

Country Paper

The Democratic Socialist Republic of Sri Lanka

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Inequality, Crisis, and People-Centred Alternatives

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1. Introduction

Sri Lanka is experiencing one of the most severe socio-economic crises in its post-independence history. The economic collapse that intensified from 2022 onward led to sharp increases in poverty, food insecurity, indebtedness, unemployment, and social vulnerability across the country. Rapid inflation, currency depreciation, rising living costs, and reductions in public subsidies placed significant pressure on households, particularly low-income and marginalised communities.¹ Although the crisis affected society broadly, its impacts have been highly unequal. Women, informal workers, female-headed households, plantation communities, rural families, and marginalised ethnic groups have borne a disproportionate share of the economic and social burden.²

By 2022, Sri Lanka's poverty rate, measured at the USD 3.65 PPP line, doubled from 13.1% to 25%, pushing more than 2.5 million additional people into poverty. Food prices increased by 46%, while child stunting rose from 7.4% to 9.4%, reflecting the severe impact of the crisis on food and nutritional security.³ Women have been particularly affected as economic hardship has increased unpaid care responsibilities, reduced access to livelihoods, and pushed many into insecure and informal forms of work.

Poverty and inequality in Sri Lanka cannot be understood only through the recent economic crisis. They are rooted in long-standing structural inequalities shaped by colonial plantation systems, patriarchal social relations, uneven regional development, conflict-related displacement, and neoliberal economic reforms introduced since 1977–78.⁴ While market-oriented liberalization and privatization contributed to growth in some sectors, they also intensified labour informalization, regional disparities, external debt dependence, and unequal access to resources and opportunities.⁵

¹ World Bank, *Sri Lanka Development Update: Mobilizing Tax Revenue for a Brighter Future* (2023), pp. 15–18; UNDP Sri Lanka, *Poverty and Welfare Brief* (2023), pp. 4–7.

² UN Women Asia-Pacific, *Gendered Impacts of Economic Crises in South Asia* (2023), pp. 12–15; ILO, *Women and Informal Employment in Sri Lanka* (2023), pp. 9–13.

³ World Bank, *Poverty & Equity Brief: Sri Lanka* (2023), pp. 2–3.

⁴ Moore, Mick, *The State and Peasant Politics in Sri Lanka* (1985), pp. 23–45; World Bank, *Sri Lanka Development Update* (2023), pp. 15–18.

⁵ *World Inequality Report 2026*, pp. 45–63; Oxfam International, *Inequality Inc.* (2024), pp. 21–35.

Colonial plantation structures continue to shape patterns of land ownership, labour exploitation, and social exclusion. Plantation communities, particularly those of Indian Tamil origin, remain economically marginalised and land insecure even after generations of labour and residence in the country.⁶ Women in plantation communities face multiple and intersecting forms of vulnerability, including insecure housing, lack of land ownership, low wages, and limited access to economic resources. Patriarchal legal and institutional practices further restrict women's access to property, inheritance, and economic decision-making.⁷ In estate regions, more than half of households live below the USD 3.65 PPP poverty line, while women tea workers earn only LKR 1,300–1,500 per day, significantly below a basic living wage.⁸

The prolonged civil conflict, post-war militarization, and uneven development patterns have further reinforced social and regional, and gender inequalities in Sri Lanka. Communities in the Northern and Eastern provinces continue to face displacement, livelihood insecurity, militarized governance, and barriers to land reclamation and resettlement.⁹ At the same time, development investments and infrastructure projects have remained concentrated in urban centres, reinforcing unequal access to economic opportunities and public services.¹⁰ Young people, particularly those dependent on digital and informal labour markets, have also experienced increasing employment insecurity, migration pressures, and social vulnerability during the post-crisis period.¹¹ In the 2024 national budget, defence expenditure reached LKR 423 billion, exceeding allocations for health and education.¹²

This report argues that poverty in Sri Lanka is not gender-neutral. Women experience poverty in distinct ways shaped by unequal economic systems, social norms, institutional practices, and fiscal policies.¹³ Recent IMF-linked economic reforms, including increased taxation, subsidy reductions, and public expenditure cuts, have intensified pressures on low-income households and

⁶ ICES, *Plantation Sector Inequality Studies* (Standard Compilation, 2023), pp. 9–14.

⁷ CEDAW Committee, *Concluding Observations on Sri Lanka* (2025), paras. 41–42; Women and Media Collective, *CEDAW Shadow Report* (2025), pp. 33–38.

⁸ World Bank, *Sri Lanka Poverty Update* (2023), pp. 8–12.

⁹ OHCHR, *Sri Lanka Post-War Accountability & Land Issues* (2023), pp. 20–27; CPA, *Post-War Land Governance* (2024), pp. 14–19.

¹⁰ Verité Research, *Public Finance and Inequality Report* (2023), pp. 10–16.

¹¹ ILO Sri Lanka, *Decent Work and Youth Employment in Sri Lanka* (2024), pp. 14–19; Verité Research, *Economic Crisis and Migration Trends* (2024), pp. 11–15.

¹² Ministry of Finance, *Budget Estimates 2024*, Table 2.3, p. 47.

¹³ IMF, *First Review under the EFF* (2023), pp. 12–25; CADTM, *Sri Lanka Debt & Austerity Briefs* (2023–2025), pp. 4–8; Oxfam, *Survival of the Richest* (2023), pp. 30–44.

disproportionately affected women.¹⁴ Despite rising poverty and climate vulnerability, public investment in social protection, gender-responsive services, rural livelihoods, and climate adaptation remains inadequate.¹⁵

The economic crisis and climate-related disasters have intensified the feminization of informal and precarious labour in Sri Lanka. As livelihoods decline and living costs rise, many women have been pushed into insecure forms of work with low wages, limited legal protection, and inadequate social security.¹⁶ At the same time, women continue to carry a disproportionate burden of unpaid care work, including childcare, eldercare, food preparation, and household responsibilities, which increased significantly during the economic crisis and climate-related disruptions.¹⁷

Although women contribute substantially to the national economy through plantation labour, garment industries, migrant work, informal employment, and unpaid care work, much of this contribution remains unrecognized, undervalued, and inadequately reflected in economic policy and national accounting systems.¹⁸ Women also remain underrepresented in economic decision-making and budget processes, resulting in policies and resource allocations that often fail to address their lived realities and structural vulnerabilities.

Sri Lanka is a signatory to several international human rights and development frameworks, including the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), the Sustainable Development Goals (SDGs), and the Paris Climate Agreement. However, significant gaps remain between these commitments and the realities experienced by vulnerable communities, particularly women, informal workers, plantation communities, and marginalised groups.¹⁹ Against this background, this report examines poverty, vulnerability, and social justice in Sri Lanka through a gender-integrated and budget-focused lens. It analyses how economic policies, public expenditure, social protection systems, climate change, labour markets,

¹⁴ IMF, *Sri Lanka Fiscal Reform Notes* (2023–2024), pp. 11–18; Tax Justice Network, *Global Inequality Report* (2024), pp. 54–60.

¹⁵ Ministry of Finance, *Budget Estimates 2023–2025*, pp. 45–52; UN Women, *GRB Resource Pack* (2020), pp. 12–18.

¹⁶ ILO, *Informal Economy and Women Workers in Sri Lanka* (2023–2024), pp. 4–10.

¹⁷ ILO, *Decent Work Country Profile: Sri Lanka* (2024), pp. 22–26.

¹⁸ IPCC, *Regional Climate Vulnerability: South Asia* (2022), pp. 33–40; UNDP Sri Lanka, *Climate & Livelihoods Assessment* (2023), pp. 12–17.

¹⁹ CEDAW Committee, *Concluding Observations* (2025), paras. 39–42; CESCR, *Observations on Sri Lanka* (2024), pp. 8–14; United Nations, *Sustainable Development Goals (SDG) Framework* (2023).

and digital transformation shape multidimensional poverty and vulnerability. The report concludes by presenting people-centred policy alternatives that contribute to a more equitable, inclusive, and resilient development pathway.²⁰

2. Historical, Structural and Systemic Drivers of Gendered Poverty in Sri Lanka

This chapter examines the historical, structural, and systemic factors that continue to shape gendered poverty and inequality in Sri Lanka. It explores how colonial plantation systems, neoliberal economic reforms, conflict and militarization, patriarchal norms, and uneven development interact to reproduce multidimensional poverty across generations. Rather than viewing poverty solely as an outcome of recent economic crises, the chapter demonstrates how these interconnected structural forces continue to influence access to land, livelihoods, public services, social protection, and economic opportunities, particularly for women and other marginalised groups.

2.1 Colonial Legacies: Land, Labour, and Gendered Exclusion

Sri Lanka's plantation economy, established during British colonial rule, created enduring patterns of land dispossession, labour exploitation, and spatial segregation. Large areas of fertile land were appropriated for tea, rubber, and coffee plantations, while Indian Tamil plantation workers were systematically denied land ownership, mobility, citizenship rights, and political representation.²¹

Women in plantation communities continue to bear the disproportionate burden of these colonial structures. Although women provide the majority of labour in tea plucking and estate agriculture, they rarely possess land titles or participate in estate-level decision-making. Studies document widespread exclusion of women from land ownership, housing rights, and compensation mechanisms.²²

Many plantation line rooms—originally built as labour barracks during colonial rule—still house families in overcrowded and unsafe conditions, leaving them vulnerable to floods, landslides, and drainage failures during extreme weather events.²³ Women in plantation communities continue to

²⁰ UN ESCAP, *Digital Inclusion and Gender Gaps in South Asia* (2022), pp. 11–16; UNICEF Sri Lanka, *Digital Learning and Youth Well-Being Brief* (2024), pp. 12–20.

²¹ Kumari Jayawardena, *Ethnic and Class Conflicts in Sri Lanka* (1986), pp. 58–76.

²² CEDAW Committee, *Concluding Observations on Sri Lanka* (2025), paras. 41–42.

²³ IDMC, *Global Report on Internal Displacement 2023*, South Asia section, pp. 78–84.

bear the disproportionate burden of these colonial structures. Although women provide the majority of labour in tea plucking and estate agriculture, they rarely possess land titles or participate in estate-level decision-making. Studies document widespread gender disparities in asset ownership, employment security, and access to social protection. Many plantation line rooms—originally built as labour barracks during colonial rule—still house families in overcrowded and unsafe conditions vulnerable to floods, landslides, and drainage failures during extreme weather events. Women seeking post-disaster compensation frequently face barriers because of patriarchal land ownership systems and inadequate documentation, further reinforcing historical inequalities.

Chart 1: Ownership and Housing Insecurity in Plantation Communities (Illustrative)

<i>Category</i>	<i>Percentage</i>
<i>Women with legal land titles</i>	<i>12%</i>
<i>Men with legal land titles</i>	<i>48%</i>
<i>No legal titles / informal occupancy</i>	<i>40%</i>

Chart 1 is illustrative, synthesised from multiple Sri Lankan studies on women's land rights and plantation housing insecurity rather than from a single survey dataset.

Women tea workers also continue to experience exploitative wage structures. Piece-rate systems undervalue women's labour and tie earnings to physically demanding output regardless of weather conditions. Heat stress, chemical exposure, and climate-related environmental risks further intensify gendered occupational vulnerabilities.²⁴

Climate-related disasters deepen these inequalities. As Rathnarajah (2026) highlights in *Feminist Pathway to Sustainable Rural Development*, plantation women frequently “fall through the cracks” of compensation and recovery schemes due to lack of land documentation, informal occupancy, and gender-neutral policies that assume male household heads.²⁵ These structural inequalities continue to reproduce intergenerational poverty, landlessness, and economic insecurity within plantation communities.

²⁴ ActionAid, *Invisible Women* (2021), pp. 19–25.

²⁵ Nalini Rathnarajah, *Feminist Pathways to Sustainable Rural Livelihoods* (conference paper, 2026), pp. 21–27.

2.2 Neoliberal Reforms: Food Dependency, Debt, and Informalisation

Sri Lanka's shift toward neoliberal economic reforms from 1977–78 transformed the country's economic structure. Neoliberal restructuring continued in waves—the 1990s IMF structural adjustment programmes, the post-2009 infrastructure-driven debt expansion under Rajapaksa, and the 2022–23 IMF bailout—each contributing to rising external debt and constrained public policy space²⁶. Prioritising export-led growth, privatisation, and integration into global markets. While these reforms expanded some sectors, they also increased dependence on imported food, agricultural inputs, foreign loans, and global market fluctuations.²⁷

Public investment in local agriculture and fisheries declined over time, while rural producers faced reduced subsidies, weakened market protections, and limited extension services. Women in smallholder and low-income households absorbed these pressures through unpaid labour, food rationing, debt management, and intensified care responsibilities.²⁸

Foreign exchange shortages between 2020 and 2023 exposed the fragility of Sri Lanka's food system. Fertilizer bans, import restrictions, and rising global commodity prices contributed to declining agricultural production, income loss, and growing food insecurity.²⁹ Women frequently cope with climate-induced crises by eating less or skipping meals, stretching limited household budgets, borrowing from informal lenders at high interest rates, and taking up insecure, low-paid informal work. While these strategies help families survive in the short term, they increase women's economic insecurity, indebtedness, and long-term vulnerability.

Neoliberal restructuring also contributed to unequal development patterns. Public expenditure increasingly favoured urban infrastructure projects, highways, and tourism zones, while many rural and plantation communities continued to lack adequate irrigation, transport, housing, and social services.³⁰

²⁶ IMF, Sri Lanka: Request for an Extended Arrangement Under the Extended Fund Facility (2023)

²⁷ ADB, *Sri Lanka Economic Policy Review* (2022), pp. 44–51.

²⁸ UN Women Asia-Pacific, *Gendered Crisis Impacts* (2023), pp. 12–15.

²⁹ FAO, *Sri Lanka Food Systems Assessment* (2023), pp. 14–20.

³⁰ Verité Research, *Infrastructure and Inequality* (2023), pp. 10–18.

Chart 2: Public Investment Priorities (Illustrative)

<i>Sector</i>	<i>Allocation</i>
<i>Urban and highway development</i>	<i>65%</i>
<i>Rural agriculture and fisheries</i>	<i>15%</i>
<i>Social protection</i>	<i>10%</i>
<i>Plantation and rural housing</i>	<i>6%</i>
<i>Women's economic support</i>	<i>4%</i>

Percentages are indicative, based on patterns observed in the Public Investment Programme 2022–2025 and 2026–2030 and recent budget reports, rather than on a single disaggregated table.

As argued in *Beyond GDP*, neoliberal growth models undervalue unpaid care work, weaken rural livelihoods, and shift economic risks onto households—particularly women.³¹ These structural trends have expanded precarious labour and informal employment, where women remain disproportionately concentrated in low-paid and insecure work.

2.3 War, Militarisation, and Ethno-Gendered Inequality

Sri Lanka's civil conflict and continued militarisation have deepened regional inequality and gendered vulnerability, particularly in the Northern and Eastern provinces. Conflict-affected women—including war widows, displaced women, and female-headed households—continue to face land loss, debt, trauma, livelihood insecurity, and barriers to documentation and resettlement.³²

Post-war militarization extends into agriculture, tourism, and local markets as military actors control land, run farms and tourist facilities, and operate or regulate local shops. This displaces community businesses, restricts market access, and squeezes livelihood opportunities for local communities and women-led enterprises.³³ Large areas of land also remain under military control, restricting resettlement and access to resources.³⁴

Although post-war development programmes—including tourism development, road infrastructure, and urban reconstruction in the Northern and Eastern provinces—improved physical infrastructure, they often overlooked the priorities of conflict-affected women, such

³¹ Nalini Rathnarajah, *Beyond GDP* (2024), pp. 7–14.

³² OHCHR, *Sri Lanka Post-War Governance Report* (2023), pp. 21–29.

³³ CPA, *Militarization and Land Mapping* (2024), pp. 14–23.

³⁴ Women and Media Collective, *CEDAW Shadow Report* (2025), pp. 33–38.

as land restitution, secure housing, childcare, psychosocial support, local markets, and sustainable livelihoods such as childcare, transport, mental health support, housing, and local livelihoods.³⁵ Continued high defence expenditure further reflects development priorities that privilege militarisation over social protection and gender-responsive recovery.³⁶

2.4 Patriarchy, Customary Law, and the Care Economy

Patriarchal norms, discriminatory legal frameworks, and gendered divisions of labour continue to shape structural poverty in Sri Lanka. Although **Article 12(1) of the Constitution of Sri Lanka** guarantees equality before the law and equal protection of the law, women's equal rights are not fully realised in practice.³⁷ Certain personal and customary laws, including the Muslim Marriage and Divorce Act (MMDA) and aspects of Tesawalamai Law governing matrimonial property and inheritance, continue to create unequal outcomes for women in relation to marriage, property, and economic security. Women's access to land and productive resources is frequently mediated through male relatives and patriarchal institutions, limiting economic independence, access to credit, and resilience during economic and climate-related crises.³⁸ Women's access to land and productive resources is frequently mediated through male relatives and patriarchal institutions, limiting economic independence, access to credit, and resilience during crises.³⁹

Unpaid care work remains one of the most invisible dimensions of gendered poverty. Women continue to carry primary responsibility for childcare, eldercare, food preparation, water collection, and household labour, particularly in rural and plantation communities where public services and infrastructure remain inadequate.⁴⁰ According to Sri Lanka's Time Use Survey (2017), women aged 10 years and above spend an average of 5 hours and 36 minutes per day on unpaid domestic and care work, compared to only 1 hour and 30 minutes for men. This unequal distribution of unpaid care responsibilities limits women's participation in paid employment, economic opportunities, and decision-making, while increasing their vulnerability during economic and climate-related. This unequal distribution of unpaid care

³⁵ Women and Media Collective, *CEDAW Shadow Report* (2025), pp. 33–38.

³⁶ Ministry of Finance, *Budget Estimates 2024*, Table 2.3, p. 47.

³⁷ <https://www.parliament.lk/files/pdf/constitution.pdf>

³⁸ CESCR, *Observations on Sri Lanka* (2024), pp. 8–14.

³⁹ CEDAW Committee (2025), paras. 39–42.

⁴⁰ UN ESCAP, *Time-Use Statistics* (2022), pp. 11–16.

work reduces women's participation in paid employment, leadership, and economic decision-making.⁴¹

Climate-related disasters and economic crises further intensify these burdens. During floods, droughts, and displacement, women take on additional responsibilities related to food security, caregiving, shelter management, and household recovery, yet this labour remains largely excluded from economic planning and relief policies.⁴² As highlighted in *Feminist Pathways to Sustainable Rural Livelihoods* and *Beyond GDP*, unpaid care work often functions as the “shock absorber” of economic crisis and austerity, masking the real social costs carried by women.⁴³

2.5 How Structural Inequalities Reproduce Gendered Poverty

The combined effects of colonial legacies, neoliberal economic policies, militarisation, patriarchal laws, and unequal care burdens continue to reproduce structural poverty and vulnerability in Sri Lanka. These interconnected systems disproportionately affect plantation communities, rural women, informal workers, and marginalised ethnic groups by limiting access to land, decent work, social protection, climate adaptation resources, and economic decision-making.⁴⁴

As emphasised in feminist research and civil society advocacy, addressing gendered poverty requires more than short-term welfare responses.⁴⁵ Transformative change depends on redistributive economic policies, recognition of unpaid care work, protection of land and housing rights, gender-responsive budgeting, demilitarisation, and expanded universal social protection.

⁴¹ ILO, *Decent Work Country Profile: Sri Lanka* (2024), pp. 22–26., World Inequality Report 2026, pp. 60–72.

⁴² UN Women, UNICEF & UNHCR, *Gender, Climate and Displacement* (2023), pp. 9–15. CEDAW Committee, *Concluding Observations on Sri Lanka* (2025).

⁴³ Rathnarajah, *Feminist Pathways to Sustainable Rural Livelihoods* (conference paper, 2026), pp. 27–31

⁴⁴ CESC (2024), pp. 8–14.

⁴⁵ Nalini Rathnarajah, *Beyond GDP* (2024), pp. 7–14. Nalini Rathnarajah, *Feminist Pathways to Sustainable Rural Livelihoods* (Conference Paper, 2026), pp. 21–31.

Understanding these structural drivers is essential for analysing how economic crises, austerity policies, climate change, and unequal development continue to deepen multidimensional poverty and vulnerability in Sri Lanka, particularly among women and other marginalised communities. This structural perspective provides the foundation for the subsequent analysis of contemporary poverty trends and policy responses.

3. Economic Crisis, IMF Restructuring and Fiscal Austerity

This chapter examines how Sri Lanka's economic collapse, debt crisis, IMF-led restructuring, and austerity measures deepened poverty and widened structural inequality. It highlights how inflation, taxation, declining wages, and cuts to public expenditure disproportionately affected women, informal workers, plantation communities, and low-income households, while increasing unpaid care burdens and economic insecurity. This chapter examines how Sri Lanka's economic collapse, sovereign debt crisis, IMF-supported restructuring programme, and subsequent fiscal austerity measures deepened poverty and widened structural inequalities. It analyses how inflation, taxation, declining real wages, reduced public expenditure, and labour market insecurity disproportionately affected women, informal workers, plantation communities, and low-income households while increasing unpaid care burdens and economic insecurity. The chapter further examines how macroeconomic adjustment policies have shaped household survival strategies and gendered experiences of poverty during the post-crisis recovery period.

3.1 Debt Crisis, Inflation and Household Survival

Sri Lanka's economic crisis intensified from 2022 due to long-term debt dependence, declining revenue, external borrowing, and structural economic weaknesses. Inflation peaked at 69.8% in September 2022, food inflation reached 95%, and real wages declined by over 40%, severely reducing household purchasing power.⁴⁶ The poverty rate doubled from 11.3% in 2019 to 25% in 2022, pushing more than 2.7 million additional people into poverty.⁴⁷

⁴⁶ Central Bank of Sri Lanka, *Annual Report 2023*, pp. 14–19.

⁴⁷ World Bank, *Sri Lanka Poverty & Equity Brief* (2023), pp. 2–3.

Households responded to the crisis through meal reduction, increased borrowing, asset depletion, and informal income generation. A 2023 WFP survey found that 32% of households reduced meals while 68% borrowed money to purchase food.⁴⁸

Women frequently skipped meals to prioritise children and managed rising household shortages with limited support. At the same time, shortages of fuel, cooking gas, medicines, and agricultural inputs further undermined household livelihoods. Plantation workers, fishers, daily wage earners, and women engaged in home-based activities such as food processing, sewing, and petty trade experienced significant income losses, forcing many households to rely on high-interest informal loans to meet basic needs.⁴⁹

Chart 3: Household Coping Strategies During the Economic Crisis (2023)

<i>Coping Strategy</i>	<i>Percentage</i>
<i>Borrowed money for food</i>	68%
<i>Reduced meals</i>	32%
<i>Women skipping meals</i>	28%
<i>Sold household assets</i>	18%
<i>Withdrew children from tuition</i>	14%

The chart illustrates the widespread reliance on negative coping strategies adopted by households during the peak of the economic crisis, highlighting the disproportionate burden placed on women and low-income families.

3.2 IMF Restructuring, Fiscal Consolidation and Austerity

In 2023, Sri Lanka entered an Extended Fund Facility (EFF) agreement with the International Monetary Fund (IMF), introducing increased taxation, subsidy reductions, cost-reflective pricing for electricity and fuel, and tighter limits on public expenditure. While these measures were intended to stabilise the economy and restore macroeconomic confidence, they also increased the cost of living and reduced public support available to vulnerable households. The World Bank projected the economy to contract by 4.3% in 2023, while the IMF acknowledged that the crisis had intensified job and income losses alongside supply-side constraints. Rather

⁴⁸ . WFP Sri Lanka, *Food Security Assessment* (2023), pp. 8–10.

⁴⁹ UNDP Sri Lanka, *Household Vulnerability Survey* (2023), pp. 22–25.

than immediately improving household welfare, fiscal consolidation compressed real incomes, weakened social protection, and shifted a significant share of the adjustment burden onto low-income households.⁵⁰

75% in August 2022, then by **66% in February 2023**, with later revisions in 2023 and 2024; by mid-2025, tariff levels were reported to be about **95.5% higher than August 2022** on a net average basis while fuel price hikes raised production and transport costs affecting farmers, fishers, and low-income workers.⁵¹ Reduced fertilizer subsidies and rising agricultural costs further weakened rural livelihoods, particularly among women farmers dependent on small-scale cultivation.

Civil society organisations warned that austerity policies implemented without gender-responsive planning disproportionately affected women reliant on subsidised transport, maternal healthcare, education support, and affordable public services.⁵² Women absorbed these pressures through unpaid labour, reduced consumption, debt management, and informal work, increasing long-term economic insecurity.⁵³

3.3 Taxation, Public Spending and Gendered Inequality

Fiscal restructuring in Sri Lanka relied heavily on indirect taxation, particularly Value Added Tax (VAT), which increased from **12% to 15% in September 2022** and then to **18% in January 2024**, disproportionately affecting low-income households.⁵⁴ VAT increases on essential goods and services raised the cost of living while reducing purchasing power among poor and middle-income families.⁵⁵ Women, who are primarily responsible for household food management and caregiving, carried a disproportionate share of these burdens.

At the same time, large corporations and export-oriented sectors continued to receive tax concessions and investment incentives, while women-led small businesses and informal

⁵⁰ IMF, *Sri Lanka: First Review under the EFF* (2023), pp. 12–25.

⁵¹ Public Utilities Commission of Sri Lanka, *Tariff Revision Report* (2023), p. 7.

⁵² CADTM, *Sri Lanka Debt and Austerity Brief* (2024), pp. 4–8.

⁵³ UN Women Asia-Pacific, *Gendered Crisis Impacts* (2023), pp. 12–15.

⁵⁴[https://www.ird.gov.lk/en/publications/Value%20Added%20Tax_Acts/VAT_\(Amd\)_Act_No_16%20of%202024_E.pdf](https://www.ird.gov.lk/en/publications/Value%20Added%20Tax_Acts/VAT_(Amd)_Act_No_16%20of%202024_E.pdf)

⁵⁵ Tax Justice Network, *Global Tax Inequality Tracker 2024*, pp. 33–41.

workers received limited economic protection.⁵⁶ Women entrepreneurs in rural and plantation communities also faced barriers to accessing land titles, formal credit, and market support.

Public spending priorities reflected significant imbalances. Defence expenditure remained substantially higher than allocations for social protection, women’s development, and climate adaptation.⁵⁷ Although economic crisis increased demand for welfare support, many low-income households remained excluded from assistance due to documentation barriers, targeting errors, and digital access limitations.⁵⁸

Chart 4: Selected Public Expenditure Priorities (2024)

<i>Sector</i>	<i>Allocation (LKR Billion)</i>
<i>Defence</i>	423
<i>Health</i>	299
<i>Education</i>	232
<i>Women & Child Affairs</i>	5.3
<i>Climate Adaptation</i>	2.1

The chart highlights the imbalance in public spending, with defence receiving significantly higher allocations than key social sectors.⁵⁹

These fiscal patterns demonstrate how austerity and unequal budget priorities reproduce structural inequalities while shifting the burden of crisis management onto households, particularly women.

3.4 Informalization, Migration and the Feminization of Survival

The economic crisis accelerated informal and precarious forms of labour. As formal employment opportunities declined, many women entered low-paid informal work, including domestic work, home-based production, street vending, care work, and daily wage labour. In 2024, more than 6.5 million women were economically inactive, underscoring the scale of

⁵⁶ UNFPA Sri Lanka, *Menstrual Health and Dignity Assessment* (2024), pp. 14–19. IFC, *Women Entrepreneurs and Access to Finance in Sri Lanka* (2023), pp. 8–13

⁵⁷ Ministry of Finance, *Budget Estimates 2024*, Table 2.3, p. 47; pp. 45–48.

⁵⁸ ILO, *Informal Economy & Gender Report 2024*, pp. 9–12. Verité Research, *Social Protection and Fiscal Policy Analyses* (2023).

⁵⁹ <https://www.treasury.gov.lk/api/file/de97d292-8965-41e6-a153-680c738d4c43>

exclusion from formal employment. Many informal workers remain outside the effective coverage of labour legislation and social protection systems. Home-based workers, own-account workers, and domestic workers often lack legal recognition, employment protection, occupational safety, and access to social security benefits, leaving them highly vulnerable to economic shocks and exploitation.

Women migrant workers continued to contribute significantly to foreign exchange earnings through remittances, while also facing debt, unsafe working conditions, recruitment exploitation, and family separation.⁶⁰ At the same time, women employed in the garment and plantation sectors experienced increasing work pressure, declining real wages, rising living costs, and growing job insecurity despite being among the country's largest contributors to export earnings. Women constitute the majority of the labour force in both sectors, which have long generated substantial foreign exchange through apparel exports and tea production. Yet the economic value of their labour has not been matched by fair wages, decent working conditions, comprehensive social protection, or adequate recognition within economic policy and budget priorities. This reflects the structural undervaluation of feminized labour, where women sustain national economic growth while disproportionately bearing the costs of economic crises and austerity

Economic insecurity also increased risks of gender-based violence, child labour, school dropout, and mental distress within vulnerable communities.⁶¹ Women-headed households, particularly in conflict-affected and plantation areas, faced multiple burdens intersecting economic and social burdens related to debt, caregiving, food insecurity, and livelihood instability.

The feminisation of survival reflects how women continue to absorb the social and economic costs of crisis through unpaid care work, insecure labour, and household survival strategies that remain largely invisible within economic policy frameworks.

These trends demonstrate how economic crisis, austerity policies, and unequal fiscal priorities deepen structural vulnerability and gendered poverty in Sri Lanka. While women continue to

⁶⁰ Ministry of Finance, *Budget Estimates 2024*, pp. 45–48. Sri Lanka Bureau of Foreign Employment, *Annual Statistical Report* (2023).

⁶¹ UNICEF Sri Lanka, *Education Vulnerability Report 2024*, pp. 20–22. UN Women Asia-Pacific, *Gendered Impacts of Economic Crisis in South Asia* (2023).

sustain households and contribute significantly to the economy through paid and unpaid labour, recovery policies have yet to adequately address the unequal burdens carried by women, informal workers, and marginalised communities. Building a more equitable recovery therefore requires policies that combine macroeconomic stability with social justice, gender equality, decent work, and universal social protection.

4. Budget Priorities, Militarisation and Gender-Responsive Fiscal Justice

This chapter examines how Sri Lanka's budget priorities, taxation policies, debt repayment obligations, and militarised development models shape poverty, inequality, and gendered vulnerability. It analyses how austerity measures, unequal public expenditure, weak social protection, and gender-blind fiscal policies disproportionately affect women, informal workers, plantation communities, and other marginalised populations while limiting investment in social welfare, climate resilience, and community livelihoods. The chapter argues that equitable and gender-responsive fiscal policy is essential for achieving inclusive and sustainable recovery.⁶²

4.1 Budget Priorities, Fiscal Policy and Social Justice

Public budgets determine how resources are distributed and whose needs are prioritised in national development.⁶³ In Sri Lanka, fiscal policy following the economic crisis focused largely on debt repayment, revenue mobilisation, and austerity measures, while social protection, nutrition, gender equality, and public welfare received comparatively limited attention.⁶⁴

Women and marginalised communities are disproportionately affected because they rely more heavily on public health, education, welfare support, transport, and subsidised services.⁶⁵ When public expenditure declines, households absorb the burden through unpaid labour, reduced consumption, debt, and informal work.⁶⁶

⁶² IMF, *Sri Lanka: First Review under the Extended Fund Facility Arrangement* (2023). IMF EFF Review: pp. 12–25

World Bank, *Sri Lanka Development Update: Mobilizing Tax Revenue for a Brighter Future* (2023). Pp.12-25

⁶³ UN Women, *Gender-Responsive Budgeting Resource Materials* (2020), pp. 12–18.

⁶⁴ Sri Lanka Ministry of Finance, *Budget Estimates 2024*. Pp 45-48 Table 2.3 p.47

⁶⁵ UNDP Sri Lanka, *Poverty and Welfare Brief* (2023), pp. 4–7.

⁶⁶ Oxfam International, *Survival of the Richest* (2023), pp. 21–35.

In 2024, debt repayment accounted for nearly 54% of total government expenditure, while only 9% was allocated to education and 6.5% to health. At the same time, social protection spending remained low relative to the growing needs created by rising poverty, food insecurity, and the cost-of-living crisis.⁶⁷

As shown in Chart 5, the share of public expenditure devoted to debt repayment increased substantially between 2022 and 2024, while allocations to health, education, and social protection remained comparatively low despite rising poverty and food insecurity.

Chart 5. Trends in Government Spending Priorities (% of Total Expenditure)

Sector	2022	2023	2024
Debt repayment	39.8%	47.6%	54.0%
Education	10.3%	9.5%	9.0%
Health	7.2%	6.8%	6.5%
Social protection	3.9%	3.5%	3.2%

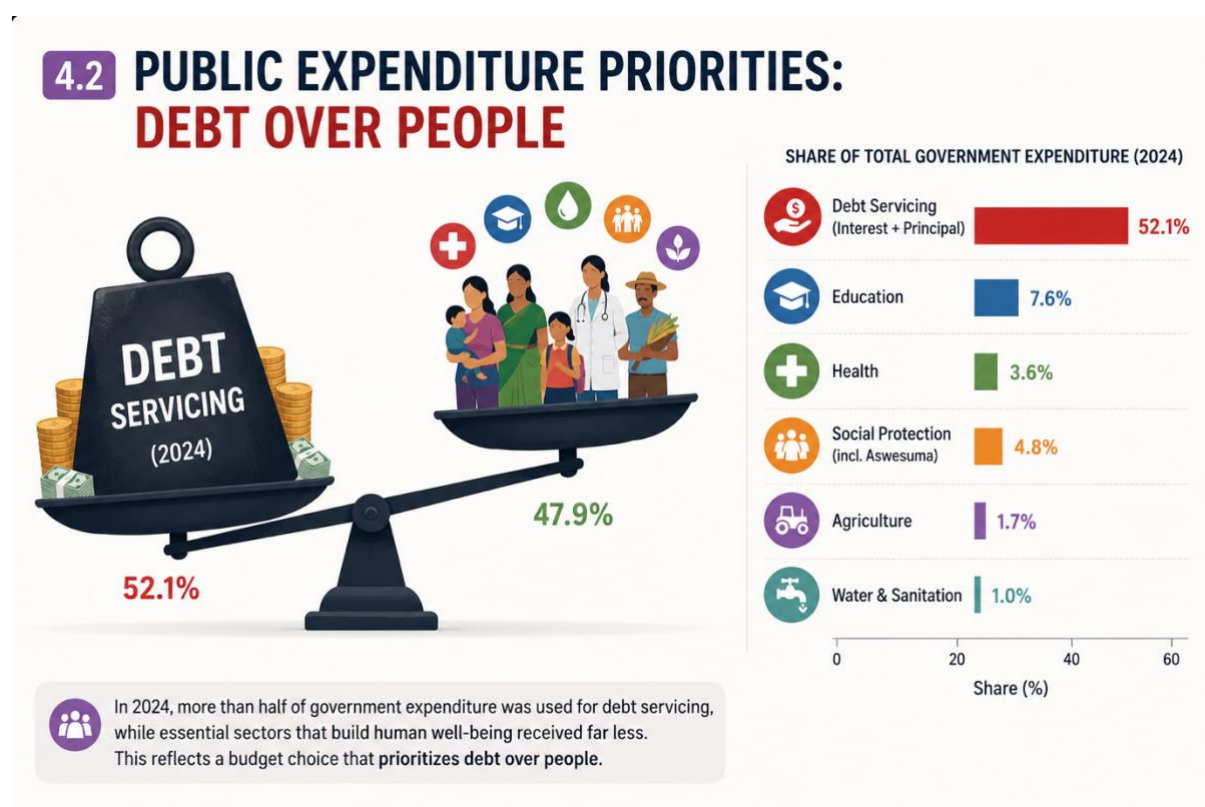


Source: Sri Lanka Ministry of Finance, *Budget Estimates* (2022, 2023, 2024); Ministry of Finance, *Annual Reports* (2022–2024).

⁶⁷ Verité Research, *Social Protection and Fiscal Policy Analyses* (2023), pp. 10–16.

Community organizations and women's groups reported increasing food insecurity, reduced healthcare access, and growing household debt among low-income families.⁶⁸ Women frequently managed these pressures by reducing food intake, delaying medical treatment, borrowing money, and expanding unpaid care work.⁶⁹

4.2 Militarisation, Development Priorities and Unequal Public Spending



Source: Centre for Policy Alternatives (CPA), *Militarisation and Governance in Sri Lanka* (2023), pp. 14–19. **Figure designed using ChatGPT based on the cited data.**

Despite the economic crisis, Sri Lanka continues to allocate substantial public resources to defence and militarized state structures.⁷⁰ Budget analysts and civil society organizations have repeatedly questioned the prioritization of defence expenditure over social welfare during periods of severe poverty and food insecurity.⁷¹

⁶⁸ WFP, *Sri Lanka Food Security Monitoring Report* (2023), pp. 8–14; 20–23.

⁶⁹ ActionAid International, *Invisible Women* (2021), pp. 16–24.

⁷⁰ CPA, *Militarization and Governance in Sri Lanka* (2023), pp. 14–19.

⁷¹ SAAPE, *Poverty and Vulnerability Reports* (2023–2025).

In 2024, defence expenditure reached LKR 423 billion while military staffing remained above 300,000 personnel more than a decade and a half 15 years after the end of the war.⁷² This pattern of public expenditure continues to divert fiscal resources away from healthcare, nutrition, housing, social protection, climate adaptation, and rural livelihoods..⁷³

At the same time, large-scale infrastructure and urban beautification initiatives, including the Colombo Port City Project, expressway development, and renewable energy projects such as large-scale wind power developments in the Northern and Eastern Provinces, have continued to receive priority over community-centred development.⁷⁴ Many plantation, rural, and coastal communities still lack adequate housing, sanitation, transport, healthcare access, and livelihood opportunities.⁷⁵ In several cases, land acquisition for tourism, infrastructure, and renewable energy projects has displaced or restricted access to land and natural resources, while compensation and resettlement mechanisms have remained unequal and difficult to access, particularly for women who lack formal land ownership or documentation.⁷⁶

Women in plantation, fishing, and rural communities experience disproportionate impacts due to insecure land rights, unpaid care burdens, weak public infrastructure, and exclusion from decision-making processes.⁷⁷

4.3 Gender-Responsive Budgeting, Taxation and Economic Inequality

Sri Lanka's fiscal policies remain largely gender-blind despite growing evidence of gendered economic inequality.⁷⁸ Gender-responsive budgeting is weakly institutionalised, and budget processes rarely assess how taxation, subsidy reductions, and expenditure cuts affect women differently.⁷⁹

Indirect taxation, particularly increases in VAT, disproportionately affected informal workers, low-income households, and women responsible for food provision and household survival.⁸⁰

⁷² Sri Lanka Ministry of Finance, *Budget Estimates 2024*, Table 2.3 p. 47; Sri Lanka Ministry of Defence Budget Allocation Reports 2024

⁷³ OHCHR, *Sri Lanka Post-War Accountability and Land Issues* (2023), pp. 20–27.

⁷⁴ ADB, *Sri Lanka Economic Policy Review* (2022), pp. 18–25.

⁷⁵ ICES, *Plantation Sector Inequality Studies* (2023), pp. 9–14.

⁷⁶ CEJ, *Land Acquisition and Development Displacement Reports* (2023), pp. 32–39.

⁷⁷ Nalini Rathnarajah, *Feminist Pathways to Sustainable Rural Livelihoods* (Conference paper 2026), pp.21-31

⁷⁸ UN Women Asia-Pacific, *Gendered Impacts of Economic Crises in South Asia* (2023).

⁷⁹ Commonwealth Secretariat, *Gender Responsive Budgeting and Fiscal Policy* (2021).

⁸⁰ Tax Justice Network, *Global Tax and Inequality Reports* (2024).

Rising prices of food, electricity, transport, medicine, and sanitary products intensified women's unpaid care burdens and economic insecurity.⁸¹

Case Example: Menstrual Poverty and Education

As observed through community-level activism and engagement with low-income families, rising VAT and inflation significantly increased the cost of sanitary products. In some households dependent on informal labour, adolescent girls miss school during menstruation due to lack of access to sanitary pads and proper facilities. Families struggling with rising living costs often face difficult choices regarding education and household survival, highlighting how gender-blind taxation policies deepen educational and economic inequality for girls.⁸²

At the same time, tax concessions and investment incentives continue to favour large corporations and export-oriented sectors, while women-led small businesses, informal workers, and rural entrepreneurs receive limited support.⁸³ Women working in informal sectors also continue to face structural barriers to accessing formal credit, secure land ownership, digital technologies, and market opportunities, limiting the growth and sustainability of women-led enterprises.⁸⁴

Feminist economists and civil society organizations argue that economic recovery requires redistributive taxation, expanded universal social protection, recognition of unpaid care work, and increased investment in health, education, food security, climate adaptation, and community livelihoods.⁸⁵

⁸¹ Women and Media Collective, *Gender and Economic Crisis Statements* (2023–2024).

⁸² Community-based activist observations and field engagement notes collected by the author (2024–2025). (Unpublished field documentation)

⁸³ Oxfam International, *Inequality Inc.* (2024).

⁸⁴ ILO, *Women and Informal Employment in Sri Lanka* (2023).

⁸⁵ UNDP, *Human Development Report* (2023/24), pp.112-118; Feminist Collective for Economic Justice, *Gender, Debt and Austerity Briefs* (2024)

Drawing on the evidence presented in this chapter and existing literature on Sri Lanka's fiscal reforms, the following figure summarizes the principal gender-differentiated impacts of recent fiscal austerity measures.

Chart 6: Gendered Impact of Fiscal Austerity

<i>Impact Area</i>	<i>Gendered Consequence</i>
<i>VAT increases</i>	<i>Higher household food burden</i>
<i>Public service cuts</i>	<i>Increased unpaid care work</i>
<i>Weak social protection</i>	<i>Greater informalization</i>
<i>Limited rural investment</i>	<i>Women's livelihood insecurity</i>
<i>Debt repayment priorities</i>	<i>Reduced welfare expenditure</i>

Author's synthesis based on Sri Lanka Ministry of Finance, Budget Estimates (2022–2024); International Monetary Fund (2023); World Bank (2023); UN Women (2023); International Labour Organization (2023); and Oxfam (2023).

4.4 Climate Finance, Social Protection and Unequal Recovery

Climate-related disasters continue to intensify poverty and vulnerability in Sri Lanka, particularly among women in rural, coastal, plantation, and conflict-affected communities.⁸⁶ Floods, droughts, landslides, and coastal erosion increasingly affect food security, livelihoods, housing, water access, and migration patterns.⁸⁷

Women often carry the burden of climate recovery through unpaid labour, caregiving, food management, water collection, and household survival strategies.⁸⁸ However, climate finance and disaster compensation mechanisms frequently fail to recognise women's specific vulnerabilities, especially among those lacking formal land ownership or documentation.⁸⁹

Social protection systems also continue to experience exclusion and be poorly targeted. Welfare programmes such as Aswesuma faced criticism regarding exclusion errors, digital

⁸⁶ IPCC, *Climate Change 2022: Impacts, Adaptation and Vulnerability*. South Asian Chapter pp.215-223

⁸⁷ Climate Action Network South Asia (CANSA), *Climate Displacement in South Asia* (2023).

⁸⁸ ActionAid, *Women, Climate Crisis and Care Work* (2022).

⁸⁹ CEDAW Committee, *Concluding Observations on Sri Lanka* (2025).

barriers, and lack of transparency in beneficiary selection.⁹⁰ Many women-headed households, informal workers, elderly women, and persons with disabilities remained excluded despite rising living costs and declining incomes.⁹¹

Chart 7: Gaps in Social Protection and Climate Support

<i>Issue</i>	<i>Impact on Vulnerable Communities</i>
<i>Weak climate adaptation funding</i>	<i>Increased livelihood insecurity</i>
<i>Land ownership requirements</i>	<i>Exclusion from compensation</i>
<i>Digitalized welfare systems</i>	<i>Barriers for rural women</i>
<i>Limited universal protection</i>	<i>Rising household debt</i>
<i>Poor rural services</i>	<i>Increased unpaid care burden</i>

The chart highlights key policy gaps that increase economic insecurity and limit resilience among vulnerable communities.

Civil society organisations and feminist activists emphasise that a socially just recovery requires climate-responsive budgeting, universal social protection, equitable taxation, and greater public investment in community-based adaptation and rural livelihoods.⁹²

Sri Lanka’s fiscal priorities continue to favour debt repayment, defence expenditure, and large-scale infrastructure over social protection, gender-responsive services, rural livelihoods, and climate adaptation.⁹³ These unequal budget and taxation policies disproportionately burden women, informal workers, plantation communities, and low-income households through rising living costs, unpaid care work, and economic insecurity. A socially just recovery therefore requires gender-responsive budgeting, equitable taxation, expanded social protection, and

⁹⁰ Verité Research, *Aswesuma Welfare Analysis* (2024).

⁹¹ World Bank, *Sri Lanka Poverty and Welfare Update* (2023).

⁹² SAAPE, *Regional Poverty and Vulnerability Advocacy Papers* (2024–2025).

⁹³ Feminist Collective for Economic Justice, *Climate Justice and Gender Advocacy Notes* (2024), Sri Lanka Ministry of Finance, *Budget Speech and Fiscal Strategy Statement 2024*.

greater investment in health, education, food security, climate resilience, and community livelihoods.

5. Climate Crisis, Livelihood Insecurity and the Feminisation of Informal Labour

This chapter analyses how intensifying climate shocks reshape rural livelihoods and deepen gendered poverty in Sri Lanka. Floods, droughts, landslides, erratic rainfall, and heat stress have disrupted agriculture, plantation work, and fisheries, while expanding women's unpaid care and pushing more women into precarious informal labour. Climate vulnerability is not gender-neutral; it is structured by unequal land access, labour markets, care economies, and gaps in social protection. These dynamics, documented in Sri Lanka and across South Asia, show that each disaster simultaneously eliminates income and multiplies women's workload.⁹⁴

5.1 Climate Crisis and Rural Vulnerability

Sri Lanka's climate crisis manifests in repeated floods, prolonged droughts, unpredictable rainfall, and landslides that destabilize rural and plantation economies. These disruptions are not one-off shocks but cycles that alter daily survival, household labour, and community resilience. Floods submerge homes, contaminate wells, destroy stored food, and leave fields unusable for weeks; families in districts such as Batticaloa and Ratnapura often relocate to temporary shelters several times a year, with women undertaking pre-dawn water collection, cooking with scarce fuel, drying soaked clothing, managing crowded shelter spaces, and safeguarding children and elders.⁹⁵ Evidence from South Asia confirms the rising frequency and intensity of extreme rainfall, expanding exposure for low-income, agriculture-dependent households.⁹⁶

Drought produces an equally severe pattern. In Anuradhapura and Monaragala, women walk farther to fetch water as canals and wells recede, sometimes adding one to four hours of daily labour during peak drought; at the same time, household milk production, poultry survival, and

⁹⁴ IPCC, *Climate Change 2022: Impacts, Adaptation and Vulnerability (AR6 WGII)*, South Asia chapter, pp. 215–223; global risk overview pp. 33–40.

⁹⁵ [2: IPCC, *Climate Change 2022: Impacts, Adaptation and Vulnerability (AR6 WGII)*, South Asia chapter, pp. 215–223. ; UN Women, UNICEF & UNHCR, *Humanitarian Action Annual Report 2023*, pp. 9–15; 32–38.

⁹⁶ IPCC, *Climate Change 2022: Impacts, Adaptation and Vulnerability (AR6 WGII)*, South Asia chapter, pp. 215–223.

kitchen garden yields decline—domains largely managed by women—forcing rationing and substitution to cheaper, less nutritious foods.⁹⁷

Plantation communities face distinct risks on steep slopes where old line-room housing was never designed for climate extremes. Intense rainfall triggers landslides and drainage failures; women tea pluckers often continue outdoor work in unsafe conditions, and output-based wages mean earnings drop to zero when weather halts plucking. Heat stress and chemical exposure compound health risks in a labour regime that historically undervalues women’s bodies and time.⁹⁸ After a landslide or road blockage, a woman can lose five to ten days of paid work while her unpaid labour triples to manage shelter, salvage belongings, support neighbours, and care for dependents—yet she is excluded from compensation for lack of formal land title.⁹⁹

5.2 Feminisation of Informal Labour

As climate shocks erode rural livelihoods, women transition from interrupted formal daily-wage or plantation work into overlapping forms of informal labour—home-based food preparation, sewing, petty trade, caregiving, and intermittent agricultural tasks—typically earning LKR 500–1,000 per day without (ETF) -employment provident fund/ETF- employee trust fund, maternity protection, or pensions.¹⁰⁰ National labour data indicate that over 70% of working women are now in informal employment (versus just over half of men), a share that has risen through the crisis years as climate variability reduced stable workdays in agriculture and plantations. Many women combine pre-dawn home-based enterprises with daytime caregiving and late-afternoon casual work, effectively lengthening their working day while reducing overall earnings—a textbook example of feminized precarious labour.¹⁰¹

This trajectory is not merely an outcome of “choice” but of constrained options: formal work collapses during flood or drought, unpaid care expands when schools close or elders fall ill, household debt mounts as food prices rise, and patriarchal norms limit mobility to safer or better-paid opportunities. The cumulative effect is an intensified triple burden—domestic

⁹⁷ UNDP Sri Lanka, *Climate Vulnerability and Rural Livelihoods* (country brief), pp. 14–17; 22–26.

⁹⁸ FAO, *Sri Lanka: Agriculture and Food Security Assessment* (2023), pp. 14–20; 28–34. IDMC *Global Report on Internal Displacement 2023*, pp. 78–84

⁹⁹ Nalini Rathnarajah, *Feminist Pathways to Sustainable Rural Livelihoods* (Conference paper, 2026), pp. 21–3

¹⁰⁰ ILO, *Decent Work and the Informal Economy: Sri Lanka Spotlight* (2024), pp. 9–12; 22–26.

¹⁰¹ UN Women Asia-Pacific, *Gendered Labour and Informal Work in South Asia* (2023), pp. 22–28.

management, disaster response, and informal income generation—which entrenches long-term economic insecurity.¹⁰²

5.3 Gendered Food Insecurity and Malnutrition

Food insecurity has intensified as climate shocks reduce yields, damage home gardens, and interrupt fisheries while inflation raises market prices. WFP’s 2023 assessment found that 32% of households reduced meal frequency and 68% borrowed to purchase food; women reported skipping meals more often than men to protect children’s diets.¹⁰³ This coping pattern carries significant health costs. Among women of reproductive age, chronic under-consumption is associated with anaemia (over one-third nationally), heightened risk of preterm labour and low-birthweight infants, and postpartum complications; it also reduces physical capacity and immunity, compounding the burdens of water collection and recovery work after floods.¹⁰⁴

Child nutrition has deteriorated in parallel: UNICEF reports national stunting rising from 7.4% to 9.4% between 2016 and 2023, with worse outcomes in drought-prone districts and plantation areas where low wages, contaminated water, and housing precarity constrain diet quality and hygiene.¹⁰⁵

FAO notes that drought seasons reduce availability of nutrient-dense foods (vegetables, pulses, milk), pushing households toward cheaper, calorie-dense substitutes that fail to meet micronutrient needs.¹⁰⁶ In interviews from Feminist Pathways paper, mothers stated about cutting their own intake first, then diluting meals for children, and finally taking small, high-interest loans for basic staples—patterns that entrench debt and weaken health simultaneously.¹⁰⁷

¹⁰² UN Women Asia-Pacific, *Gendered Labour and Informal Work in South Asia* (2023), pp. 22–28.; Department of Census & Statistics (DCS), *Labour Force Survey 2024*, pp. 18–23. ; Rathnarajah, *Beyond GDP: A Feminist Postcolonial Perspective* (Oxfam, 2024), pp. 7–14; 33–38.

¹⁰³ World Food Programme (WFP) Sri Lanka, *Food Security Assessment 2023*, pp. 8–14; 20–23.

¹⁰⁴ Ministry of Health Sri Lanka and UNICEF, *Nutrition Update 2024*, pp. 8–13; WHO Sri Lanka Maternal Nutrition Data 2023, pp. 10–14.

¹⁰⁵ Ministry of Health / DHS (as summarized by UNICEF), *Nutrition Update 2024*, pp. 8–13; 18–19.

¹⁰⁶ FAO Sri Lanka Agriculture and Food Security Assessment (2023), pp. 28–34.

¹⁰⁷ Nalini Rathnarajah, *Feminist Pathways to Sustainable Rural Livelihoods* (Conference Paper, 2026), pp. 21–31; WFP Sri Lanka, *Food Security Assessment 2023*, pp. 20–23.

5.4 Gender-Based Violence and Crisis Vulnerability

Climate disasters do not mechanically “cause” gender-based violence, but they intensify the conditions that heighten risk: displacement into overcrowded shelters with thin partitions, inadequate lighting, and unsafe or distant sanitation; economic stress and debt that fuel household conflict; and mobility restrictions that limit access to support services. Post-flood from Kandy, Nuwara Elia and Badulla districts describe women queueing for water at dawn, bathing in poorly screened areas, and walking steep paths to latrines—routines that increase fear and exposure, particularly for adolescent girls.¹⁰⁸ UNFPA’s regional analyses during the 2022–2023 crisis documented increases in intimate partner violence and coercive control linked to income loss and prolonged displacement; women’s expanded unpaid care, reduced earnings, and lack of independent assets further constrained options to seek safety.¹⁰⁹

Apart from displacement, drought-affected communities have distinct yet interconnected patterns. In drought-affected villages, repeated harvest failure and rising food debt precede spikes in verbal aggression and control within households, with women unable to exit due to caregiving obligations, lack of cash income, and absence of extended family support. The climate emergency thus magnifies pre-existing inequalities—economic, spatial, and gendered—rather than producing new patterns in isolation.¹¹⁰

The evidence presented throughout this chapter demonstrates a recurring cycle: climate shocks eliminate women's income in agriculture and plantations; unpaid care work increases; women enter lower-paid and unprotected informal labour; food insecurity worsens as women sacrifice their own consumption; and crisis conditions heighten exposure to violence while limiting access to protection and support. Breaking this cycle requires feminist climate policies that secure land and housing rights, expand universal social protection, invest in care systems and

¹⁰⁸ IPCC, *AR6 WGII South Asia chapter*, pp. 215–223. UN Women, UNICEF & UNHCR, *Humanitarian Action Annual Report 2023*, pp. 9–15; 32–38

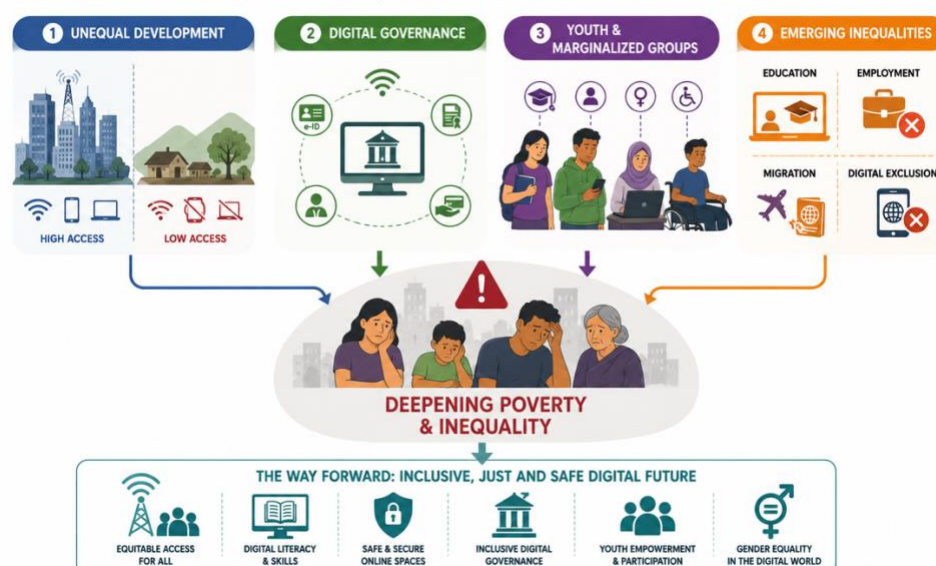
¹⁰⁹ UNFPA, *Gender and Crisis Vulnerability in South Asia* (2023), pp. 14–19; 30–33.
UN Women; UNICEF; UNHCR, *Humanitarian Action Annual Report 2023*, pp. 32–38.

¹¹⁰ Nalini Rathnarajah, *Feminist Pathways to Sustainable Rural Livelihoods* (Conference Paper, 2026), pp. 21–31; UNFPA, *Gender and Crisis Vulnerability in South Asia* (2023), pp. 14–19.]

rural health services, recognize unpaid care work within public budgeting, and ensure decent work standards across informal and climate-affected sectors.¹¹¹

6. Development, Digital Governance, Youth Vulnerability and Emerging Inequalities

CHAPTER 6: DIGITAL GOVERNANCE, YOUTH EXCLUSION AND THE NEW DIVIDE



Sources: LIRNEasia Digital Inclusion Dashboard 2024; ICTA Survey on ICT Access and Usage 2024; ILO Sri Lanka Youth Employment Brief 2024; UN Women Asia-Pacific Gender and Digitalization 2023.

The infographic highlights key policy gaps that increase economic insecurity and limit resilience among vulnerable communities.

This chapter examines how recent development policies in Sri Lanka—including infrastructure investment, energy transition, and rapid digitalization—are reshaping poverty and inequality. While these developments have the potential to improve access to public services, employment, and economic opportunities, their benefits remain unevenly distributed. Rural communities, women, low-income households, persons with disabilities, and many young people continue to face barriers to technology, affordable internet access, digital literacy, and digital public services. As governments increasingly rely on digital systems for welfare, education, employment, and public administration, unequal access risks creating new forms of exclusion.

¹¹¹ ILO, Decent Work and the Informal Economy: Sri Lanka Spotlight (2024), pp. 9–12; 22–26. ; Nalini Rathnarajah, Feminist Pathways to Sustainable Rural Livelihoods (Conference Paper, 2026), pp. 21–31 ; Nalini Rathnarajah, Beyond GDP: A Feminist Postcolonial Perspective (Oxfam, 2024), pp. 7–14; 33–38.

The chapter argues that development without equity and inclusion can reinforce existing regional, gender, and socio-economic inequalities.¹¹²

6.1 Digital Transformation, Digital Exclusion, and Spatial Inequality

Sri Lanka's development trajectory is increasingly shaped by digital governance, online public services, platform economies, and technology-driven modernization. While these transformations can improve access to welfare, education, employment, and state services, unequal access to technology, connectivity, digital literacy, and documentation continues to exclude many low-income households, rural communities, women, and youth. Digitization therefore risks reproducing existing inequalities linked to class, geography, gender, ethnicity, and age when development policies prioritize efficiency without adequate equity safeguards.¹¹³ Young people are particularly affected because education, employment opportunities, and social participation increasingly depend on digital systems and online platforms. Yet many rural and plantation communities still experience weak connectivity, unstable electricity access, and high data costs, limiting equal participation in digital learning, labour markets, and public services.¹¹⁴

The rapid expansion of digital governance has also transformed access to welfare, banking, and public administration through online registration systems, digital payments, and identity verification platforms. However, many households continue to face barriers due to lack of smartphones, unstable internet, language limitations, or dependence on devices registered under male family members.¹¹⁵ These exclusions particularly affect youth attempting to access education, welfare schemes, and employment opportunities within increasingly digitized systems, reinforcing wider inequalities between urban and rural populations.

6.2 Energy Justice and Unequal Benefits

Sri Lanka's shift toward renewable energy is essential for climate and fiscal reasons, but poorly designed projects can reproduce inequality when land, benefits, and costs are unevenly distributed. Wind and solar parks concentrated in coastal or dry-zone districts sometimes

¹¹² World Bank, Sri Lanka Development Update: Mobilizing Tax Revenue for a Brighter Future (2023), pp. 15–18.

¹¹³ UN ESCAP, Digital Inclusion and Gender Gaps in South Asia (2022), pp. 11–16.

¹¹⁴ UNICEF Sri Lanka, Digital Learning and Equity Brief (2024), pp. 12–18.

¹¹⁵ UN Women Asia-Pacific, Digitalization, Gender and Social Protection Access (2023), pp. 22–28.

proceed with limited local consultation, unclear compensation for land or access corridors, and few durable jobs for residents; grid benefits accrue nationally while nearby villages absorb construction disturbance, restricted access to commons, or fishing-route changes. Community organizations in **Mannar District** and **Pooneryn (Kilinochchi District)** have documented concerns that wind power development projects affected access to coastal livelihoods and common resources used by local communities, particularly women engaged in small-scale trading and fisheries-related livelihoods. Reports also highlighted inadequate community consultation and limited access to compensation and livelihood support for affected household.¹¹⁶

Energy-pricing reforms under fiscal consolidation have continued to raise concerns about affordability and energy justice. Following the sharp electricity tariff increases of 66% in 2023, tariffs have been revised several times during 2024, 2025, and 2026 under the cost-reflective pricing framework approved by the Public Utilities Commission of Sri Lanka (PUCSL). Although the magnitude of each revision has varied, households and small enterprises have continued to face rising energy costs, with rural women reporting reduced evening study hours for children, lower use of electrical appliances, and curtailed cold storage for home-based food production.¹¹⁷

Without lifeline tariffs that genuinely protect low-consumption, low-income users—and without targeted support for women-run micro-enterprises—the transition risks widening energy poverty even as generation decarbonizes. International experience shows that renewable build-out paired with local benefit-sharing (community ownership stakes, revenue-sharing funds for water and clinics, women’s employment targets in O&M) can reverse this pattern.¹¹⁸

Careful “windmill example”: In coastal DS divisions where wind corridors overlap with fishing communities, women fish sellers described longer travel to alternative landing points after construction fenced former paths and staging areas; household electricity bills rose simultaneously with tariff reforms, squeezing margins. Where developers created women-

¹¹⁶ Centre for Environmental Justice (CEJ), *Land, Energy Projects and Community Displacement* (2024), pp. 32–39 (community benefit and consultation gaps).

¹¹⁷ Public Utilities Commission of Sri Lanka (PUCSL), *Tariff Revision Report* (2023), p. 7 (66% hike); follow-up adjustment 2024 (18%); paired with Ministry of Finance 2024, pp. 45–48.

¹¹⁸ International Renewable Energy Agency (IRENA), *Renewable Energy and Community Benefits* (2023), pp. 18–25. Centre for Environmental Justice (CEJ), *Land, Energy Projects and Community Displacement* (2024), pp. 32–39.

managed ice and storage kiosks and funded street lighting on new access roads, incomes stabilized; where they did not, women's earnings fell.¹¹⁹

6.3 Digital Governance, Youth Vulnerability and Emerging Inequalities

Sri Lanka's digital transition is increasingly reshaping labour markets, welfare systems, education, and social participation. As formal employment opportunities decline amid economic crisis and austerity, many young people are entering app-based delivery work, freelance online labour, and other precarious platform economies that provide unstable earnings and limited labour protections.¹²⁰ At the same time, migration among skilled youth—including IT workers, nurses, technicians, and students—has accelerated due to declining confidence in local economic opportunities and future stability.¹²¹ For many young people, particularly those from low-income and rural communities, digital transformation has not produced equal opportunity but new forms of insecurity linked to unstable employment, rising living costs, and unequal access to digital infrastructure.¹²²

The impacts of digital transformation and economic crisis are not experienced equally among youth populations. Access to digital education, online employment, welfare systems, and technological opportunities continues to be shaped by class, geography, gender, ethnicity, disability, and language. Rural and plantation communities continue to experience significant digital inequalities. UNICEF Sri Lanka reports that internet use among children and adolescents is substantially lower in plantation (39.3%) and rural areas (47.1%) than in urban areas (67.8%), limiting access to online education, digital services, and employment opportunities. In addition, UN ESCAP notes that persistent urban-rural disparities in internet access, digital skills, and smartphone ownership continue to exclude women, low-income households, and marginalised communities from the benefits of digital transformation,

¹¹⁹ Centre for Environmental Justice (CEJ), Land, Energy Projects and Community Displacement (2024), pp. 32–39 (community benefit and consultation gaps), Public Utilities Commission of Sri Lanka (PUCSL), Tariff Revision Report (2023), p. 7 (66% hike); follow-up adjustment 2024 (18%); paired with Ministry of Finance 2024, pp. 45–48.

¹²⁰ ILO Sri Lanka, Decent Work and Youth Employment in Sri Lanka (2024), pp. 14–19.

¹²¹ International Labour Organization (ILO), World Employment and Social Outlook 2024, platform labour section, pp. 45–52.

¹²² Verité Research, Economic Crisis and Migration Trends (2024), pp. 11–15.

reinforcing existing spatial and socio-economic inequalities..¹²³ Young women face additional barriers through cyber harassment, online surveillance, and unequal control over digital resources within households, while war-affected Tamil youth, disabled youth, and LGBTIQ+ and transgender communities continue to experience overlapping forms of social and economic exclusion.¹²⁴ These barriers increasingly affect access to education, employment, social protection, mental-health support, and participation within digitally governed systems.¹²⁵

Digital culture has also transformed social relationships and experiences of vulnerability among youth. Social media platforms increasingly shape ideas of success, identity, and consumption while exposing young people to misinformation, online scams, gambling applications, addictive digital content, and emotional stress.¹²⁶ Economic insecurity, unemployment, migration pressures, and uncertain futures further intensify mental-health challenges, while stigma and weak public mental-health services continue to limit access to support.¹²⁷ At the same time, digital spaces have become important sites for youth activism, feminist organizing, climate campaigns, and political mobilization, particularly during and after the Aragalaya protests. These developments demonstrate that digital transformation can both deepen inequality and create new spaces for solidarity, resistance, and community participation among marginalised youth populations.¹²⁸

The evidence presented in this chapter demonstrates that development centred on urban expansion, rapid digitalization, and market-led growth can deepen existing inequalities when equity and inclusion are not embedded in policy design. Unequal access to digital infrastructure, affordable connectivity, education, and public services continues to exclude

¹²³ UNICEF Sri Lanka, Digital Learning and Youth Well-Being Brief (2024), pp. 12–20.
<https://www.unicef.org/srilanka>_ UN ESCAP, Digital Inclusion and Gender Gaps in South Asia (2022), pp. 11–16.

¹²⁴ UN Women Asia-Pacific, Digitalization, Gender and Social Protection Access (2023), pp. 22–28. Equal Ground Sri Lanka, LGBTIQ+ Community and Economic Vulnerability Report (2023), pp. 18–25.

¹²⁵ WHO Sri Lanka and Ministry of Health, *Mental Health and Psychosocial Concerns Among Young People* (2023), pp. 9–16.; UNFPA Sri Lanka, *Youth Vulnerability and Social Protection Assessment* (2024), pp. 21–27.

¹²⁶ UNICEF Sri Lanka, Digital Learning and Youth Well-Being Brief (2024), pp. 12–20.

¹²⁷ WHO Sri Lanka and Ministry of Health, *Mental Health and Psychosocial Concerns Among Young People* (2023), pp. 9–16.

¹²⁸ Centre for Policy Alternatives (CPA), *Youth Activism and Democratic Participation in Sri Lanka* (2024), pp. 10–18.

rural communities, women, low-income households, youth, and other marginalised groups from fully benefiting from development.¹²⁹

An inclusive development pathway therefore requires equity-centred digital governance, stronger labour and social protection systems, investment in rural infrastructure and public services, and affordable access to technology. Sustainable development must ensure that digital transformation advances equality, dignity, and social justice rather than creating new forms of exclusion..¹³⁰

7. Budget Analysis: Fiscal Inequality, Social Protection and Gender-Responsive Recovery

Sri Lanka's economic crisis has intensified debates over taxation, public spending, debt repayment, and social protection. Budget decisions made during the post-crisis recovery period increasingly shape who bears the burden of economic adjustment and who benefits from state resources. While fiscal consolidation policies emphasise debt restructuring, revenue generation, and expenditure control, social sectors such as health, education, welfare, and care services continue to receive limited investment relative to growing public need.¹³¹ At the same time, rising indirect taxation, inflation, tariff increases, and reductions in social protection disproportionately affect low-income households, women, informal workers, and vulnerable communities. This chapter examines how current fiscal priorities deepen poverty, gender inequality, while identifying pathway towards a major equitable, gender responsive , and climate resilience recovery.¹³²

7.1 Fiscal Priorities and Unequal Social Impact

Sri Lanka's current budget structure reflects significant imbalance between debt servicing, defence expenditure, and social investment. Debt servicing absorbed approximately **44% of total government expenditure in 2024**, while defence allocations remained substantially higher than several key social sectors, limiting fiscal space for social protection and gender-

¹²⁹ World Bank, Sri Lanka Development Update (2023), pp. 15–18; UN ESCAP, Digital Inclusion and Gender Gaps in South Asia (2022), pp. 11–16.

¹³⁰ ILO Sri Lanka, Decent Work and Youth Employment in Sri Lanka (2024), pp. 14–19; CPA, Youth Activism and Democratic Participation in Sri Lanka (2024), pp. 10–18.

¹³¹ Ministry of Finance, Budget Estimates 2024, Table 2.3 p. 47; pp. 45–48.

¹³² IMF, Sri Lanka EFF First Review (2023), pp. 12–25.

responsive investments.¹³³ In contrast, public spending on health remains around **1.4% of GDP** and education below **2% of GDP**, well below international benchmarks. UNESCO's *Education 2030 Framework for Action* recommends allocating **4–6% of GDP** (or **15–20% of total public expenditure**) to education, while global evidence on universal health coverage indicates that public health expenditure of around **5% of GDP** is needed to ensure adequate health financing.¹³⁴ These funding limitations affect rural hospitals, maternal health services, school nutrition programmes, transport assistance, and local welfare systems, particularly in plantation, drought-affected, and conflict-affected districts.

The reduction and restructuring of welfare programmes have also intensified vulnerability among low-income households. During the transition from Samurdhi to Aswesuma, many families experienced¹³⁵

7.2 Taxation, Inflation and the Burden on Low-Income Households

Sri Lanka's revenue system remains heavily dependent on **regressive indirect taxation**, with nearly 80% of government revenue generated through VAT and other consumption-based taxes. This revenue structure places a disproportionate burden on low-income households, which spend a larger share of their income on essential goods and services, creating a double burden as they face both higher consumption taxes and rising living costs driven by inflation.¹³⁶ While these measures are promoted as necessary for fiscal stabilization, indirect taxation disproportionately affects low-income households because essential goods consume a larger share of household income among the poor. VAT increases on food, electricity, transport, fuel, and basic consumer goods have intensified living costs during a period of declining wages and economic insecurity.¹³⁷

Women and marginalised communities experience these impacts most sharply. Rising prices for food, cooking fuel, transport, electricity, and menstrual health products have increased women's unpaid care responsibilities and reduced access to health and education. In Sri Lanka, **87.3% of women and girls participate in unpaid care and domestic work compared with**

¹³³ Ministry of Finance, Budget Estimates 2024, Table 2.3 p. 47; pp. 45–48. Central Bank of Sri Lanka. *Annual Economic Review 2024* (Government Finance chapter)

¹³⁴ UNESCO. *Education 2030 Framework for Action* – benchmark of **4–6% of GDP** or **15–20% of public expenditure**.

¹³⁵ World Bank, Sri Lanka Development Update: Mobilizing Tax Revenue for a Brighter Future (2023), pp. 15–18.

¹³⁶ Tax Justice Network (2025), pp. 33–41.

¹³⁷ Ministry of Finance, Budget Estimates 2024, pp. 45–48.

59.7% of men and boys, while women spend a substantially greater share of their day on unpaid care work, making them disproportionately affected by rising living costs and service.¹³⁸ Electricity tariff increases and fuel reforms also affect small farmers, fishers, informal workers, and home-based enterprises that depend on affordable utilities and transport.¹³⁹ In rural and plantation communities, households increasingly reduce nutrition, education expenses, and healthcare access in order to manage inflation and debt repayment. These patterns demonstrate that fiscal policy is not gender-neutral; taxation and subsidy reforms directly shape everyday survival, care work, and social inequality.¹⁴⁰

7.3 Gender-Responsive Budgeting and Social Protection Gaps

Although Sri Lanka has adopted commitments related to gender equality and inclusive development, gender-responsive budgeting remains weak in practice. Only a limited number of ministries regularly produce gender budget statements, while major sectors such as finance, transport, energy, agriculture, and defence rarely conduct systematic gender impact assessments.¹⁴¹ As a result, unpaid care work, informal labour, food insecurity, climate vulnerability, and women's economic insecurity remain largely invisible within macroeconomic planning and fiscal policy decisions.

Current social protection systems also inadequately address the realities of informal and climate-vulnerable labour. Climate disasters, inflation, and economic shocks therefore push vulnerable households deeper into debt and food insecurity with limited institutional support. Many women working in agriculture, domestic work, fisheries, home-based work, and informal digital labour continue to remain excluded from pensions, maternity benefits, insurance, and emergency income protection.¹⁴² Even among formal private-sector workers, concerns remain regarding transparency, accountability, and long-term retirement security within existing protection systems. A recent Verité Research assessment noted that although the Employees' Provident Fund (EPF) holds assets equivalent to approximately 15% of Sri Lanka's GDP, public disclosure practices remain limited compared to international standards, raising broader concerns regarding accessibility, institutional accountability, and workers'

¹³⁸ UNFPA Sri Lanka, *Economic Crisis and Gendered Impacts* (2024), pp. 14–19.

https://srilanka.un.org/en/251066-addressing-gender-gap-unpaid-care-work?utm_source=chatgpt.com

¹³⁹ Public Utilities Commission of Sri Lanka (PUCSL), *Tariff Revision Report* (2023), p. 7.

¹⁴⁰ UN Women, *Gender Responsive Budgeting Review Sri Lanka* (2024), pp. 10–13.

¹⁴¹ UN Women, *Gender Responsive Budgeting Review Sri Lanka* (2024), pp. 10–13.

¹⁴² ILO Sri Lanka, *Informal Labour and Social Protection* (2024), pp. 9–12; 22–26.

ability to make informed decisions regarding retirement savings.¹⁴³ Expanding portable and inclusive social protection, particularly for women and informal workers, is essential for reducing long-term poverty and strengthening economic resilience.¹⁴⁴

7.4 Towards a More Equitable and Climate-Resilient Budget

A more equitable fiscal approach requires rebalancing public spending toward health, education, nutrition, care infrastructure, social protection, and climate-resilient local development. Increased investment in rural health systems, school nutrition programmes, childcare services, safe water systems, and women's livelihood support is likely to reduce poverty while improving long-term social resilience.¹⁴⁵ Similarly, strengthening progressive taxation, reducing excessive reliance on indirect taxes, and improving taxation on wealth and high-income groups can create fairer revenue systems without increasing the burden on low-income households.¹⁴⁶

Climate-responsive and gender-responsive budgeting are necessary as climate shocks intensify food insecurity, displacement, and livelihood instability across Sri Lanka. Investment in drought adaptation, flood protection, rural transport, local agriculture, and community care systems can reduce both economic vulnerability and unpaid labour burdens, particularly for women.¹⁴⁷ Fiscal policy should therefore evolve beyond macroeconomic stabilization by introducing gender-responsive budget statements across all ministries, protecting low-income households through lifeline utility tariffs, expanding social protection for informal workers, and increasing investment in climate resilience to support a more equitable and inclusive recovery.¹⁴⁸

Sri Lanka's current fiscal policies continue to prioritize debt repayment, indirect taxation, and expenditure restraint while social sectors remain underfunded amid growing economic hardship. These budget choices disproportionately affect women, informal workers, rural

¹⁴³ Verité Research, *The Employees' Provident Fund in Sri Lanka: A Comparative Assessment of the Adequacy of Information Disclosure* (2026), Executive Summary and pp. 4–11.

¹⁴⁴ UNDP Sri Lanka, *Social Protection Assessment* (2024), pp. 15–20.

¹⁴⁵ UNICEF Sri Lanka, *Nutrition Update* (2024), pp. 8–13; WHO (2023), pp. 22–29.

¹⁴⁶ World Inequality Report (2026), pp. 120–145.

¹⁴⁷ **IPCC AR6 WGII** (2022), South Asia chapter, pp. 215–223 – supports climate adaptation and resilience.

¹⁴⁸ **UN Women**. *Gender-Responsive Budgeting Resource Pack* (2020), pp. 12–18

communities, and vulnerable populations through rising living costs, weakened social protection, and expanding unpaid care burdens.¹⁴⁹

A more equitable recovery requires gender-responsive and climate-responsive budgeting that strengthens health, education, nutrition, social protection, and local livelihoods while reducing reliance on regressive taxation. Fiscal policy should be understood not only as a tool of macroeconomic management, but as a central instrument for reducing inequality, protecting vulnerable communities, and supporting long-term social resilience.¹⁵⁰

8. Debt Justice, Fiscal Space, and People-Centered Alternatives

This chapter demonstrates how Sri Lanka's public debt dynamics, revenue structure, and expenditure choices constrain social investment, gender equality, and inclusive development. It argues that debt restructuring and fiscal consolidation focused narrowly on creditors and austerity undermine recovery, while progressive revenue reforms, expenditure reprioritization, expanded social protection, and gender-responsive budgeting can create fiscal space consistent with human rights obligations. Building on the evidence presented throughout this chapter proposes people-centered policy alternatives to advance fiscal justice, reduce inequality, and promote and inclusive and sustainable recovery.

8.1 Debt dynamics and the squeeze on social investment

By 2022, Sri Lanka's debt distress culminated in default and an acute balance-of-payments crisis. Servicing costs escalated as currency depreciation and interest burdens rose, crowding out social expenditure. In 2024, interest payments accounted for approximately 44% of total government expenditure (LKR 2,690 billion out of LKR 6,130.7 billion), while public spending on health and education remained around 1.4% and below 2% of GDP, respectively—well below internationally recognized benchmarks of around 5% of GDP for health financing to support universal health coverage and UNESCO's recommended 4–6% of GDP foreducation.¹⁵¹ The compression of real wages and cuts to subsidies during adjustment

¹⁴⁹ Ministry of Finance, Budget Estimates 2024, pp. 45–48; WFP Sri Lanka (2023), pp. 8–14; 20–23.

¹⁵⁰ UN Women, Gender Responsive Budgeting Review Sri Lanka (2024), pp. 10–13; World Inequality Report (2026), pp. 120–145.

¹⁵¹ Ministry of Finance, Sri Lanka. Budget Estimates 2024, Table 2.3 p. 47; pp. 45–48 (sectoral allocations; debt service context). UNESCO, *Education 2030 Framework for Action* — supports the education benchmark (4–6% of GDP).

magnified poverty and widened gender gaps, as women relied more on subsidized utilities, public transport, and health services to sustain household wellbeing.¹⁵²

The macro path chosen—front-loaded fiscal consolidation under IMF-supported programs—secured external financing and anchor signals, but shifted a substantial share of adjustment costs to low-income households through indirect taxation and tariff hikes.¹⁵³ Without simultaneous expansion of social protection, these measures eroded consumption among the poorest quintiles and increased unpaid care responsibilities borne by women.¹⁵⁴

8.2 Revenue structure: why regressivity matters for gender equality

Sri Lanka's revenue mix is heavily tilted toward indirect taxes; approximately four-fifths of tax receipts are raised through VAT and excises, which fall disproportionately on low-income consumers because they spend a higher share on essentials.¹⁵⁵ VAT hikes between 2022 and 2024 lifted the prices of food, transport, school materials, medicines, and menstrual products, intensifying time and income poverty for women who manage daily provisioning. Evidence from UNFPA shows price increases of 45–60% for menstrual hygiene products during the crisis period, with adverse effects on girls' school attendance and women's mobility—an illustration of how tax policy can undermine dignity, health, educational participation, and economic inclusion.¹⁵⁶

At the same time, corporate tax concessions, profit-shifting opportunities, and under-taxation of high-net-worth individuals limit revenue buoyancy. Global distribution data indicate that the top decile captures more than half of national income, while the bottom half receives a small fraction—signaling headroom for progressive revenue instruments that would not dampen basic consumption.¹⁵⁷

¹⁵² UN Women Asia-Pacific. Gendered Impacts of Economic Crises in South Asia (2023), pp. 12–15.

¹⁵³ IMF. Sri Lanka: First Review under the Extended Fund Facility (2023), pp. 12–25 (fiscal consolidation pillars).

¹⁵⁴ WFP Sri Lanka. Food Security Assessment (2023), pp. 8–14; 20–23 (household coping; adequacy).

¹⁵⁵ Central Bank of Sri Lanka – Annual Economic Review 2024 Inland Revenue Department – Annual Performance Report 2024 Tax Justice Network. Global Tax Inequality Tracker (2025), pp. 33–41 (indirect tax share; regressivity).

¹⁵⁶ UNFPA Sri Lanka. Menstrual Health and Dignity Assessment (2024), pp. 14–19.

¹⁵⁷ World Inequality Report 2026. World Inequality Lab, pp. 120–145; 130–145 (income shares; progressive taxation scenarios).

8.3 Expenditure priorities and opportunities to reallocate

Budget analysis shows persistent nominally high allocations for defence relative to social sector spending. In 2024, defence outlays exceeded individual social sector lines, while health spending stood approximately 1.4% of GDP—well below WHO’s 5% public health financing benchmark.¹⁵⁸ Education investment remained below UNESCO’s 4–6% guidance, constraining human capital formation. Rebalancing toward primary health care, maternal and reproductive health, public childcare, and school nutrition would directly reduce women’s unpaid care time and improve labour force re-entry.¹⁵⁹

Social protection coverage remains inadequate. During the transition from the **Samurdhi** welfare programme to the **Aswesuma** scheme, stricter beneficiary selection criteria excluded approximately **900,000 former recipients**, leaving many low-income households without income support at a time of high food prices and widespread economic vulnerability.¹⁶⁰ Indexing transfer values to food inflation and widening eligibility criteria for informal workers and female-headed households would stabilize consumption and reduce resort to debt.¹⁶¹

8.4 Policy Recommendations for Equitable Fiscal Reform

A rights-compatible recovery requires simultaneous action on revenue, expenditure, debt restructuring, and inclusive digital governance:

- **Progressive revenue:** A graduated personal income tax on high earners; wealth or property surtaxes above high thresholds; stronger regulation of corporate tax concessions and profit-shifting; and fair taxation policies that reduce excessive dependence on indirect taxes. Evidence from global inequality research suggests these measures can generate revenue without increasing burdens on low-income households.¹⁶²

¹⁵⁸ Ministry of Finance, Sri Lanka. Budget Estimates 2024, pp. 45–48 (health, defence levels).

¹⁵⁹ WHO. Global Health Expenditure and PHC Investment Guidance (2023), pp. 22–29 (benchmarks); UNESCO Education Finance Guidelines (2021), pp. 10–15.

¹⁶⁰ UNDP Sri Lanka. Vulnerability Mapping / Aswesuma Transition (2024), pp. 15–20.

¹⁶¹ ILO. Decent Work and the Informal Economy: Sri Lanka Spotlight (2024), pp. 9–12; 22–26 (portable schemes; coverage).

¹⁶² IMF Policy Paper. Climate Resilient Debt Clauses and State-Contingent Instruments (2023), pp. 5–11; 18–22. World Inequality Report 2026. World Inequality Lab, pp. 120–145; 130–145 (income shares; progressive taxation scenarios).

- **Expenditure reprioritization:** Gradually reprioritize public expenditure by reducing non-essential defence spending and low-impact prestige infrastructure in favour of higher budget allocations for health, education, social protection, and climate resilience.¹⁶³ Expanding affordable internet access, digital literacy programmes, and multilingual public digital services is increasingly necessary as education, employment, welfare, and public administration become more digitally dependent.¹⁶⁴
- **Social protection expansion:** Portable and shock-responsive social protection for informal workers, including women, youth, platform workers, plantation communities, and persons with disabilities. This includes EPF-like micro-contributory schemes, maternity protection, digital enrollment systems with assisted access, and inflation-indexed cash transfers.¹⁶⁵ Strengthening transparency and accountability within retirement and social protection systems is also essential for restoring public trust and long-term economic security.¹⁶⁶
- **Debt justice and youth inclusion:** Debt restructuring mechanisms should protect fiscal space for education, youth employment, mental health services, digital inclusion, and climate resilience rather than prioritizing austerity alone. Savings generated through debt restructuring, including climate-resilient debt clauses and debt-for-SDG swaps, should be redirected towards social investment and the well-being of future generations.¹⁶⁷

8.5 Gender-responsive budgeting as a fiscal rule

Gender-responsive budgeting (GRB) should function as a practical fiscal rule requiring ex-ante gender and social impact assessments for major tax, tariff, digital governance, and expenditure policies.¹⁶⁸ Ministries with major allocations—including Finance, Health, Education, Transport, Energy, Digital Infrastructure, and Agriculture—should publish annual gender

¹⁶³ WHO. Global Health Expenditure and PHC Investment Guidance (2023), pp. 22–29 (benchmarks); UNESCO Education Finance Guidelines (2021), pp. 10–15.

UN Women. GRB Implementation Review: Sri Lanka (2024), pp. 10–13 (ministry compliance; GRB templates).

¹⁶⁴ UN ESCAP, Digital Inclusion and Gender Gaps in South Asia (2022), pp. 11–16.

¹⁶⁵ ILO. Decent Work and the Informal Economy: Sri Lanka Spotlight (2024), pp. 9–12; 22–26 (portable schemes; coverage).

¹⁶⁶ Verité Research, *The Employees' Provident Fund in Sri Lanka: A Comparative Assessment of the Adequacy of Information Disclosure* (2026), Executive Summary and pp. 4–11.

¹⁶⁷ IMF Policy Paper. Climate Resilient Debt Clauses and State-Contingent Instruments (2023), pp. 5–11; 18–22. UNDP on debt-for-SDG swaps

¹⁶⁸ UN Women. GRB Implementation Review: Sri Lanka (2024), pp. 10–13 (ministry compliance; GRB templates).

budget statements tracking unpaid care reduction, women's employment, youth participation, digital access, and service utilization disaggregated by sex, age, disability, location, and poverty status.¹⁶⁹

As public services, welfare systems, education, and employment increasingly move toward digital platforms, inclusive digital governance is essential to prevent exclusion among rural communities, low-income households, women, youth, plantation populations, and marginalised groups.¹⁷⁰ Gender-responsive budgeting should therefore ensure that public investments in digital transformation are designed, financed, and monitored to reduce inequalities and promote equitable access for women, youth, and other marginalised groups.

8.6 What success would look like

Within three annual budget cycles following the adoption of these reforms, the state could shift the fiscal mix toward a more equitable profile: reducing defence as a share of total spending; raising health expenditure toward 2.5% of GDP and education toward 4% of GDP as intermediate milestones; expanding social protection coverage to near-universal levels for the bottom two income quintiles; and introducing at least one progressive tax instrument on top incomes or wealth, supported by robust tax administration. Key indicators of success would include lower female time poverty, higher female labour force participation, improved child nutrition, and stabilized real consumption among low-income households.¹⁷¹ Success should also be measured through reductions in digital exclusion, youth precarity, and gendered unpaid care burdens rather than GDP growth alone.¹⁷²

This chapter has demonstrated that Sri Lanka's fiscal challenges are extend beyond debt sustainability to encompass how public resources are mobilized, allocated, and governed.. Fiscal consolidation that prioritizes debt repayment without adequate social protection, gender analysis, and investment in human development risks deepening poverty and inequality. A

¹⁶⁹ UN Women. GRB Implementation Review: Sri Lanka (2024), pp. 10–13 (ministry compliance; GRB templates).

¹⁷⁰ UN ESCAP, *Digital Inclusion and Gender Gaps in South Asia* (2022), pp. 11–16.

¹⁷¹ Ministry of Finance, Sri Lanka. Budget Estimates 2024, pp. 45–48 (health, defence levels). WHO. *Global Health Expenditure and PHC Investment Guidance* (2023), pp. 22–29 (benchmarks); UNESCO Education Finance Guidelines (2021), pp. 10–15. ILO. *Decent Work and the Informal Economy: Sri Lanka Spotlight* (2024), pp. 9–12; 22–26 (portable schemes; coverage).

¹⁷² UN ESCAP, *Digital Inclusion and Gender Gaps in South Asia* (2022), pp. 11–16.; UN Women Asia-Pacific, *Digitalization, Gender and Social Protection Access* (2023), pp. 22–28.; ILO Sri Lanka, *Decent Work and Youth Employment in Sri Lanka* (2024), pp. 14–19.

people-centered fiscal framework—grounded in progressive taxation, equitable expenditure, debt justice, gender-responsive budgeting, and inclusive governance—can strengthen both economic resilience and social justice. Embedding these principles within future fiscal reforms will be essential to achieving an inclusive, sustainable, and equitable recovery.¹⁷³

9. Conclusion

This report has demonstrated that poverty and vulnerability in Sri Lanka are shaped not only by economic shocks but also by long-standing structural inequalities that disproportionately affect women, youth, informal workers, rural communities, plantation populations, persons with disabilities, and other marginalised groups. The analysis across the report shows that economic recovery requires more than fiscal stabilization and debt restructuring. Without stronger social protection, gender-responsive fiscal policies, decent employment opportunities, investments in health and education, climate resilience, and equitable access to digital public services, economic recovery risks reinforcing existing inequalities rather than reducing them.

The report has further shown that people-centered policy alternatives—including progressive taxation, expenditure reprioritization, universal and inclusive social protection, recognition of unpaid care work, gender-responsive budgeting, and participatory governance—can strengthen both social justice and economic resilience. Future reforms must therefore place human well-being, equality, accountability, and sustainability at the centre of national development planning, ensuring that economic recovery contributes to reducing poverty and vulnerability rather than reinforcing existing inequalities. Only through such an inclusive and rights-based approach can Sri Lanka achieve a resilient, equitable, and sustainable development pathway.

¹⁷³ (UN Women, *Gender-Responsive Budgeting Resource Pack*, 2020; UN Women, *Gender-Responsive Budgeting Implementation Review: Sri Lanka*, 2024).

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