyone gets paid a flat amount, to enable living above poverty line
- In-kind transfers/payments
 - E.g. bags of food
- Cash transfers (2 types)
 - Conditional cash transfers (payment made if program objectives are met)
 - Unconditional cash transfers (payment made without imposing conditions)
- Payment could be as cash, or as 'vouchers'
 - Vouchers useable in designated shops (to purchase allowed list of goods)
 - Cash useable anywhere

Cash transfers are proven to have improved food security, financial & psychological wellbeing



Country	Programme	Intervention	Impacts				
			Food security	Psychological wellbeing	Financial wellbeing		
					Savings	Entrepreneurship	Investment
Kenya	GiveDirectly	Provided eligible households with a series of three transfers totaling USD 1,000 delivered through the mobile money platform M-Pesa. The transfer amount was equivalent to 75 percent of recipient household's annual spending.	✓	✓		✓	✓
Niger	Zap	One-third of targeted villages received a monthly cash transfer of roughly USD 45 via a mobile money transfer system	✓				✓
Zambia	Child Grant Program (CGP)	Provided eligible households almost USD 12 per month (paid bimonthly) irrespective of household size and gives the money to the child's primary caregiver.	✓		✓	✓	
DR Congo	Concern Worldwide's social protection scheme	Households received an unconditional cash transfer of US\$130 over a seven-month period.	✓		✓		
Sri Lanka	Pilot Cash Transfer Project (CTPP)	The total transfer value amounted to 150 Sri Lankan rupees per beneficiary per week, or USD 1.5. The cash was distributed on a fortnightly basis to targeted households from randomly selected communities in Batticaloa, Galle, and Hambantota.	✓				✓

Sources: Zambia - Ntshengile et al. (2016), Kenya - Ndung'u et al. (2016), Niger - Aker et al. (2016), Ecuador - Hidrobo et al. (2012), Sri Lanka - Sandström and Thatchua (2010), DR Congo – Aker (2017)

Cash transfers do not increase consumption of temptation goods (alcohol, tobacco), nor reduce the incentive to work

- Cash transfers are **not** used to purchase temptation goods

A systematic review with evidence from 19 countries in Asia, Africa and Latin America shows that cash transfers did not increase purchase of temptation goods such as alcohol and tobacco at a significant level. This is consistent across conditional and unconditional cash transfer programmes.
- Cash transfers do **not** reduce the incentive to work
 - Randomized controlled trials from 6 countries (Honduras, Morocco, Philippines, Mexico, Indonesia & Nicaragua) showed no evidence of cash transfer programs impacting either the propensity to work or the overall number of hours worked, for either men or women. This was true of conditional and unconditional cash transfer programmes.
 - Cash transfers could help households escape the classic poverty trap problem by allowing them to have a basic enough living standard to be productive workers.
 - An infusion of cash could reduce credit constraints to starting or growing a business.

Evidence from DR of Congo: cash transfers allowed recipients to buy more diverse goods and save, while voucher recipients looked for opportunities to cash out

Case study: *Success of vouchers vs cash transfers in DR of Congo*

- **Study type:** Randomized Control Trial
- **Year of study:** 2011
- **Intervention:** USD 130 was made available to the recipient households, who were split into 2 groups. One group received **cash transfers**. Cash was deposited to an interest free account at a local cooperative, which recipients could withdraw. One group received **vouchers**, which could be used to buy food and non-food items at fairs



Households who received cash transfers spent on a more diverse basket of goods. Cash recipients were more likely to purchase food such as staple grains, beans, condiments and oil, as well as non-food items such as school fees, medicine, and housing materials.



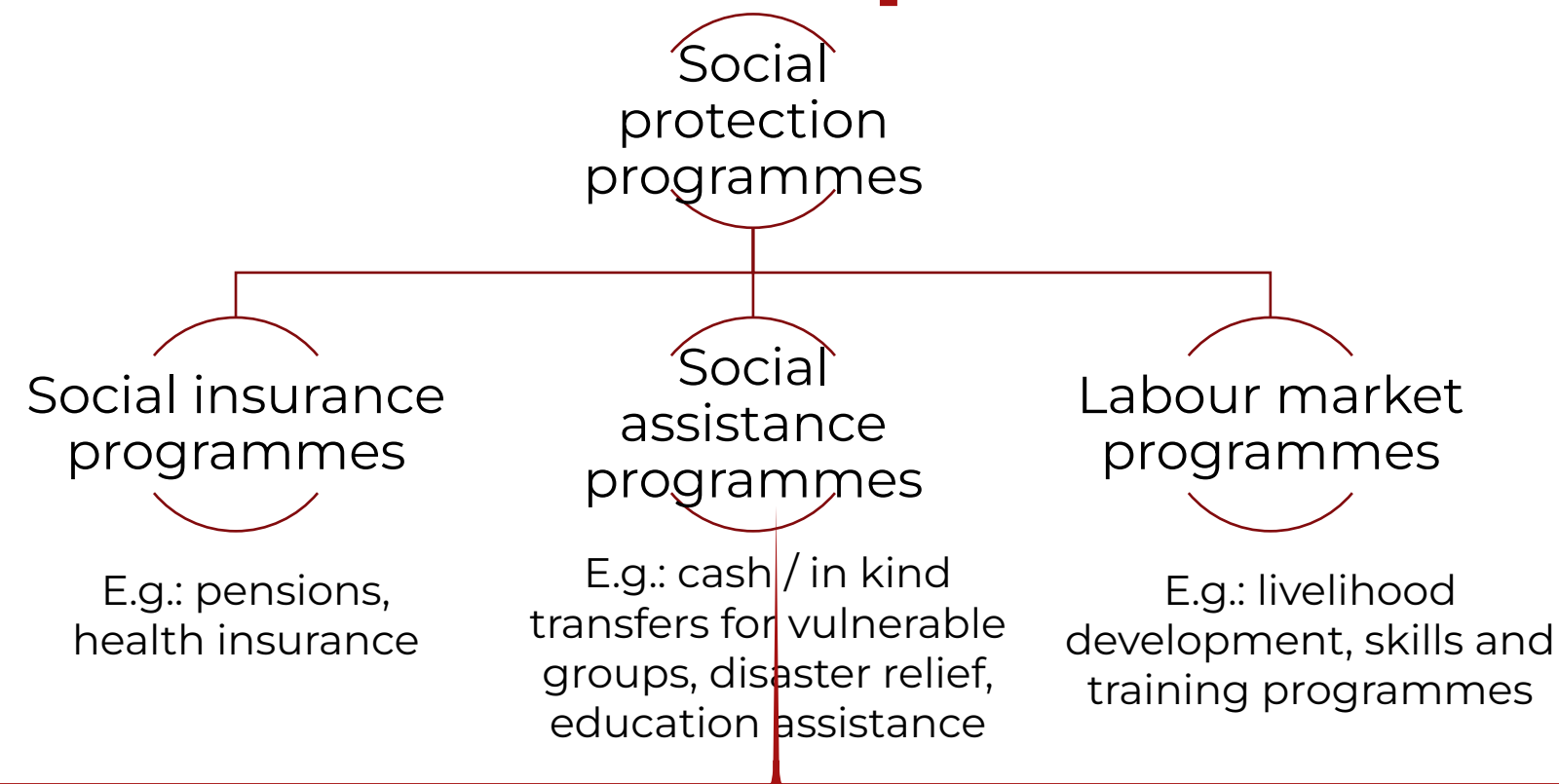
Cash recipients had money remaining from the transfer allowing for savings, while voucher recipients did not. (The voucher programme by design does not allow for savings, except in tangible goods)



Voucher recipients bought large quantities of select goods to resell and obtain cash. Voucher recipients bought 10x more salt than cash recipients, which they then resold at nearby markets.

Several Sri Lankan social protection programmes provide unconditional cash transfers to recipients

- Sri Lanka has over 30 different social protection programmes under 11 different ministries. These include social insurance, social assistance and labour market programmes.
- Monthly payments are made to beneficiaries of several programmes (Samurdhi, PAMA, Elders Assistance Programmes, Disability Assistance, Pensions etc.)
- Ad-hoc payments are also made on a needs- basis (e.g.: Rs. 5000 grants disbursed during the COVID-19 crisis)



Monthly benefits for select social assistance programmes

Programme	Monthly Benefit (LKR)	
	Total amount	Net amount
Samurdhi programme		
2 or fewer family members	1500	1345
3 member families	2500	2245
4 or more member families	3500	3145
Public Assistance Monthly Allowance (PAMA)	250-500	
Elders Assistance Programme	2000	
Disability Assistance	3000	

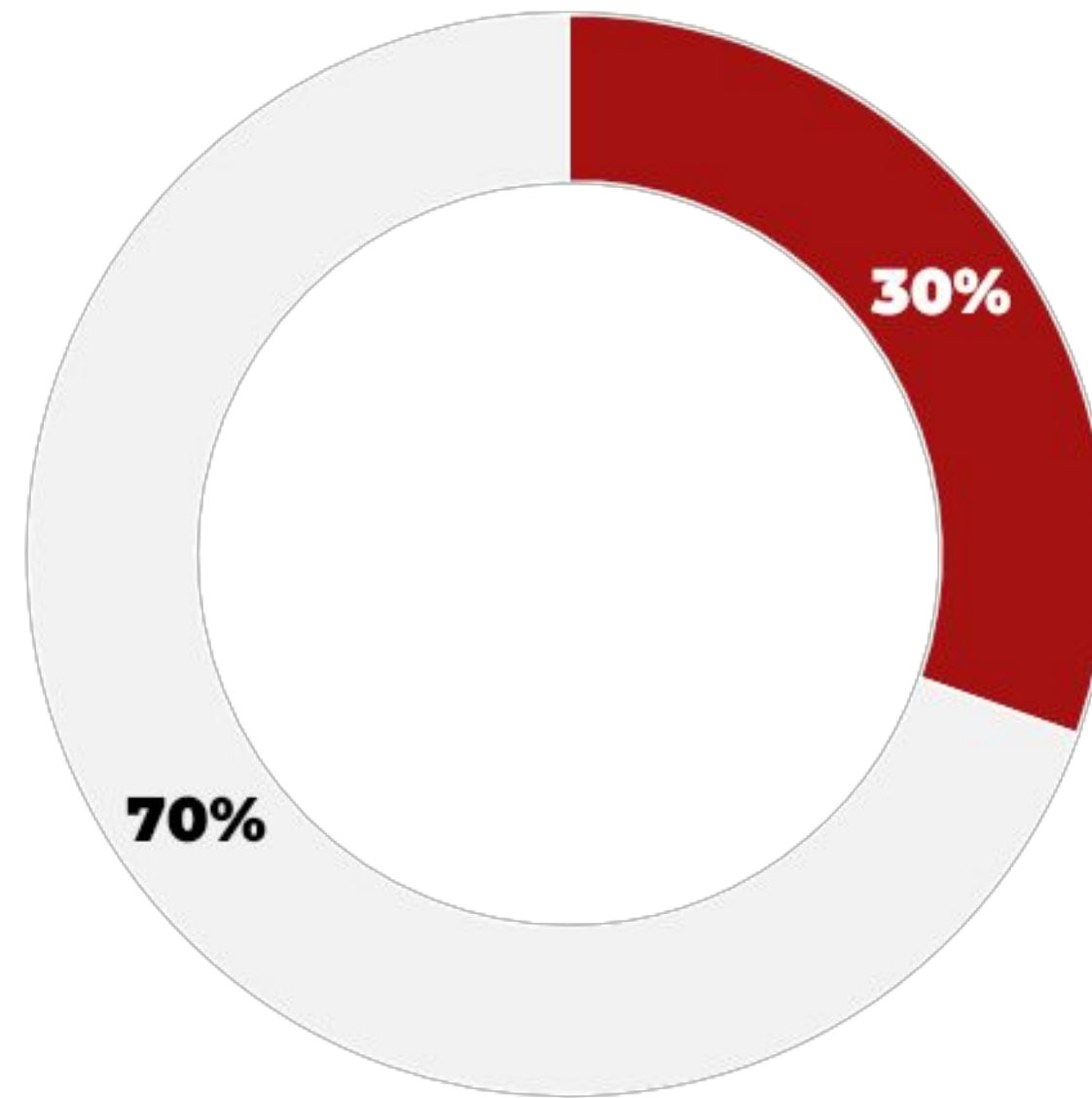
Sources: [Tilakaratna, G. & Jayawardana, S. \(2015\)](#), [World Bank \(2017\)](#), interviews with key informants and beneficiaries by research team

Some examples of cash transfer programs in Sri Lanka

	Benefit	DS office (331 offices)	Samurdi banks (1,050 branches)	Banks (BOC and People's banks – 1,300+ branches)	Post office (4,063 post offices)	Grama Niladahri divisions (14,022)
Regu lar	Samurdi programme		✓			
	PAMA				✓	
	Disability aid			✓		
	Cancer aid				✓	
	Thalassemia aid				✓	
	Kidney aid	✓				
One off	5000 grant					✓

30% of households receive regular social grants or benefits from the state

Households that received regular social grants or benefits from the state
(% of households)

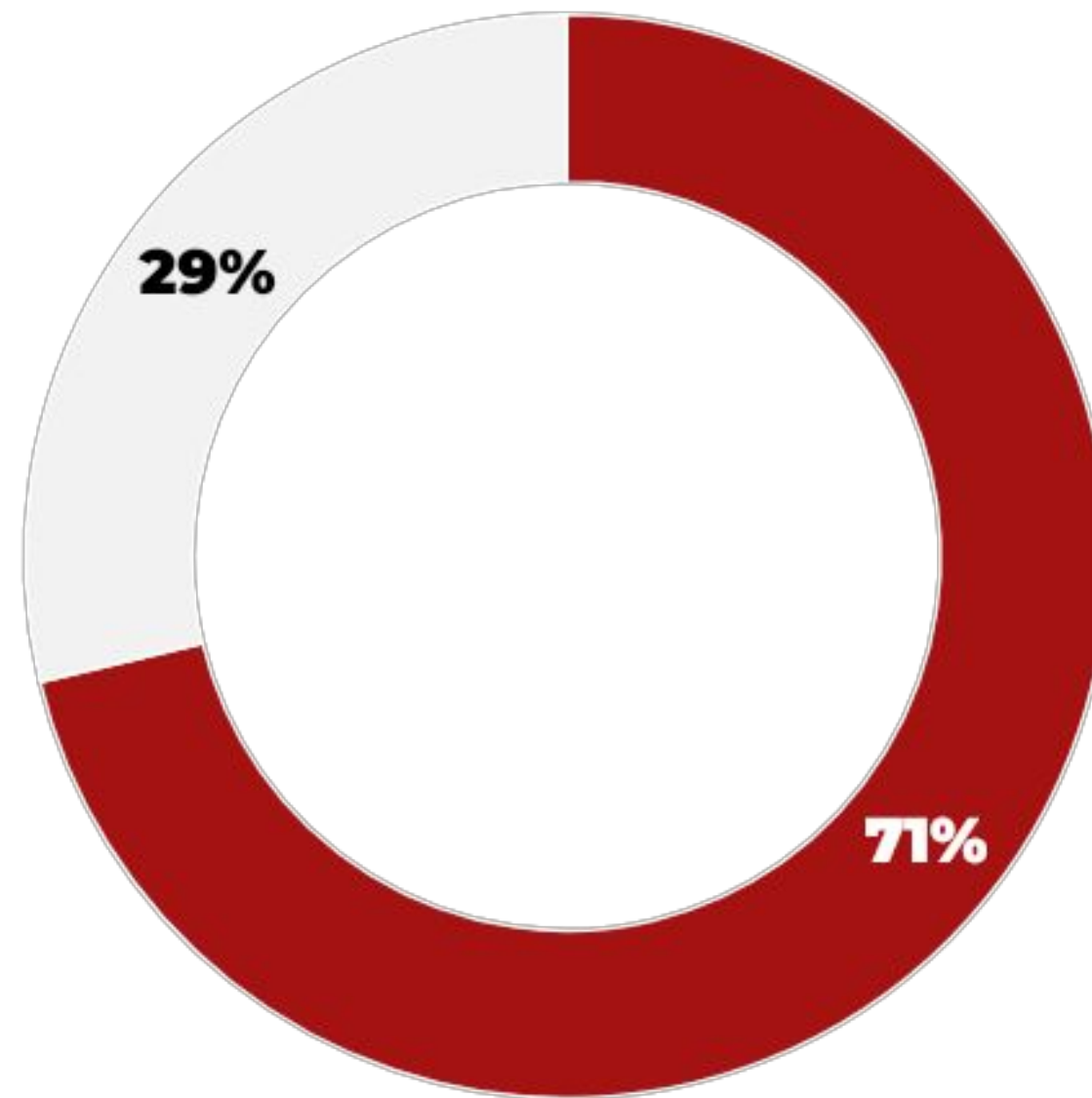


Q: How many people in this household receive regular social grants or benefit (welfare) from the state (eg. disability, unemployment, veteran, child support, scholarship, Samurdhi)?
Base: All households (n=2,501)

Source: LIRNEasia COVID impact survey, 2021. Representative of all households and age 15 and above population in Sri Lanka with a +/- 2.8% margin of error at 95%

71% of households received Rs. 5000 government grant during COVID-19 related lockdown

Receipt of Rs.5,000 grant from government during the lockdown
(% of households)



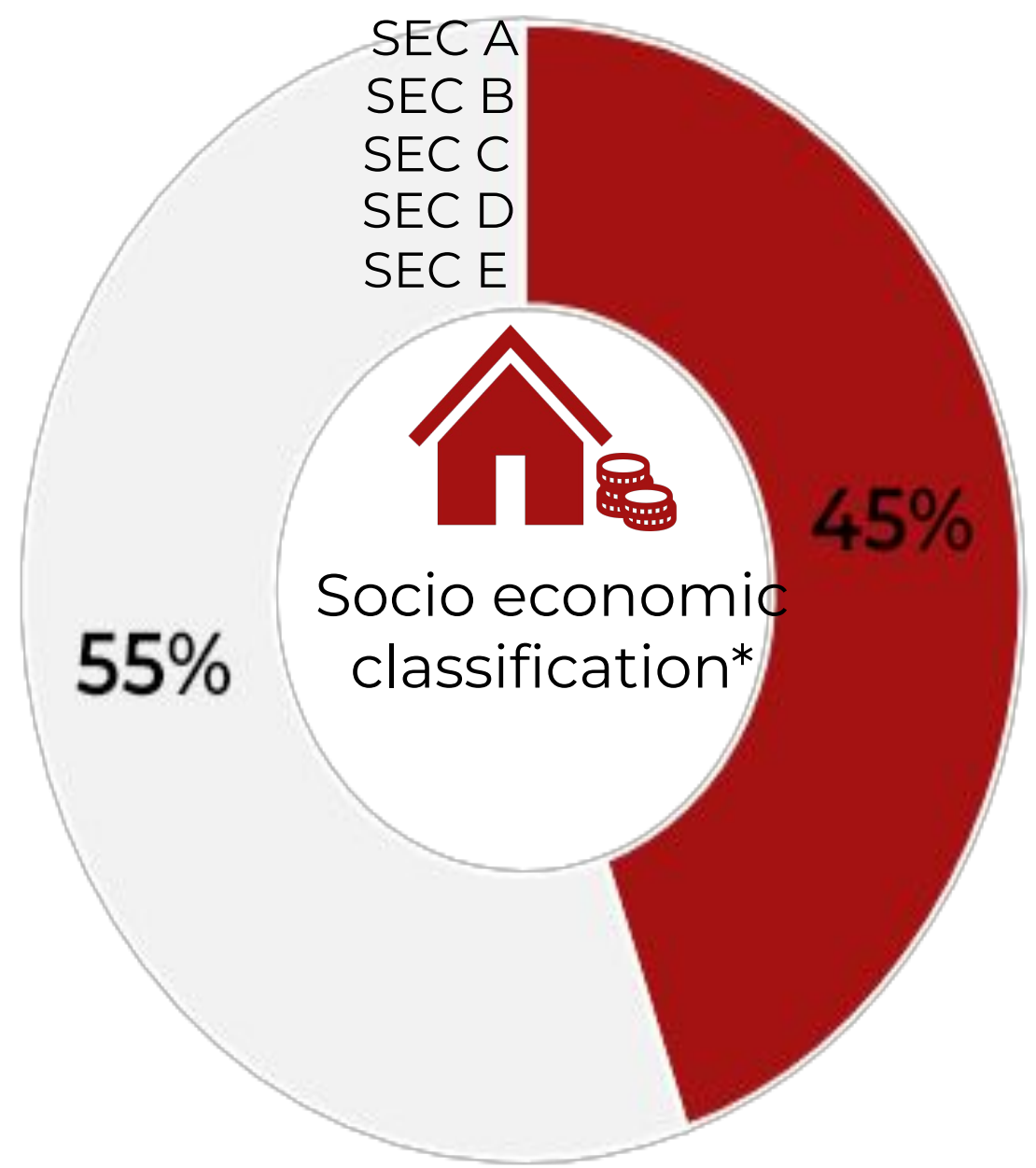
Q: Did any member of this household receive the Rs. 5,000 grants from the government during the COVID-19 lockdown?

Base: All households (n=2,501)

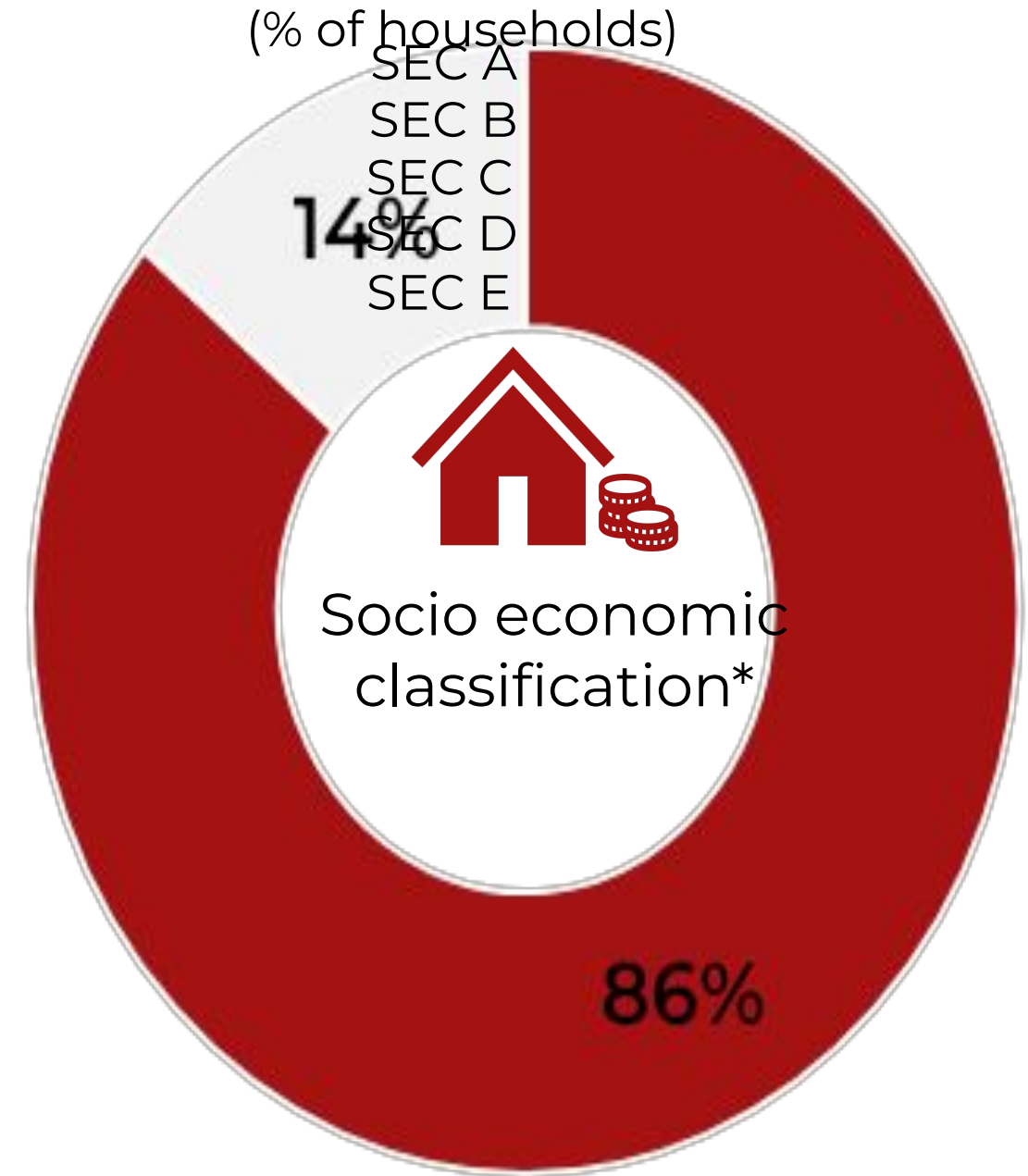
Source: LIRNEasia COVID impact survey, 2021. Representative of all households and age 15 and above population in Sri Lanka with a +/- 2.8% margin of error at 95%

More poor households with less educated household heads received regular social grants; but poor targeting evident for both programmes

Households that received regular social grants or benefits from the state (% of households)



Receipt of Rs.5,000 grant from government during the lockdown (% of households)



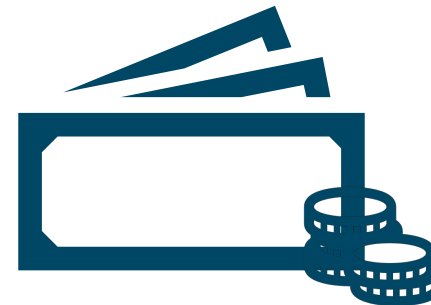
* Socio economic classification is a proxy for household income based on the education and occupation of the household head. For more info https://lirneasia.net/wp-content/uploads/2013/03/Method-Note_Final_report_uploaded-on-website.pdf

Q: How many people in this household receive regular social grants or benefit (welfare) from the state (eg. disability, unemployment, veteran, child support, scholarship, Samurdhi)?
Q: Did any member of this household receive the Rs. 5,000 grants from the government during the COVID-19 lockdown?
Base: All households (n=2,509)
Source: LIRNEasia COVID impact survey, 2021. Representative of all households and age 15 and above population in Sri Lanka with a +/- 2.8% margin of error at 95% confidence interval.

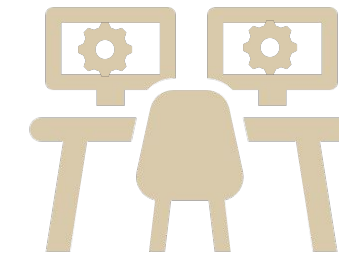
What are some of the problems with the current system?



Targeting and coverage
(inclusion and exclusion errors)



Inadequacy of benefits & budgetary constraints



Lack of coordination among programs, duplication & administrative burdens



Leakages in the delivery of benefits



High transaction costs, highlighted by queueing to collect benefits

A new cash transfer program must enable...

- Fast rollout (to help people in need right now)
- Varying cash payments each month if needed (to account for inflation)
- Increased ability to target (at least improve targeting over time)
- Low administrative costs (most money should go to benefits, not running the program)
- Recipients to purchase a range of goods, as needed (of not paid in cash)
- Ability to cash out fully, as needed

As such, the need for an improved system

	Requirement of a new cash transfer system	Priority	Comments
Resource Allocation	Ability to vary payment amounts as needed and ability to fine tune targeting	Yes	With the rise in the rate of inflation in Sri Lanka, and the fluctuating prices of commodities in the global markets, ability to quickly vary cash transfer amounts will be crucial A digital data stream that can track and analyze spending patterns can help fine-tune the payment system (specially in the case of a conditional transfer system)
	Ability to prevent duplicate payments	Yes	Need to rationalize multiple databases and create a single policy and payment mechanism
Implementation of the system	Administrative costs to be kept to a minimum	Yes	Currently, the estimated cost of administering existing programmes such as Samurdhi is about 25% of total allocation. Admin costs need to be low so that more funds can be transferred to the poor.
	Quick roll out	Yes	The rapid rise in the prices of fuel, essential food etc means that quick roll out is essential to cushion some of detrimental impacts on the poor
	Ability to provide authentication and security features	Yes	In order to ensure imitation of fraud and leakage adequate security and authentication features need to be implemented
	Ability to segment value into different purchases (eg. food vs utility etc.)	No	While HIES provides a breakdown of average spend across the income deciles, these are likely to change as the poorest households put in place various expenditure reducing methods in order to deal with the rising prices. As such, segmented wallets should not be introduced at this point of time.
	Ability of recipients to use the funds for a diverse range of payments and purchases (if not in cash)	No	While this will provide greater choice for cash recipients, it will take time to sign up new providers to the system and this should not prioritized at this point of time. Furthermore, the recipients may not have the skills required to make use of the facility at this point.
Delivery to Recipients	Easy access to cash by recipients	Yes	Cash recipients should have the access to the largest possible network of cash out points. A combination of banks, ATMs, modern trade outlets and mobile money cash out points will provide the largest network and reduce transaction costs such as distance travelled and time
	Equitable access to channel/technology	Yes	Technology and channels to distribute the cash should be equally accessible to all. It should (ideally) not require purchase of new equipment (like a smart phone). The channels should minimize travel time for recipients. Existing marginalizations should not be made worse due to the new system
	100% Cash Out	Yes	Research shows that poorer segments of Sri Lanka use cash for all their purchases be it food, utilities etc. Furthermore, there are no facilities for doing cashless transactions for services such as transport. Need to ensure that sufficient amounts of cash is

2

Ensuring easier
access to cash
transfers

We consider and compare three delivery systems of cash transfers (many other systems may be possible)

Requirement of a new system	Current system	Modern trade outlets to cash out	Mobile money (cash-out via top-up locations incl. Modern trade)
Enable easy access to cash by recipients	Good network but somewhat limited time of day access. Payments have to be accessed via Samurdhi banks (1,050 branches), Post offices (4,195) during their work hours ³ .	Limited. Only 1,113 retail locations ¹ .	High Geo penetration of mobile money cash-out points (3,282) ² . (Expansion of locations—to include most banks—could result in over 5,442 cash-out points)
Enable Equitable access to access channel/technology by all	Access not dependent on technology	Access highly uneven . Only 25% of retail through this channel.	High access Household mobile phone ownership is 97% and can be done with 2G technology. However, there are some gaps in urban vs rural and male vs female mobile phone ownership, which is particularly relevant for select types of welfare.
Enable 100% Cash Out	Yes With enforced savings	Yes. Need to ensure sufficient cash is available at the cash out points	Yes. Need to ensure sufficient cash is available at the cash out points

Of the two proposed systems, using mobile money provides greater cash-out points

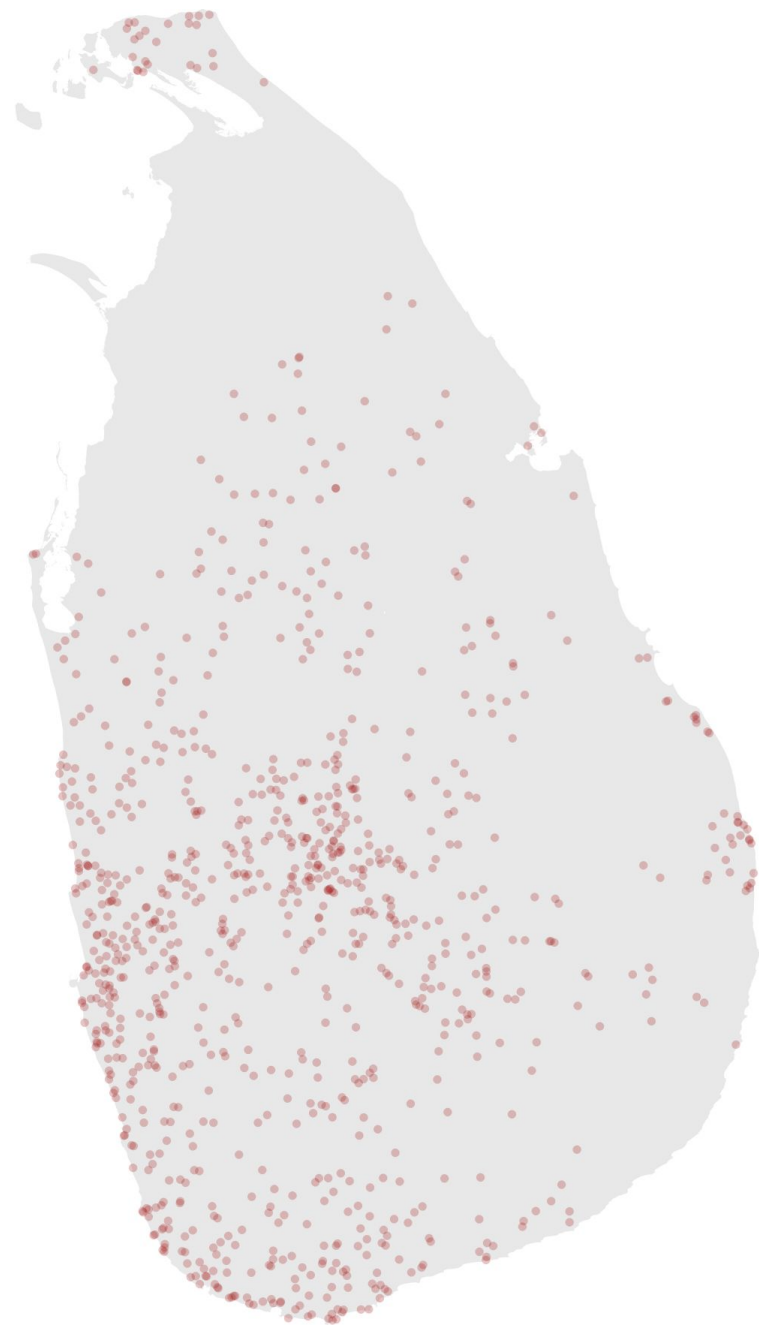
Cash-out points

Samurdhi programme		Modern trade outlets (supermarkets)		Mobile money		Mobile money (with expansion)	
Samurdhi Bank	1,050	Arpico	72	eZ Cash	1,546	Current	3,282
		Cargills	475	Dialog Service Points	110	Potential expansions	2,160
		Keells	128	Commercial Bank ATMs	266	Bank of Ceylon	516
		Sathosa	438	Sampath Bank ATMs	249	Cargills Bank	25
				Communications	921	DFCC Bank	162
				mCash	2,251	Hatton National Bank	167
				Mobitel Touch Points	61	National Development Bank	155
				Commercial Bank ATMs	266	Nations Trust Bank	133
				Sampath Bank ATMs	249	People's Bank	806
				Communications	1,675	Seylan Bank	196
Total	1,050	Total	1,113	Total	3,282	Total	5,442
Note: <ul style="list-style-type: none"> Only 932 locations could be extracted for our analysis Each location is only accurate to its DSD The exact locations within each DSD were simulated based on the population distribution* 		Note: <ul style="list-style-type: none"> Only 966 locations could be extracted for our analysis 		Note: <ul style="list-style-type: none"> Only 2,624 locations could be extracted for our analysis 		Note: <ul style="list-style-type: none"> Only 4,745 locations could be extracted for our analysis 	

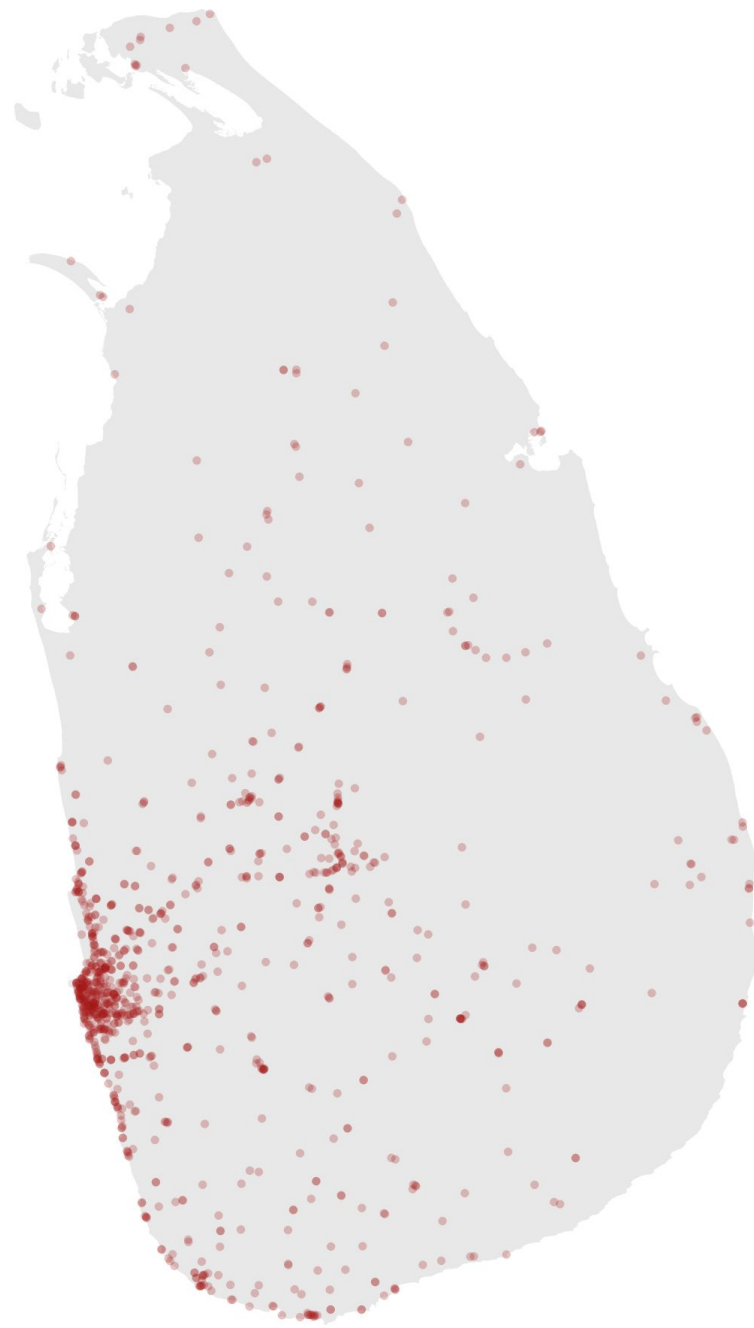
* Methodology: 1. Downloaded high-resolution (30 m) population density maps (<https://dataforgood.facebook.com/dfg/tools/high-resolution-population-density-maps>); 2. Calculated the number of Samurdhi banks per DSD; 3. Randomly generated an equivalent number of locations for each DSD weighted by its population distribution

Sources: Samurdhi Bank; Arpico; Cargills; Keells; Sathosa; Dialog Service Points; eZ Cash Communications; Mobitel Touch Points; mCash Communications; Commercial Bank; Sampath Bank; Bank of Ceylon; Cargills Bank; DFCC Bank; Hatton National Bank; National Development Bank; Nations Trust Bank; People's Bank; Seylan Bank

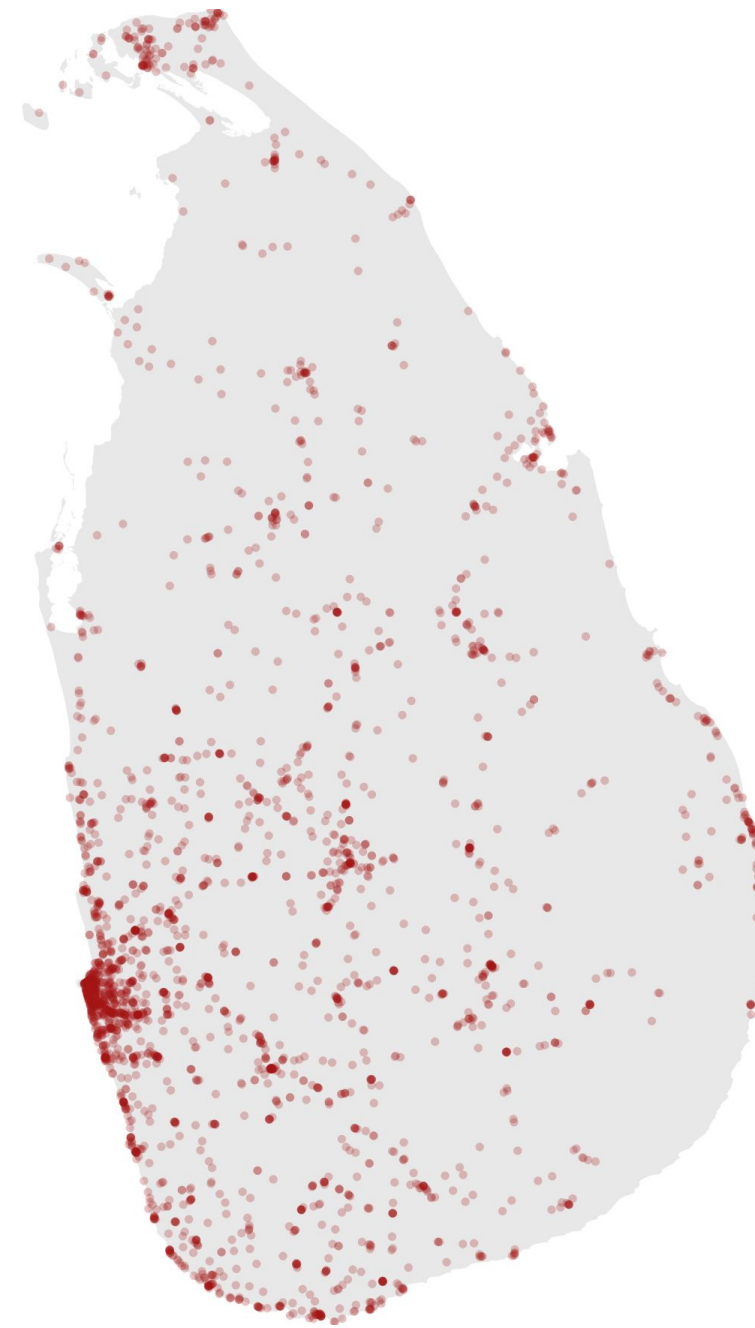
Mobile money cash-out points are more widely dispersed and have the potential to further expansion



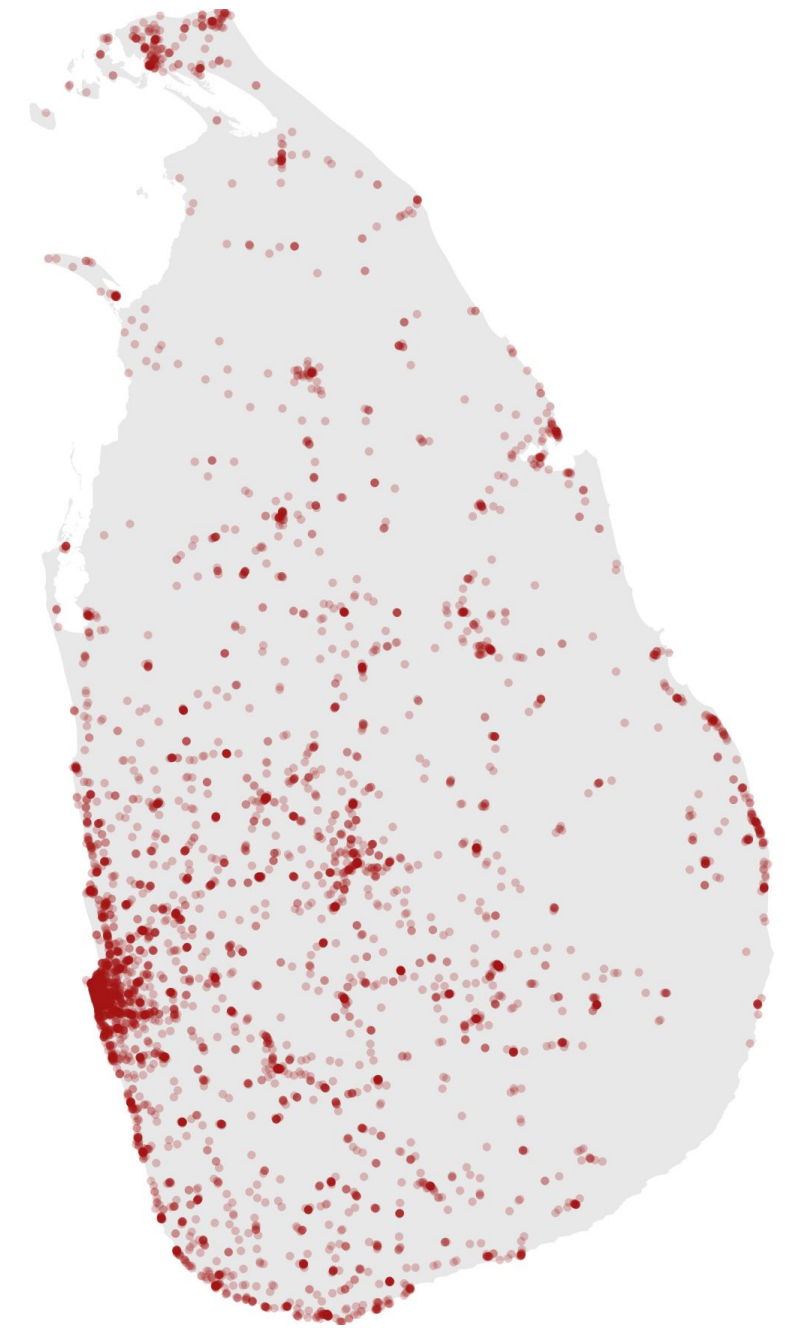
Samurdhi programme



Modern trade outlets

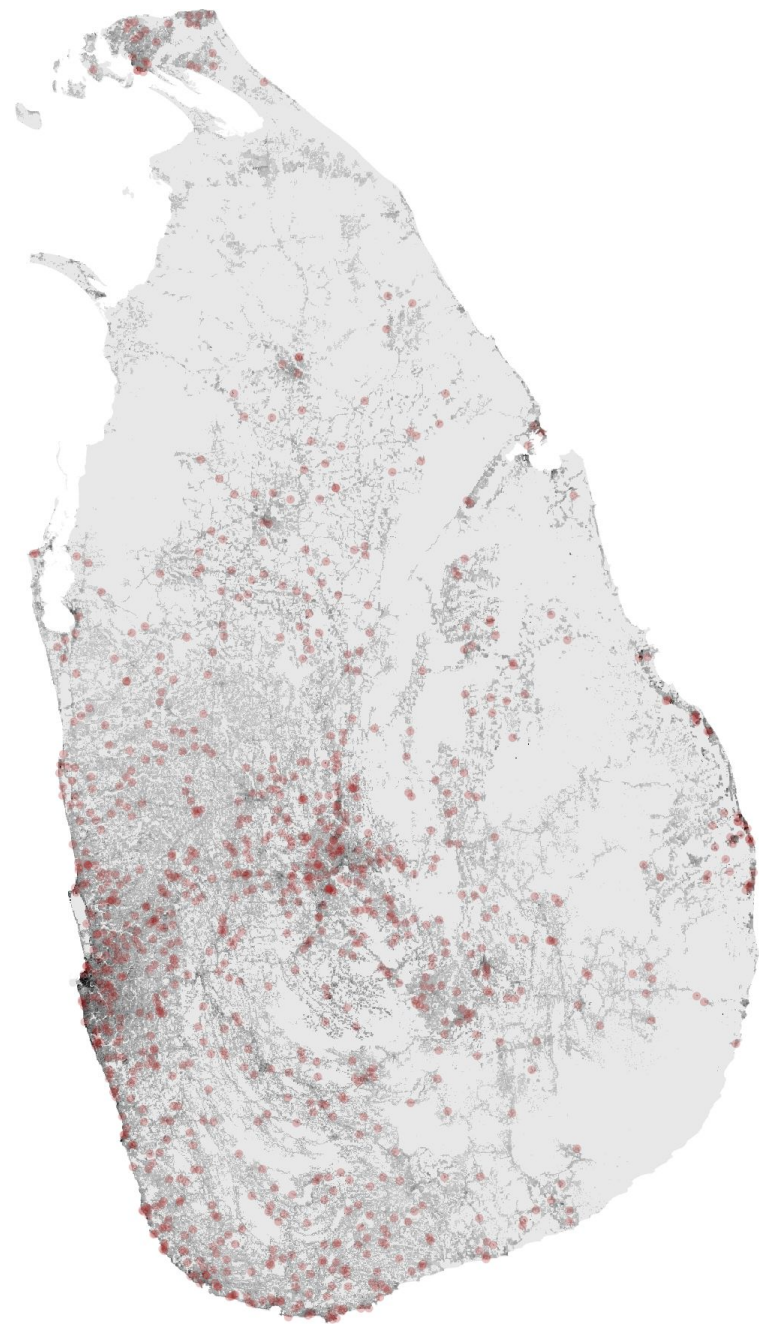


Mobile money

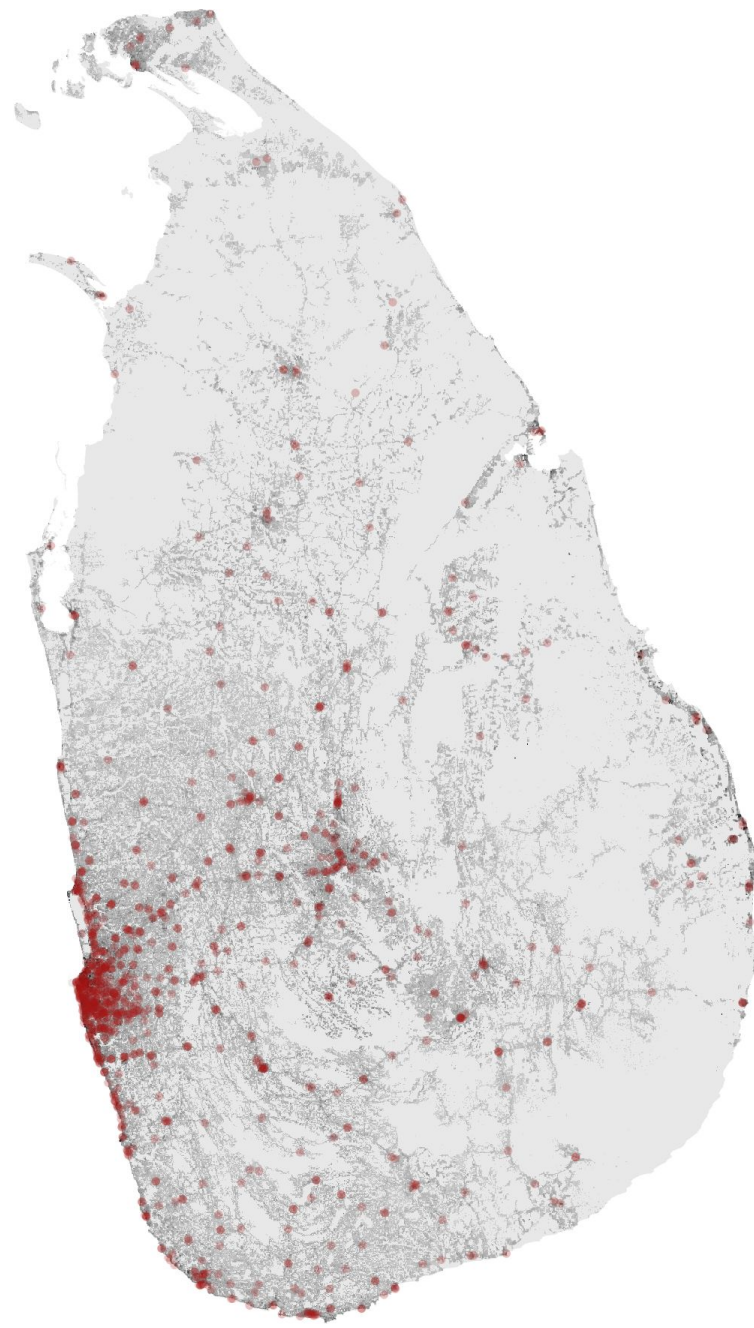


Mobile money (with expansion)

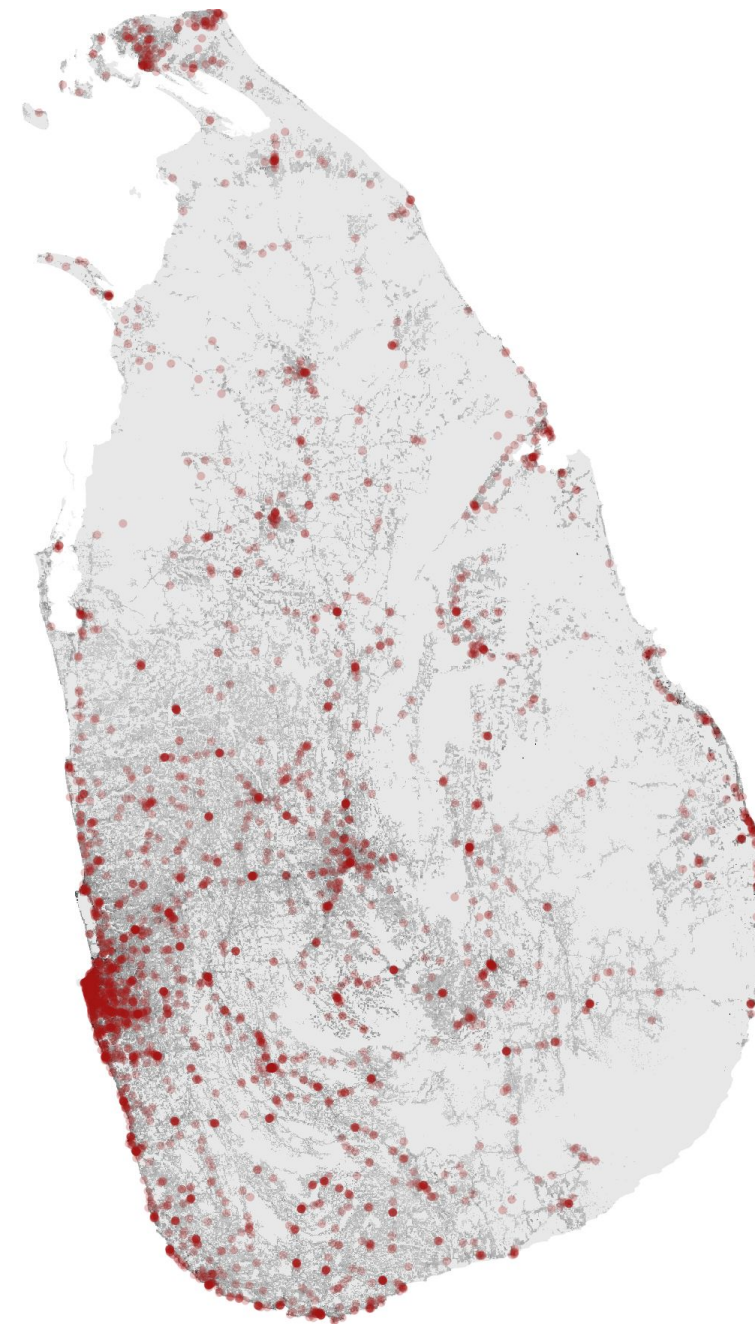
These (mobile money cash-out points) match population density



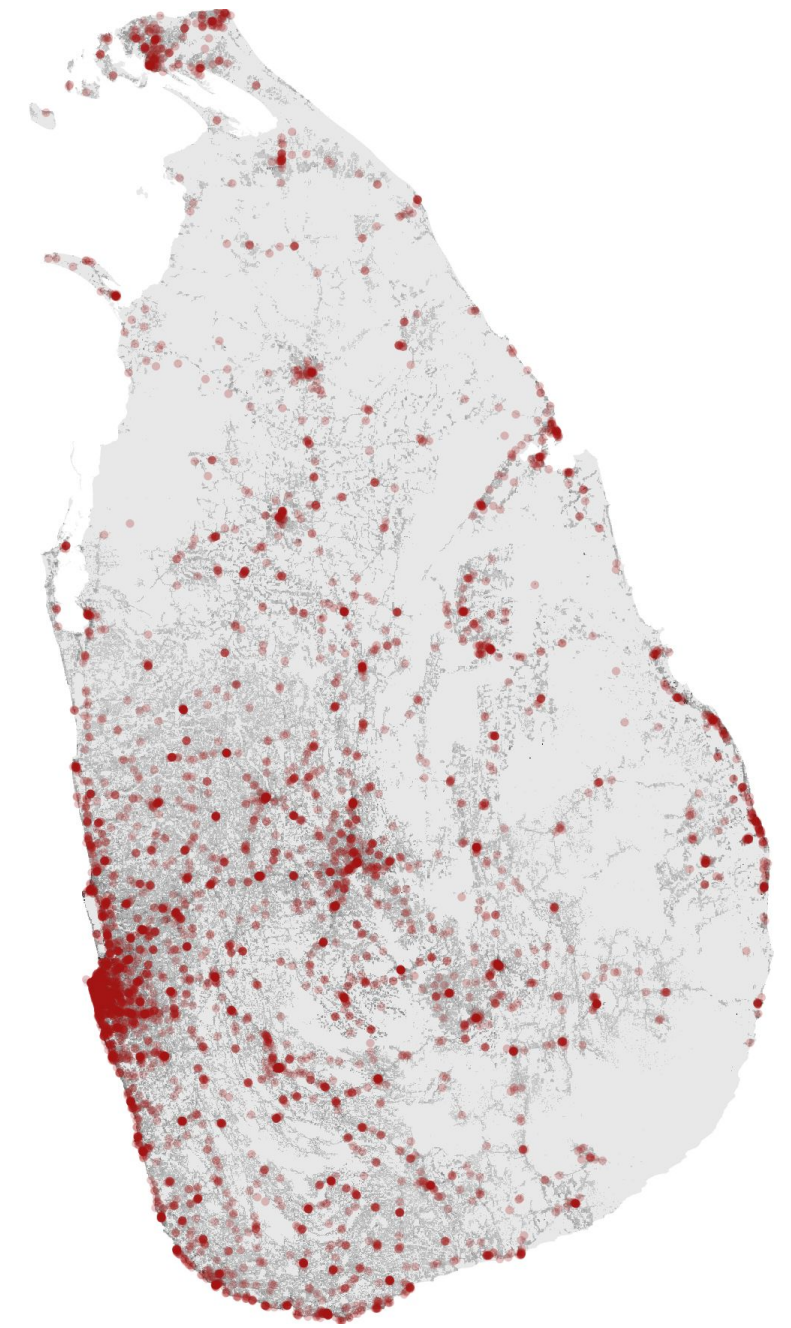
Samurdhi programme



Modern trade outlets



Mobile money

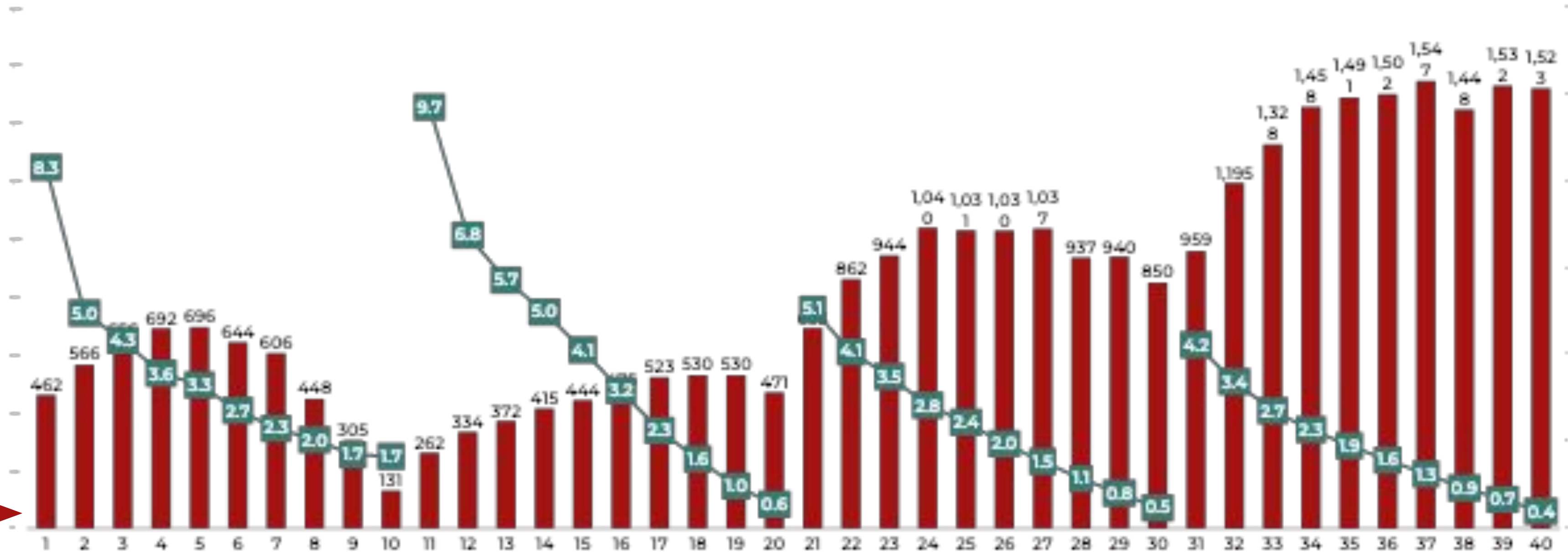


Mobile money (with expansion)

The recipients will incur lesser transaction cost (travel cost and time etc.)

Number of cash-out points and distance needed to travel by socioeconomic deciles

■ Number of cash-out points ◆ Mean distance in km



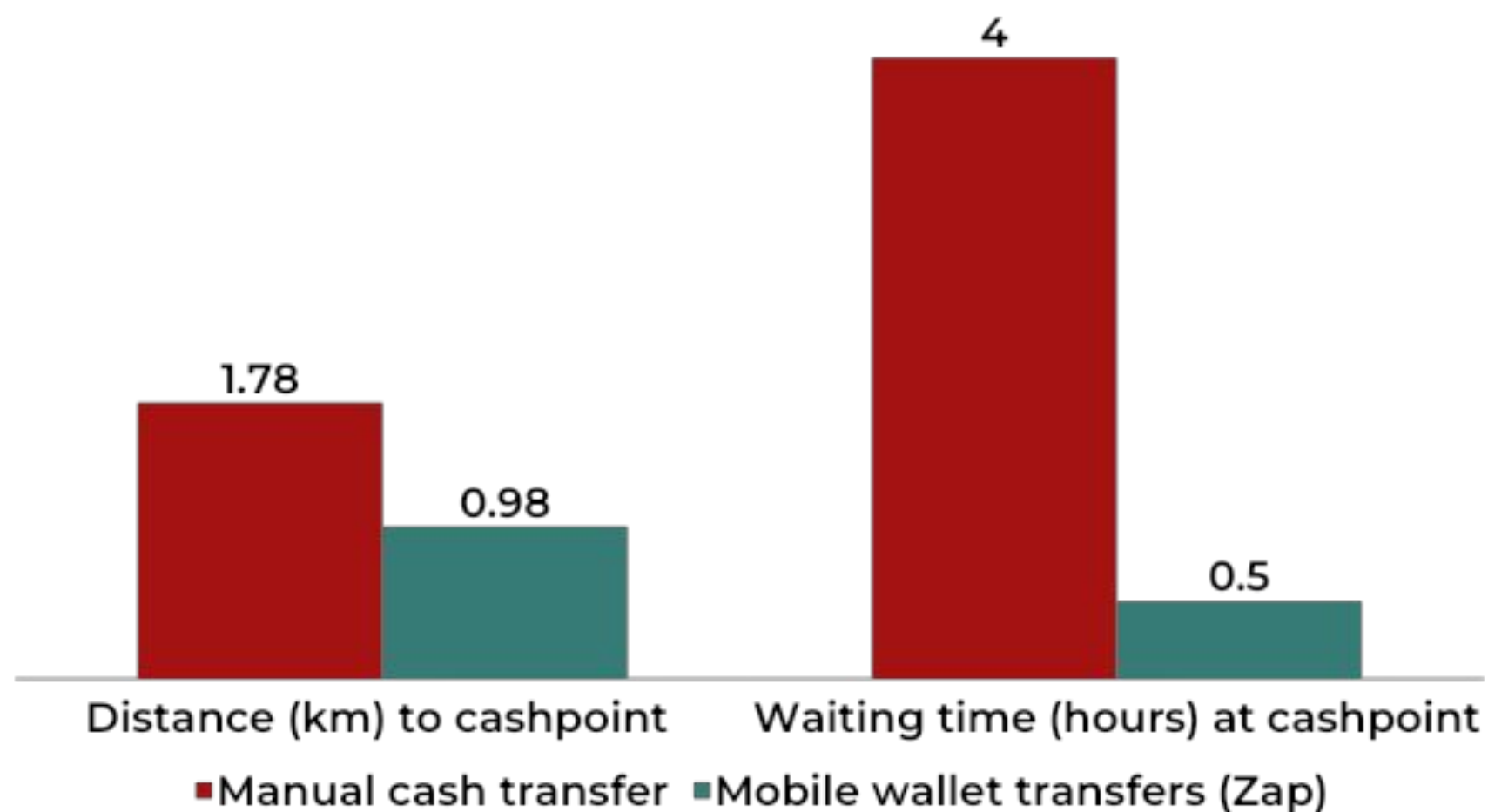
Socio economic indicator deciles*

* Methodology: 1. Developed a socioeconomic index based on 2011/2012 census data (<https://lirneasia.net/2020/01/mapping-poverty-and-wealth-an-alternative-socioeconomic-index-for-sri-lanka/>); 2. Split the population into deciles based on the socioeconomic index, where the 1st decile represents the poorest and the 10th decile represents the richest; 3. Obtained high-resolution (30 m) population density maps (<https://dataforgood.facebook.com/dfa/tools/high-resolution-population-density-maps/>); 4. Determined the nearest cash-out point based on Euclidean distance for each 30 m x 30 m tile.

Evidence seen in implementation in Niger. Recipients travelled 2x less to cash out m-wallet transfers ; waiting time was 8x less (compared to manual system)

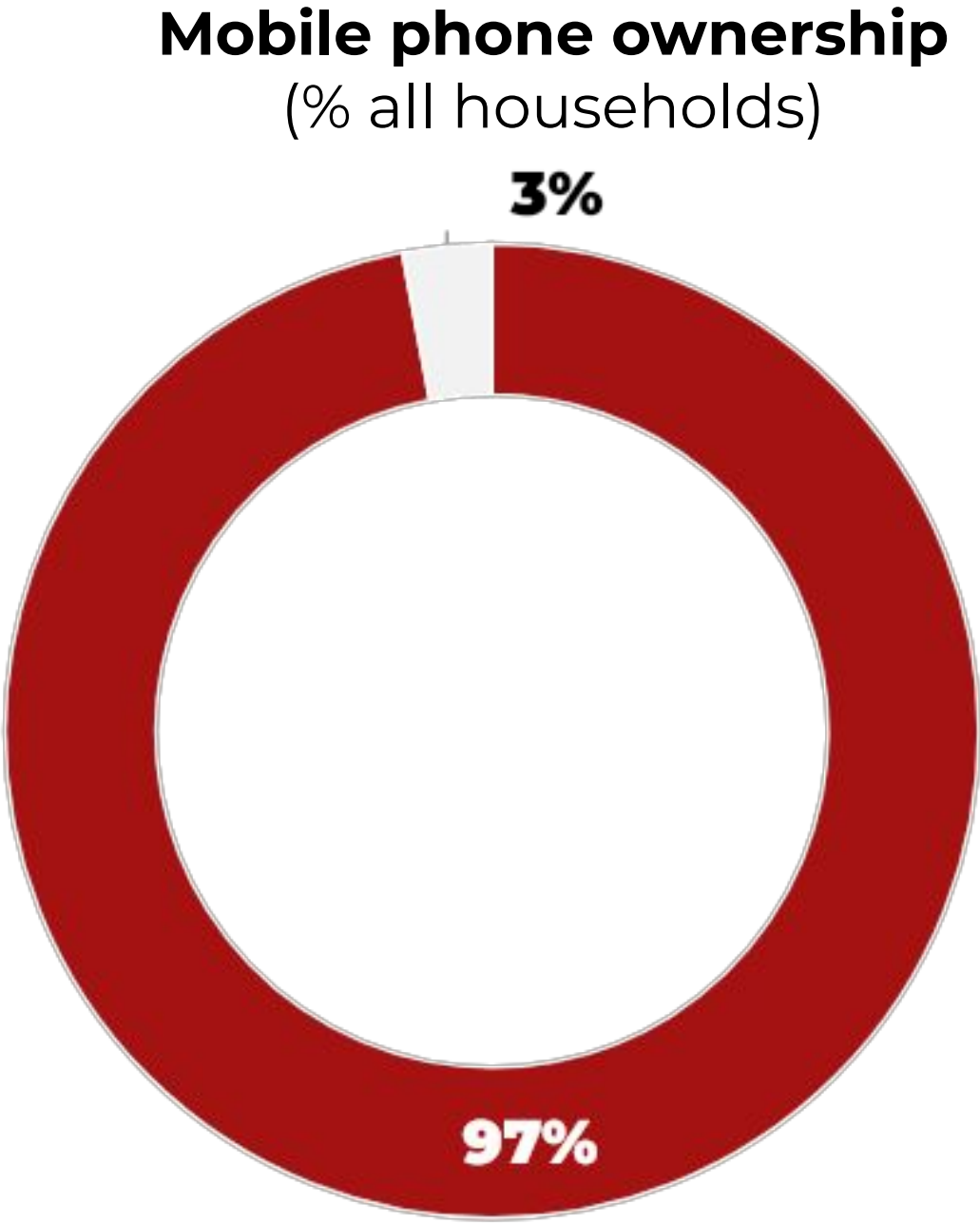
Case study: Zap Mobile Wallet Cash Transfer Programme in Niger

Transaction costs around collecting cash transfer



- **Study type:** Randomized Control Trial
- **Control group:** Manual cash transfers. Recipients informed of date and location of cash transfer through phone call; recipients travelled to location and obtained cash.
Treatment group: Transfers through a mobile wallet (Zap). Recipients informed that transfer had arrived to mobile wallet through special beep. Recipients travelled to an m-transfer agent and cash out the funds.
- **Impact on distance travelled to collect funds:** While those collecting manual cash transfers had to travel ~2km each way, those cashing out funds from mobile wallet had to travel ~1km each way, halving the distance travelled. This in turn also halved the time spent travelling to obtaining the funds.
- **Impact on waiting time:** The waiting time to collect funds also reduced significantly. The waiting time for cash program recipients averaged four hours per cash transfer, as compared with 30 minutes for Zap recipients.

Using mobiles for household level payments is practical: ownership at household level is 97%

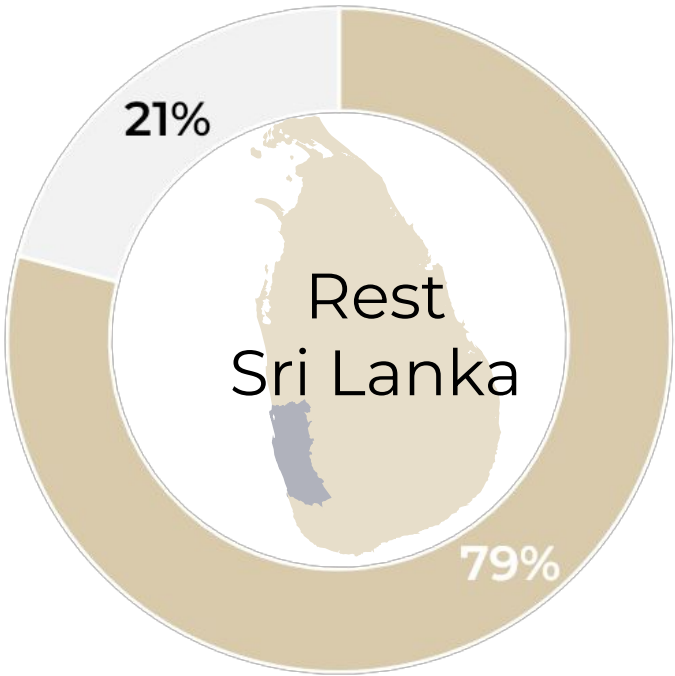
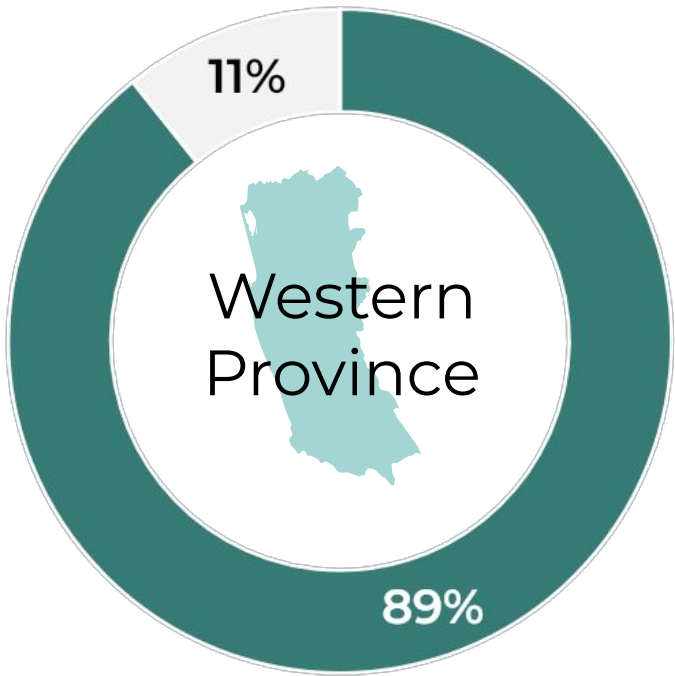
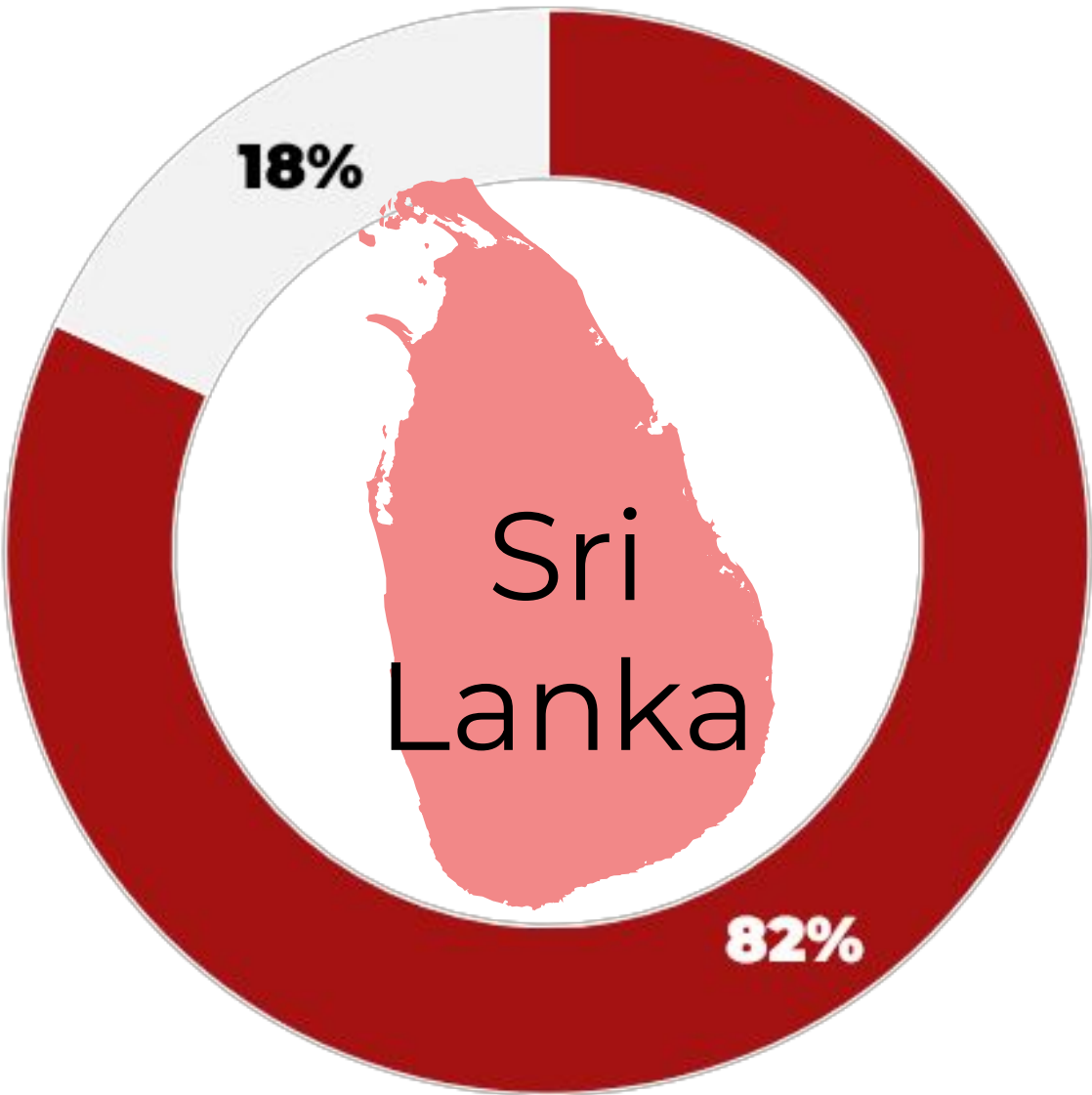


Q: Please tell me about the availability of the following items in your household that are available for all members to use. Does your household have a working? (Mobile)
Base: All households (n=2,501)
Source: LIRNEasia COVID impact survey, 2021. Representative of all households and age 15 and above population in Sri Lanka with a +/- 2.8% margin of error at 95%

82% of households had access to a bank account. So mobile + bank cash out has good coverage

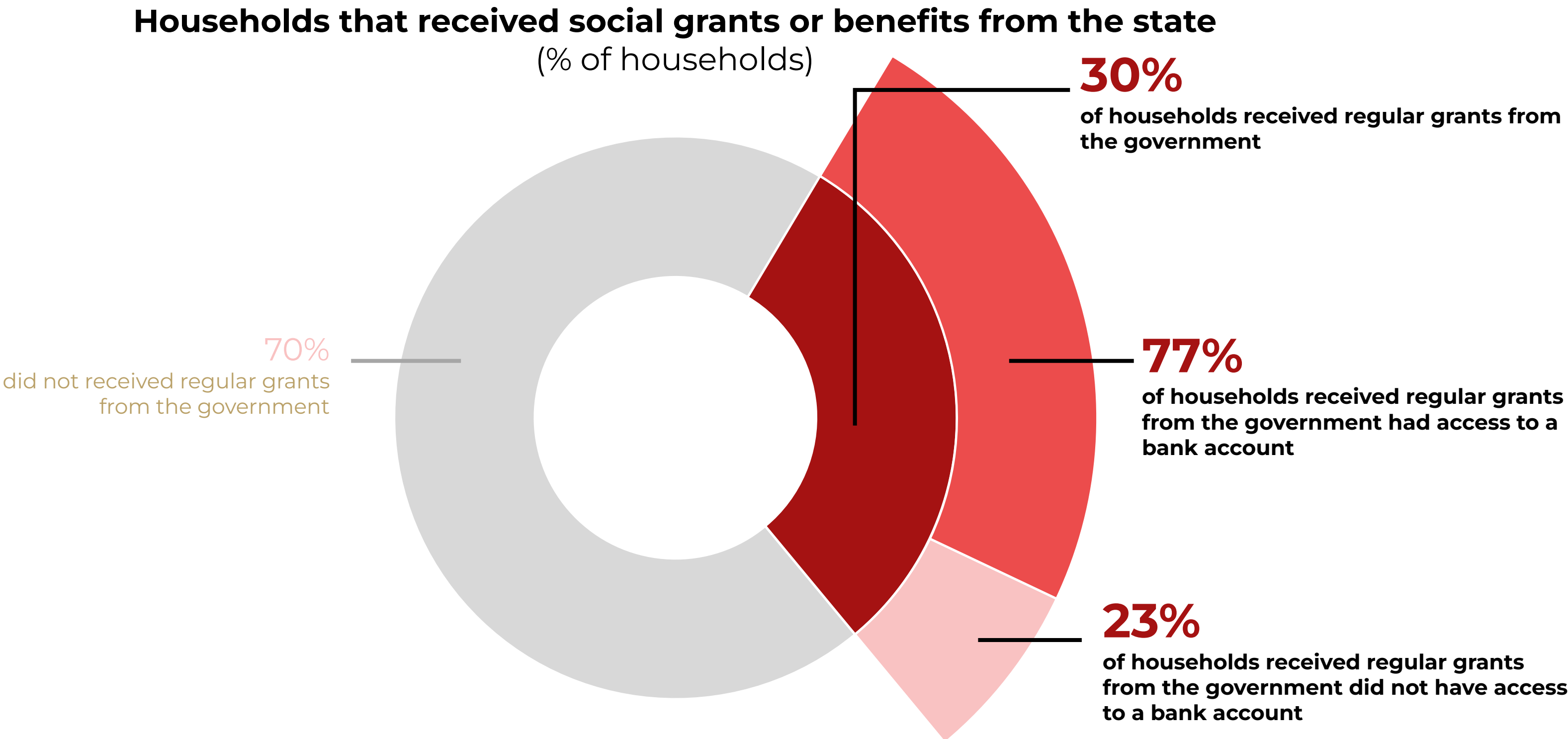


Households with access to bank accounts (% of households)



Q: Does anybody in this household have a bank account or access to one in any other way? Please do not include banks such as SANASA, Samurdi, Sarvodaya etc.
Base: All households (n=2,501)
Source: LIRNEasia COVID impact survey, 2021. Representative of all households and age 15 and above population in Sri Lanka with a +/- 2.8% margin of error at 95%

77% of households that receive social grants or benefits from the state had access to a bank account

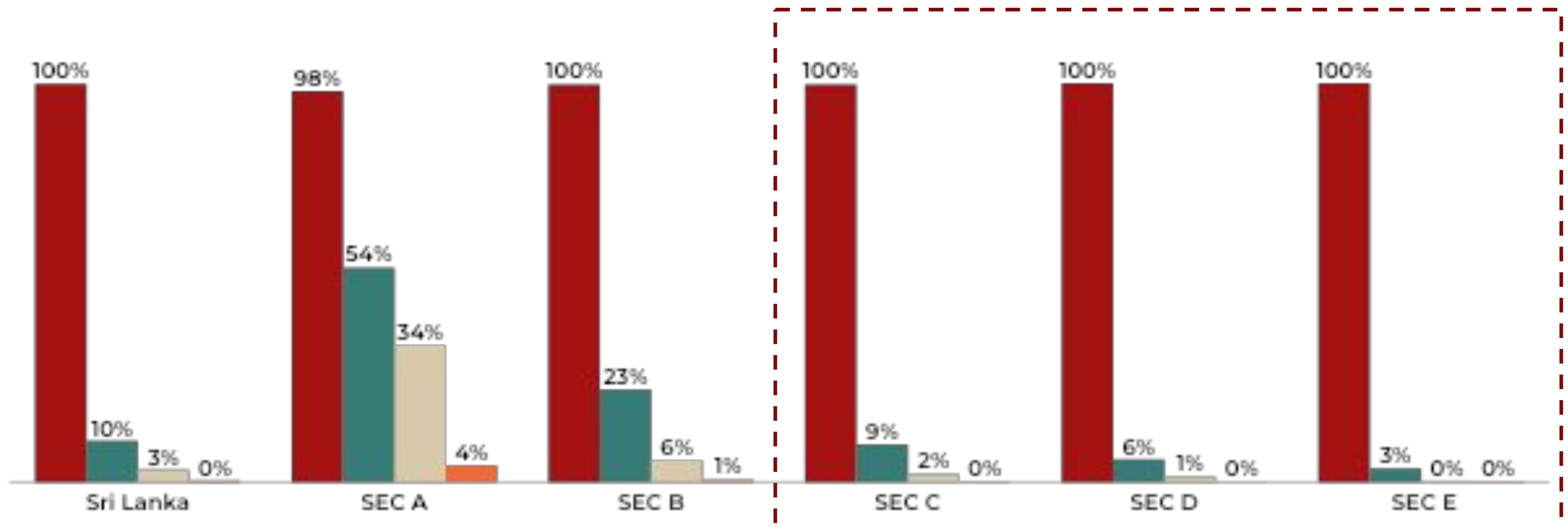


Q: How many people in this household receive regular social grants or benefit (welfare) from the state (eg. disability, unemployment, veteran, child support, scholarship, Samurdhi)?
Base: All respondents and households (n=2,501)
Source: LIRNEasia COVID impact survey, 2021. Representative of all households and age 15 and above population in Sri Lanka with a +/- 2.8% margin of error at 95%

In spite of the high ownership of mobiles at household level, cash remains the only mode of payment for food for poorer households

Mode of payments for purchase of food for the household (% of households)

■ Cash ■ Credit or debit card ■ Internet or mobile banking ■ Mobile money



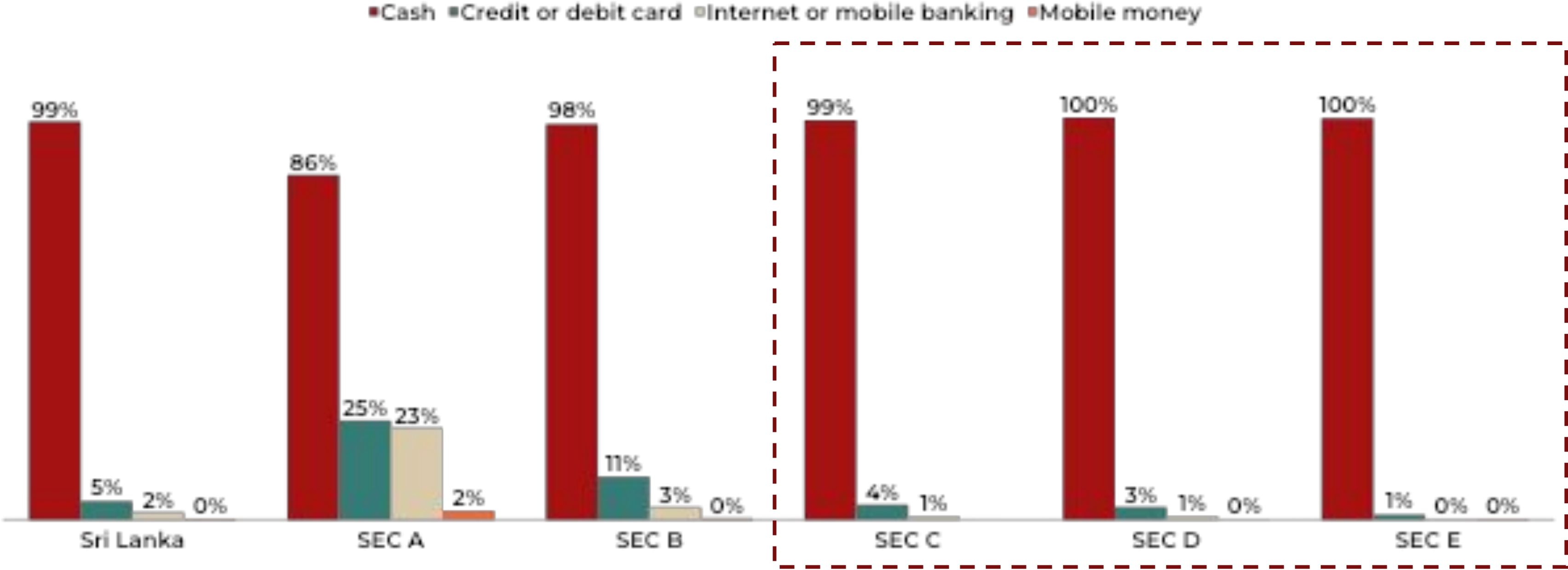
Q: Think about the ways you ever made payments when purchasing food for your household. What are those payments Methods.

Base: All households (n=2,501)

Source: LIRNEasia COVID impact survey, 2021. Representative of all households and age 15 and above population in Sri Lanka with a +/- 2.8% margin of error at 95%

Similarly, cash is the only mode of payment for utility bills for poorer households

Mode of payments for pay for utility bills in the household
(% of households)



Q: Think about the ways you ever made payments when paying for utility payments for your household. What are those payments Methods.
Base: All households (n=2,501)
Source: LIRNEasia COVID impact survey, 2021. Representative of all households and age 15 and above population in Sri Lanka with a +/- 2.8% margin of error at 95%

A mobile based delivery system should still provide a cash-out option (instead of only digital payments)

- The eco-system beneficiaries deal with cash heavy transaction eg: In Sri Lanka, 11.4% of non-food expenditure of all income groups is on transportation. Transportation services are cash based. (HIES, 2019)
- Cash is used for other saving schemes (eg: Seettu, livestock) (*“in Kenya, many people prefer cash when contributing to local savings groups known as chamas, because in the public meetings, it is better to display one’s contribution (Iazzolino & Wasike 2015).*
- Individuals may lack the skills and knowledge to conduct cashless transactions
- Individuals may not be aware or trust cashless systems

Therefore any cash transfer system requires a 100% or majority cash out ability at least in the short to medium term

Many ways of targeting (who is included/paid vs who is not)

- “Universal payment” - Include anyone who belongs to a identified category/
 - Targeting by age (e.g. all those above the age of 60)
 - Targeting by geography (all those living in area Y where a flood occurred)
 - Targeting by other characteristic (e.g. all female headed households).
 - Usually not possible in developing countries due to resource constraints (too many people qualify; too little money is available)
- “Means tested” – based on assessment of household income and/or wealth OR based on proxy indicators
- “Community based” – implemented by an elected or imposed committee or community
 - Usually inclusion and exclusion criteria specified by someone else; the committee/community implements the program
- “Self targeting” – design of program where only the poor will want to participate
 - E.g. work-based cash transfer programs (conditional cash transfers)
 - Hard to find ways of self targeting

Current act (& many cash transfer programs) use proxy means testing (PMT) to target who gets benefits



- Measuring income/expenditure is difficult
 - In developed countries, tax records are a good indicator of income; but not in LK
- Common approach is to use Proxy Means Testing (PMT) to target
 - Survey □ find a set of variables that are a “good “predictor of income or expenditure
 - E.g. ownership of certain good (car, motorcycle, three-wheeler), education level of household members etc.
 - Good in the absence of better methods
- PMT is good in absence of better methods. But has problems
 - Survey design and implementation errors (a problem of all surveys)
 - Based on infrequent surveys (income changes much faster)
 - Based on past wealth and income, not current (people in big houses could be poor)
 - Often, insufficient nuance in what is taken into account (e.g. a fishing boat that is owned vs its age; education level of a person vs employability/earning ability)
 - May create distortions in consumption: i.e. a “tax” on consuming certain goods

Better Targeting of Cash Transfers using non-traditional (digital) data?

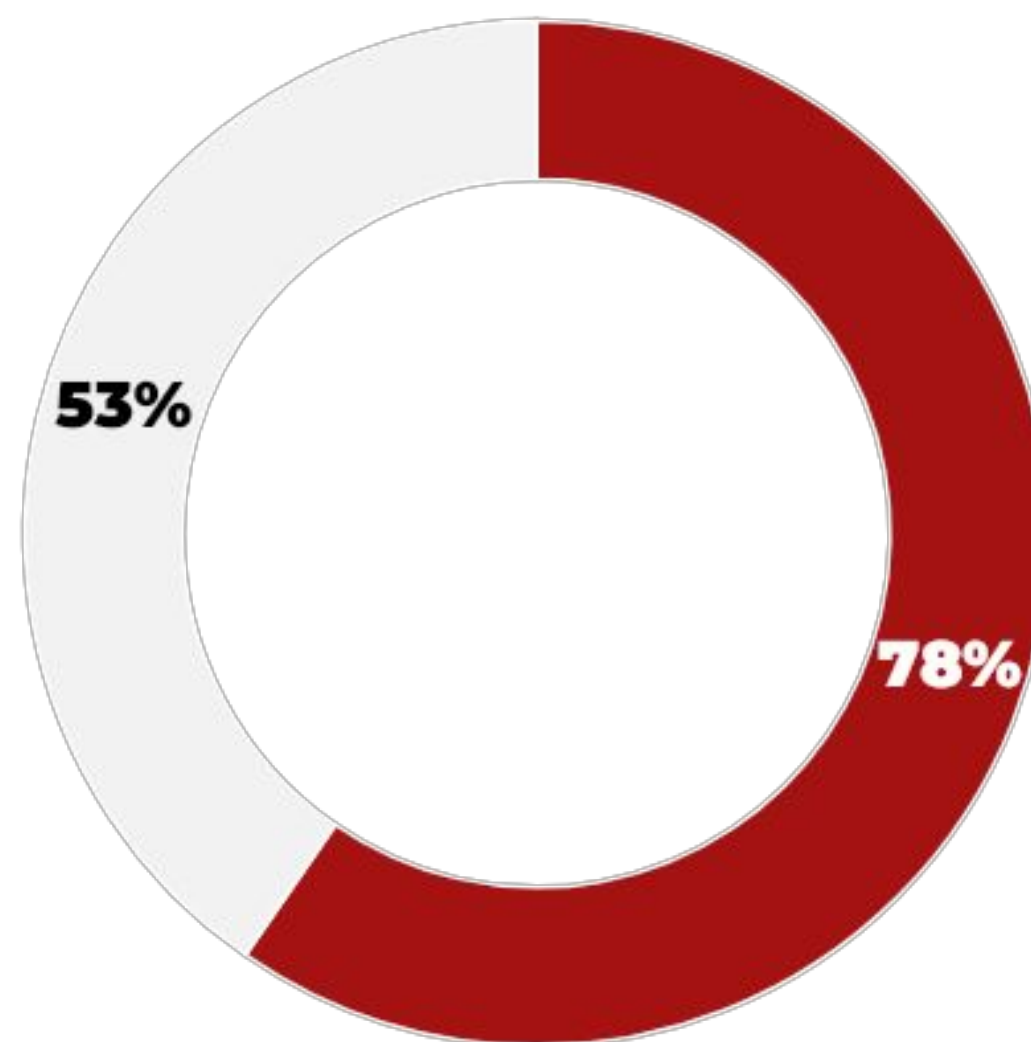
- Research shows variables created from mobile phone data to be predictive of economic status
- COVID-19 cash transfers in Togo based on machine learning and phone data
 - Reduced exclusion errors up to 21% compared to geographic targeting¹
 - But using traditional survey data to train machine-learning algorithms to recognize poverty in mobile phone data (CDRs)
- LIRNEasia's own work
 - Shows granular level identification of wealth estimates using mobile CDR and other data
- Can be done often or close to real time
- Could be less distortionary – data residue collected while people are doing their transactions/activities unrelated to the social safety net payment
- Above based on pseudonymized data (from phone operators) + other data (Google night lights etc.)
- But sign-up for cash transfer could include phone number to enable individual or specific household targeting

3

Challenges

Individual mobile ownership is 78%

Mobile phone ownership
(% of age 15+ population)



Q: Do you own a mobile phone?

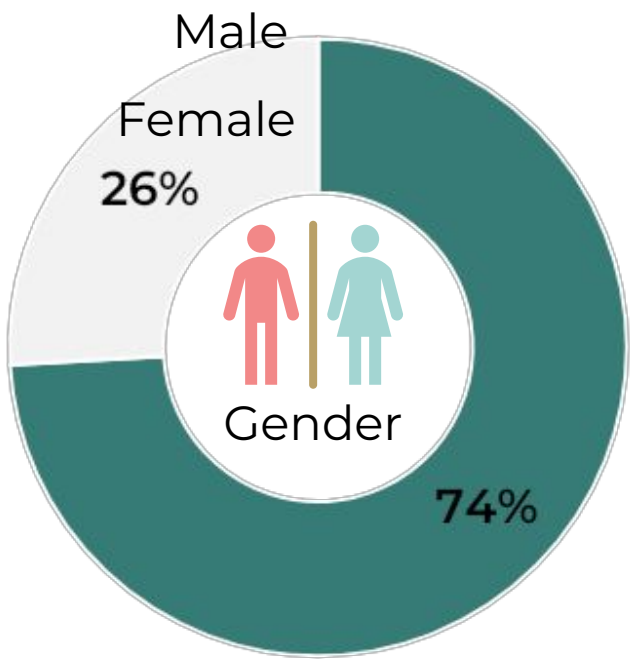
Base: All respondents (n=2,501)

Source: LIRNEasia COVID impact survey, 2021. Representative of all households and age 15 and above population in Sri Lanka with a +/- 2.8% margin of error at 95%

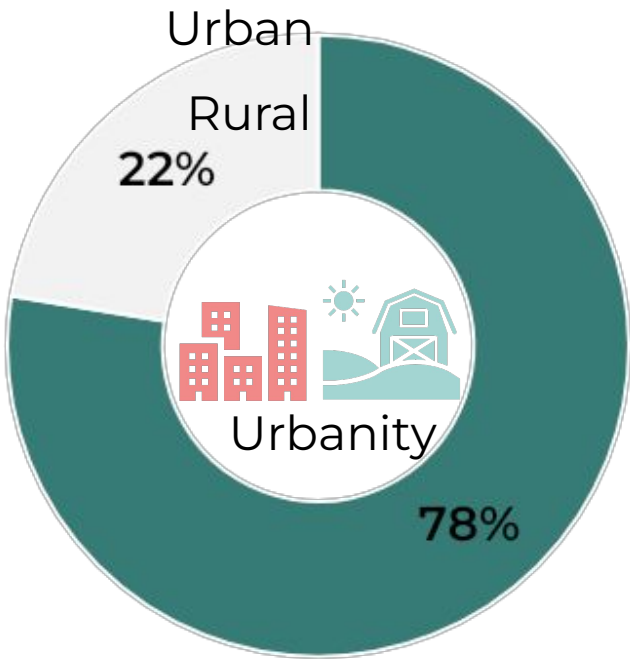
There are significant gaps in mobile phone ownership; especially with respect to employment, age, education and income



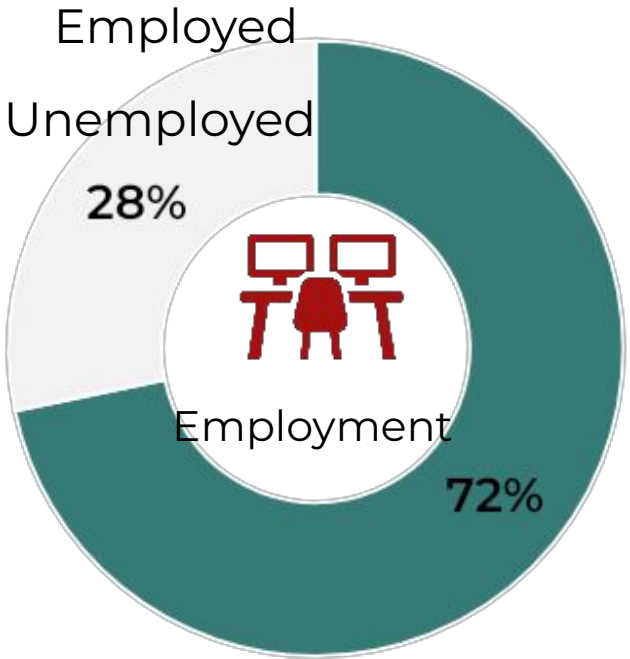
Mobile phone ownership (% of age 15+ population)



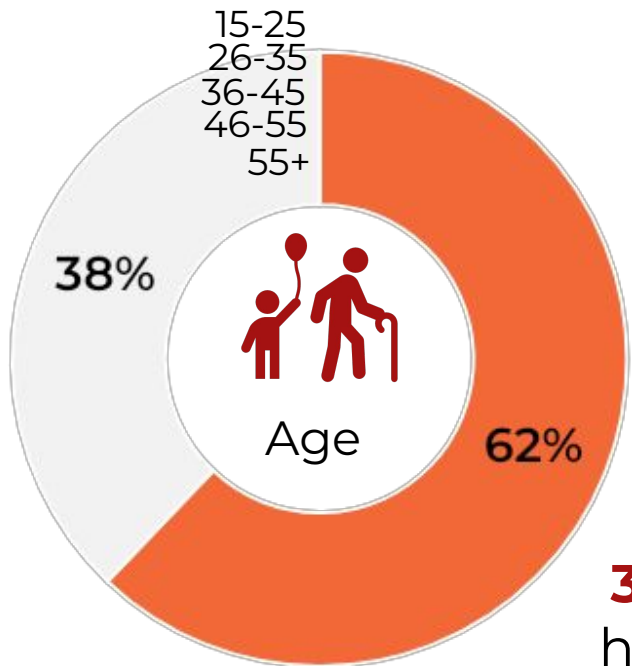
10% gender gap



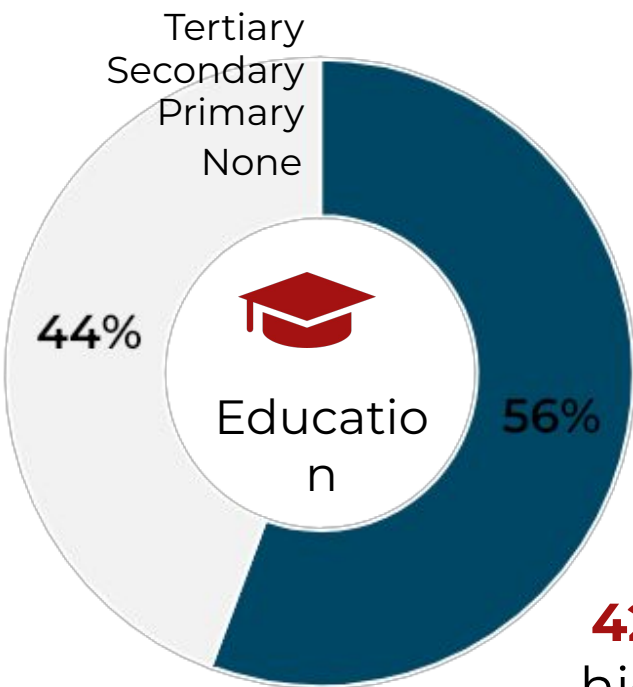
1% urban/rural gap



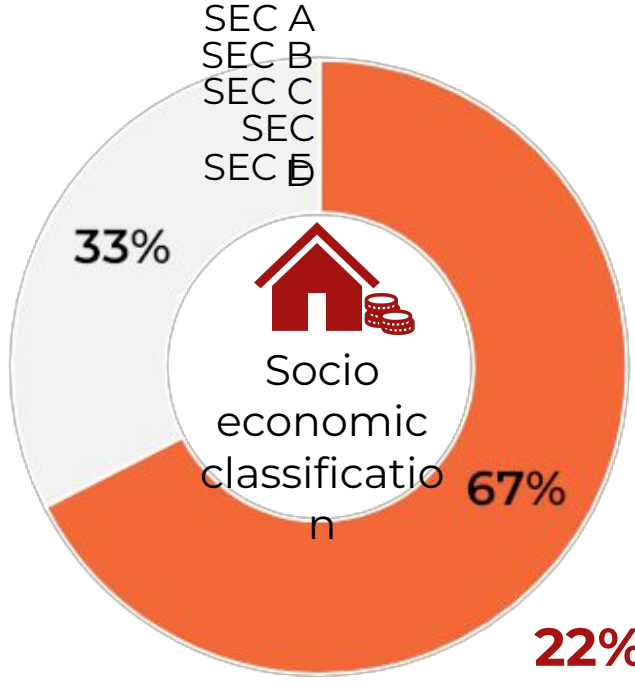
19% employment gap



30% gap between highest and lowest



42% gap between highest and lowest



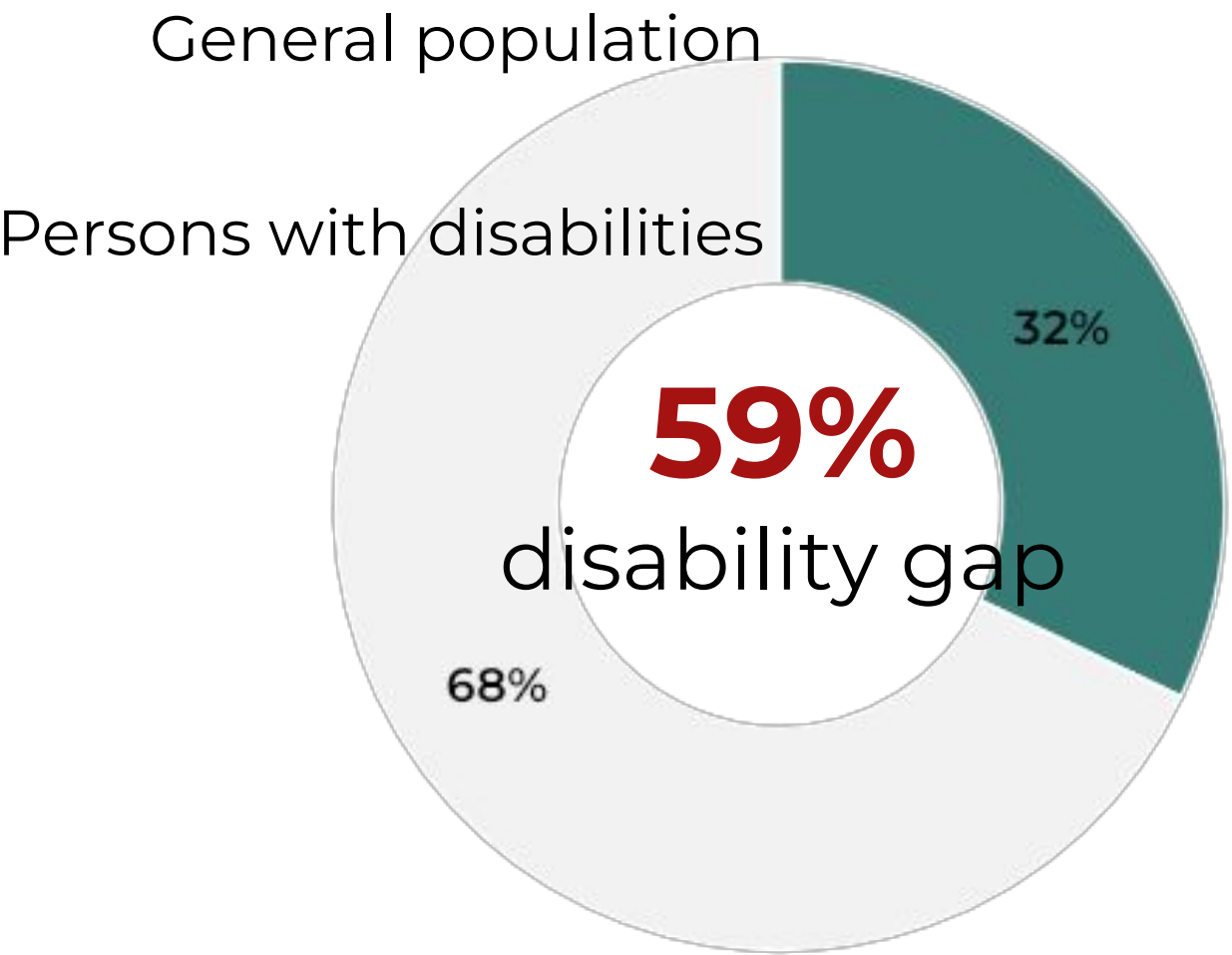
22% gap between highest and lowest

Q: Do you own a mobile phone?
Base: All respondents (n=2,501)
Source: LIRNEasia COVID impact survey, 2021. Representative of all households and age 15 and above population in Sri Lanka with a +/- 2.8% margin of error at 95%

Huge disability gap in mobile ownership

2018 survey findings

Mobile phone ownership
(% of age 15-65 general and PWD population)



Q: Do you own a mobile phone?

Base:	General	PWD
All respondents	2,017	402

Disability gap in mobile phone ownership (%)

Mobile phone owners (% of general population)

-

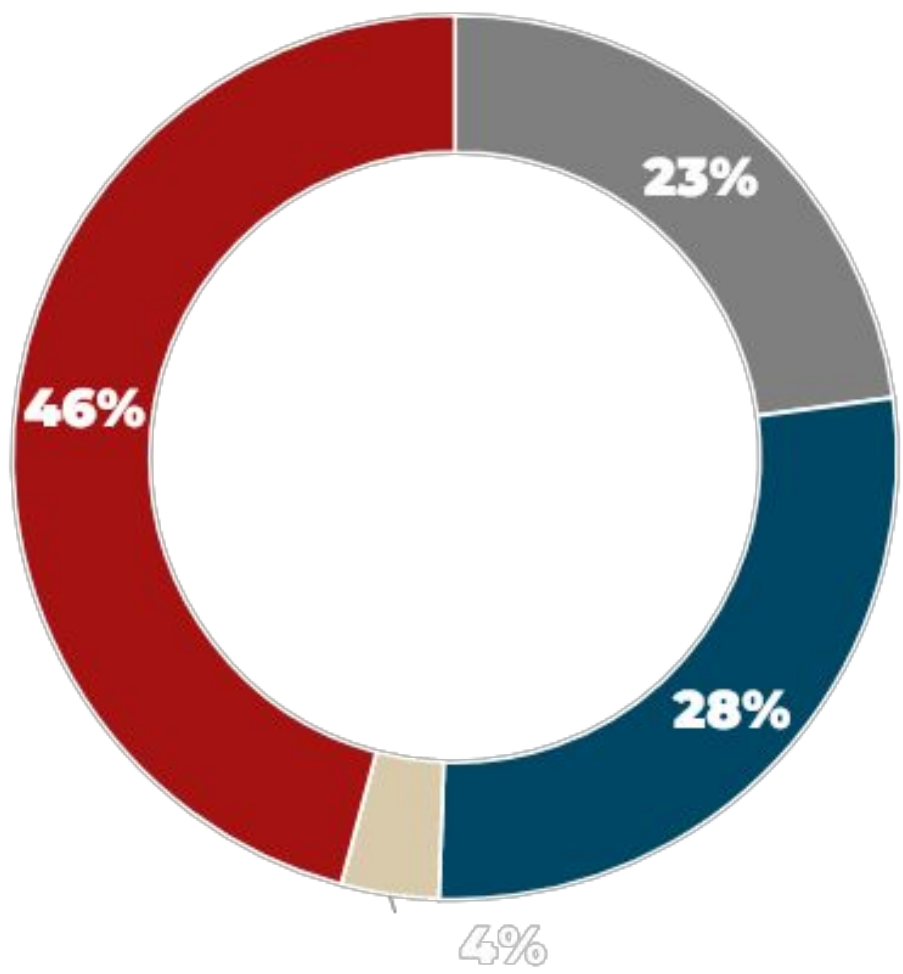
Mobile phone owners with disability (% of population with disability)

Mobile phone owners (% of general population)

Source: LIRNEasia AfterAccess survey, 2018. Representative of all households, age 15-65 and person with disabilities population in Sri Lanka. General population survey with a +/- 3.3% margin of error at 95% confidence interval and persons with disabilities survey with a +/- 6.8% margin of error at 95% confidence interval.

Only about 46% of the age 15+ population own smartphones; any solution should be compatible with basic and feature phones

Type of mobile ownership
(% of age 15+ population)



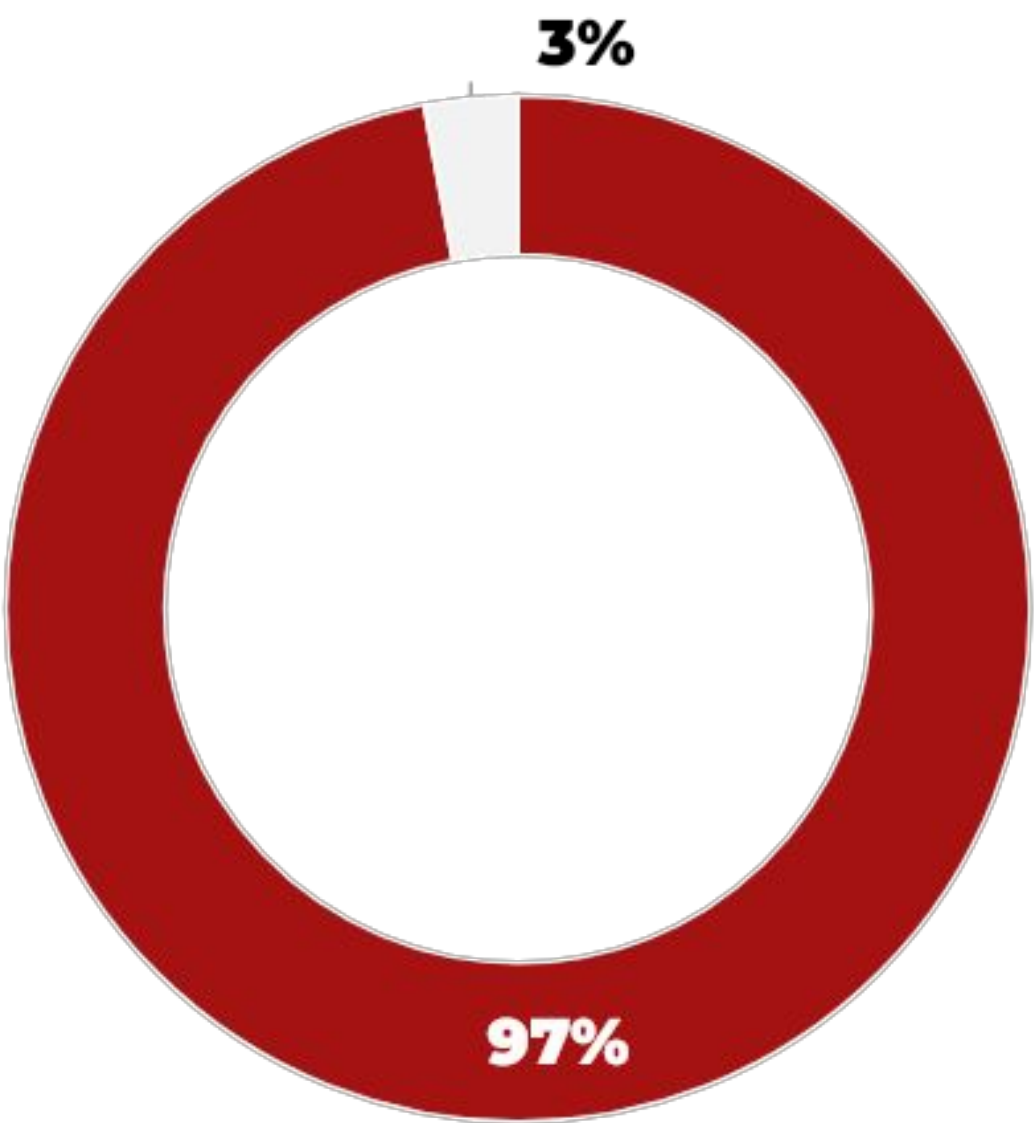
Any solution has to work for basic and feature phones too

Q: What type of a phone is it?
Base: All respondents (n=2,501)

While coverage of mobile phones are high at household levels, there is still a small percentage of unconnected households



Mobile phone ownership
(% all households)

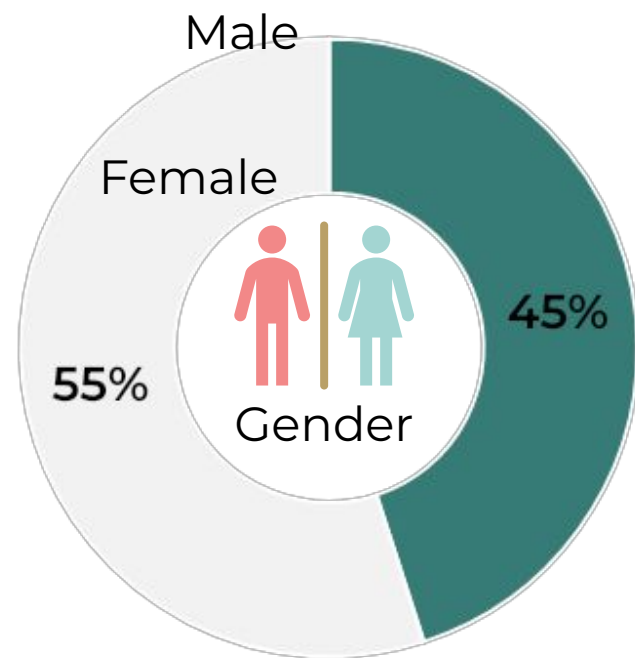


These households will need a phone, or other means of access

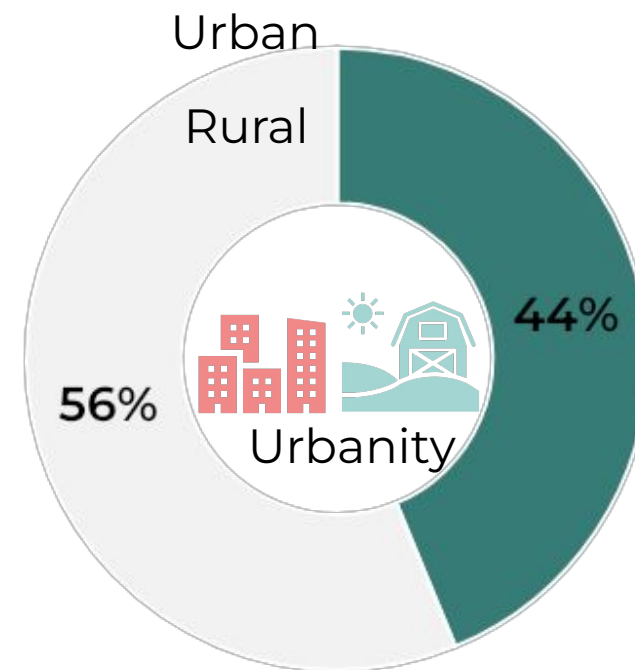
Q: Please indicate if you have a mobile phone that is available for all members to use. Does your household have a working...? (Mobile)
Base: All households (n=2,501)
Source: LIRNEasia COVID impact survey, 2021. Representative of all households and age 15 and above population in Sri Lanka with a +/- 2.8% margin of error at 95%

There are even higher gaps in smartphone ownership; especially with respect to, age, education and income

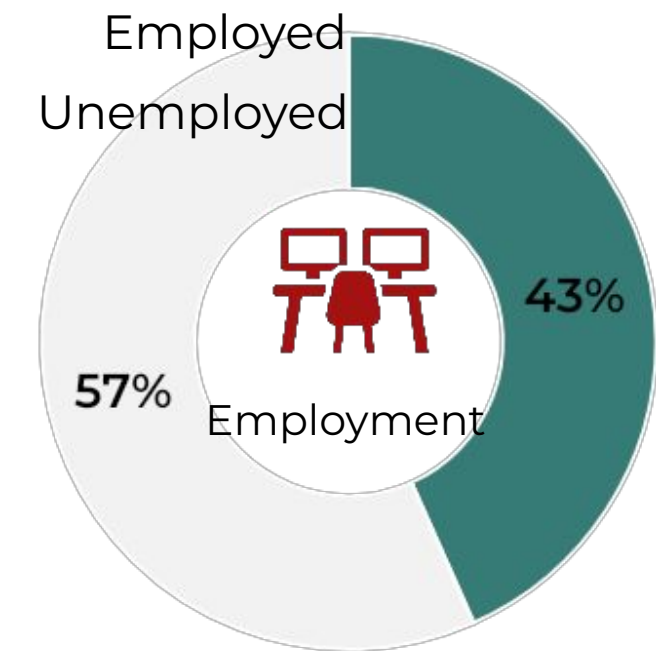
Smartphone ownership (% of age 15+ population)



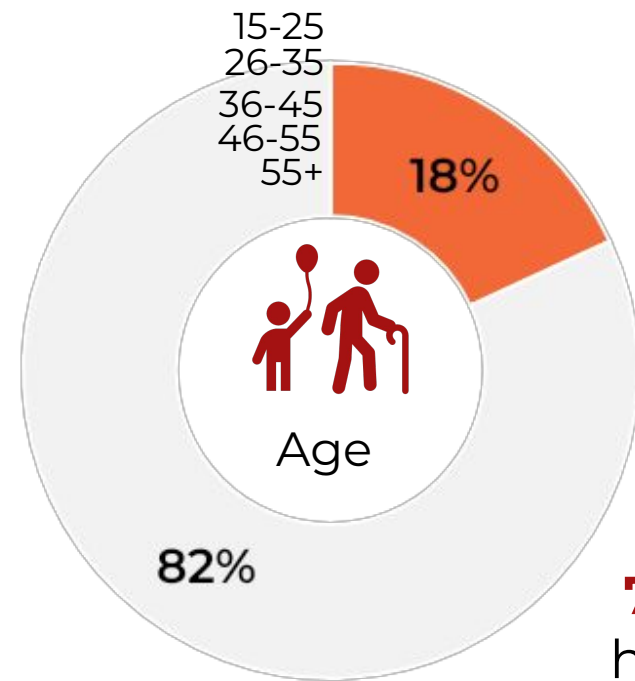
4% gender gap



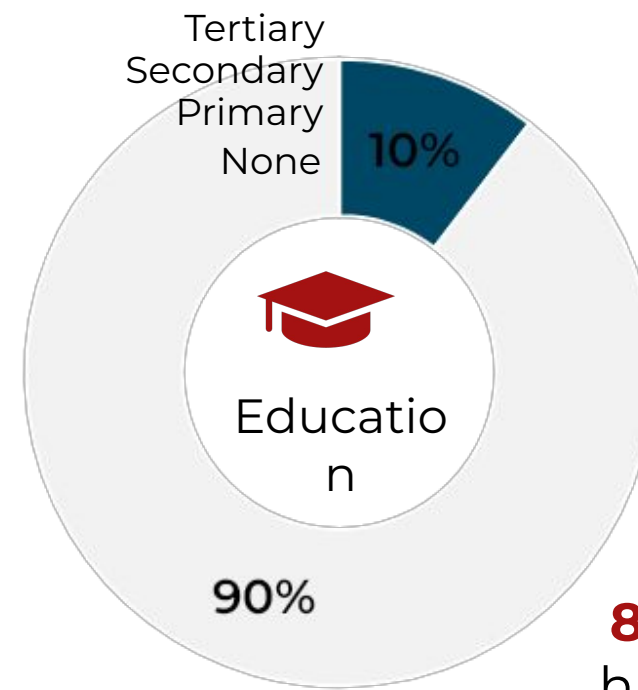
20% urban/rural gap



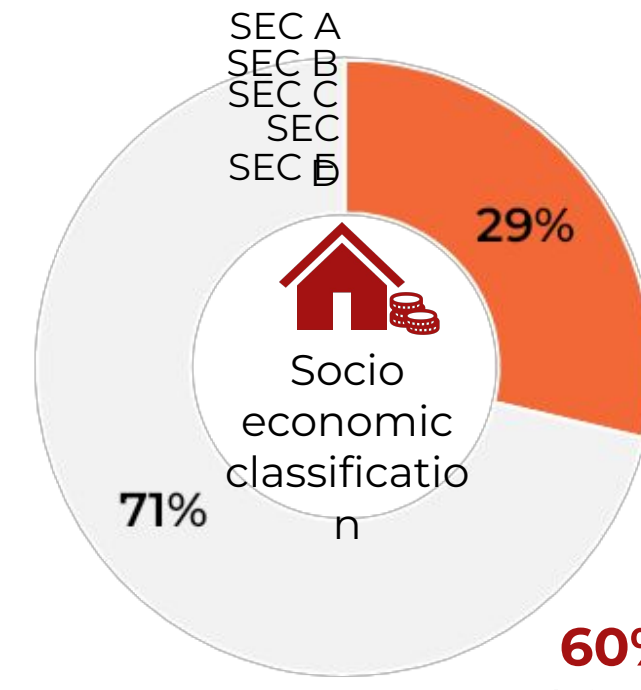
14% employment gap



73% gap between highest and lowest



89% gap between highest and lowest



60% gap between highest and lowest

Q: What type of a phone is it?

Base: All respondents (n=2,501)

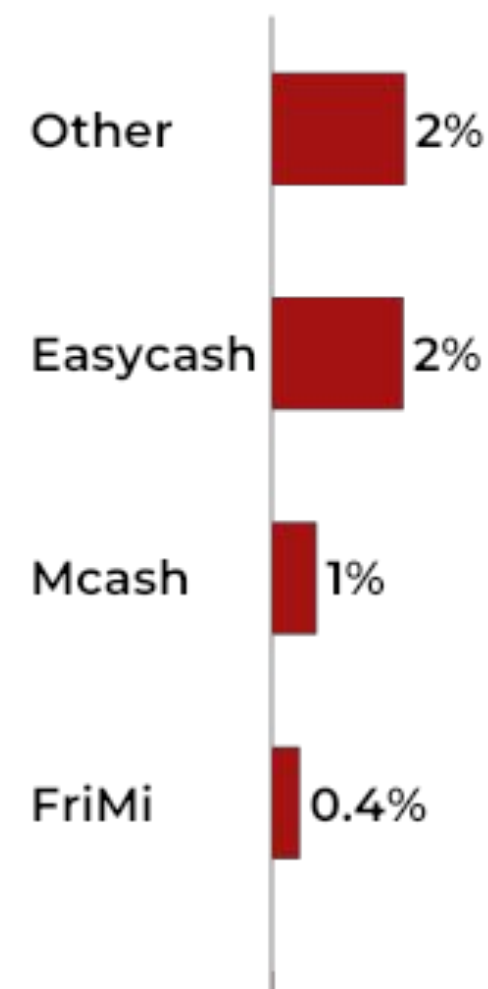
Source: LIRNEasia COVID impact survey, 2021. Representative of all households and age 15 and above population in Sri Lanka with a +/- 2.8% margin of error at 95%

Despite the high mobile phone ownership, the overall use of mobile phones for financial transactions (including cash-out) is low

5%

of the age 15+ population use mobile phone for financial transactions*

Use of mobile phone for financial transactions
(% of age 15+ population)



Effort is needed to increase the awareness and use in a short period of time. But benefit payments via mobile will have a natural push effect

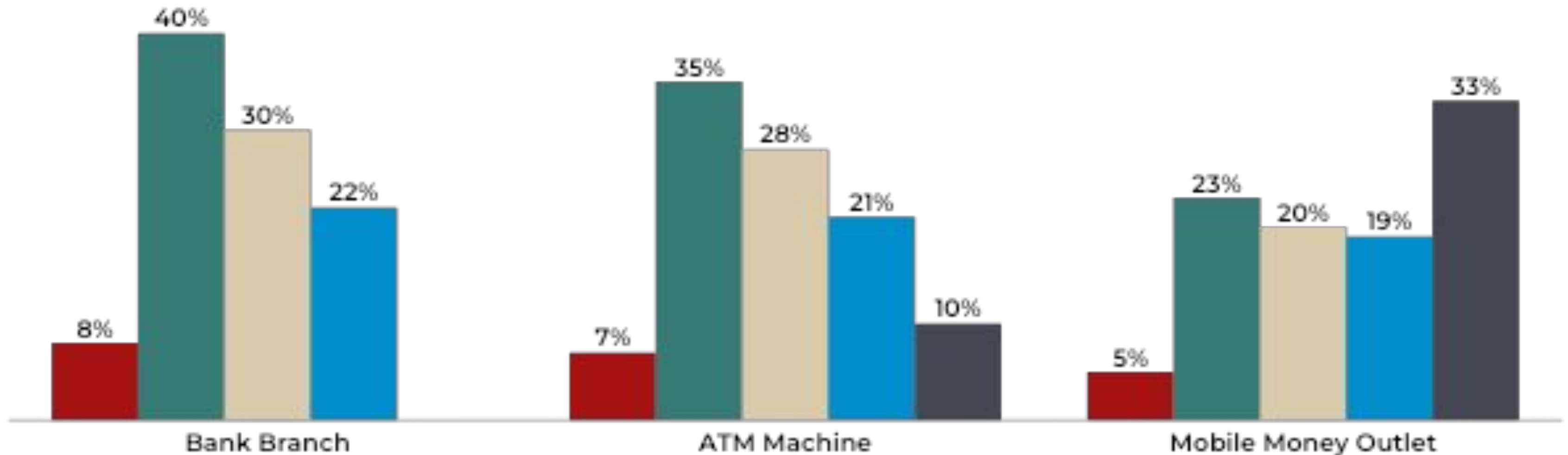
*This excludes those who have never used mobile phones for financial transactions: to send or receive money.
Base: All respondents (n=2,501)

Source: LIRNEasia COVID impact survey, 2021. Representative of all households and age 15 and above population in Sri Lanka with a +/- 2.8% margin of error at 95%

33% of the respondents unaware of locations of mobile money cash out locations

Perceptions - time taken to get to nearest financial services outlet(% of respondents)

■ Less than 5 minutes ■ Between 5-15 minutes ■ Between 16-30 minutes ■ More than 30 minutes ■ Don't know / Never used

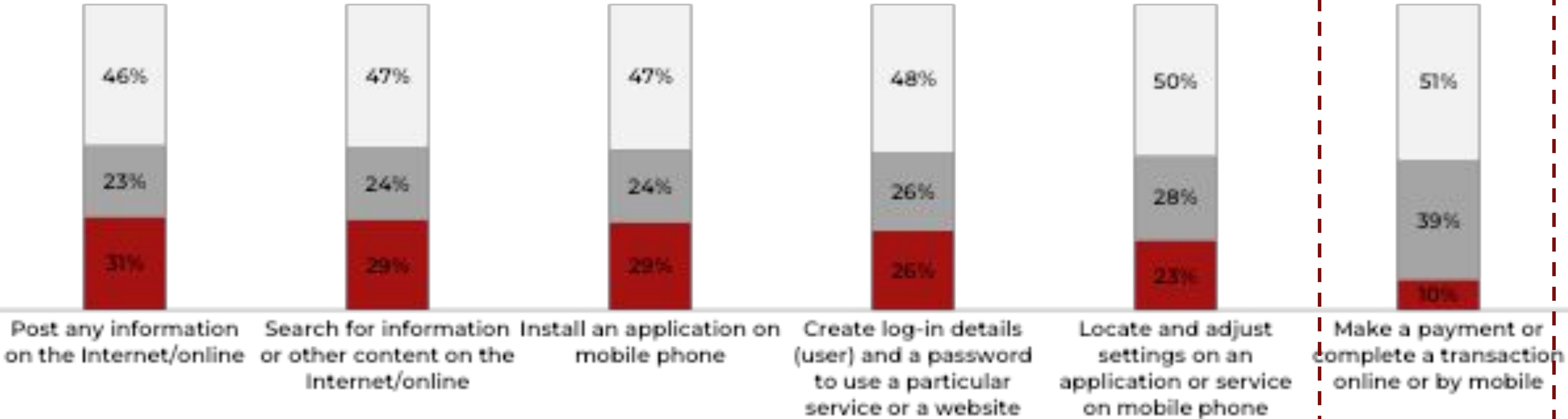


Overall low level of digital skills; Clear lack of skills especially in making payments via online or via mobile phone



Digital skills
(% of age 15+ population)

■ Yes, by myself ■ No ■ Not aware of these



Q1: Can you Search for information or other content on the Internet/online? If yes, can you do it yourself or with someone's help
Q2: Can you Install an application on mobile phone
Q3: Can you Create log-in details (user) and a password to use a particular service or a website
Q4: Can you Locate and adjust settings on an application or service on mobile phone

Signing up may need to involve training and awareness raising

Q5: Can you post any information on the Internet/online. This can include commenting on something that you see, or posting or sharing
Q6: Can you make a payment or complete a transaction online or by mobile . If yes, can you do it yourself or with someone's help

Base: All respondents (n=2,501)

As with any data-heavy analytical methods using personally identifiable data, care has to be taken

- **Privacy** of beneficiary recipients has to be managed.
- Other studies have take precautions such as:
 - Data minimization: only absolutely necessary data to be collected and stored (e.g. variables related to mobility, top up, but not web browsing data)
 - Data analyzed by independent team (gov doesn't have access to phone data)
 - Derived poverty scores not shared with government.
 - Only the details (list of SIM cards) of those identified/qualifying for social payments given to government at regular intervals. .
 - Sunsetting: purging data at regular intervals
 - Technical solutions: federated learning and differential privacy methods
- **Representativity and Inclusion:** 3% households don't have phones. Need data on them
- **Access to data:** access to mobile phone data owned by private operators is not guaranteed
- **Household vs individual:** Current research shows digital data better at individual poverty targeting than household level targeting

While using mobile phones for cash transfers will provide greater access to recipients, the challenges cannot be ignored



- Existing marginalisations cannot be made worse
 - The unemployed, females, senior citizens and those with only primary or no education are less likely to own a mobile phone.
 - Mobile phone ownership among individuals with disabilities is significantly lower
- Smartphone ownership remains below 50%: solution has to work on all phones
- 3% of households do not have a mobile phone – what data from them?
- Collect only necessary data and ring-fence to preserve privacy and avoid scop creep (using the data to make other decisions)
- Digital skills need attention
- Use of mobile phones for financial transactions low but paying

Cash transfers using mobile phones will provide greater access to most recipients, but it cannot be the only solution in the short and medium term

Trust, coverage and use main concerns about mobile transfer system in Mexico

Case study: *Prospera Digital Mobile Wallet Cash Transfer Programme* in Mexico

Context

The Mexican government was looking to use a mobile wallets to disburse funds for their longstanding Prospera programme. A survey was undertaken to understand potential uptake.

Data and methodology

Findings from national randomized field survey with 19,000 beneficiaries in 34 localities in the Mexican states of Puebla, Chiapas, and Yucatan during the spring of 2017.

Findings

44% of respondents **claimed they would use the mobile wallet to obtain cash transfers** if it were offered to them. Likelihood of being open to the mobile based solution changed based on age, and years of experience using a mobile phone

Key concerns



Trust

What if I don't receive the money?



Coverage

What if I can't make a payment due to network failure?



Skills

What if I make mistakes when making a transaction?

In summary

- The need for and immediate and improved cash transfer system in Sri Lanka is clear
- Evidence shows unconditional cash transfers work very well
- Mobile phone based, technology-enabled solutions work
 - Existing delivery channels can be utilized
 - Higher reach/ease of access by recipient
 - Ability to avoid some of the problems of proxy means testing based targeting
- But this is a social problem with a small technology component (as opposed to a "deployment of technology"). Need to understand
 - Those who are marginalized (digitally and otherwise) must be accounted for in design
 - Household dynamics that can change with introduction of new payment mechanisms
 - Need for feedback loop once implemented

Thank you

Hidden slides
to use as
needed/Annex

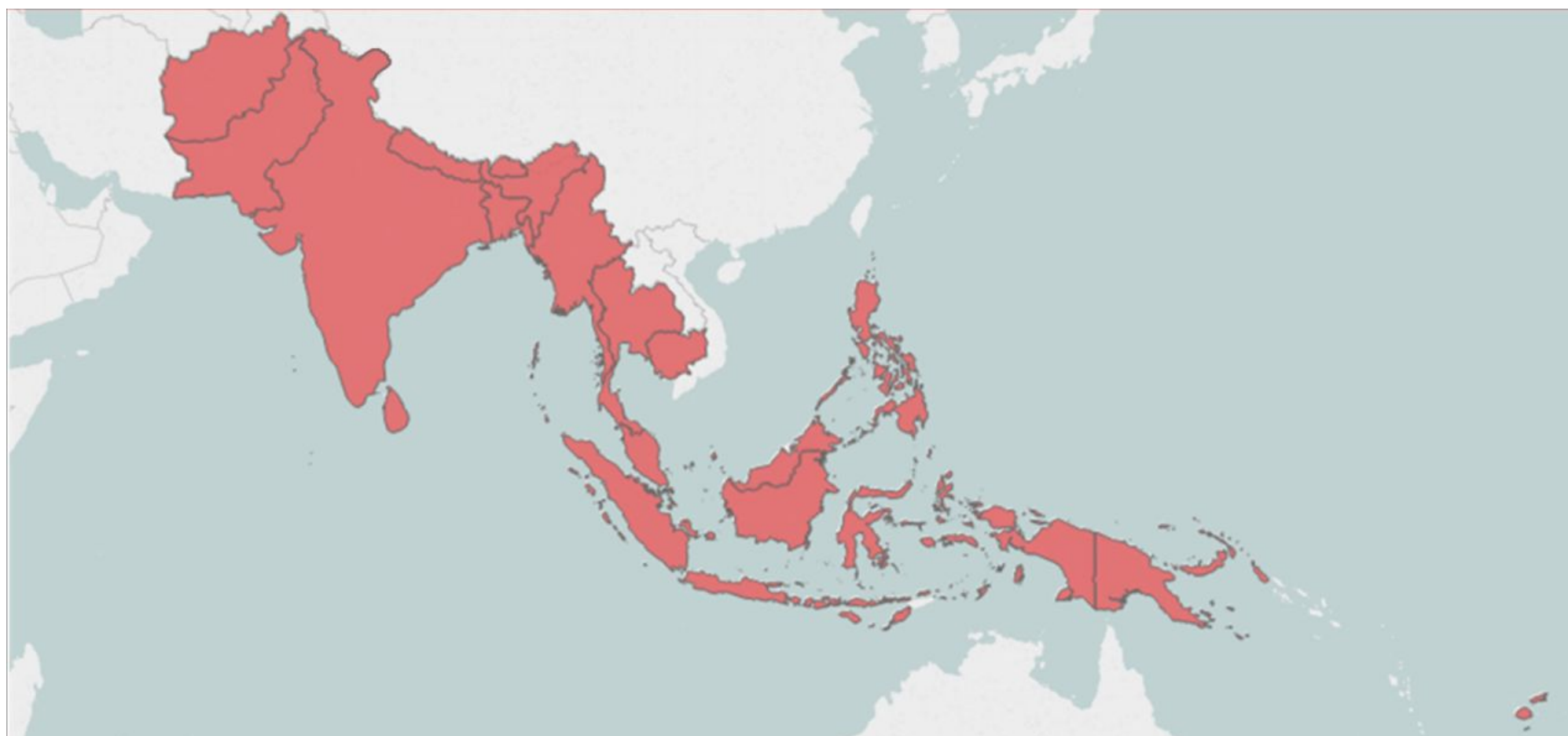
Rs. 5000 grant: funds earmarked several times in response to COVID-19 crisis

- Grants disbursed for marginalized groups in April 2020, May 2020, April 2021 & June 2021 (see table for allocations & breakdowns)
- Unclear how overlaps between different target groups were expected to be addressed in 2020.
- In April 2021, the PMO clarified that households with elderly and Samurdhi holders were not eligible to receive 2 payments – 3 million households eligible for scheme in 2021.

of actual targeting and disbursement success. However, COVID+ data shows poor targeting)

Target group	Number of recipients	Financial allocation (LKR)
High level allocations by month as per Cabinet papers		
Cabinet paper seeking allocations for April 2020	7,400,000	37,000m
Cabinet paper seeking allocations for May 2020	5,144,046	25,720m
Total allocation for April and May 2020 as per Cabinet papers		62,720m
Breakdown of allocations (presumably for May 2020)		
Samurdhi recipients	1,798,293	8,991m
Individuals on Samurdhi waiting lists	731,974	3,660m
Low income families identified by rural committees	1,924,968	9,625m
Families who lost livelihoods due to COVID-19	688,892	3,444m
Senior citizens	629,214	3,146m
Persons with disability	123,641	618m
Senior citizens over the age of 100	489	2m
Persons with kidney ailments	44,291	221m
Senior citizens, PWDs and persons with kidney ailments identified by rural committees (not in list above)	71,383	357m
Sum of breakdown	6,013,145	30,066m
Difference - sum of breakdown vs total allocation for May		4,345m

Source: Department of Government Information – News.lk, including calculations by author



In the Estate sector food & non-food ratio is almost equal



Food and non-food ratio

Sector	Food ratio (%)	Non-food ratio (%)
Urban	35.1	64.9
Rural	36.9	63.1
Estate	50.9	49.1

The ratio of expenditure on food and drink (excluding liquor, drugs and tobacco) to total expenditure is called the food ratio

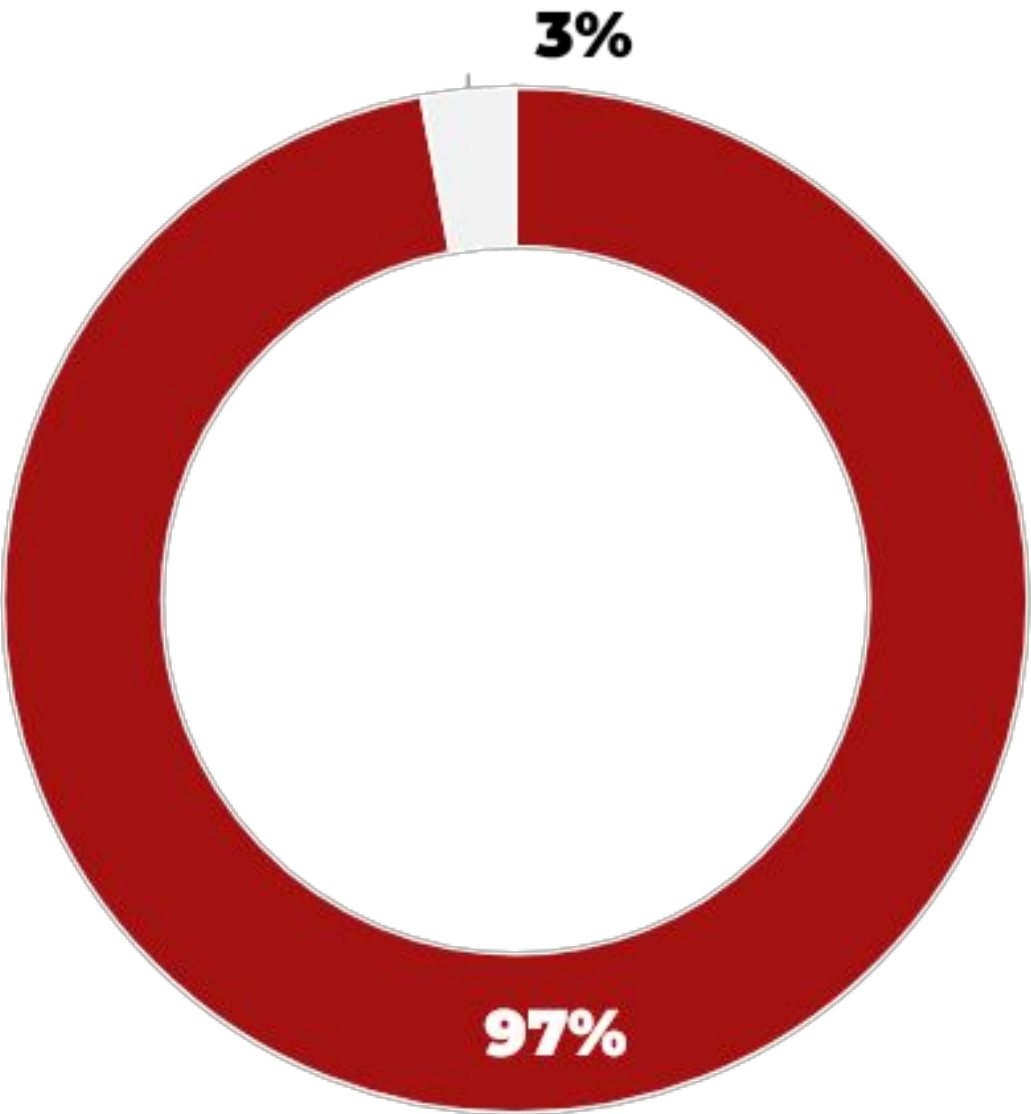
Percentage distribution of average monthly household expenditure on major non-food expenditure groups by sector

Sector	Housing	Fuel & light	Personal care & Health expenditure	Transport	Comm.	Education	Cultural activities & entertain.	HH non-durable goods & HH services	Clothing, textiles & foot wear	HH durable goods	Miscellaneous	Other adhoc	Liquor, drugs & tobacco
Urban	26.7	4.8	6.3	10.4	3.0	6.0	2.9	2.3	3.0	10.3	13.5	9.2	1.6
Rural	19.2	5.1	6.6	11.9	2.7	5.8	2.1	1.6	4.5	11.4	16.0	10.6	2.4
Estate	19.4	7.5	6.1	9.9	2.9	5.0	1.5	2.0	7.3	8.7	12.0	5.6	12.2

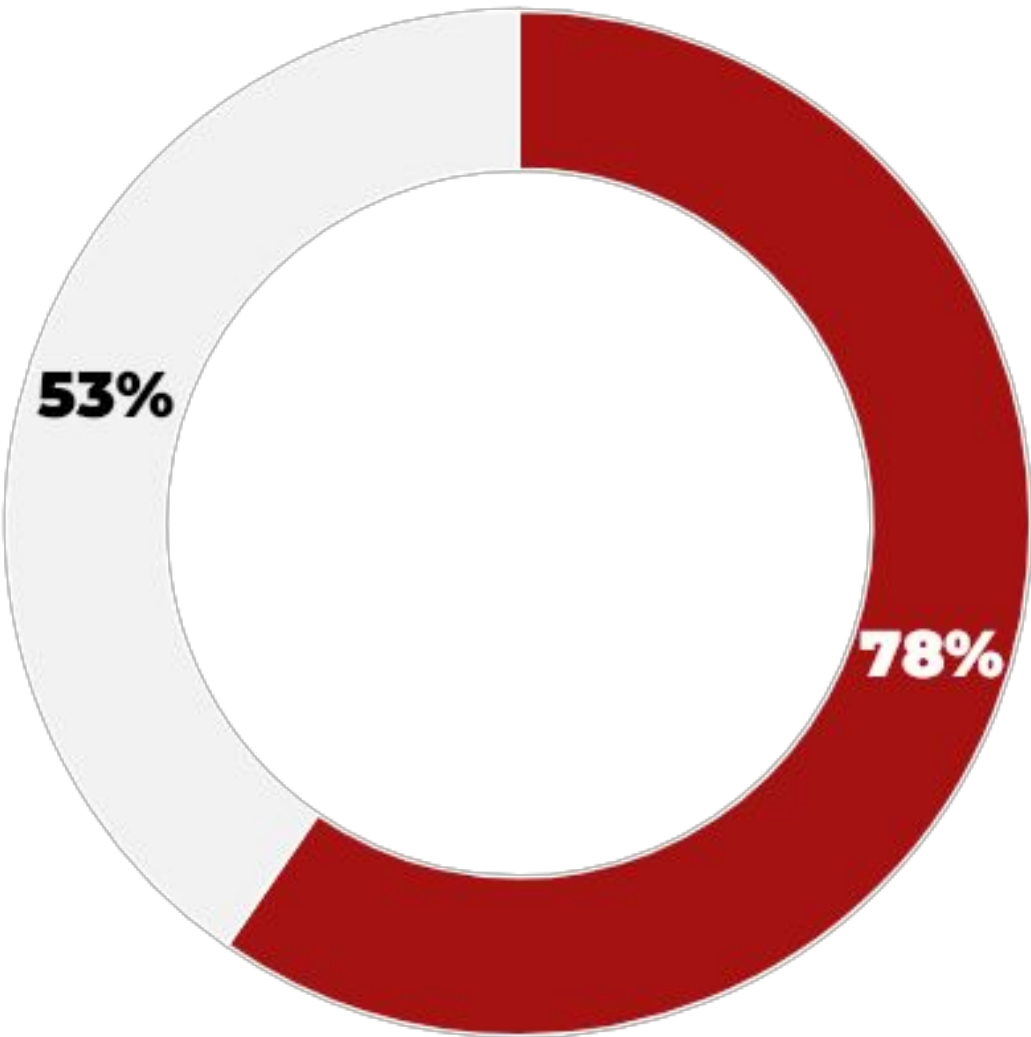
Using mobiles house-hold level payments is practical: ownership at household level is 97%



Mobile phone ownership
(% all households)



Mobile phone ownership
(% of age 15+ population)



Q: Please tell me about the availability of the following items in your household that are available for all members to use. Does your household have a working...? (Mobile)

Q: Do you own a mobile phone?

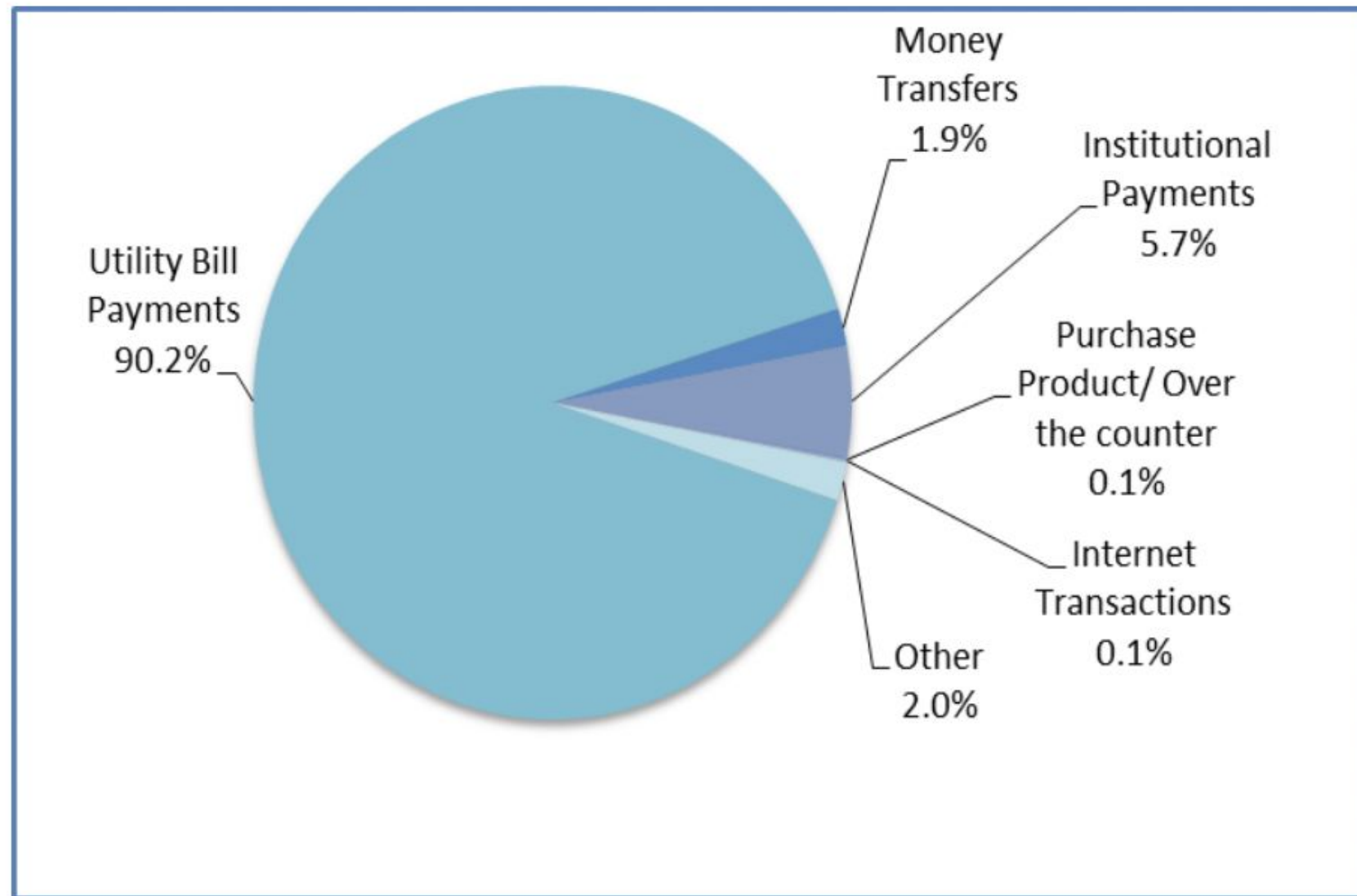
Expenditure on fuel & light (part of utility payments) is significant in lower decile groups

Percentage distribution of average monthly household expenditure on major non-food expenditure groups by national household expenditure decile

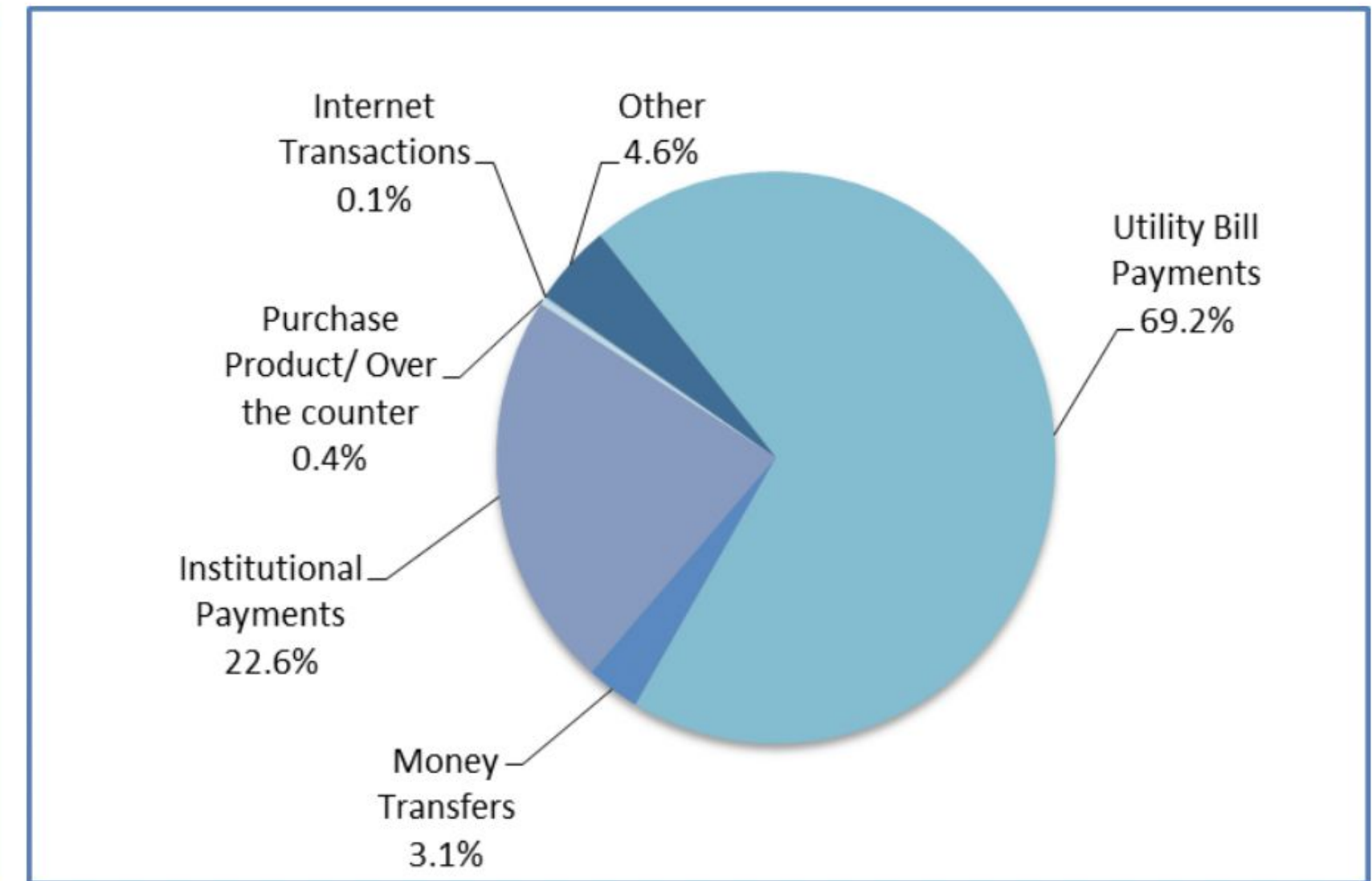
Decile group	Expenditure decile	Total (%)	Housing (%)	Fuel & light (%)	Personal care & Health expenses (%)	Transport (%)	Communication (%)	Education (%)	Cultural activities and entertainment (%)	Household non-durable goods and household services (%)	Clothing, textiles & footwear (%)	Household durable goods (%)	Other miscellaneous expenses (%)	Other adhoc (rarely) expenses (%)	Liquor, drugs & tobacco (%)
Sri Lanka	Sri Lanka	100.0	21.3	5.1	6.5	11.4	2.8	5.9	2.3	1.8	4.1	11.0	15.2	10.1	2.3
1	Less than or equal 20140	100.0	40.8	12.6	10.9	7.8	3.2	1.5	1.3	3.4	5.3	1.5	3.6	2.9	5.2
2	20141 - 27588	100.0	35.3	10.7	9.6	10.1	3.7	4.2	1.7	3.0	6.2	2.1	5.6	3.3	4.6
3	27589 - 33972	100.0	31.5	9.2	9.6	11.0	3.5	5.3	1.8	2.5	6.5	2.8	7.6	3.7	5.1
4	33973 - 40380	100.0	29.7	8.8	8.8	11.9	3.6	6.1	1.8	2.3	6.4	3.0	8.9	4.1	4.5
5	40381 - 47544	100.0	27.6	7.9	8.6	11.8	3.5	6.6	1.7	2.0	6.2	4.4	10.6	4.9	4.3
6	47545 - 55634	100.0	26.6	7.0	7.5	12.6	3.2	6.7	2.0	1.7	5.8	5.4	12.5	5.4	3.5
7	55635 - 66761	100.0	24.5	6.4	7.6	12.1	3.2	6.9	1.9	1.6	5.5	7.2	14.0	5.9	3.2
8	66762 - 82858	100.0	23.6	5.5	6.8	12.4	3.2	6.8	2.2	1.5	4.8	7.7	16.3	6.7	2.5
9	82859 - 114984	100.0	21.2	4.6	6.6	11.8	3.0	6.4	2.0	1.4	4.2	10.1	17.2	9.4	2.0
10	More than 114984	100.0	14.9	2.8	4.8	10.8	2.2	5.1	2.9	1.9	2.3	17.5	17.8	15.8	1.1

Over 90% of mobile money transactions were to pay utility bill payments

In volume terms



In value term



*Source: Payment Bulletin, 3rd Quarter 2021, CBSL

In June 2012, a mobile network operator obtained a licence from CBSL to operate the first mobile phone based e-money system, while another mobile network operator was licensed and commenced operations of its mobile phone based e-money system in November 2013.

The success of Mobile money

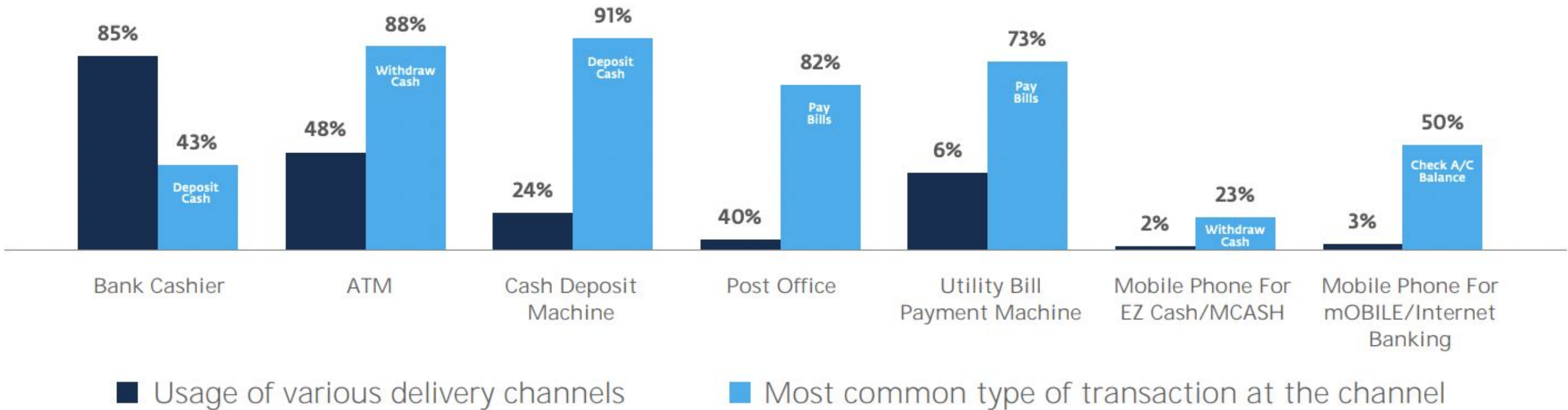
- The success of mobile money systems is certainly underpinned by the rapid deployment and growth of the agent network, i.e., the end distributors of the service. This growth and reliability are associated with a network that is trustworthy, efficient, liquid, and profitable for the agents¹.
- As these agent networks grew and became denser, the distance between a household and an agent shrink¹.
- Greater agent competition is associated with a higher inventory of both cash and e-money².
- Some mobile money services have incorporated intentional policies of mandatory agent turnover every few years to act an additional check against potential fraud³.

This appears to counter
slide 31....

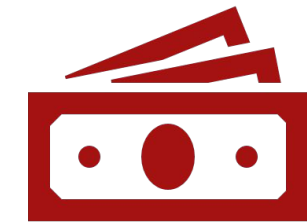
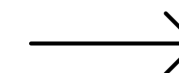
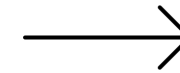
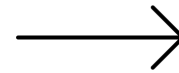
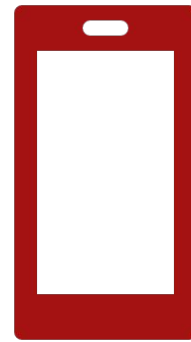
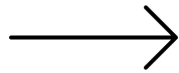
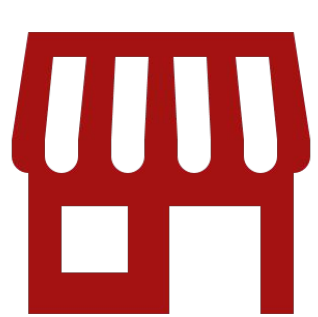
1. Vaughan, P, W Fengler and M Joseph (2013), "Scaling-up through disruptive business models. The inside story of mobile money in Kenya"
2. Balasubramanian, K and D Drake (2015), "Service quality, inventory and competition: An empirical analysis of mobile money agents in Africa"
3. Stephen C. R and Taylor C. Nelms (2017), "Mobile Money: The First Decade"

85% obtained financial services through bank cashier; 48% used ATMs

Delivery Channels of Financial Services



Withdrawing funds through SLT-Mobitel's mCash and Dialog eZ cash (Cash Out)



1. Walk into any authorized merchant and request the Cash Out service
2. Walk into Sampath, Commercial or Cargills Bank ATM

1. Provide your mobile number and inform the amount of money you need to withdraw
2. Use cardless withdrawal service of the ATM

Once the Merchant confirms the transaction, you will receive a pop-up message requesting for your PIN number

After the PIN has been entered, you will receive a SMS confirming the transaction

The Merchant will then hand over the cash to you

Easy access to cash –

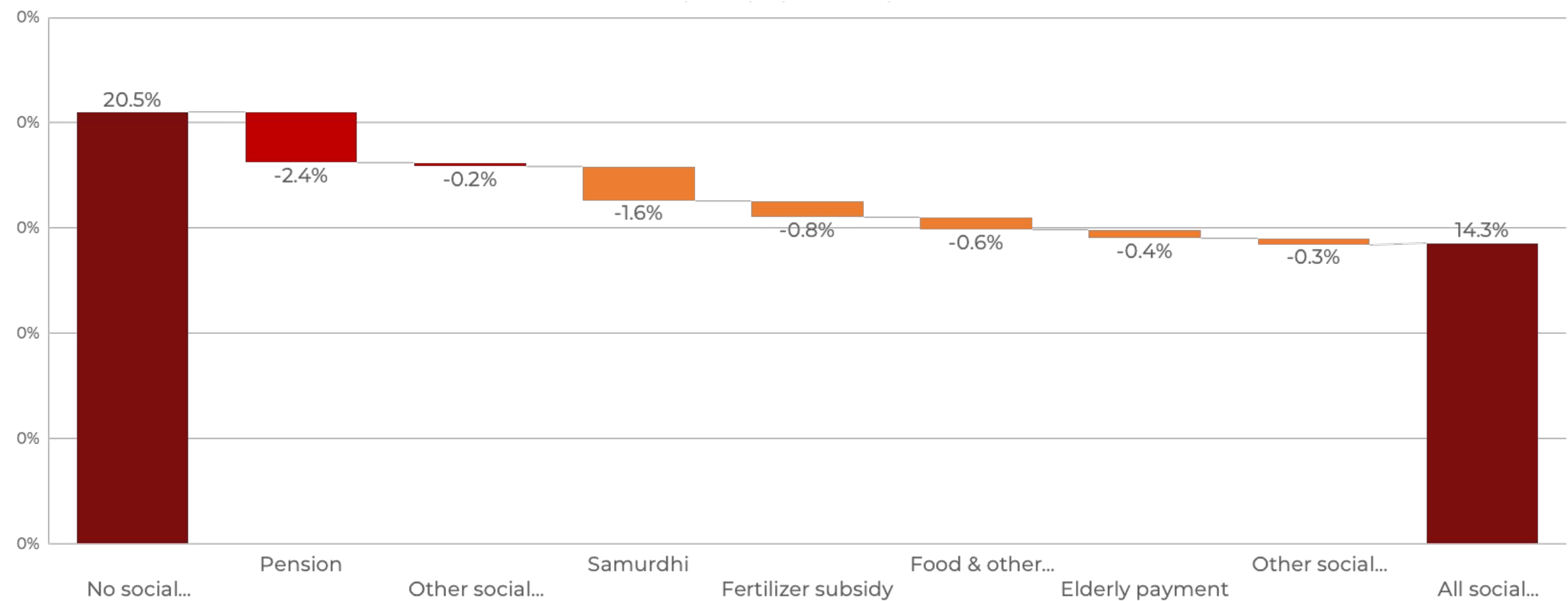
SE Decile	Supermarkets			Banks			Mobile Money		
	Location Count	Avg. Distance	Max. Distance	Location Count	Avg. Distance	Max. Distance	Location Count	Avg. Distance	Max. Distance
1st	262	9.71	42.67	634	5.49	28.86	750	4.95	27.21
2nd	334	6.76	39.41	797	4.24	22.49	932	3.95	18.71
3rd	372	5.72	38.71	877	3.46	16.88	1,021	3.32	23.43
4th	415	4.99	31.76	935	2.98	13.65	1,128	2.70	18.68
5th	444	4.12	33.93	968	2.50	19.40	1,124	2.30	16.66
6th	475	3.18	29.38	968	2.05	10.01	1,124	1.87	10.06
7th	523	2.26	16.70	1,011	1.67	21.13	1,129	1.46	17.61
8th	530	1.60	14.16	968	1.27	6.53	1,038	1.10	6.01
9th	530	0.98	10.94	1,001	0.90	4.43	1,048	0.80	4.63
10th	471	0.56	20.38	1,031	0.53	20.76	977	0.47	25.41
All	966	3.99	42.67	2,653	2.51	28.86	2,994	2.29	27.21

Comparison of social protection systems

	Cash transfers		In-kind transfers
	Unconditional cash transfer	Conditional cash transfer	
Impact on local communities	Favors local businesses	Favors local businesses	Favors large suppliers at national level
Corruption	Reduces the risk of corruption when transferred electronically	Reduces the risk of corruption when transferred electronically	Susceptible to corruption due to scale and value of procurement
Agency	Promotes empowerment and self-esteem by placing agency into hands of beneficiaries	Conditions are based on anecdotal evidence and does not reflect actual use	Does not allow beneficiaries the freedom to decide how best to allocate the resources.
Administration costs	Cost efficient and economical	Implementing, monitoring and evaluating conditions is expensive and inefficient	Procurement and distribution of in-kind transfers is costly

Source: socialprotection.org, CGAP

Many programmes have had subpar impact on poverty alleviation

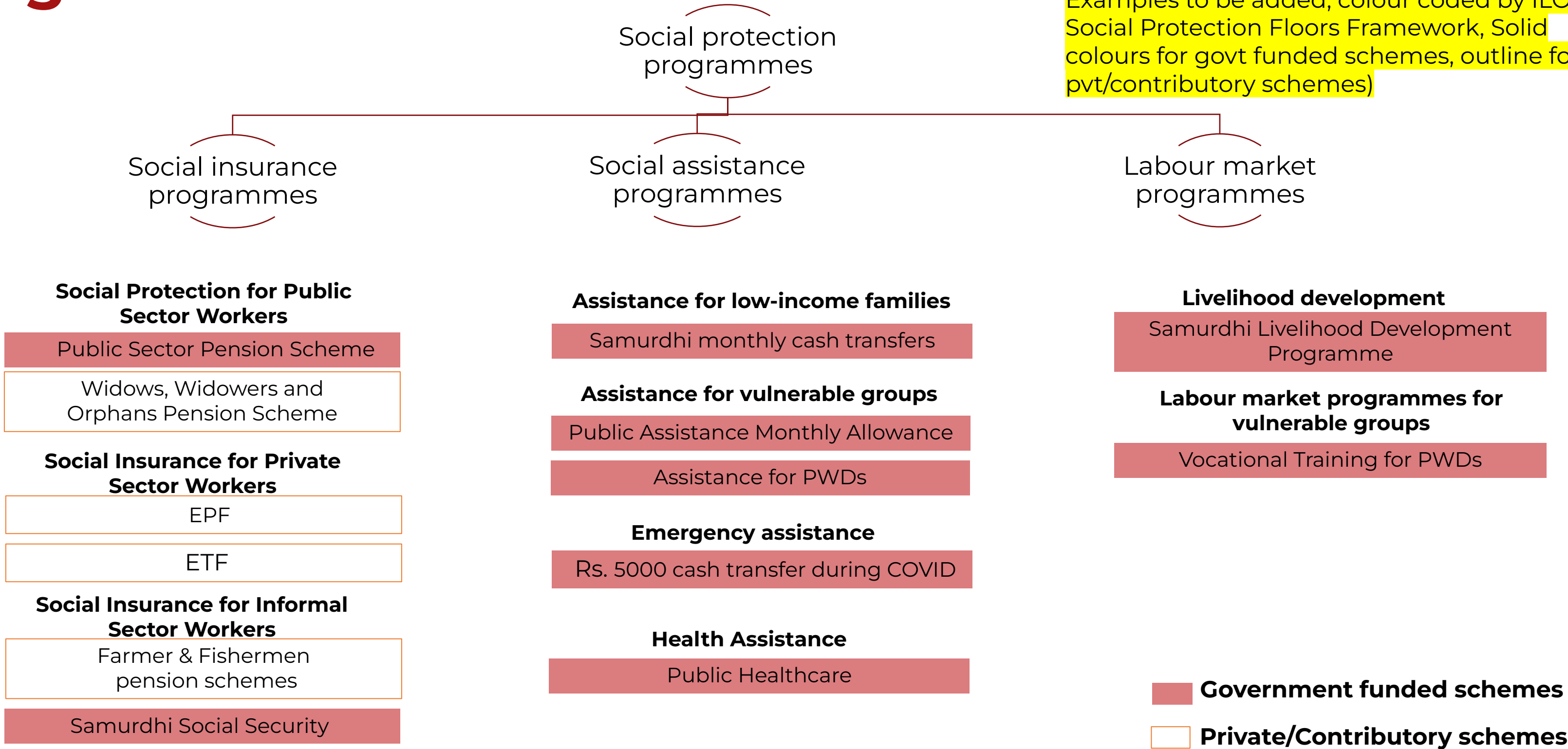


Source: [Department of Census and Statistics \(2022\)](#)

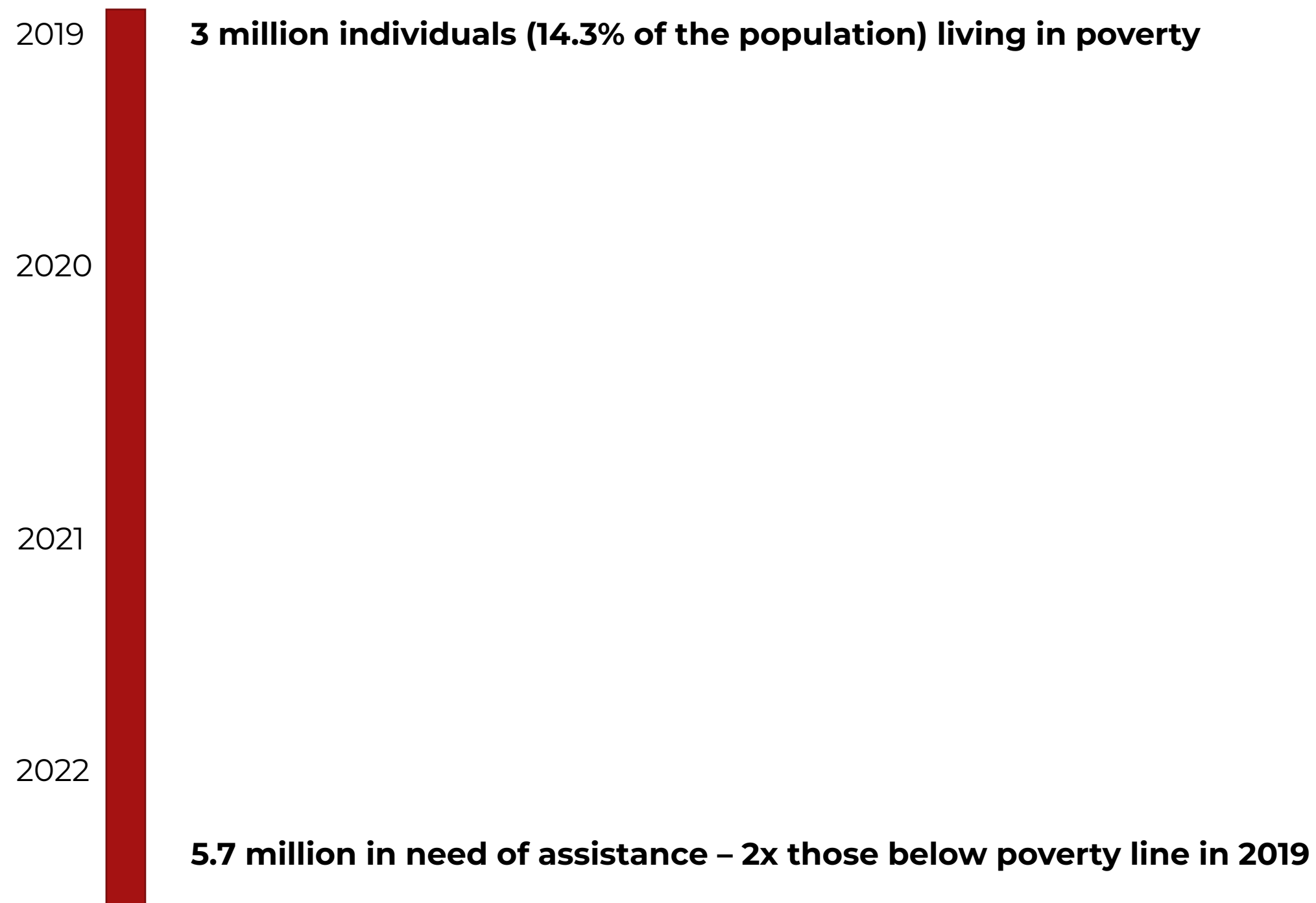
Sri Lanka has a variety of social protection programmes



Examples to be added, colour coded by ILO Social Protection Floors Framework, Solid colours for govt funded schemes, outline for pvt/contributory schemes)



Social safety nets crucial to protect most vulnerable; most relevant in times of crisis



Social safety nets crucial to protect most vulnerable; most relevant in times of crisis

2019: 3 million individuals (14.3% of the population) living in poverty



- Fuel, gas & electricity shortages impacting manufacturing & service delivery
- Employees unable to travel to work to earn income

2022: 5.7 million in need of assistance – 2x those below poverty line in 2019



- Fuel shortages leading to
- Food scarcity, driven by fuel crisis & fertilizer ban.
- Sudden depreciation of LKR;
- Global inflation

