Food-Based Social Assistance Programs in Sri Lanka

EVOLUTION AND TRANSITION TO CASH TRANSFERS

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INTRODUCTION

As illustrated in chapter 1 of this volume, at a first glance, Sri Lanka’s food-oriented social assistance (FOSA) system appears to have been transformed completely over time. Its core food subsidy program went (a) from a near-universal provision of food to a more targeted voucher-like scheme, (b) then to an even more narrowly targeted combination of cash and food rations, and (c) finally to a targeted cash transfer. FOSA might look like an “ideal” case of what a designer concerned about maximizing performance would conceive. But, in fact, as this chapter shows, the evolution has been far from linear.

Each of the steps forward was accompanied by setbacks, and what was achieved even with the full transition was very far from well-performing benchmarks, especially with regard to targeting and adequacy. Samurdhi, the program that has emerged from this complex history, has nevertheless helped to reduce the fiscal cost of the program and become closely integrated with other social safety nets. In that, Sri Lanka fits the global pattern of transformation.
This chapter analyzes in more detail the evolution of the FOSA in Sri Lanka. FOSA was introduced in the 1940s to provide universal access to food during World War II, and its evolution has been unsteady during the past seven decades. Economic conditions and changes in the political regime have influenced the outlook for the government’s social welfare policy. With liberalization of the economy in the late 1970s, the scheme changed from a universal to a targeted one, and the benefits were defined in terms of the quantity of food that could be bought for the value of a “food stamp” issued by the government.

With the introduction of Janasaviya in the late 1980s, the social welfare strategy shifted from ensuring food security and nutrition levels to reducing poverty via employment creation and to achieving social mobilization and empowerment. With Samurdhi, which supplanted Janasaviya, greater emphasis was placed on poverty alleviation, and the food stamp component was replaced by a cash grant in 2012.

The remainder of this chapter analyzes the evolution in detail, describing, in turn, the universal food ration scheme (1942–79), the food stamp scheme (1979–89), Janasaviya (1989–94), and Samurdhi (1995–2015). A final section analyzes the transition from FOSA to cash transfers and the underlying factors that led to those changes.

The chapter is based primarily on secondary sources, including published reports, complemented by a small number of interviews with subject area experts and government officials.

**FOOD RATION SCHEME, 1942–79**

From 1942 to 1979, the main FOSA program in Sri Lanka was universal (until 1978) and based on entitlement to a certain quantity of food. In 1979, the per capita food assistance given by the government was limited to the amount of food that could be purchased for the value of a stamp. Up to this point, the per capita entitlement was a certain quantity of food that could be purchased at a subsidized price (and, at certain points, a quantity of food provided free of charge).

**Introduction of a Universal Food Ration Scheme, 1942–52**

The food-rationing scheme was first introduced in 1942 as an emergency measure of public welfare during World War II (Edirisinghe 1982; Gavan and Chandrasekara 1979; Jayasuriya 2004). It was originally intended as a wartime relief measure to ensure the equitable distribution of food supplies during a time when food imports were scarce (Edirisinghe 1982).

The program was not dismantled with the end of the war and survived for nearly three decades more. Edirisinghe (1982) argues that “continuation of the rice-rationing scheme was the logical consequence” within a postwar context in which the abolition of controls, combined with repressed demand and
an excess money supply, caused postwar inflation, leading to a rapid rise in the cost of living.\textsuperscript{1} The government continued the food subsidy scheme to prevent low-income groups from being adversely affected by the higher cost of living. According to Ratnayake (2013), the food subsidy scheme was established, in part, to counteract inflation, which was, in fact, reined in somewhat via the rationed prices of food.

However, controlling inflation was not the only reason that the universal policy was promoted and continued after the war ended. A mix of social, political, and economic factors contributed to its continuation.

After World War II, most of the country’s population did not pay income tax and could be considered “poor,” rendering any mechanism to distinguish between eligible and noneligible households redundant. Determining eligibility would have been an “unfruitful, meaningless, as well as an administratively cumbersome exercise,” especially because the international prices of food were low (Ratnayake 1998). Therefore, at its inception, this comprehensive, generous, and universal food subsidy scheme appeared to be fiscally sustainable.

The scheme was not only a reaction to certain economic and social conditions but also a result of the welfare-oriented nature of Sri Lanka’s public policy. Sri Lanka has a relatively high level of welfare-oriented public policy and human development. The origins of this welfare state can be traced back to Sri Lanka’s colonial past and the British influence. The social liberalism prevailing in Britain during the colonial period influenced Sri Lankan political ideology and its welfare-oriented policies, leading to the universal food-rationing scheme and its continuation for nearly three decades.

The role that food subsidies played in Sri Lankan politics also was a factor in its continuation. Over the years, the subsidy program evolved from a mere wartime welfare measure to a political tool that held considerable sway over the populace. It simply was not politically feasible to interfere with the subsidy program without risking political capital.

When the food-rationing scheme was first introduced, the food supply was divided into food in which the country was self-sufficient and food in which it was not. Initially, rationing and price controls were introduced only for foods in which the country was not self-sufficient. However, that decision created a significant increase in the demand for domestically produced rice, and the black market price of domestic rice rose drastically. Therefore, in 1943, the distinction was removed, and the country’s entire population (everyone age 3 and older) was entitled to receive the ration (Edirisinghe and Poleman 1976; Gavan and Chandrasekara 1979).

Food items distributed under the ration included rice, chili, canned milk, flour, and meat (Ratnayake 2013).\textsuperscript{2} In February 1942, all of the beneficiaries were entitled to receive 4 pounds of rice. However, in July 1942 the entitlement was reduced because of supply constraints (Edirisinghe and Poleman 1976). Until the 1950s, the weekly ration of rice per capita fluctuated between 1 and 5 pounds, depending on availability. Whenever the rice ration
was reduced, the wheat subsidy was increased to compensate. By the early 1950s, the age requirement for receiving rationed rice was lowered to 1 year (Gavan and Chandrasekara 1979).

The next section discusses a pivotal moment in Sri Lankan history—the food riots that took place following a government attempt to rationalize food subsidy expenditure in September 1952.

**The Food Riots (Harthal) and the Aftermath, 1952–66**

The universal food subsidy program in Sri Lanka was implemented because of global food scarcity. The program was affected greatly by fluctuations in the price of rice and in the availability of rice on international markets because a large portion of the Sri Lankan food supply came from imports.

Global agricultural production recovered slowly after the war, and world rice production did not reach the average output of the prewar era until the early 1950s. By that time, the Sri Lankan population (as well as the global population) was growing rapidly, and the global supply of rice was not sufficient to satisfy the higher global demand. As a result, prices continued to rise, peaking in 1952 (Edirisinghe and Poleman 1976).

Additionally, the international food market was affected by the Korean War. In a report issued in 1951, the Food and Agriculture Organization of the United Nations (FAO 1951, 8) elaborated on the prevailing situation of the world food market:

> There was a marked increase in wholesale purchases: Business inventories increased rapidly, and prices advanced at extraordinary rates. The volume and composition of international trade in agricultural goods were affected, and both the domestic and international structure of agricultural prices was appreciably altered.

At that time, the selling price (that is, the ration price) should have been increased along with import costs or at least kept constant. Instead, the price was actually reduced on several occasions, and the government’s food subsidy bill continued to rise (Edirisinghe and Poleman 1976).

In 1952, the government took steps to ease the burden of food subsidies. The result was the introduction of an “austerity program” to reduce the universal subsidy entitlement without changing the price charged (Edirisinghe and Poleman 1976). In July 1953, that move was followed by the government’s first attempt to increase the price of rationed rice from SL Rs 0.125 to SL Rs 0.35 per pound. As illustrated in table 4.1 (which charts movements in the quantity of entitlement and prices from 1952 to 1977), there was a corresponding 0.5-pound increase in the allotment of rationed rice, perhaps in compensation for the price increase.

The subsidy reforms had to be abandoned, despite the fact that, in fiscal year 1953/54, the expenditure on rice subsidy was half of what it had been
the year before (Gavan and Chandrasekara 1979). The attempt to reduce the subsidies resulted in a drastic rise in the administered price of rice and other commodities and services. Those significant increases led to widespread protests and food riots (locally referred to as *Harthal*), which were led by organized urban labor.

In the immediate aftermath of the Harthal, the subsidy reforms were partially abandoned, the prime minister resigned, and the new government increased the subsidy benefits. By November 1954, ration quantities were

<table>
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<th>DATE OF CHANGE</th>
<th>FREE</th>
<th>PAID</th>
<th>TOTAL</th>
<th>PRICE (SL RS PER POUND)</th>
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<tr>
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<td>1977</td>
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<td>3</td>
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Source: Gavan and Chandrasekara 1979.

Note: n.a. = not applicable.

a. Infants and children received less, workers received more.
b. The price for the first 2 pounds was 12.5 cents and for the next 2 pounds was 22.5 cents.
c. Income taxpayers were no longer eligible for free rations.
d. In the urban areas of rice-deficit districts, 2 pounds of paid rice ration were issued.
e. The estate sector received a larger wheat flour ration of 1.5 pounds, and the wheat ration in Colombo and some other urban areas was increased to 1 pound.
increased to 4 pounds per person per week; the official reason given was the steady fall in world rice prices (Edirisinghe 1987; Gavan and Chandrasekara 1979).

The Harthal had a resounding and lasting impact on the shape of government food policy and proved to be an extremely politically sensitive issue. According to Edirisinghe and Poleman (1976, 60), the significance of the Harthal lies in its repercussions on the politics of rice: “Rice has always been an important political commodity but never was its political significance exhibited in such fashion as was seen in this protest. It marked the beginning of the rice issue that was to loom large in almost every major political campaign in the future years.”

In the aftermath of the Harthal, politicians understood that government policy regarding food subsidies could play a key role in both attaining and retaining political power, as is evident in the election statements of all political parties until the presidential election in 1989 (Ratnayake 2013).

After the Harthal, succeeding governments were unwilling to interfere with the program at the risk of losing political capital. As illustrated in table 4.1, the weekly per capita food ration was increased to 4 pounds in November 1954, which continued through the mid-1960s. The price of ration rice was also reduced several times during that period, from SL Rs 0.35 in 1953 to SL Rs 0.125 by 1959 (with one increase in 1956). The price remained at SL Rs 0.125 from 1959 until 1966, regardless of changes in the price of imported rice during the period.

In the period following the Harthal, the changes made to the subsidy program enhanced the benefits for the consumer. Those changes were facilitated by a general decline in world rice prices (Edirisinghe and Poleman 1976). As a result of declining prices and extended coverage, the quantity of rice distributed increased steadily, and by 1965 more than 75 percent of all rice consumed passed through the public system (Gavan and Chandrasekara 1979).

A single attempt to rationalize government expenditure on food subsidies was made during that period, by the minister of finance of the government elected in 1960. To address the country’s severe fiscal and balance-of-payments problems, the minister proposed curtailing the subsidy. The proposal was dismissed by the backbenchers, and the minister resigned (Edirisinghe 1987). The fact that the minister’s own party refused to support the proposed measures indicates the political sensitivity of the subsidy scheme.

The Food Subsidy Scheme during the Decade Leading up to Economic Liberalization, 1966–77
The next significant change to the food subsidy scheme took place in 1966. As a response to a worldwide rice shortage (and as a necessity borne out of continued balance-of-payments difficulties), the government adopted a policy measure that Edirisinghe (1987) terms a “strategic compromise between
economic logic and political feasibility.” The government cut the ration quantity by half—to 2 pounds of rice per capita per week—but issued it free of charge. This change did not bring about the desired result.

According to Gavan and Chandrasekara (1979), the new policy measure reduced the proportion of domestic rice consumed by Sri Lankans that was distributed through the ration scheme. The guaranteed price scheme operated by the government also suffered from this measure because the higher demand for open-market rice led the market price of rice to rise above the guaranteed price paid under the government paddy procurement scheme. The increase in the market price, combined with a decrease in the demand for rice provided through the ration scheme, led to a sharp decline in sales to the government. Furthermore, issuing the whole ration free of charge created a loss in revenue that neutralized any gains made from halving the entitlement. Meanwhile, import and procurement prices continued to rise, causing the food subsidy bill to rise as well.

The government’s decision to reduce the food subsidy was a main topic during the parliamentary election held in 1970. The opposition heavily criticized the subsidy and promised citizens to increase the rice ration if elected to power (Ratnayake 2013). Political power changed hands during the election, and rice politics played a part in this power shift.

True to its word, the new government increased the amount of subsidy benefits. In addition to the 2 pounds of rice that people had been receiving free of charge, the government decided to give 2 more pounds of rice per person per week at a rationed price. However, the price of the paid portion of rice was significantly higher than the price charged before 1966 (Gavan and Chandrasekara 1979; Ratnayake 2013).

During the 1970–72 period, the world paddy harvests were good, rice was sufficiently available, and prices were somewhat low. However, bad weather put an end to that trend in 1972 (Edirisinghe and Poleman 1976). By 1973, world rice prices were high, creating additional pressure on the government’s finances. In addition, an unexpected rise in the world price of oil further strained the government’s fiscal position (Ratnayake 2013).

That scenario resulted in major changes to the food ration scheme. The price of rationed rice was increased in 1973. The free portion of rationed rice was reduced by 1 pound, and the total portion of rice ration per capita per week was reduced to 3 pounds. To compensate for the 1-pound decrease in rice ration, 1 pound of wheat flour was offered at a rationed price that was lower than the price of ration rice (Gavan and Chandrasekara 1979).

As an additional measure to ease the burden of the food subsidy scheme, income taxpayers—who represented only a small fraction of the population—were no longer eligible to receive free rice in 1973 (Edirisinghe 1987). Thereafter, taxpayers (that is, individuals with a monthly income more than SL Rs 1,000) had to pay for their entire ration, whereas nontaxpayers were entitled to a portion of the ration free of charge (along with the
portion charged at the subsidized price). In 1973, taxpayers were entitled to 4 pounds of rice but were charged at the subsidized price (Ratnayake 2013). This policy measure continued until 1976—the quantity of ration entitlement was changed, but taxpayers continued to pay for the whole ration. In 1976, taxpayers were excluded from the food ration scheme altogether (Ratnayake 2013).

From 1973 to 1975, the government maintained a monopoly on procurement to ensure that sufficient supplies were available to distribute under the ration (Edirisinghe and Poleman 1976; Gavan and Chandrasekara 1979). That policy limited the quantity of paddy that private individuals could transport to a very small amount. However, the rapid increase in the price of paddy resulted in the legislation being annulled in 1975 (Gavan and Chandrasekara 1979).

**Economic Liberalization and the Food Subsidy Scheme, 1977–79**

In 1977, the Sri Lankan economy was liberalized, and the government elected that year implemented significant modifications to the food subsidy scheme. The new government had two main objectives: to liberalize the trading system and to raise domestic savings, according to Edirisinghe (1987). That policy outlook had a decisive impact on the food subsidy program. The time had come to acknowledge that, although the universal food subsidy scheme had played a major role in improving the quality of life of Sri Lankans, the cost of providing subsidized food to the entire population was no longer fiscally viable. Additionally, the new policies had led to a considerable devaluation of the currency by early 1978, which resulted in a substantial increase in the total food subsidy bill. That situation created an additional incentive to curb the food subsidy bill (Edirisinghe 1987).

However, political concerns also had to be addressed. Since its inception, the food subsidy scheme had proven to be extremely politically sensitive. Therefore, reductions in the food subsidy were “strategically phased” to minimize adverse reactions. Changes to the program were carried out over a two-year period (Edirisinghe 1987). As the first step, a means test was conducted in January 1978, leading to a decision to restrict subsidized rice to families with a monthly income below SL Rs 300; that is, approximately 50 percent of the population was entitled to receive 1 pound of rice free of charge and 3 pounds of rice at a subsidized price (Edirisinghe 1987). The decision to replace the food ration scheme with a food stamp scheme in 1979 is discussed later in this chapter.

**Agricultural Policy and the FOSA Program, 1940s to 1970s**

The food ration program was created to ensure the food security of the Sri Lankan people. Therefore, it is important to discuss the government’s approach to the domestic production of food and, in particular, its agricultural policies during this period.
Sri Lankan agricultural policy during the colonial era focused on producing tea for exportation, while importing rice at low prices for domestic consumption (Gavan and Chandrasekara 1979). During World War II, agricultural policy shifted to increasing domestic rice production. From independence in 1948 until the opening of the economy in 1977, the main focus was to attain self-sufficiency in the production of food, mainly rice (Gavan and Chandrasekara 1979; Sanderatne 2004). Higher domestic production was needed to ensure sufficient supplies for the universal food ration scheme.

The 1948–70 period was marked by the implementation of agricultural policies for (a) increasing the area of paddy cultivated land, (b) increasing production and productivity, and (c) developing institutions for farmers such as cultivation committees and rural banks (Henegedara 2002). The government undertook many policies emphasizing domestic production, including (a) allotting government land to landless peasants for rice cultivation, which resulted in extensive settlement of land in the dry zone; (b) providing fertilizers at highly subsidized prices; (c) providing irrigation at low cost; (d) developing and distributing high-yielding rice via an official network; and (e) distributing, via state banks, cultivation loans, most of which were never repaid because they came to be regarded as grants (Gavan and Chandrasekara 1979; Sanderatne 2004).

One of the most significant policy measures implemented to encourage domestic rice production was the guaranteed price scheme under which the government purchased paddy from farmers at a certified price. When the measure was first introduced in 1942 as the internal purchase scheme, farmers could sell either to the government or on the open market. However, during the severe rice shortage in 1944, government introduced a compulsory levy of 2–3 bushels of paddy per acre on all the cultivated lands and then purchased all paddy above farmers’ consumption level. During that time, nearly all available supplies of rice were rationed. The internal purchase scheme was replaced by the guaranteed price scheme in 1948, removing the elements of compulsion and allowing farmers to sell to whomever they wished (Edirisinghe and Poleman 1976).

With such focused attention, paddy production grew rapidly during the postwar era. Between 1952 and 1972, paddy production tripled as a result of increased acreage and yield per hectare. Gavan and Chandrasekara (1979) speculate that this may have been the most remarkable record of any rice-cultivating country. Sri Lanka’s food sufficiency ratio rose steadily until the 1970s, and rice imports were considerably lower in the early 1970s than they were in the 1950s, despite population growth (Gavan and Chandrasekara 1979).

In the 1970s, the growth rate of paddy production was disappointing. This slowdown has been attributed to crop losses associated with drought, shortages of fertilizer, and large decreases in the paddy-to-fertilizer price ratio in
1975 and 1976. Furthermore, the insurgency in 1971 disrupted government services and production at the farm level (Gavan and Chandrasekara 1979).

Therefore, the period of 1970–77 was marked by a protectionist regime with many interventionist policy measures, such as restricting food and agricultural inputs, regulating domestic rice production and trade (for example, greatly limiting the quantity of paddy that could be transported by individuals), and imposing ceilings on landownership (Henegedara 2002). During that period, the government imposed a monopoly on procurement for the purpose of ensuring sufficient supplies for food rations (Edirisinghe and Poleman 1976; Gavan and Chandrasekara 1979).

In 1977, the economy was liberalized and agricultural policy was reformed. The focus remained on achieving self-sufficiency in basic foods, but new policies were directed at expanding exports. Even though general tariffs were lowered as a result of trade liberalization, agriculture sector tariffs remained high, and quantitative restrictions were placed on some domestic food crops to encourage domestic production and provide protection against competition (Kelegama 2006; Sanderatne 2004).

**FOOD STAMP SCHEME, 1979–89**

In 1979, the food subsidy scheme was replaced by a food stamp scheme with a fixed monetary value of the stamp rather than a quantity of food entitlement. The objectives of introducing a food stamp scheme were (a) to stabilize the budget by fixing the value of food stamps and (b) to remove the government’s monopoly in food supply by creating opportunities for the private sector to get involved and for beneficiaries to purchase the food items they wanted (Ratnayake 2013).

Under the food stamp scheme, the value of the stamp was fixed in nominal terms, in contrast to the food subsidy scheme, under which the quantity of commodities was fixed. Food stamps could be used to purchase a basket of commodities composed of rice, wheat flour, sugar, dried fish, milk powder, and pulses. When the food stamp scheme was initially introduced, many food items were provided at subsidized rates, but by the end of 1982, the subsidies were almost completely eliminated (Edirisinghe 1987).

The food stamp program was a targeted program. The beneficiaries were households with an annual income below SL Rs 3,600. The value of stamps received by a family depended on the size and age composition of the family. For example, every child below age 8 was entitled to a stamp worth SL Rs 25 per month, whereas children age 8–12 were entitled to stamps worth SL Rs 20 per month. The household was entitled to stamps worth SL Rs 15 per month for every member over age 12.

Each household eligible for food stamps was also issued kerosene stamps worth SL Rs 9.50 per month to provide relief from rising fuel costs. The kerosene stamps could be used to purchase specific food items, but food stamps
could not be used to purchase kerosene. Households could obtain their food items from cooperative societies or authorized distributors. Unused food stamps could be deposited in the Post Office Savings Bank (Edirisinghe 1987; Ratnayake 2013).

The food stamps scheme helped the government to maintain a stable budget and reduce the fiscal burden. According to Edirisinghe (1987), the most striking characteristic of the new scheme was the allocation of a fixed nominal amount of approximately SL Rs 1.8 billion in the annual budget. However, the program had many weaknesses. The real value of stamps deteriorated over time as food prices rose, and no provision was made to change the value of the food stamps to maintain their real value (Ratnayake 2013). The program also suffered from targeting issues, primarily because the entry and exit mechanism was not implemented properly. As a result, the number of stamp recipients increased with every issue of the stamp—that is, every three months.

Furthermore, although coverage was restricted to half of households in the country, there were many exclusion and inclusion errors. In many instances, households that did not belong to the lower half of the expenditure range received benefits, while the target group (households with income below SL Rs 300)—the lowest quintile—received only 38 percent of the total expenditure on food stamps (Edirisinghe 1988). Such targeting errors resulted in the government’s decision to freeze new issues temporarily in 1980.

Another shortcoming of the food stamp scheme was that, although recipients were entitled to buy any food item they wanted using the food stamps, in practice they could buy only items such as rice, sugar, flour, and milk powder that the cooperative societies and authorized distributors issued in exchange for the stamp (Ratnayake 2013).

Estate sector households were relatively more affected by the shift from rations to food stamps than were urban and rural households: 21 percent of estate sector households received the rice ration in fiscal year 1978/79, (compared with 41 percent of urban households and 59 percent of rural households) (Edirisinghe 1987). The coverage of estate sector households declined to 13 percent in fiscal year 1981/82 after the introduction of food stamps (compared with 33 percent of urban households and 57 percent of rural households).

By the mid-1980s, poor households were receiving less relief from the food stamp scheme because no provisions had been made to adjust the real value of the stamp to the consumer price index. By 1982, the real value of the food stamps had shrunk by about 50 percent (Edirisinghe 1988).

The government capped total expenditures on the food stamp scheme. For the real value of the food stamps to have been preserved while keeping within the government budget allocation limits, the number of stamp recipients in 1985 would have had to be reduced from 7.5 million to 3.5 million (Ratnayake 2013). The government needed to reevaluate stamp-recipient families and fine-tune the targeting mechanism.
To form the legal basis for this reevaluation of beneficiaries, the Poverty Alleviation Act no. 32 of 1985 was enacted. Under this act, the Poverty Alleviation Department was charged with implementing the Poverty Alleviation Food Program. Through this legal change, food stamps became poverty alleviation stamps, and the poor had to declare their poverty to become entitled to the stamps. Furthermore, to reduce the number of beneficiaries, skilled workers (carpenters, masons, motor mechanics, tractor drivers) were removed from the scheme (Ratnayake 2013).

To be eligible for food stamps, a household’s monthly income had to be less than SL Rs 700. The selection process was based on the hypothesis that the nonpoor would hesitate to participate in a public selection process that was held in their area of residence because of concerns about social status (Ratnayake 2013). However, political pressure acted as a counter force in the endeavor to limit the number of beneficiaries. The Poverty Alleviation Department was instructed to refrain from displaying the lists of beneficiaries in public places, and the program, which was launched at great expense to the government, could not be implemented properly. Thus, when the new program was launched in June 1986, the number of beneficiaries who received poverty alleviation food stamps had increased from 6.8 million to 7.2 million (Ratnayake 2013).

By the late 1980s, the real value of the food stamps had eroded to such an extent that they could no longer be used as a political tool. Therefore, political attention turned to programs that could be financed by government funds and that could sway public opinion (Ratnayake 2013). From 1979 to 1989, when the food stamp scheme was in operation, the stamps were not very effective at alleviating poverty or contributing toward living expenditure. After the presidential election in 1989, the food-based safety net in Sri Lanka changed significantly with introduction of Janasaviya.

THE JANASA V IYA PROGRAM, 1989–94

Janasaviya (Strength of the People) was introduced in 1989 after the presidential elections. The objective was to shift the focus of social welfare policy from enhancing consumption and nutrition levels to alleviating poverty through employment creation and social mobilization (Stokke 1995). The program was designed in line with the new government’s development framework, which was based on mobilization and participation of the poor in the development process.

Janasaviya beneficiaries were selected from the former food stamp-recipient families whose monthly income was less than SL Rs 700. Under Janasaviya, a monthly grant of SL Rs 2,500 was allocated to each identified family for a period of two years. Of this allocation, SL Rs 1,458 was a monthly grant that consisted of two components: a consumption grant of SL Rs 1,000
and a grant of SL Rs 458. The former was given in the form of coupons to purchase food and nonfood items from local cooperative stores. The latter was given in the form of cash, which beneficiaries were encouraged to save for productive purposes. The balance of SL Rs 1,042 was to be received by beneficiaries at the end of two years as a lump sum (worth SL Rs 25,000), which could be used as capital or as collateral for a loan taken for an income-generating activity.

However, given the high costs associated with the program, the government was not able to provide the SL Rs 25,000 to beneficiaries at the end of the two-year period. Instead, beneficiaries received a “certificate of entitlement,” followed by a monthly grant of SL Rs 250—an amount similar to 10 percent interest on the total amount (Ratnayake 2013). In addition, beneficiaries had access to savings and credit facilities for income generation activities through community-based organizations supported by the Janasaviya Trust Fund.

In return for the benefits received, one member from each beneficiary family was expected to participate in productive work for 20 days a month (or be engaged in training). In addition, the family member was expected to contribute four days each month to community work (Stokke 1995). The labor that was mobilized under Janasaviya was managed and monitored by a community-level task force that (a) structured viable income-generating activities according to the available physical and human resources, (b) identified specific recipients for particular economic activities on the basis of their resources, and (c) provided supervision (Marasinghe 1993).

Because of the high costs involved, Janasaviya was implemented in several rounds, with each round covering about 100,000–120,000 families. Each round covered families selected from at least one district secretariat (DS) division from each district. The initial objective was to cover the poorest DS divisions in the first round and move to other divisions depending on their poverty level. Meanwhile, the food stamp scheme continued in other areas where Janasaviya was not implemented. From 1989 to 1994, the program completed four rounds. It was continuing with the fifth round when, in 1995, the new government replaced it with Samurdhi. Table 4.2 presents the number of families and the DS divisions covered by each round before Janasaviya was replaced.

Janasaviya was designed to help beneficiaries to satisfy their nutritional and consumption requirements through a monthly consumption grant, while encouraging them to save through a savings grant for future investment. Janasaviya was intended to alleviate poverty among beneficiaries within two years (by ensuring that they were given incentive to be employed or in training). However, at the end of the two years, most Janasaviya recipients were still trapped in poverty, and many of their self-employment initiatives had failed, primarily because of the poor quality of their products and the lack of marketing facilities (Ratnayake 2013). Furthermore, removal of the monthly
grant at the end of the two years worsened the situation of many beneficiaries. The subsequent program, Samurdhi, also sought to alleviate poverty through social mobilization, empowerment, and employment creation.

**SAMURDHI (DIVINEGUMA) PROGRAM, 1995–2015**

Samurdhi, 1995–2012

Samurdhi was introduced in 1995 by the People’s Alliance government as its main poverty alleviation program. It was designed to protect the poor by reducing their vulnerability in the short run and by helping them to move out of poverty in the long run. The program had three key components: (a) a welfare (grant) component, which was aimed at reducing vulnerability and improving consumption and nutrition levels among beneficiaries; (b) a savings and credit component, which operated through a network of Samurdhi banks and provided low-income families with access to loans and savings facilities for income-generating activities; and (c) a community-based rural works program for infrastructure development.

Initially, the grant component was administered by the Department of Poor Relief, the savings and credit component was managed by the Samurdhi Authority of Sri Lanka (SASL), and the community-based program was operated by the Department of Commissioner General of Samurdhi (DCGS). The cost of the welfare component has accounted for the bulk of the annual program budget (around 80 percent). Families with a monthly income of less than SL Rs 1,000 were eligible for the monthly welfare grant. Under the welfare (grant) program, these families were entitled to a fixed monthly grant that was given in the form of several “stamps” (coupons)—food stamps (to purchase goods from the cooperative shops), cash stamps (to purchase food items or to convert to cash), and savings stamps (to be used for compulsory savings and contributions to the social security fund).

The total monthly grant received depended on the number and monthly income of the family. Table 4.3 provides details of the monthly grant received by each category of family at the inception of the program. The monthly grant

<table>
<thead>
<tr>
<th>ROUND AND START DATE</th>
<th>NUMBER OF FAMILIES</th>
<th>NUMBER OF DIVISIONS COVERED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Round 2: December 03, 1990</td>
<td>104,000</td>
<td>22</td>
</tr>
<tr>
<td>Round 3: December 10, 1992</td>
<td>100,000</td>
<td>22</td>
</tr>
<tr>
<td>Round 4: March 14, 1993</td>
<td>99,000</td>
<td>25</td>
</tr>
<tr>
<td>Round 5: June 04, 1994</td>
<td>120,000</td>
<td>26</td>
</tr>
</tbody>
</table>

Source: Ratnayake 2013.
ranged from a minimum of SL Rs 100 per month to a maximum of SL Rs 1,000 per month (for the “poorest families,” whose monthly incomes were less than SL Rs 500 and who included more than five family members). The former Janasaviya-recipient families that were entitled to SL Rs 250 per month continued to receive SL Rs 250 per month under Samurdhi. Samurdhi-recipient families were expected to exit the program when their monthly income exceeded SL Rs 2,000 for six continuous months or when at least one family member found (regular) employment (Gunatilaka and others 1997).

In addition to the contribution to the social security fund, a compulsory savings component was included for families entitled to SL Rs 1,000 or SL Rs 500 per month. Those compulsory savings were initially deposited in the beneficiary’s account at state-owned banks such as the People’s Bank and the Bank of Ceylon (Glinskaya 2000; Gunatilaka and others 1997). However, after the Samurdhi banks were set up in the late 1990s, the compulsory

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### TABLE 4.3 Eligibility and Components of the Samurdhi Welfare (Grant) Program in Sri Lanka

<table>
<thead>
<tr>
<th>CATEGORY OF FAMILY</th>
<th>TOTAL AMOUNT RECEIVED (SL RS)</th>
<th>DISTRIBUTION OF COUPONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Families with household income &lt; SL Rs 500 and fewer than 5 members</td>
<td>1,000</td>
<td>SL Rs 400 (to purchase food items); SL Rs 380 (to buy goods or convert to cash); SL Rs 200 (to use for compulsory savings); SL Rs 20 (to use for insurance)</td>
</tr>
<tr>
<td>Families with household income &lt; SL Rs 1,000 and 3 or more members</td>
<td>500</td>
<td>SL Rs 200 (to purchase food items); SL Rs 180: (to buy goods or convert to cash) SL Rs 100 (to use for compulsory savings); SL Rs 20 (to use for insurance)</td>
</tr>
<tr>
<td>Families with household income &lt; SL Rs 1,000 and 2 members</td>
<td>200</td>
<td>Only to purchase food items</td>
</tr>
<tr>
<td>Families with household income &lt; SL Rs 1,000 and 1 member</td>
<td>100</td>
<td>Only to purchase food items</td>
</tr>
<tr>
<td>Former Janasaviya recipients</td>
<td>250</td>
<td>To buy goods or convert to cash</td>
</tr>
</tbody>
</table>

Source: Gunatilaka and others 1997.
savings were deposited in them. Compulsory savings could generally be withdrawn only after age 70 (which was reduced to age 60 in 2015) and for medical or educational purposes.

The value of food stamps and cash stamps accounted for the majority of the monthly grant. Food stamps could be used to purchase food items from the local cooperative shops. Cash stamps could be used at the cooperative shops to purchase food items or be used as cash. Stamps could only be exchanged for goods at the cooperative stores. After the Samurdhi banking societies were set up in the late 1990s, cash stamps could be used at the bank either to obtain cash or to make a deposit.

The Samurdhi welfare (grant) component underwent several changes in the past two decades to improve the quality of benefits and the structure and design of the program. As shown in table 4.4, beginning in 2000, the monthly value of grants or stamps increased for the majority of beneficiaries (except for those who received SL Rs 1,000). Moreover, the families that appeared to have moved above the income threshold (“empowered families”) received a minimum monthly grant of SL Rs 155.

| TABLE 4.4 Changes to the Samurdhi Welfare (Grant) Program in Sri Lanka, 1995–2015 |
|--------------------------------------|---------------------------------|
| BENEFICIARY CATEGORY               | AMOUNT (SL RS)                  |
| 1995–2000                          |                                 |
| Families with 1 member             | 100                             |
| Families with 2 members            | 200                             |
| Families with 3 or more members    | 500                             |
| Families of 5 or more, monthly income < SL Rs 500 | 1,000                       |
| Former Janasaviya families         | 250                             |
| 2000–05                            |                                 |
| Families with 1 member             | 250                             |
| Families with 2 members            | 350                             |
| Families with 3–5 members          | 600                             |
| Families of 6 or more members      | 1,000                           |
| Former Janasaviya families         | 400                             |
| Empowered families                 | 155                             |
| 2012–14                            |                                 |
| Families with 1 member             | 100                             |
| Families with 2 members            | 200                             |
| Families with 3 or more members    | 500                             |
| Families with 5 or more members, monthly income < SL Rs 500 | 1,000                       |
| Former Janasaviya families         | 250                             |

The table continues next page.
In 2006, the value of the grant was increased 50 percent in 141 DS divisions with the highest poverty rates. The maximum amount given was increased from SL Rs 1,000 to SL Rs 1,500, while the amount given to other categories of beneficiaries (except for empowered families) was also increased to some extent. Consequently, this policy raised the value of the food stamps as well as the cash stamps received by these families. By contrast, the monthly grant received by the beneficiaries in the other DS divisions remained largely unchanged (Institute of Policy Studies 2015; Tilakaratna, Galapattige, and Jayaweera 2013).

Changes to the Samurdhi Program since 2012
The Samurdhi welfare (grant) program underwent important reforms in 2012. These reforms included changes to the categories of beneficiary, amount of benefits, as well as the nature of the benefits. The number of beneficiary categories was reduced to four (from six) on the basis of family size, and the monthly grant amounts were increased for some categories of beneficiaries. Moreover, changes were made to the nature of benefits and the method of payment.

In 2012, food stamps (and cash stamps) were replaced by a cash transfer, and the total value of the food and cash stamps was transferred directly to the beneficiary accounts at the Samurdhi banks. This transfer was facilitated by the well-established Samurdhi banking system, which had more than 1,000 branches islandwide. The compulsory savings and social security contributions were deducted from the total monthly grant and transferred directly to the relevant fund or account.
Many reasons led to these changes in the payment and delivery method, but the primary reason was inefficiencies related to delivery (cooperative stores). Widespread inefficiencies in the delivery system included (a) long delays in the issuance of goods and uncertain delivery dates, which required beneficiaries to visit the cooperative shops on several days and adversely affected their income-earning opportunities; (b) poor quality of goods available at cooperative stores; (c) corrupt practices such as charging higher prices than those charged by other retail stores in the area; and (d) difficulty of using the cash stamps, with beneficiaries having to purchase what was available rather than what they wanted or needed (Gunatilaka and others 1997).

The changes in the method of payment and delivery were expected to address the problems of the previous system and to improve efficiency. Moreover, they were expected to promote savings and investment among the poor because the total net grant would be transferred directly to the beneficiaries’ bank accounts. They were also expected to encourage beneficiaries to use financial institutions like the Samurdhi banks for their financial needs, to be more convenient for beneficiaries because the grant amount would be transferred directly to their bank accounts, and to reduce costs overall by eliminating the need to print “stamps” (Institute of Policy Studies 2015; Tilakaratna, Galapattige, and Jayaweera 2013).

In 2014, the Divineguma Department was formed to oversee Samurdhi, which was renamed Divineguma. Samurdhi had been administered by the DCGS and the SASL—in 2014, the DCGS and the SASL (along with the Up-Country Peasantry Rehabilitation Department, the Sri Lanka Up-Country Development Authority, and the Southern Development Authority) were integrated to form the Department of Divineguma Development (under the Divineguma Act no. 1 of 2013).

Some changes were made to the organizational structure of the program with passage of the Divineguma Act, but no major changes were made to the welfare program or to any of the other components, such as the credit and savings program. Following the general elections in August 2015 and the change of government, changing the name of the program back to Samurdhi was discussed. In 2015, changes were made to the categories of beneficiary and the amount of subsidy, with a maximum monthly amount of SL Rs 3,500 per family (and a minimum amount of SL Rs 420) beginning in April 2015.

Currently, Samurdhi/Divineguma covers nearly 1.5 million families. The number of Samurdhi-recipient families has declined over the years from nearly 2 million in 1997–2001 to around 1.47 million in 2015. The program has been widely criticized for lapses in targeting—both inclusion errors, that is, including persons who are not eligible to receive benefits, and exclusion errors, that is, excluding persons who are eligible (Glinskaya 2000; Institute of Policy Studies 2015; Tilakaratna, Galapattige, and Jayaweera 2013). As shown in table 4.5, targeting has deteriorated over the years. In 1995–96,
nearly two-thirds of households in the bottom two deciles were Samurdhi beneficiaries; this number declined over the years so that today only around 36 percent of households in the poorest decile are beneficiaries.\textsuperscript{10}

In fiscal year 2012/13, 16.4 percent of households in the country were receiving Samurdhi cash transfers, with some households having multiple beneficiaries. This figure is about three times higher than the percentage of poor households in the country (5.3 percent). However, the targeting errors are substantial—14.4 percent of Samurdhi-recipient households (accounting for about 88 percent of beneficiary households) are nonpoor, and only a small share of beneficiaries are from poor households as defined by the national poverty line (Department of Census and Statistics 2016). By contrast, many poor households do not receive Samurdhi cash benefits.

For instance, only about 38 percent of poor households receive the Samurdhi cash transfer, while more than 60 percent of poor households are excluded from the program. Such inclusion and exclusion errors are observed in all of the country’s districts. As shown in figure 4.1, the percentage of households receiving cash transfers under the program is higher than the percentage of poor households in the majority of districts. However, the share of Samurdhi recipients who are nonpoor is larger in all districts, and the share of households that are poor but not receiving Samurdhi benefits is significant.

The lack of clearly defined criteria for selecting beneficiaries and the lack of a systematic entry and exit mechanism are the key reasons for the persistence of targeting errors. The selection criterion for beneficiaries, at the inception of the program, was family income of less than SL Rs 1,000 a month

### TABLE 4.5 Percentage of Households Receiving Samurdhi Benefits in Sri Lanka, by Income Decile, Fiscal Years 1995/96–2012/13

<table>
<thead>
<tr>
<th>DECILE</th>
<th>1995/96</th>
<th>2006/07</th>
<th>2009/10</th>
<th>2012/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (poorest)</td>
<td>65.6</td>
<td>57.74</td>
<td>46.58</td>
<td>36.5</td>
</tr>
<tr>
<td>2</td>
<td>61.2</td>
<td>48.61</td>
<td>37.41</td>
<td>28.7</td>
</tr>
<tr>
<td>3</td>
<td>58.0</td>
<td>44.19</td>
<td>35.30</td>
<td>23.1</td>
</tr>
<tr>
<td>4</td>
<td>50.9</td>
<td>34.38</td>
<td>27.40</td>
<td>20.3</td>
</tr>
<tr>
<td>5</td>
<td>45.0</td>
<td>30.68</td>
<td>23.75</td>
<td>17.6</td>
</tr>
<tr>
<td>6</td>
<td>38.2</td>
<td>23.21</td>
<td>21.19</td>
<td>13.8</td>
</tr>
<tr>
<td>7</td>
<td>31.3</td>
<td>20.15</td>
<td>14.38</td>
<td>9.4</td>
</tr>
<tr>
<td>8</td>
<td>22.2</td>
<td>13.32</td>
<td>10.50</td>
<td>6.5</td>
</tr>
<tr>
<td>9</td>
<td>13.4</td>
<td>8.89</td>
<td>7.58</td>
<td>4.9</td>
</tr>
<tr>
<td>10 (richest)</td>
<td>4.8</td>
<td>3.79</td>
<td>3.20</td>
<td>2.7</td>
</tr>
<tr>
<td>Total</td>
<td>39.1</td>
<td>28.50</td>
<td>22.70</td>
<td>16.4</td>
</tr>
</tbody>
</table>

Sources: Calculations based on Department of Census and Statistics 2013; Galapattige 2010; Institute of Policy Studies 2015; Tilakaratna, Galapattige, and Jayaweera 2013.
(which was later raised to SL Rs 1,500). In the mid-2000s, an attempt was made to address targeting errors by adopting a participatory methodology in which community members would select potential beneficiaries. That attempt failed for political reasons.

Currently, there are no clear eligibility criteria for selecting beneficiaries—once identified, families simply continue to receive benefits. Moreover, Samurdhi lacks an entry and exit mechanism (a) to identify the “new poor” (that is, nonpoor households that fall into poverty because of various risks and vulnerabilities) and (b) to remove households that are no longer poor.

Until recently, the new entrants were added to Samurdhi/Divineguma mostly to replace beneficiaries who voluntarily exited the program or were deceased. However, that practice has been halted since mid-2015, and the department is working to devise eligibility criteria for selecting beneficiaries and to improve targeting (Institute of Policy Studies 2015; Tilakaratna, Galapattige, and Jayaweera 2013).

Recent attempts to improve the quality of benefits by increasing the amount of cash transfer increased the cost of the program substantially in 2015 (figure 4.2). In 2015, program costs increased more than 150 percent from the 2014 level, reaching more than SL Rs 40 billion. This development underlines the need to improve targeting by reducing the number of beneficiaries, while ensuring that the “neediest” groups receive the benefits. Such action would help to reduce the cost of the program and ensure its sustainability.
SUMMARY: THE TRANSITION FROM FOOD TO CASH TRANSFERS

As discussed in this chapter, Sri Lanka has moved from universal food-based safety net programs to targeted cash transfer programs over the years. The evolution from a universal food ration scheme to a food stamp scheme and then to a cash transfer program was driven by various factors. In this section, we discuss different stages of the transition and the underlying factors that contributed to the changes.

Food rationing was introduced in Sri Lanka to ensure social welfare during World War II. The scheme was universal and generous, and it was not abandoned when the war ended.

From 1948–70, the percentage of the population that received the food ration fluctuated, but the program always covered 70–90 percent of the population (table 4.6). Furthermore, the total number of beneficiaries grew steadily, along with total population.

Escalation of the fiscal burden of the program was inevitable, making it imperative to rein in expenditures. However, as evinced by the food riots in the mid-1950s and shifts in government power following major reductions in the subsidy benefits, it was not politically feasible to reform the food subsidy scheme until 1978, when the universal ration scheme was replaced with a targeted scheme that limited benefits to households with a monthly income below a defined level. This type of policy measure was previously politically infeasible, so it bears investigating how the modification was managed.
During the 1977–78 period, Sri Lanka underwent a critical political and economic transformation. The economy was liberalized in 1977. A new constitution was introduced in 1978 that changed the Sri Lankan political structure by introducing the role of executive presidency and centralizing the power structure. The opening up of the economy resulted in the rupee becoming significantly devalued, which increased the import bill and made it essential to rationalize food subsidy expenditure. The strength of the executive presidency and the majority government helped the government to introduce radical reforms to food policy, while mitigating the political complications.

Consequently, in 1978, the universal food ration was replaced by a targeted food ration that covered approximately 50 percent of the population. The next major change was the introduction of a food stamp scheme in 1979. Up to this point, the benefits received by beneficiaries were defined in terms of the quantity of food that could be bought at subsidized rates. With the introduction of the food stamp scheme, benefits were defined in terms of the amount of food that could be bought for the value of the food stamp. When that adjustment was first implemented, beneficiaries could still buy food items at subsidized rates, but those subsidies were eliminated by the end of 1982. The government took further steps to restrain the expenditures by establishing a limit on the budget allocated to food stamps.

### TABLE 4.6 Percentage of the Population Receiving Food Subsidies or Rations in Sri Lanka, 1948–70

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NUMBER OF RATION COUPON BOOKS ISSUED</th>
<th>TOTAL POPULATION</th>
<th>% OF THE POPULATION RECEIVING THE FOOD SUBSIDY OR RATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948</td>
<td>6,339,000</td>
<td>7,109,000</td>
<td>89.17</td>
</tr>
<tr>
<td>1949</td>
<td>6,514,000</td>
<td>7,321,000</td>
<td>88.98</td>
</tr>
<tr>
<td>1950</td>
<td>6,519,000</td>
<td>7,544,000</td>
<td>86.41</td>
</tr>
<tr>
<td>1951</td>
<td>6,780,000</td>
<td>7,742,000</td>
<td>87.57</td>
</tr>
<tr>
<td>1952</td>
<td>6,920,000</td>
<td>7,950,000</td>
<td>87.04</td>
</tr>
<tr>
<td>1953</td>
<td>6,144,000</td>
<td>8,150,000</td>
<td>75.39</td>
</tr>
<tr>
<td>1954</td>
<td>6,884,000</td>
<td>8,350,000</td>
<td>82.44</td>
</tr>
<tr>
<td>1955</td>
<td>6,140,000</td>
<td>8,550,000</td>
<td>71.81</td>
</tr>
<tr>
<td>1956</td>
<td>6,829,760</td>
<td>8,800,000</td>
<td>77.61</td>
</tr>
<tr>
<td>1957</td>
<td>7,182,269</td>
<td>9,165,000</td>
<td>78.37</td>
</tr>
<tr>
<td>1958</td>
<td>7,539,667</td>
<td>9,361,000</td>
<td>80.54</td>
</tr>
<tr>
<td>1959</td>
<td>8,060,543</td>
<td>9,498,000</td>
<td>84.87</td>
</tr>
<tr>
<td>1960</td>
<td>8,522,069</td>
<td>10,063,000</td>
<td>84.68</td>
</tr>
<tr>
<td>1965</td>
<td>10,074,992</td>
<td>11,232,000</td>
<td>89.69</td>
</tr>
<tr>
<td>1970</td>
<td>11,162,763</td>
<td>12,514,000</td>
<td>90.20</td>
</tr>
</tbody>
</table>

Source: Ratnayake 2013.
Although those steps reduced government expenditure, they compromised the welfare objective by making no provisions to adjust the real value of the food stamps in par with inflation. The contribution of food stamps to household income was small. Furthermore, because of problems in targeting and the lack of an entry and exit mechanism, the number of beneficiaries continued to rise, prompting the government to freeze the issuance of stamps for new beneficiaries.

The significance of the food stamp program as a welfare benefit scheme declined over time, and it was replaced by Janasaviya following the presidential election in 1989. According to Stokke (1995), two interpretations of the program are possible: one view is that Janasaviya was a “massive personal propaganda show orchestrated by a populist president”; the other is that it was a “movement in civil society for the true empowerment of the poor.” Regardless of the true motivations, an undeniable shift occurred in the focus from ensuring food security (via food stamps) to alleviating poverty through employment creation, social mobilization, and improved consumption.

As discussed earlier in this chapter, Janasaviya included (a) a consumption grant given in the form of coupons to purchase food and a grant to use for savings (both given on a monthly basis for 24 months) and (b) a lump sum to be received at the end of the two-year period to be used for an income generation activity. Assistance for food or consumption was only one part of the program. However, Janasaviya was implemented only in certain divisions of the country, while the food stamp scheme continued to be implemented in others.

Because of the program’s high cost, the government was unable to grant the benefits that were promised at the end of two years or to ensure sustained self-employment for most families (Gunatilaka and others 1997). A new government came to power in 1994 and introduced a new poverty alleviation program, Samurdhi, in 1995.

Samurdhi followed the same principles of poverty alleviation and social mobilization. It had three key components: a welfare (grant) component, a credit and savings scheme, and a community-based program. The welfare component accounted for a major share of the program budget and consisted of a food stamp that could be used to purchase food items from the cooperative stores and a cash stamp that could be used to purchase food or obtain cash.

However, delivery through cooperative stores was inefficient, including delays in issuing goods, questionable quality of the available goods, and mismatch between the goods available and the needs of beneficiaries. The inefficiencies led to major changes in the welfare component in 2012. The food stamps (and cash stamps) were replaced by a cash transfer, and the money was transferred directly to beneficiaries’ accounts at the Samurdhi banks. That transition was facilitated by the Samurdhi bank network. The shift in focus from improving consumption and nutrition levels to alleviating poverty
also supported the reform because the cash grant allowed beneficiary families to have more choice in how to use the grant—\textit{for} food and consumption or for investment.

As the welfare or safety net programs changed from a universal FOSA program to a targeted cash transfer scheme, the benefits, as well as the beneficiaries (proportion of population covered), also changed. Figure 4.3 depicts the approximate coverage of the population from the beginning of the universal food ration to Samurdhi in 2015.

The transition occurred over seven decades, culminating in the targeted income transfer scheme of today. First, the universal feature was removed. Then, the subsidies on the price of rationed food were discontinued. Next, a food stamp scheme was introduced, limiting the benefits to food items that could be purchased for a certain monetary limit. Later, the focus was changed to poverty alleviation in which food stamps were only one of the key components. The food stamp component was then replaced with a cash grant without stipulating how the grant should be used.

Furthermore, the significance given to ensuring food security and enhancing nutritional status diminished over time, with greater emphasis placed on creating employment opportunities and enhancing productivity. Janasaviya required beneficiaries to work (or be in training) for a stipulated time period to receive benefits. In addition to the consumption grant, Janasaviya beneficiaries received a separate grant that could be saved and used for productive activities.

\textbf{FIGURE 4.3}

\textit{Coverage of Food-Based Social Assistance Programs in Sri Lanka, 1942–2016}

Source: Estimates based on Edirisinghe 1987; Ratnayake 2013; estimates for number of Samurdhi/Divineguma beneficiary families based on Divineguma Department information.
This trend was amplified by the Samurdhi benefit scheme. At its inception, only 40 percent of the total amount received by the two categories of beneficiary receiving the highest benefits under Samurdhi grant was defined as a food stamp—the balance of the grant consisted of a cash transfer, a compulsory savings component, and an insurance component. In 2012, the food stamp component was eliminated and replaced by a cash transfer.

Those transformations were driven by budget constraints, problems in the prevailing scheme, and political concerns. For example, budgetary constraints led to replacement of the food ration scheme with a food stamp scheme in 1979, while problems with the delivery system led to a cash transfer program in 2012. The lack of commitment by the political parties to continuing benefits that were defined by previous regimes were also contributory factors (for example, in replacing Janasaviya with Samurdhi). Changes in the political regime were often followed by changes in welfare policies and programs.

Despite Sri Lanka’s shift in focus from FOSA to cash transfers, a handful of nutrition and food-based programs have continued to operate for certain targeted groups, such as children and pregnant and lactating women. The Thriposha national food supplementation program, implemented in 1979, is carried out by the Ministry of Health and Indigenous Medicine, with the aim of improving the nutrition status of infants and children and pregnant and lactating mothers. Under this program, children ages 6–59 months, pregnant women, and lactating mothers (for the first six months after giving birth) who are identified as undernourished or underweight are given nutrition packs (containing energy, protein, and micronutrients) on a monthly basis. This program currently has more than 900,000 beneficiaries. Moreover, the Mid-day Meal and Glass of Milk programs are carried out by the nutrition unit of the State Ministry of Education to enhance the nutritional status of students in grades 1–5 in selected schools in rural areas. Thriposha, with collaboration from the World Food Programme, also provides mid-day meals to primary- and secondary-level students in selected schools. In addition to the nutrition programs for schoolchildren, a mid-day milk program is carried out for preschool children.

LESSONS LEARNED

The rich experience of Sri Lanka offers several important lessons for other countries. First, the modality of delivering assistance by itself cannot resolve key performance issues. The unsatisfactory targeting of rations and then vouchers was somewhat inherited by the cash transfer scheme.

Second, it is important to ensure that transfers are adequate once the transition to near cash or cash is undertaken. In an inflationary environment, fixing the value of transfers (with no built-in mechanism for adjusting their size) may erode their value over time, weakening their effects—a warning for the Arab Republic of Egypt and other countries that are moving toward near-cash modalities.
Granted, the erosion of benefits and enrollment procedures that limit entry to the program de facto can help to reduce fiscal costs over time, but if the program continues to perform poorly, it will be not constitute a good use of public coffers. As such, a reduction in fiscal outlays should not be confused with a deliberate strategy of reallocating funds toward better-performing programs or with efforts to improve the performance of the current scheme.

Third, it is possible to phase out the use of cooperative or public food distribution channels in the delivery of social assistance. Indonesia and Mexico, among other countries, can look to the example of Sri Lanka when addressing challenges in their delivery systems.

NOTES

1. According to Edirisinghe and Poleman (1976), import prices increased 400 percent between 1939 and 1948.
2. Under the food subsidy scheme, rice was the first commodity to be subsidized. Eventually, subsidies were extended to most other food items except sugar (Ratnayake 1998).
3. The wheat ration or subsidy started along with the rice ration and continued until the mid-1990s because the government wished to control the price of bread. Ratnayake (2013) provides a detailed account of fluctuations in the rice ration and consequent changes in the wheat ration.
4. Between 1970 and 1976, imports satisfied 30 percent of the country’s rice consumption, 100 percent of its wheat consumption, and 87 percent of its sugar consumption (Gavan and Chandrasekara 1979).
5. The postal, telegraph, railway, and electricity rates were also subject to price hikes (Edirisinghe and Poleman 1976).
6. All of the applicants were called to a public place, and the names of selected recipients were publicly displayed.
7. At a later stage, the Samurdhi welfare component was also taken under the purview of the DCGS, and in 2014, the DCGS and the SASL were amalgamated to form the Department of Divineguma Development.
8. In 2012, the food stamp component was replaced with a cash transfer, and the total value of the food and cash stamps was transferred directly to the beneficiary’s account at a Samurdhi bank.
9. These amounts have been increased over the years. At present, the allowance for a birth is SL Rs 5,000; for a marriage is SL Rs 5,000; for a death is SL Rs 10,000; and for a hospitalization is SL Rs 200 per day.
10. In the Samurdhi/Divineguma cash transfer program, the unit considered is the family, and some households can have multiple families.

REFERENCES


