

POLICY BRIEF | APRIL 2026

NOTHING LEFT TO PAWN

IMPACT OF POLYCRISIS ON COLOMBO'S WORKING CLASS POOR



Colombo Urban Lab's latest policy brief examines the protracted and often invisible impacts of Sri Lanka's polycrisis on Colombo's working class poor, focusing on how they have increased vulnerabilities to new shocks such as natural disasters and the global energy crisis. These findings are based on qualitative research with communities in Colombo, a household survey of 45 households conducted across four settlements in January 2026, and ongoing engagements with community leaders from across Colombo.

Previous policy briefs have documented the impacts of **the economic crisis on the urban poor**, from **multifaceted and interwoven consequences** for nutrition, health, education, energy consumption and overall quality of life, to **maladaptive coping strategies** undertaken by households in the face of such impacts. **Subsequent briefs** recommended a comprehensive range of interventions and a universal approach to social protection to mitigate these impacts and prevent the reversing of decades of development gains.

The continued reliance on targeted cash transfers as the primary means of support has come at the cost of the quality of life of the working class poor in particular. Vulnerable as daily wage earners, lacking subsistence capacities of rural counterparts, these communities were the first to feel the impacts of the polycrisis and continue to do so, despite macroeconomic recovery. To the working class poor, the extended and normalised condition of crisis has resulted in the depletion of assets and reserves that would buffer shocks, and the mainstreaming of maladaptive coping mechanisms into everyday life. Each new shock creates a negative feedback loop that further destabilises a household and increases vulnerability. These serve as a reminder of the pitfalls of treating crises as discrete bounded events to be addressed with silver bullet policy solutions.

Case Study 1 - Rizana

Rizana is 50 years old and has been suffering from diabetes and high blood pressure for the past three years. Due to diabetic neuropathy she has had four toes amputated, which has severely limited her mobility. Because of this, she cannot walk to the Divisional Secretariat office to obtain Aswesuma forms, and no officers have visited her to provide the documents. Since her amputation, they save money little by little to buy her monthly medication. The General Hospital provides insulin for two months at a time, but she must buy injection sticks from private pharmacies, costing LKR 1,500 per month. In emergencies, they go to a private channel centre in Grandpass, where treatment costs around LKR 8,000 including doctor's fees. Her husband and son both work and they earn roughly LKR 60,000 a month in total, but this is insufficient considering the family's expenses. Their electricity bill is between LKR 8,000 – 10,000 because Rizana must use ceiling fans throughout the day as she is always at home and finds the heat unbearable. She must also store her insulin in the fridge. Their water bill is LKR 3,000. During the last few years, the family has sold all their gold jewellery over time to cover medical and living expenses. Their last gold necklace was sold for LKR 150,000 to manage daily expenses. They previously owned a three-wheeler as well, but because they could not pay the installments, it was repossessed by the finance company. Rizana cooks on a wood stove. On days when they do not have money, she does not cook and eats biscuits instead, while her husband and son eat at their workplaces. She has also been unable to purchase one of her required medicines for the last three months because it costs LKR 15,000, which the family cannot afford.

Exhausted reserves and maladaptive coping mechanisms

Nearly two-thirds of surveyed households in January 2026 reported that it was difficult or impossible to meet daily expenses with their current income. Repayment of loans, medical expenses or inability to work due to illness as well as education expenses were often cited as particularly burdensome factors. The most common methods of meeting expenses in this context included relying on relatives for financial support, taking loans and pawning jewellery.

More than half of the respondents had borrowed money in the last 6 months. A majority of these loans were taken from informal money lenders and at high rates of interest. The next most common source of loans was from neighbours and formal banks such as Samurdhi bank or a private bank. Three households reported borrowing money from friends while two borrowed from the Women's Society and another two took loans from their workplace. More than half of those who borrowed money said that they took it to meet daily household expenses. The next most common reason was to pay the electricity bill. Other common reasons included to meet children's educational expenses, payment for a vehicle and borrowing money due to an illness. Four respondents reported borrowing money to cope with the aftermath of the cyclone.

Nearly a third of respondents had pawned jewellery or sold an asset in the last few years. While jewellery was sometimes pawned to meet household expenses, it was generally to meet a sudden large expense such as key money for a house, a relative going abroad, or a medical emergency. A frequent reason for pawning jewellery was also to pay off interest payments on other loans, emphasising the cycle of debt that many households were trapped in. Many said that they no longer had jewellery to pawn, with the jewellery often forfeit due to their inability to make interest payments. For example, one respondent noted that she pawned all her gold jewellery the previous year when her husband fell from a tree and was unable to work as a welder for three months. She was unable to make the interest payments and lost her jewellery.

Over a quarter of households reported engaging in maladaptive strategies to reduce expenses related to food, including skipping meals, reducing portion size and decreasing quantity of nutritious food.

Impacts of Cyclone Ditwah

Case Study 2 - Fathima

Fathima is 55 years old and is the sole breadwinner for her household of 7, including her three grandchildren. She works as a domestic worker, earning LKR 1500 a day. Her income fluctuates as she does not work every day. She applied for Aswesuma twice but was rejected both times. During cyclone Ditwah, her house was flooded with water reaching up to 5ft, and her family evacuated to a relative's house nearby. Since the flooding the family has experienced bouts of illness, getting fevers, coughs and skin problems. These have prevented Fathima from going to work, forcing her to take a LKR 55,000 loan at 10% interest from a local money lender to meet household expenses and children's educational expenses. While she wanted to apply for the LKR 50,000 relief allowance, the Grama Sewaka denied that water levels reached the heights she claimed and refused to provide her with the forms,

“ ග්‍රාම සේවක ඇවිත් කියනවා වතුර ආවේ නෑ එව්වර ඒ හිසා රු 50,000 ෆෝම්ස් දෙන්න ඔෂ කියලා... (The Grama Sewaka said that because water didn't come up that much he couldn't give us the forms to receive LKR 50,000...) ”

Low-income settlements were adversely affected by Cyclone Ditwah. Despite the fact that several settlements faced yearly flooding due to their location, warning systems were inadequate and fragmented, with government institutions and community leaders lacking the coordination to respond proactively. Nine out of 20 respondents who were affected by the floods stated that they received a warning from the police telling them to evacuate, while seven reported that they received warnings about the flood risk from news broadcast on television. Three relied on other community members, while four reported they received no information from any source. Many households chose to evacuate and temporarily seek shelter with relatives and neighbours.

Houses were damaged by flooding, with water levels as high as 5ft entering the houses. Apart from damage caused by flood water which was as high as 5ft in some houses, houses lost roofing sheets and had windows broken due to strong winds. One family lost the entire structure of their house and is now living in a temporary constructed shelter noting,

“ අපිට තිබ්බේ මේ ගේ කැල්ල විතරයි, දැන් හිදාගන්නවත් තැනක් ඉතුරු වෙලා නෑහැ... (All we had was this house, now there's no place left us to even sleep) ”

Households also described losing kitchen items, clothing and personal belongings, as well as damaged electrical appliances such as fridges, washing machines and televisions. After returning, households had to spend on cleaning supplies, replace kitchen items and personal belongings, replenish groceries and repair damaged goods. Items such as mattresses and electrical appliances are particularly costly to repair and replace. Households with damaged appliances reporting spending over LKR 40,000 as a result of flood damage.

Affected families also faced the loss of income as they were unable to go to work or engage in livelihoods during the flooding. As a majority were daily wage earners, the loss of 5-10 days of wages was a significant financial blow representing 25-50% of their monthly income. One family fell sick after returning to their home as a result of the contaminated flood water, which resulted in more expenses and lost income.

In the immediate days following the cyclone, low-income settlements were reliant on private connections and networks to access food parcels for community members, detergent disinfectant and other cleaning materials, clothing and sanitary items. It was highlighted that Grama Niladhari officers often carried out their duties in a manner contradicting information relayed by official government channels. Community leaders shared experiences where two adjacent communities flooded by the same canal had received vastly different treatment, with one community receiving aid and the other being refused aid.

Only one respondent reported his employer sent financial support during the flooding. The majority of respondents received aid from the local mosque, as well as other charitable institutions. They also had no choice but to borrow money, some from friends and relatives but most from money lenders.

While all respondents received the LKR 25,000 relief allowance, many felt that this amount was insufficient to meet the full extent of repairs and repurchasing needed. LKR 25,000 amount was spent on activities such as cleaning, purchasing household items, purchasing essential goods and repaying loan interest. While the Rs. 50,000 grant offers greater support, it was also stated that it was not possible to make the necessary rent and raw material payments in full because it was provided in phases.

In other settlements it was reported that relief eligibility was often determined narrowly, with assistance denied on the basis that floodwater had not directly entered the house, even when other forms of damage were evident. In some areas, families were informed that only those who relocated to shelters would be eligible for the Rs. 25,000 relief payment. Many households were unable or unwilling to leave their homes due to pets, fear of theft, manageable internal water levels, or lack of safe shelter conditions. Others sought shelter from the homes of relatives instead.

Electricity consumption and the global energy crisis

On the 31st of March 2026, an electricity tariff increase of an average of 10% was approved by PUCSL, reflecting the IMF requirements for cost-reflective electricity tariffs. For the lowest users consuming fewer than 30 kWh per month, the tariff represents a hike of 4.3%, while those consuming between 60-180 kWh also see increases of between 6.9-7.2%. Users who consume more than 180 kWh will see the highest increases of 25%. While the new tariff has sought to shield low consumers of electricity, it is inadequate in addressing energy poverty among the urban poor. It is an established trend that urban populations consume more electricity than rural populations. Colombo's urban poor are no different. Modern lifestyles, the nature of housing and urban heat island effects, livelihoods and shared meters often mean that urban poor households consume more electricity and **pay more for the electricity they consume** when compared to their rural counterparts. An analysis of electricity bills as reported by respondents revealed that the majority consumed between 90-120 kWh per month. Only two respondents reported bills that indicated they consumed fewer than 60 units, which can be considered the lifeline tariff that receives the greatest benefits of cross-subsidised tariffs. The average bill is now LKR 3365, which indicates a bill of roughly 120 units per month, once again disproving the myth that energy consumption is a perfect proxy for poverty.

A majority of Colombo's low-income settlements are **formally connected to the grid**, with households having metered electricity connections. A fraction of surveyed households did not receive formal electricity connections and had unauthorised connections as they resided in temporary housing. Our research shows that while these represent a minority of the urban poor, most of whom have formal metered connections, the rising price of electricity is a disincentive to seek out better and more permanent housing. Being on the grid is disadvantageous as it represents regular and unaffordable bills.

Respondents who were formally on the grid faced the burden of high electricity bills when attempting to meet their energy needs. While definitions for energy poverty vary, in contexts where gridded energy is the norm, a household is considered energy poor if it spends more than 10% of its income on meeting energy needs including cooking.

A fifth of respondents reported spending more than 10% of their income on electricity bills per month, with the percentage ranging from 11% to 20%. A third of households spend 8% or more of their monthly income on electricity bills. This does not include income spent to procure LPG, which is the most common source of cooking energy, revealing that energy poverty rates may be even higher and will continue to worsen due to increasing LPG prices.

10 households had faced the threat of disconnection. Four were able to avoid disconnection by negotiating with the CEB officer who had come to disconnect the meter and paying the bill immediately by borrowing money from a relative or neighbour. There was no uniformity in disconnections with regards to arrears amount or time period of arrears prior to disconnection.

In the immediate aftermath of Cyclone Ditwah, the CEB announced that **no disconnections would be conducted in flood-affected areas**. One household noted that they had arrears of LKR 12,000 for three

months and had forgotten to pay the bill because of the flooding of their house due to Ditwah, but were still disconnected in January. Electricity bill arrears are also subject to a surcharge at the annual rate of 12.09% which further increases **the costs borne by households**. In addition, once disconnected households have to pay a reconnection fee. Despite the fact that the reconnection fee following statutory disconnection was reduced to LKR 800 in 2024, two households reported that they had paid LKR 3000 as a fee even though their disconnection happened after the change in amount.

Many households who had not experienced disconnection often noted that they ensured the bills were paid monthly due to the presence of small children in the house. Others were unable to manage without electricity due to the nature of their livelihood, with one respondent noting

“කන්න හැකි උනත් ලයිට් බිල්, චතුර බිල් ගෙවනවා කඩේ කරන නිසා, ඒත් හැමදාම අන්තිම මොහොතේ තමා ඒ ටිකත් ගෙවන්නේ... (Even if we don't eat we make sure we pay the electricity and water bill because we run a shop. But it's always at the last moment that we manage to pay) ”

A majority of households reported reducing electricity consumption to reduce electricity bills. This ranged from unplugging fridges to refraining from using fans unless visitors were present. Energy saving behaviour was also promoted by the CEB with one respondent noting

“ලයිට් බිල්ලේ ලියලා තියෙනවා හයේ ඉඳුන් නවය වෙනකන් වැඩිය පාවිච්චි කරන්න වසා කියලා... (On the electricity bill it says not to consume a lot between 6-9) ”

While consumers internalised this energy saving behaviour, others took a different approach and reduced other household expenses. This included behaviour such as foregoing meals to pay for electricity. A minority of households took on debt to pay bills, while others relied on external family members and relatives to ensure their bills were paid.

Sri Lanka is poised to be severely affected by a global energy crisis triggered by geopolitical turmoil in the Middle East. Officials have urged the public to reduce electricity consumption, and the **chairman of PUCSL noted that** “If energy prices increase much more due to the war we will consider a fresh request to raise power prices.” While the President noted that **users consuming under 90 units** would be subsidized at the next tariff revision, urban consumers would still be vulnerable. Furthermore, the extent to which the working class poor can further reduce their electricity consumption, even to increase their financial burden, is limited. Energy consumption interacts with various aspects of well-being and a reduction in energy use will find a corresponding decline in areas that range from nutrition to gender equality. Energy has an important intersection with health, and it is necessary to consider the ethics of asking individuals to conserve energy in the context of heat wave conditions that will continue for the next few weeks. Such conditions are exacerbated for these communities due to the urban heat island effect, as well housing material that do not provide adequate cooling. Many of the working class poor face increased heat exposure during the day as a result of their livelihoods such as street vending. Research shows **hot nights increase and prolong the negative effects of heat exposure**, meaning that deprioritising thermal comfort to save energy may have disastrous health consequences.

Electricity usage is likely to increase in tandem with fluctuating supplies of LPG as evinced by previous experiences during the economic crisis. Shortages of LPG and kerosene compelled urban households to use the rice cooker as the **primary source of cooking energy**, particularly when they lived in housing that precluded the possibility of using wood stoves.

Aswesuma, an inadequate safety net

Previous research has outlined how the methodology for targeting low-income households relies on proxy indicators such as electricity and water provision, as well as assets, which are insufficient in capturing urban poverty. Urban households were often not given an explanation for why they were rejected, while some were given reasons such as having a tiled floor, having an asset like a bike or having only one child. One single mother of twins noted “I think we didn’t get it because the house is built nicely. But just because our income is small doesn’t mean we want to live in filth.”

Households spent Aswesuma to purchase groceries and medicine, pay for educational expenses such as tuition classes and school books, and pay utility bills. Some households also reported that Aswesuma had enabled them to stop skipping meals. The survey also revealed that for older recipients, Aswesuma was their main source of income, supplemented by support in cash or kind by other relatives.

Those in the transitional category who exited Aswesuma in April 2025 were unaware that the scheme was scheduled to end for them. Some were still unsure as to why the cash transfer had stopped, with one woman suggesting that it stopped because her husband went abroad to work, indicating that she assumed that the state was surveilling the household and making judgements accordingly.

“ I got Aswesuma, Rs 2500. Then it increased to LKR 5000. It has stopped since April. They didn’t say why. I went to the bank a couple of times to see what was wrong. When I went to the 13th room (in the DS office), they said they have stopped it for the people whose amount has increased from 2500 to 5000. Then I let it go. Just because we get it for free, doesn’t mean that we can depend on it. ”

- Bandara Menike

Since exiting the scheme, respondents are now struggling to meet expenses that the cash transfer enabled. One respondent described how she was now in arrears for 2 months on her electricity bill. Another said she was no longer sending her daughter who was sitting O/Levels to tuition classes costing LKR 5400 a month.

Such experiences underscore the lack of clarity around the purpose and objective of Aswesuma, which has neither succeeded as poverty alleviation or livelihood generation programme.

Recommendations

We continue to advocate for universal social protection as a vital consideration for working class communities and the informal sector in Colombo. Discourse and policy surrounding social protection must take into account the lived realities of the working class poor and ensure that it actually offers tangible support that will improve their quality of life. If not, the impact of this crisis will be generational and people will have lost the decades of investment and hard work they have put in towards creating a better life for themselves.

While **increases in Aswesuma allowances** as a temporary relief response to increasing fuel prices is welcome, Aswesuma is limited in scope. As noted previously, **while Aswesuma is riddled with issues**, the alternative is not to do away with cash transfers but to make it universal – expand it, remove targeting and allocate more funding. The current set of indicators are wholly inadequate to capture vulnerability, including climate vulnerability. By focusing more on creating an “efficient” system to minimise inclusion

errors, Aswesuma has created far more exclusion at a time when people needed support in ways not required before.

This requires us to think of social protection beyond cash transfers but as a constellation of support, where various schemes or investments build on or complement each other, meeting different needs of the country while also delivering transformative change. For example this could like going beyond cash transfers to investments in infrastructures of care like creches, day cares and after school programmes that would reduce the time poverty on women and enable them to join the work force, universal school meal programmes, strengthening laws to provide better labour rights for domestic workers, parametric insurance for outdoor workers to name a few.

Climate vulnerability is yet another complexity adding to the precarity of the working class poor households in Colombo. Floods, prolonged periods of rain and increasing heat stress every year have become the norm, while sudden climate shocks as cyclone Ditwah last year exacerbates and adds to existing climate impacts faced by these communities. There must be city level climate related actions plans – heat action plans, flood and extreme weather action plans that are co-created together with communities, are well resourced and are implemented meaningfully throughout the year instead of being treated as one off plans. Building climate resiliency of the communities as well the city's own public infrastructure – whether it be cooling infrastructure, increasing shade and green coverage in the city – would reduce the financial and logistical strain on state institutions and the government in the long run.

Colombo Urban Lab's first policy brief in **May 2022** at the height of the economic crisis, focussed on urgent short term recommendations for state support. We recommended a diverse array of interventions to account for the dynamic nature of the economic crisis permeating all aspects of life. We cautioned that a cash-handout alone would not be sufficient, given that the value of money will decrease over time and that one intervention alone will not adequately support urban households.

The **April 2023** policy brief detailed various coping strategies households were employing to make ends meet, such as cutting back on the number of meals and nutrition, not sending children to school everyday, reducing electricity usage to a bare minimum, pawning jewellery and selling/ mortgaging assets.

In **September 2023**, our policy brief focussed on household debt and social security, where families were borrowing money or taking multiple loans from informal credit markets. It included an update on the Aswesuma experience by highlighting the dangers of targeted support and asset based selection through case studies of households not selected for the new social security registry.

In **June 2024**, our policy brief focused on energy, education and health. The findings were from ongoing qualitative research with communities in Colombo as well as a household survey conducted in April 2024 with thirty households in a settlement in North Colombo.

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The urbanisation and cities theme at CSF is led by Colombo Urban Lab (CUL). CUL works towards equitable and sustainable cities in Sri Lanka by advocating for research driven policy making where the lived experiences of citizens form the basis of a city's development. It is a collaborative and interdisciplinary space, enabling connections between research, practice and public policy. Our research and advocacy themes include infrastructure, food environment, climate change, social security and public space.

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