**Sharing Best Practices – Sri Lanka**

**Improving cost effectiveness and distribution efficiency utilizing market forces in implementing welfare measures**

Sri Lanka’s fascinating achievements in human development sphere is an inevitable result of various social welfare policies implemented by the successive governments came into power since independence. Despite the heavy burden on the government’s budget and with the low level of government revenue, the successive governments continuously implemented the said social welfare policies. In the present socio-economic backdrop, the sustainability of such policies have been challenged and therefore it is essential to reshape the subsidies given to the people and welfare programmes implemented by the government in a manner so as to ensure that the benefits are received by the targeted beneficiaries.

1. **Fertilizer Subsidy Programme** 
   * + - The fertilizer subsidy programme is one of the longest lasting, more expensive and most politically sensitive policies implemented by the government with a view to promoting paddy cultivation in Sri Lanka. The programme initiated in 1962 and continues up to date despite the budgetary constraints.
     + The programme had to undergo changes from time to time.
     + During the period from 1962 to 1989, the subsidy was provided for all three main types of fertilizer, namely Nitrogen (N), phosphorus (P) and Potassium (K) – targeted primarily at paddy.
     + The subsidy was not provided during the period between 1990 and 1994, but reintroduced in 1995 for all three types of fertilizer.
     + The subsidy was limited to Urea during the period of 1997 – 2004.
       - Since 2005, the subsidy has again been expanded to cover all three types. The price of a 50kg bag of fertilizer has been set at Sri Lankan Rupees 350/- (equivalent to US$ 3.07) regardless of the price in the world market. Paddy farmers are eligible to apply for the fertilizer subsidy provided, if the farmers have legal title to their paddy lands.

It is widely accepted that the fertilizer subsidy has led to increased land productivity and encouraged farmers to expand the extent of lands used for paddy cultivation. (Annual Reports of Central Bank of Sri Lanka)

***It has, however resulted in certain policy failures too:***

* Once purchased, fertilizer was also applied to paddy that is cultivated on lands where the farmers do not have legal title and as well as to crops other than paddy.
* Inefficiency in distributing fertilizer through the government institutional mechanism.
* Excessive usage of fertilizer has created concerns on pollution of waterways by heavy metals such as Cadmium. Accumulations of Cadmium in water bodies as well as in plants and animal tissues have led to increased prevalence of chronic renal failures.

Paddy cultivation provides livelihood opportunities for nearly one million farmers in the country and hence the government has been under constant pressure to continue the fertilizer subsidy. Any significant deviations from the status quo could create unrest among farmers.

Therefore, taking into consideration the existing realities, the Cabinet has decided to provide a cash grant of Rs.25,000/- (equivalent to US$175) per hectare for a maximum extent of 2 hectares in place of the existing subsidy, commencing from the 2015 Yala Season.

* + This allows the farmers a greater flexibility in selecting farm inputs and thereby increasing the productivity.
  + In a backdrop of promoting the application of carbonic fertilizer, this initiative will lead towards achieving the said goal.
  + Further, this will reduce the application of fertilizer to the lands contributing towards the Government’s, especially H.E. the President’s efforts on environment protection and conservation.
  + At the same time, this will help to encounter the threatening diseases such as Chronicle Kidney Disease (CKDu).

Since the Government provides only a cash grant, expenses on distribution of fertilizer need not be borne and that will be economically beneficial to the government.

1. **Provision of Vouchers instead of providing materials for School Uniforms**

The Government of Sri Lanka commenced the programme on providing uniform materials to school children free of charge in early 1990s and since then the successive governments came into power continuously implemented the said programme reiterating their commitment towards free education.

The major challenges the Government had to face when providing school uniform materials with the school children were –

* the timely provision of such uniform materials to students
* the supply of those materials according to the specified standard.
* undue delays caused in the cumbersome procurement process.
* existed monopoly in the field.
* the Government also has to incur a considerable cost for packing, storing and transportation of such uniform materials.

Having considered this situation, in 2015, the Minister of Education made a proposal to the Cabinet to implement a programme for the provision of cash vouchers instead of providing school uniform materials to school children, from the year 2016, enabling them to purchase high quality uniform materials from any shop in the Island, as recommended by the Cabinet Committee on Economic Management. The said proposal was approved by the Cabinet and it was implemented for the first time in December, 2015.



As per the information furnished to the Cabinet, the newly introduced system of providing cash vouchers instead of providing school uniform materials to school children had been successfully implemented in 2015.

Through the above initiative, the government and as well as the school children were able to reap the following benefits:

* School children were able to obtain materials for school uniforms with proper standard and quality as expected by the Government.
* The Government was able to abolish the monopoly existed in the field.
* The Government was able to save money previously spent for storing, packing, transportation and quality controlling.

Taking into consideration the success gained through the above new system, the Cabinet approved to implement the said system in the year 2017 and in upcoming years based on the experiences in last year and minimizing shortcomings encountered.

The above two initiatives *inert alia* could be cited as the measures recently taken by the Government of Sri Lanka to improve the cost effectiveness and distribution efficiency utilizing market forces in implementing welfare measures. Sometimes it may be too early to share these as best practices. But we believe sharing such initiatives and experiences will be useful to our colleagues from this region who encounter with similar issues in determining alternatives for same.