



## 1. Project Data

<b>Project ID</b> P156056	<b>Project Name</b> LK-Social Safety Nets Project	
<b>Country</b> Sri Lanka	<b>Practice Area(Lead)</b> Social Protection & Jobs	
<b>L/C/TF Number(s)</b> IDA-59150	<b>Closing Date (Original)</b> 30-Jun-2022	<b>Total Project Cost (USD)</b> 73,183,344.66
<b>Bank Approval Date</b> 02-Dec-2016	<b>Closing Date (Actual)</b> 30-Jun-2023	
	<b>IBRD/IDA (USD)</b>	<b>Grants (USD)</b>
Original Commitment	75,000,000.00	0.00
Revised Commitment	75,000,000.00	0.00
Actual	73,183,344.66	0.00

<b>Prepared by</b> Shahzad Mobasher Fard	<b>Reviewed by</b> Salim J. Habayeb	<b>ICR Review Coordinator</b> Susan Ann Caceres	<b>Group</b> IEGHC (Unit 2)
--	--	--	--------------------------------

## 2. Project Objectives and Components

### a. Objectives

According to p. 5 of the Financing Agreement, the project development objective (PDO) was to "contribute to the improved equity, efficiency and transparency of the Recipient's social safety net programs for the benefit of the poor and vulnerable". This PDO may be decomposed as: For the poor and vulnerable: (i) contribute to the improved equity of Sri Lanka's social safety net programs; (ii) contribute to the improved efficiency of Sri Lanka's social safety net programs; and (iii) contribute to the improved transparency of Sri Lanka's social safety net programs.



P. 7 of the Project Appraisal Document (PAD) defined:

- **Equity** as the capacity of the programs to focus on resources on the poorest, minimizing errors of inclusion and exclusion;
- **Efficiency** as the administrative efficiencies that will be realized under the new safety net system; and
- **Transparency** as the adoption of clear application and selection processes across programs and geographic locations, and to the improved capacity for the central government to monitor and evaluate programs.

b. **Were the project objectives/key associated outcome targets revised during implementation?**

No

c. **Will a split evaluation be undertaken?**

No

d. **Components**

Project delivery was to be supported by the following component activities at appraisal:

**Component 1: Building a Unified Social Registry (approved amount: US\$30 million; revised amount at 2020 restructuring: US\$25 million; revised amount at 2022 restructuring: US\$24.2 million; actual amount: US\$25 million)**

Provision of support to finance Eligible Expenditure Programs against achieving Disbursement Linked Results under the following activities:

- **Component 1.1: Development of a Unified Social Registry:** development of a secure, flexible and unified Social Registry Information System (SRIS), including data on all current and former program beneficiaries and new applicants, to serve as a single source of verified information on each beneficiary and their household, and to facilitate improved targeting based on objective criteria for the Welfare Benefit Scheme.
- **Component 1.2: Roll-out of the Social Registry Information System (SRIS) Interface to Divisional Secretariat (DS) Offices:** establishment of access points at and roll-out of the SRIS interface to all DS offices.

**Component 2: Integrated Service Delivery Systems (approved amount: US\$35 million; revised amount at 2020 restructuring: US\$45 million; revised amount at 2022 restructuring: US\$45 million; actual amount: US\$45 million)**

Provision of support to finance Eligible Expenditure Programs against achieving Disbursement Linked Results under the following activities:

- **Component 2.1: Recertification and Enrollment of Beneficiaries:** (i) collection of data on current beneficiaries and new applicants of programs under the Welfare Benefit Scheme; (ii) recertification of existing beneficiaries and enrollment of newly qualifying beneficiaries of programs under the Welfare Benefit Scheme using the beneficiary eligibility criteria approved by the Cabinet of Ministers;



(iii) development and publication of exit protocols to ensure a clear process for removing unqualified beneficiaries; and (iv) establishment of a community-based grievance redress system at the DS level to address complaints against selection decisions.

- **Component 2.2: Transition to an Integrated Program Management Information System:** (i) development and piloting of an integrated program management information system (MIS) for programs under the Welfare Benefit Scheme; and (ii) provision of training and technical assistance to relevant staff on the use of the MIS.

**Component 3: Support for Project Implementation, Monitoring and Planning (approved amount: US\$10 million; revised amount at 2020 restructuring: US\$2.74 million; revised amount at 2022 restructuring: US\$3.54 million; actual amount: US\$2.74 million)**

- **Component 3.1: Technical Assistance to Support the Implementation of the Welfare Benefits Act:** provision of support for efficient Project management including: (i) strengthening the capacity of the Project Management Unit and the Welfare Benefits Board; (ii) monitoring and evaluation of Project activities including DLR verifications, progress reporting, monitoring and evaluation, procurement, and financial management; (iii) facilitation of public awareness and communications; and (iv) technical advisory services and Incremental Operating Costs, facilitation of training, acquisition of goods and equipment.
- **Component 3.2: Safety Net Program Monitoring:** provision of support for the establishment of a dedicated Project monitoring team including technical assistance to enable this team to produce annual reviews of program implementation based on the SRIS and program management information system, and develop an action plan to expand the new system to other social safety net, social insurance and labor market programs.
- **Component 3.3: Developing a National Social Protection Strategy:** development of a national social protection strategy including carrying out of assessments of social insurance and labor market programs, development of options for graduation and exit strategies in existing programs, and exploring the potential for consolidation of programs.

### **Revisions to components:**

The first restructuring led to Component 2 activities being replaced with:

- The provision of temporary cash transfers to existing Samurdhi household beneficiaries and households on the waiting list during COVID-19 pandemic based on list of households stored in the Social Registry; and
- The development of a field-based platform to allow local officials to update the Social Registry, along with training being provided to local officials on the use of the platform.

The third restructuring led to data collection being included under Component 3 activities.

### **e. Comments on Project Cost, Financing, Borrower Contribution, and Dates**

**Project Cost.** The project was approved for an amount of US\$75 million. The actual amount disbursed was US\$73.2 million. The difference between the approved amount and the actual amount disbursed is



explained by an undisbursed amount of US\$0.22 million and fluctuations of the Special Drawing Rights against the U.S. dollar.

**Financing.** The project was financed through an International Development Association credit of US\$75 million. Disbursements for Component 1 and 2 activities were conditioned by a results-based financing modality based on the achievement of specific results measured by disbursement-linked indicators (DLIs), subdivided into periodic disbursement-linked results (DLRs). Under Component 1 activities, DLIs comprised of: (i) Welfare Benefit Board (WBB) established and fully functional (DLI 1); (ii) SRIS active and operational (DLI 2); and (iii) Welfare program budget under the Welfare Benefit Scheme (WBS) (DLI 3). Under Component 2 activities, DLIs comprised of: (i) Social registry populated with current data on beneficiaries of programs under the WBS (DLI 4); (ii) WBS beneficiaries qualifying under the eligibility criteria (DLI 5); and (iii) Divisional secretariats using the integrated MIS for program delivery (DLI 6). A number of adjustments to DLIs were made at the first and third restructuring as explained on p. 5 of the ICR.

**Dates.** The project was approved on December 2, 2016, and became effective on February 24, 2017. There was no mid-term review held for this project due to delays caused by the COVID-19 pandemic. The project closed on June 30, 2023, a year later than envisaged, with the second restructuring extending the closing date by 12 months. The project underwent three level 2 restructurings on April 27, 2020, June 27, 2022, and December 12, 2022. The first restructuring led to changes in the results framework, changes in components and costs, and to a reallocation between disbursement categories. The second restructuring led to changes to the results framework, the credit closing date, legal covenants, institutional arrangements, and implementation schedule. The third restructuring led to changes in the results framework, components and costs, and in the implementation schedule, as well as reallocations between disbursement categories.

### 3. Relevance of Objectives

#### Rationale

**The PDO addressed Sri Lanka's priority constraints to its social protection system at the time of appraisal, which remained relevant until project closing.** Sri Lanka's social protection system was fragmented, decentralized, largely paper-based, and not targeted to the most vulnerable segments of the population, leading to significant inclusion and exclusion errors which undermined the equity and efficiency of the system. While the largest of these non-contributory cash transfer programs, i.e., Samurdhi, was run by the Ministry of Social Empowerment and Welfare (MOSEW), Provincial Councils and several other ministries also ran their own social protection programs. Social protection programs were implemented at the local level, with 332 DSs reporting to the district secretaries under the Ministry of Home Affairs (MOHA) and record keeping was largely paper-based. Within each DS, the 14,022 village officers working under the MOHA, known as *Grama Niladaris* (GNs), interacted with 500–1,000 households and were charged, among other things, with conducting social welfare activities and maintaining program lists approved by the DS. The lack of coordination of GNs with ministries at the central government level limited the scope of central control and planning, adversely impacting the accountability and transparency of the social protection system. Further, the accountability of the social protection system was also undermined by the fact that household incomes used to determine eligibility to social protection programs were self-reported by households. Finally, exit mechanisms were not sufficient to remove beneficiaries who no longer satisfied the income-means test, precluding eligible individuals from qualifying for social assistance.



**The PDO built upon a number of initiatives taken by the government in the period leading to project appraisal, which included, notably:**

- The Welfare Benefits Act passed in 2002 began to be implemented in February 2016. The implementation of the Act led to the establishment of the Welfare Benefits Board under the Ministry of Finance charged with beneficiary selection and payment for all social safety net programs collectively known as the Welfare Benefit Scheme (WBS). Line ministries remained responsible for other aspects of program administration and outreach.
- A SRIS was developed, allowing for a fully integrated, efficient electronic payment of government transfers (including welfare benefits). The Information and Communication Technology Agency under the Ministry of Telecommunication and Digital Infrastructure supported the development of the SRIS. This was complemented by the development of a National Digital Transaction platform to produce National Digital Identity for each citizen based on biometric information and identifying documents such as birth certificates and driver's license.
- Beneficiaries for all existing welfare programs by the Department of Project Management and Monitoring under the Ministry of Social Empowerment and Welfare (MOSEW) were collated to identify overlaps in coverage.
- Detailed data were collected for the 1.48 million Samurdhi beneficiary households by the Department of Divineguma Development under the MOSEW, along with data for the 1 million applicants to *Samurdhi* benefits. Further, along with assessing the possibility to target beneficiaries based on a proxy-means test, which would be developed through collaboration with the Department of Census and Statistics and the World Bank.
- The implementation of the eSamurdhi project by the Information and Communication Technology Agency which will be connected to the SRIS and include a beneficiary registry, citizen grievance redress system, and beneficiary targeting as core processes.

**The PDO was aligned with the Democratic Socialist Republic of Sri Lanka's development priorities, the World Bank's Country Partnership Framework (CPF) for FY2017-FY2020, and the CPF FY2024-FY2027.** The PDO was aligned with the government's plan to lead fiscal consolidation efforts, necessitating a transition from a social protection system characterized by fragmented entitlement programs and universal subsidies to an integrated system that provides income support and opportunities for economic inclusion for the poorest and most vulnerable segments of the population, and to providing incentives for individuals in the informal sector to save for their retirement. The CPF for the FY2017-FY2020 period included an objective on improving health and social protection systems to address the challenges of the demographic transition, which comprised an indicator on the coverage of the poorest 20 percent by the WBS. The CPF for the FY2024-FY2027 period also included an objective on sustaining and strengthening health, education, and social protection systems, which comprised an indicator on benefits reaching the poorest 20 percent of the population.

## **Rating**

High

## **4. Achievement of Objectives (Efficacy)**



## **OBJECTIVE 1**

### **Objective**

Contribute to the improved equity of Sri Lanka's social safety net programs.

### **Rationale**

The results chain for Objective 1 held that the development of the SRIS and its roll-out to DS offices, combined with the establishment of a WBB to support government transparency and accountability, can minimize inclusion and exclusion errors, improving the efficacy and the efficiency of the social protection system. This would in turn allow the government to adequately support vulnerable households most impacted by the fiscal adjustment program.

The measures supported by Objective 1 are likely to lead to improved sustainability of social spending.

### **Outputs and intermediate outcomes.**

The WBB, which was charged with managing the registration, selection, and beneficiaries' payments for all cash transfer programs, was established and became fully operational as targeted (100 percent achievement) (IRI 1 and DLI1). The WBB was institutionalized through Welfare Benefits Act (2002), which became effective on February 15, 2016, establishing the WBB under the Ministry of Finance (MOF). The WBB comprised a Commissioner of Welfare Benefits and four other members, which were appointed by the MOF in consultation with the Constitutional Council for a renewable term of three years. The WBB, which has convened meetings since July 2022, supported the creation of the SRIS, known as the Welfare Benefit Information System (WBIS).

Information for more than 3.35 million welfare beneficiary applicants at the household level were collected under the WBIS and these data were georeferenced (IRI 5, DLI 4). The project specifically supported the collection of data for safety net programs managed by the Ministry of Social Empowerment and Welfare (MOSEW), which accounted for more than 50 percent of social safety net spending and more than 90 percent of cash transfer spending, with a vision of expanding the coverage of safety net programs in the future (PAD, p. 6).

All DS were provided with access to the WBIS and at least one staff member at the DS was trained in its use as targeted (100 percent achievement) (IR Indicator 2, DLI 2).

Information collected at the household level was verified by the Selection Committee before publication in the list of potential eligible beneficiaries as targeted (100 percent achievement) (PDO level indicator 4).

The WBIS' grievance redress mechanism was found to be weak, with limited evidence to show that it resolved issues within a given time period, thereby falling short of meeting the target (IRI 3).

An audit of the WBIS was not completed by project closing, falling short of meeting the target (IRI 9). The audit was, however, expected to be conducted by June 2024. The purpose of the system audit was to identify any vulnerability to the system.

The new Welfare Benefit Payment Scheme known as *Aswesuma* was approved by Cabinet and published in April 2023 and by Parliament in May 2023. Benefits under *Aswesuma* replaced the Samurdhi cash transfers





which were poorly targeted with high inclusion errors. Further, regulations detailing the eligibility selection criteria, as well as entry and exit provisions for social programs were introduced. Eligibility to *Aswesuma* is determined based on the Multidimensional Deprivation Score derived from indicators pertaining to education, health, economic status, asset ownership, housing conditions and family demography. The *Aswesuma* targets the poorest two million households into four groups: (i) extreme poor, representing 20 percent of the most deprived households (400,000 households); (ii) poor, representing 40 percent of beneficiaries (800,000 households); (iii) vulnerable, representing 20 percent of beneficiaries (400,000 households); and (iv) transient, representing 20 percent of beneficiaries (400,000 households). An annual recertification was conducted among the 3.35 million households registered in the WBIS with eligibility determined based on the results of the Multidimensional Deprivation Score based on the questionnaires administered through household visits. With the exception of benefits provided to vulnerable and transient poor, benefit amounts are differentiated based on the poverty ranking and family size and beneficiaries will remain entitled to the benefits for a period of three years subject to remaining eligible at recertification. Appeals and objections for the selection of households eligible to *Aswesuma* benefits delayed the payment of benefits to 2 million households to March 2024, leading to the completion of the nationally representative rapid survey to measure improved equity and efficiency of targeting being delayed to April 2024. As such, the transfer of *Aswesuma* benefits to the poorest 2 million Sri Lanka households (comprising 35 percent of the country's population) and the improved targeting of programs based on new, objective eligibility criteria could not be verified. The project supported the elaboration of the eligibility selection criteria based on the Selection of Eligible Beneficiaries Regulations. While the Bank supported a selection criteria based on the Proxy Means Test, it was confronted with pushback from the government which preferred the Multidimensional Deprivation Score.

At the 2020 restructuring, Component 2 activities were modified to provide a temporary cash transfer to existing *Samurdhi* household beneficiaries and those on the waiting list based on data stored in the WBIS in addition to regular cash transfers to protect vulnerable households from the repercussions of the COVID-19 pandemic.

### Outcomes.

The portion of welfare beneficiaries in the poorest 20 percent increased from 39.5 percent on April 1, 2016, to 48 percent on June 26, 2023, falling slightly short of the target of 50 percent (81 percent achievement). The indicator is defined as the percentage of households enrolled in a WBS program who are in the bottom 20 percent of the distribution of real per capita household consumption, as a share of all households enrolled in the WBS, comprised of *Samurdhi*, disability, elderly, and CKDU. The Selection of Eligible Beneficiaries Regulations was not used for the selection of beneficiaries for this indicator, however.

The coverage of the poorest 20 percent in welfare programs increased from a baseline of 37.1 percent on December 1, 2016, to 43 percent on June 26, 2023, falling short of the target of 60 percent (26 percent achievement).

In all, IEG finds that progress toward the achievement of the overarching objective of improving equity of Sri Lanka's social safety net program to be modest. The WBIS' grievance redress mechanism was weak, and an audit of the system was not completed by project closing. Although the coverage of the poorest 20 percent in welfare programs increased, it fell short of the target, and the portion of welfare beneficiaries in the poorest 20 percent also increased but did not meet the intended goal. The delay in payments and the completion of a survey to measure the equity and efficiency of targeting further complicates the assessment



of the reach to the poor and vulnerable. Therefore, while there are indications of progress, conclusive evidence on the extent of reach to the intended beneficiaries is lacking as of the latest available data.

**Rating**  
Modest

## **OBJECTIVE 2**

### **Objective**

Contribute to the improved efficiency of Sri Lanka's social safety net programs.

### **Rationale**

The results chain held that technical assistance aimed at reducing the processing time of applications under the Welfare Benefits Act and close monitoring would enhance the capacity of the WBB and the Project Management Unit, improving the efficiency of Sri Lanka's social safety net programs, and allowing the central government to monitor and evaluate its programs. As was the case in Objective 1, this would in turn allow the government to adequately support vulnerable households most impacted by the fiscal adjustment program.

### **Outputs and intermediate outcomes.**

There were no reported output and intermediate outcomes.

### **Outcomes.**

The average processing time of applications for WBS programs deteriorated from a baseline of 30 days to 90 days at completion, not meeting the target for a reduction to 10 days (PDOI 3). The ICR explains that this was due to longer-than-expected processing time for new applications under the Selection of Eligible Beneficiaries Regulations.

IEG finds that there is no direct evidence of the extent to which the poor and vulnerable were reached through the technical assistance aimed at reducing the processing time of applications under the Welfare Benefits Act. The initiative did not meet its target, with the average processing time increasing rather than decreasing, suggesting potential inefficiencies in the system that could have affected the timely support of vulnerable households. The lack of reported output and intermediate outcomes further obscures the impact on the intended beneficiaries.

**Rating**  
Modest

## **OBJECTIVE 3**

### **Objective**

Contribute to the improved transparency of Sri Lanka's social safety net programs.





### **Rationale**

The results chain held that that publication of welfare beneficiary lists through a multi-stage selection process and the review of complaints from individuals who have been denied access to benefits within an agreed timeline by the newly established Appeals Committee would lead to the publication of a final version of the beneficiary list, contributing to the improved transparency of Sri Lanka’s social safety net programs.

### **Outputs and intermediate outcomes.**

Welfare beneficiary lists were published as targeted. The selection of beneficiaries is based on a multi-stage process, consisting of the registration of potential beneficiaries at DS offices, followed by a household-level enumeration to populate the WBIS, an appointed selection committee verifying the information and the list of potential beneficiaries being published after having been verified.

An Appeals Committee was established for households who were denied access to benefits, and complaints were expected to be resolved within 10 weeks as targeted. Appeals were received until September 2023, and took a long time for resolution. As of February 25, 2024, 98 percent of appeals and objections received had been resolved.

### **Outcomes.**

The ICR (p. 8) did not report on outcomes for this objective. It stated, however, that “the final beneficiary list would be published once all appeals and objections will be resolved.”

IEG finds that while the welfare beneficiary lists were published and an Appeals Committee was established, contributing to the transparency of the social safety net programs, the evidence on the extent to which the poor and vulnerable were reached is not fully detailed. The resolution of 98 percent of appeals and objections by February 25, 2024, suggests a functioning system to address concerns. However, the lack of reported outcomes in the ICR leaves the actual impact on the intended beneficiaries unclear.

### **Rating**

Modest

## **OVERALL EFFICACY**

### **Rationale**

Overall efficacy is rated Modest, with the efficacy of Objective 1 (Contribute to the improved equity of Sri Lanka’s social safety net programs) rated Modest, the efficacy of Objective 2 (Contribute to the improved efficiency of Sri Lanka’s social safety net programs) rated Modest and the efficacy of Objective 3 (Contribute to the improved transparency of Sri Lanka’s social safety net programs) rated Modest. The project faced several challenges:

1. The WBIS grievance redress mechanism was weak, and a system audit was not completed by project closing, leaving some operational aspects unverified.



2. The coverage of the poorest 20 percent in welfare programs increased but fell short of the target, and the portion of welfare beneficiaries in the poorest 20 percent also increased but did not meet the intended goal.
3. Delays in payments and the completion of a survey to measure the equity and efficiency of targeting complicated the assessment of the project's reach to the poor and vulnerable, resulting in a lack of conclusive evidence on the extent of reach to the intended beneficiaries.
4. The initiative aimed at reducing the processing time of applications under the Welfare Benefits Act did not meet its target, with the average processing time increasing, suggesting potential inefficiencies that could have affected the timely support of vulnerable households.
5. The lack of reported output and intermediate outcomes further obscures the impact on the intended beneficiaries.
6. While the publication of welfare beneficiary lists and the establishment of an Appeals Committee contributed to the transparency of the social safety net programs, the actual impact on the intended beneficiaries remains unclear due to the absence of reported outcomes, despite a high resolution rate of appeals and objections.

Further, delays in parliamentary approval of regulations led to the Ministry of Social Empowerment and Welfare's inability to recertify and enroll beneficiaries or implement certain project activities, resulting in an expansion of Samurldhi program beneficiaries not aligned with the project's targeting methods.

In summary, while there were some improvements in transparency and an increase in coverage, the project's objectives were not fully met, and its impact on the poor and vulnerable is not clearly evidenced.

**Overall Efficacy Rating**  
Modest

**Primary Reason**  
Low achievement

## 5. Efficiency

**Economic efficiency.** The Bank did not perform an economic analysis of the project at appraisal and at project closing to assess value for money. The ICR (p. 9) estimates a reduction in the poverty rate of 4 percentage points in year 1 under the scenario with the new scheme compared to the status quo scenario, and muted impacts in years 2 and 3 due to the projected increase in prices in 2023-2024 and the removal of benefits for transient and vulnerable groups. The ICR (p. 9) also found that the targeting of benefits to the most vulnerable segments of the population was improved through the new scheme, with the share of the year 1 transfers of post-transfer consumption across all beneficiaries being around 19 percent, and 24 percent for the poorest 20 percent, which is much higher than the existing schemes. The ICR (p. 9) also finds that the computerized version of the social registry and the direct payment of cash transfers to beneficiaries' bank accounts would be expected to reduce transaction costs, beneficiary wait times, and the duplication of paperwork across programs.

**Implementation efficiency.** The ICR (p. 10) states that wavering commitment and problems with institutional arrangements led the project to stall until after the first restructuring, at which point, only US\$3 million had been disbursed, and to resume three years after project approval following the renewed commitment by government. Project implementation was also delayed by the fact that the WBB Regulations and Selection Criteria for the



WBS, which constituted key inputs into the enrollment of beneficiaries and regular recertification needed to improve the equity of the existing systems, were drafted in 2019, but not approved until March 2023.

While the ICR did not cover implementation efficiency pertaining to fiduciary aspects, the Bank indicated that staffing arrangement and policies were in place at the PMU throughout the implementation period and that audit reports and Interim Unaudited Financial Reports were submitted on time and their quality was overall satisfactory, but that some contracts led to delays in the procurement and implementation phases due to COVID-19 pandemic containment measures and the ensuing disruptions in supply chains. This led the Bank to regularly monitor contracts and engage in close communication with vendors to ensure timely delivery, and the agreement of a preliminary work schedule, allowing the project to fulfil outstanding contracts.

### Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

\* Refers to percent of total project cost for which ERR/FRR was calculated.

### 6. Outcome

Outcome is rated Moderately Unsatisfactory, with the relevance of the PDO rated High, efficacy rated Modest and efficiency rated Modest.

a. **Outcome Rating**

Moderately Unsatisfactory

### 7. Risk to Development Outcome

The ICR (p. 18) states that the risk to sustaining development outcomes is contained by the Bank’s financial and technical assistance under the Sri Lanka Resilience, Stability and Economic Turnaround Development Policy Operation (P179808) and the Social Protection Project (P178973), which continue strengthening institutional capacity to implement a modern, transparent and accountable social registry and welfare benefit



payment system, as well as the World Bank and IMF fiscal adjustment program with Sri Lanka, with social spending identified as a critical expenditure-reducing measure.

Yet, the ICR identifies the following risks to sustaining development outcomes:

1. Loss of political commitment to reforms in social protection due to the government's fiscal adjustment efforts. The ICR explains that while the political situation is stable, it remains fluid given the Presidential elections planned in September 2024. It indicates that the process of fiscal adjustment may lead to a deterioration in poverty and vulnerability, but that a well target social protection system may contain the risk of social unrest.
2. Adequate budget allocation commitments are needed to ensure that the WBB is equipped with trained staff, equipped to implement the program, and that the WBIS is well maintained such that the coverage of beneficiaries and the transfer amounts can adequately be assessed. Further, adequate coordination between the WBB and entities managing other in-kind programs is essential.

In a communication on October 10, 2024, the Ministry of Finance shared with IEG concerns raised by WBB about about the assessment of a failed project despite the viability of the WBB with a Chairman and staff, beneficiaries were selected under the SRIS and the legally operating Welfare Benefits Act. In this context, this ICR Review notes that institutional arrangements and core capacities were adequacy built, including through the implementation of the Act, the establishment of WBB, and the development of SRIS. But the issues appear to be rooted in the actual operationalization of the system, notably with (i) insufficient targeting of the poorest, thus falling short of the desired levels/intended outcomes under this project period; and (ii) lack of improvement in the average processing time for new applications for welfare benefits programs. As noted above in the first paragraph, Sri Lanka continues to pursue its social protection development efforts, including with World Bank's financial and technical assistance, with a focus on progressive improvements in equity, efficiency, and transparency of social safety net programs.

## 8. Assessment of Bank Performance

### a. Quality-at-Entry

Project design was guided by:

- IDF Grant for Improving Monitoring and Evaluation of Samurdhi Safety Net Program (Grant No: TF094313 and P115525) included designing of a Management Information System for the Samurdhi Program.
- RSR Grant TF097300 - Strengthening the Targeting of Safety Nets in Sri Lanka TA project (P121873) pilot tested the govt. developed family classification methodology.
- *Diri Sawiya* Assisting People with Disabilities Through Cash Transfers and Training Project (P123632) was a cash transfer program for persons with disabilities and training of disabled persons in selected 9 districts. As part of the Project that ended in 2015, included Business Process Reengineering study to develop an information system for disabled.
- Demographic Transition study completed in 2012.
- Safety Nets Assessment in 2015.



- World Bank Multi-Dimensional Survey of people with disabilities in 2015 to inform the government about their needs.

The project design benefited from the fact that the Task Team Leader (TTL) was also the TTL of the Dirisawiya Project and associated BETF and was therefore already familiar with the country situation and social protection policy landscape.

While the results chain was not presented in the PAD, the ICR reconstructed the results chain as presented in the ICR's Annex 6.

The Social Management Framework elaborated as part of the project featured the process and procedures related to the grievance redress mechanism (GRM), citizen engagement and gender mainstreaming.

Institutional and implementation arrangements were clearly elaborated (PAD, p. 12). The MOF was charged with implementing the project in partnership with the WBB, the Information and Communication Technology Agency, MOSEW, as well as any other ministries charged with implementing social safety net programs under the WBS. The Project Management Unit (PMU) was established under the MOF, tasked with fulfilling procurement, accounting and reporting requirements of the project, in addition to providing capacity building through staff training as needed. A Project Operational Manual was developed by the PMU to support project implementation. A Project Steering Committee (PSC)—chaired by the Secretary of Finance with representatives from the Ministry of National Policies and Economic Affairs (MONPEA), MOSEW, Ministry of Home Affairs (MOHA), Ministry of Telecommunication and Digital Infrastructure (MTDI), and other ministries implementing programs included in the WBS—was intended to ensure that project implementation complied with the government and Association's rules and regulations. Finally, a Project Technical Committee (PTC) was established, which comprised of representatives from the Ministry of National Policies and Economic Affairs, the MOF, MOSEW, Ministry of Home Affairs, MTDI, and other stakeholders, tasked with reviewing and discussing technical work, including, but not limited to, proposed program selection criteria, entry and exit protocols, grievance and appeals mechanisms, policy papers and strategies, and to advise the PSC on these matters.

There were shortcomings in quality-at-entry, however. The ICR (pp. 12-13) states that the project was not ready for implementation at project effectiveness, with a full-time Project Director not appointed to the PMU, the Project Operation Manual not yet finalized and needing to be adjusted, the Project Steering Committee (PSC) not having met, the position of Deputy Project Director being vacant, the PTC not being established, and an M&E Officer not being hired. While a full-time Project Director and the PSC were appointed/met for the first time at the end of 2018, the position of Deputy Director remained vacant and the PTC was not established. Further, there was a disconnect between the PDO, the results framework and the DLI matrix, which ultimately led to the Bank initiating the project's second and third restructurings to provide additional time for implementation and make necessary adjustments.. Finally, the Bank did not adequately consider the time required for the approval of the WBB Regulations and Selection Criteria for the WBS, which constituted key inputs into the enrollment of beneficiaries and regular recertification needed to improve the equity of then existing systems.

**Quality-at-Entry Rating**  
Moderately Unsatisfactory



## b. Quality of supervision

Project implementation was negatively impacted by a number of factors beyond the Bank's control. First, the lack of commitment across the different administrations undermined the role of the WBB, with the term of the WBB chairperson appointed in 2016 expiring in August 2019, the new chairperson appointed in November of that year resigning immediately after the elections, and the position remaining vacant until July 2022. Second, the WBS and Selection Criteria that had been approved by the Cabinet lapsed due to delays in consideration by Parliament and were modified before being approved by the Cabinet and Parliament in March 2023. This limited the MOSEW's ability to recertify and to enroll beneficiaries, and constrained progress on other Component 2 activities. Third, the MOSEW approved a temporary expansion of the *Samurdhi* program beneficiary list by 600,000 beneficiaries in mid-2019, with beneficiaries selected using methods which were not based on the eligibility criteria approved by the Cabinet. Finally, while the ICTA was responsible for the registry software, the WBB identified several issues that could have posed reputational or operational risks pertaining to the agency's lack of oversight and quality assurance of the firm contracted.

While the World Bank recommended that a Project Technical Cell be established at the MOSEW to help deliver Component 2 activities, this did not materialize. The Bank restructured the project in 2020, eliminating activities which were progressing slowly and channeling resources to activities which supported households adversely impacted by COVID-19 containment measures by relying on the social registry which existed at the time. The Bank did not modify the PDO statement to include the objective of responding to the needs triggered by the pandemic as this would have delayed needed assistance to vulnerable segments of the population. The implementation of project activities resumed following the macroeconomic crisis, which resulted in a World Bank and IMF fiscal adjustment program being introduced, and the election of a new government with a renewed interest in addressing the development priorities pursued by this project. The Bank collaborated with the MOF, and the Bank and IMF charged with the RESET DPO and the IMF program to ensure that the proposed programs were complementary to those supported by this project in mitigating the impact of adjustment on vulnerable households, while improving the efficiency with which well targeted assistance is delivered. The Social Protection Project (P178973) was delivered by the same team as this project, providing continuity of World Bank assistance in support of the newly prioritized reform effort. The project monitored the Bank's performance on implementation through 14 Implementation and Support Results Reports (ISRs), which were timely, comprehensive, and realistic in terms of ratings. The final ISR assessed progress toward the achievement of the development outcome as Moderately Satisfactory given the government's renewed efforts to advance social protection reforms.

There were shortcomings in quality of supervision, however. The ICR (p. 17) admitted that the Bank missed an opportunity at the second restructuring to adjust the results framework, although it was clear that a representative household survey would not be available to measure the impact on poverty and vulnerability. The team was optimistic until the last minute that the survey would be carried out and at least preliminary information would become available to document progress.

The ICR (p. 14) noted that the PDO should have been adjusted along with the removal of activities under Component 2 activities at the first restructuring as it was evident that it was almost impossible to achieve Objective 1 (Contribute to the improved equity of Sri Lanka's social safety net programs) which involved removing unqualified beneficiaries based upon the exit protocols which had been developed and published. The Bank decided instead to provide immediate pandemic relief assistance rather than to modify the PDO,





which would have involved a complex restructuring. Further, the first restructuring did not adjust the DLI related to the potential beneficiaries under the WBIS. Finally, while the results of emergency pandemic assistance were captured by linking disbursements to project achievements, the restructuring did not introduce either a PDO level indicator or an intermediate results indicator to monitor the achievement of expected targets and by the third restructuring, it was too late to adjust the PDO, results framework and the DLI matrix as most of the financing had been disbursed.

### **Quality of Supervision Rating**

Moderately Unsatisfactory

### **Overall Bank Performance Rating**

Moderately Unsatisfactory

## **9. M&E Design, Implementation, & Utilization**

### **a. M&E Design**

Although there was no theory of change presented at appraisal, the ICR reconstructed the theory of change (p. 39). There were shortcomings in the theory of change, with some of the key activities making limited progress toward the achievement of the objectives through the results chain. One notable example pertained to limited progress made on Objective 1 (equity) following the first restructuring, resulting in Component 2 activities such as the approval of the eligibility criteria, the introduction of a social registry of current and prospective beneficiary households, and the selection criteria applied to beneficiary list being dropped from project implementation. Also, the objectives were relatively broadly defined and the PDO level indicators provided a better understanding of the ultimate outcomes sought by the project. While the results indicators were well defined, the baseline figures for Objective 1 (Contribute to the improved equity of social safety net programs) were based on the last nationally representative survey of targeting carried out in 2019, which preceded the COVID-19 pandemic, and were no longer adequate following the pandemic.

The DLIs were aligned with six intermediate results indicators, and their yearly targets supported progress toward the achievement of intermediate results indicator targets. The verification protocol for DLIs was well detailed in the DLI Matrix. The MOSEW's Department of Project Management and Monitoring (DPMM) was responsible for monitoring project activities, but the PMU was responsible for project monitoring and reporting. The verification protocols in the DLI Matrix specified that a third-party verification by an independent consultant was only required in the case of DLI 2 (SRIS active and operational).

### **b. M&E Implementation**

M&E implementation was delayed by the fact that an M&E specialist was not hired by the PMU at the start of the project. The PMU established an M&E system at the end of 2019, and began detailed and regular reporting of project achievements when only US\$3.41 million had been disbursed at the time. The independent verification agency hired adequately assessed progress toward the achievement on DLIs. The monitoring of progress towards the achievement of PDO level indicator targets was challenging,



however. First, the measurement of achievement of Objective 1 (Contribute to the improved equity of social safety net programs) relied on the last nationally representative survey of targeting carried out in 2019, which preceded the COVID-19 pandemic and the 2020 project restructuring which provided emergency assistance to a broader range of poor households. Second, the measurement of achievement of Objective 2 (Contribute to the improved efficiency of social safety net programs) produced results which were not comparable following changes in the eligibility criteria following the introduction of *Aswesuma*.

### **c. M&E Utilization**

The M&E framework supported the introduction of mid-course corrections and was essential to triggering DLI disbursements. The ICR (p. 15) acknowledged that while the monitoring of intermediate results indicators was feasible, the monitoring of PDO level indicators proved to be challenging.

### **M&E Quality Rating**

Modest

## **10. Other Issues**

### **a. Safeguards**

No safeguard policies were triggered. The project was classified as Category C for Environmental Assessment. The Social Management Framework elaborated as part of the project featured the process and procedures related to the grievance redress mechanism (GRM), citizen engagement and gender mainstreaming. A GRM was introduced following the initiation of the *Aswesuma* scheme, which was decentralized and consisted of a hotline, but delays in operationalizing the digitalized GRM resulted in the lack of recording and monitoring of the grievance handling process. The Bank provided guidance to manually monitor, analyze and report on the grievance handling process. At the time of writing of this ICR, the GRM handled appeals and complaints following the completion of the enumeration and selection process for the *Aswesuma* scheme such that the final list of beneficiaries could be produced.

### **b. Fiduciary Compliance**

A Financial Management assessment was carried out at appraisal, which found that while arrangements at the MOF and MOSEW were adequate for complying with fiduciary requirements, financial management risks remained high because: (i) the PMU had not been established; (ii) the project's financial management focal points at the MOF and the MOSEW had yet to be identified; and (iii) the financial oversight arrangements for welfare payments under the MOSEW needed to be reinforced. A Procurement assessment was also carried out at appraisal, which found procurement risks to be high and which proposed the following measures: (a) recruitment of experienced procurement staff with necessary procurement and contract management skills; (ii) development and implementation of: (a) adequate



procurement systems with robust controls; (b) a sound procurement monitoring and reporting mechanism; (c) a procurement complaint handling mechanism; (d) a project-specific website with a link to lodge complaints, including those procurement-related; and (e) a procurement-specific capacity building program; and (iii) reassessment and adjustment of procurement risk during implementation. The ISRs rated Bank performance on financial management and procurement Satisfactory throughout implementation.

**c. Unintended impacts (Positive or Negative)**

None noted.

**d. Other**

None noted.

**11. Ratings**

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Unsatisfactory	Moderately Unsatisfactory	
Bank Performance	Moderately Satisfactory	Moderately Unsatisfactory	Significant shortcomings in the quality-at-entry, which pertained to project readiness, and in the quality of supervision, notably institutional and implementation arrangements, M&E, and inadequate adjustments made at the second and third restructurings.
Quality of M&E	Modest	Modest	
Quality of ICR	---	Substantial	

**12. Lessons**

The ICR (pp. 18-19) offered several lessons and recommendations, including the following lessons restated by this ICR Review:



1. Institutional arrangements that provide implementing agencies with the authority and the budget to implement project-assigned responsibilities can support project implementation. In this particular project, delays in the approval of the WBB Regulations and Selection Criteria by the Parliament resulted in the MOSEW lacking the resources and the authority to recertify and enroll beneficiaries in the WBS, and to implement other Component 2 project activities which it was responsible for. This led the MOSEW to approve an expansion in the number of *Samurghi* program beneficiaries, which were not selected based on the targeting methods supported by this project.
2. In an emergency, reliance on an existing beneficiary roster can provide faster assistance to alleviate the economic hardships on the most vulnerable segments of the population. This project relied on the existing roster to provide social assistance benefits to households most affected by the repercussions of the COVID-19 pandemic. While reliance on the existing beneficiary roster was not aligned with the project's objectives, this was necessary nonetheless to prevent a significant portion of vulnerable households from drifting into poverty, which would carry with it long-term socio-economic impacts.
3. Adequate revisions to the results framework and the DLI matrix following revisions to project components are needed to support project implementation and progress toward the achievement of objectives. In this project, the elimination of Component 2 activities at the first restructuring made the achievement of Objective 1 (Contribute to the improved equity of Sri Lanka's social safety net programs) difficult. Further, the first restructuring maintained a DLI linked to Component 2 activities which had been dropped. Finally, the first restructuring did not introduce either a PDO level or intermediate results indicator to monitor progress toward the achievement of the new project activities.

### 13. Assessment Recommended?

No

### 14. Comments on Quality of ICR

The ICR is noteworthy for its candor. The quality of analysis was adequate, with activities linked to outputs and outcomes through a credible theory of change, supporting the ICR's discussion of results. Lessons were based on evidence and analysis, appropriately responding to the specific experiences and findings of the project.

#### a. Quality of ICR Rating

Substantial

