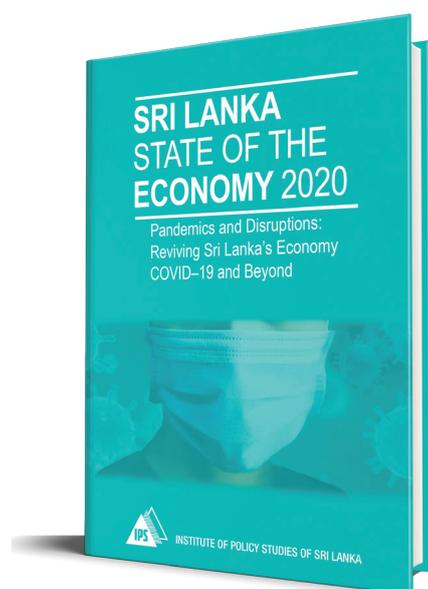




MINIMISING THE COSTS OF PANDEMICS – BY PLANNING AHEAD

From the IPS flagship publication 'Sri Lanka: State of the Economy 2020'



Polymakers presently face a quandary in relation to the COVID-19 response on whether to continue with the current constraints (to reduce mortality and morbidity costs) or to relax the containment measures (to reduce the socio-economic costs). The trade-offs between the two types of costs, can be managed with proper government policies for managing the disease as well as for managing the adverse effects to the economy due to the disease. In the long-run, the challenge for the government will be to strengthen institutions and expertise in the country so that the socio-economic costs of disasters such as the pandemic are minimised.

How Countries can Prepare for Pandemics

The costs of a pandemic arise from two sources. Firstly, it is the direct morbidity and mortality cost, and related indirect costs. Secondly, it is due to the

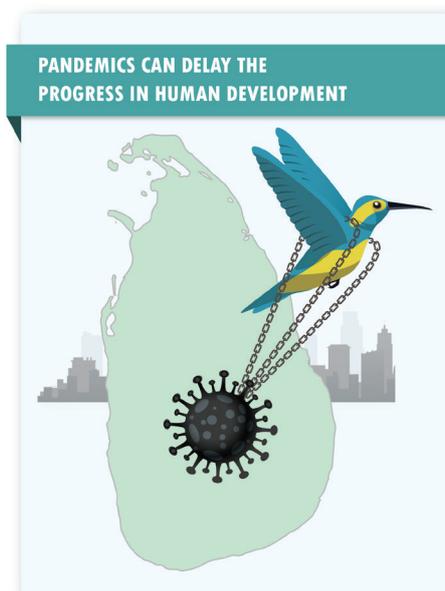
socio-economic costs associated with containing the disease. Countries need to take two different approaches in managing these two types of costs.

Strong institutions and well-trained staff are necessary for executing efficient, effective, and quick responses to pandemics. Involvement of multiple stakeholders at different levels is vital in responding to a pandemic. To be effective, systems must be put in place and procedures and protocols for action should be determined prior to the occurrence of a pandemic. Clear demarcation of authority (i.e. who should do what, and what level, and how) and sufficient resources and funds can avoid confusions and disagreements when executing a pandemic response plan. For example, most epidemics are diseases that are caused by zoonotic – i.e. animal-borne - pathogens. As such, farmers and farming communities and others who work in close contact

with animals are most likely to be the immediate persons to be infected by these pathogens. Building awareness among farmers, and improving the capacity of veterinarians and public health officials to identify and contain pandemics is the first step towards containing pandemic outbreaks. Often pandemics are identified at the local level, but the actions taken to contain the pandemic has to take place at the regional, national or global level. In order for these processes to function smoothly, clear lines of authority and at each level, and coordination are necessary.

An important aspect of pandemic preparedness is risk assessment. As pandemic containment efforts can lead to large economic and social costs, clear understanding of the morbidity, mortality risks of the pandemic and the rate at which it spreads are important for strategic decision making. The COVID-19 containment efforts by various countries clearly show that proper risk assessments can help save lives and reduce morbidities. For example, Italy and Spain delayed introducing of lockdown measures during the onset of COVID-19. As a result, these nations were unable to control the escalation of COVID-19 cases in the initial stages, which resulted in higher casualties.

The ability of a country to respond to a disaster effectively depends largely on the fiscal space available to a country. Evidence shows that countries that had sufficient funds to cushion the adverse impacts of an adverse shock are able to minimise the costs of the shock and facilitate a faster recovery. A long-run per-



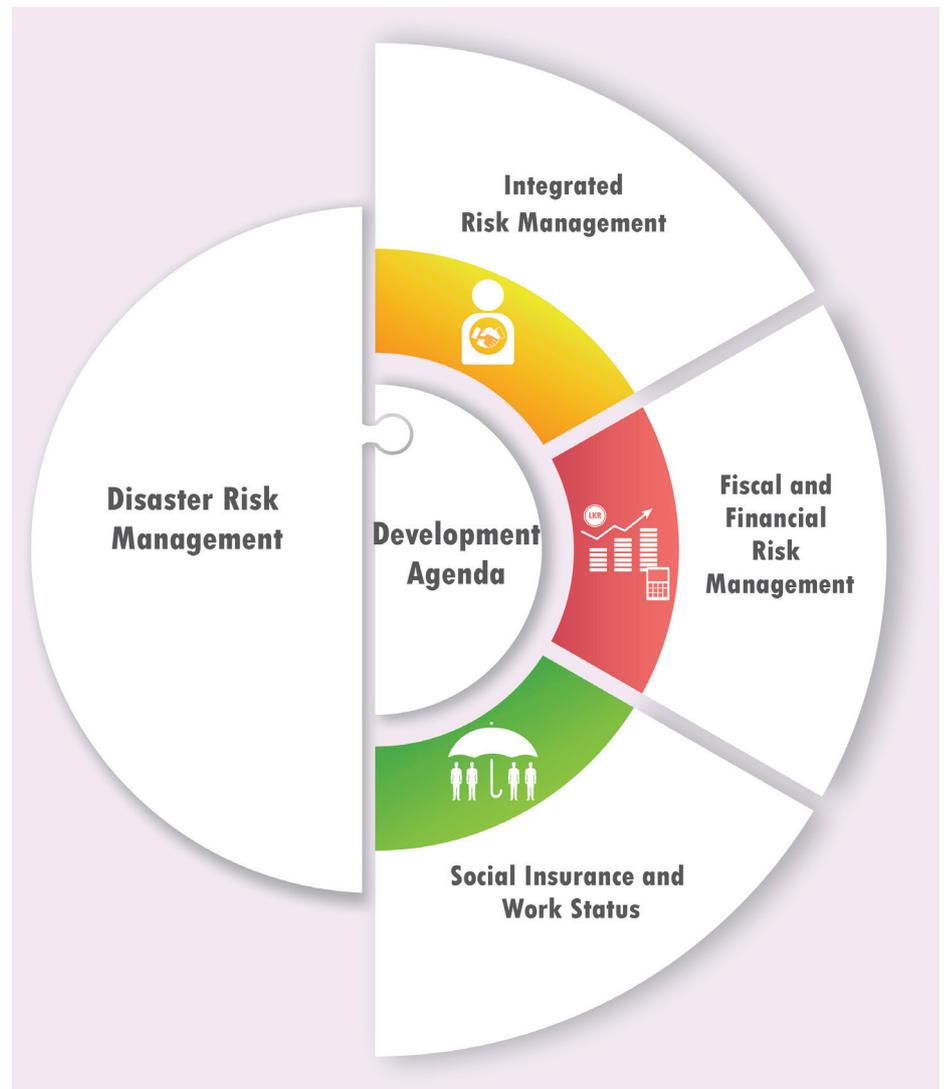
spective in financial planning is needed to build financial stability so that countries practice countercyclical spending patterns, whereby these can save when an economy is expanding and spend more during economic downturns.

On the contrary, when countries have limited access to borrowing in the world market, these economies tend to increase taxes and reduce spending during economic downturns. At the same time, political economy considerations and lobbying from different interest groups prevent countries from saving during expansionary periods. Fiscal authorities in many countries regulate government spending through imposing fiscal or debt targets. Maintaining these targets are more difficult in economic downturns as with contractionary economic activities, as tax revenues fall, and expenses increase. This also restricts the ability of a country to spend more during a recession. More than 90% of developing countries adopt procyclical spending patterns, which result in fiscal instability.

Way Forward

Sri Lanka is highly vulnerable to different types of disasters. Frequent disasters have undermined economic growth and human development in the country. Preparedness can reduce the socio-economic costs of a disaster. It is also important to build the capacity of existing institutions for implementing relief and recovery activities in the long term. This has three reasons in common. Firstly, such an institution can take a lead role in improving the disaster preparedness of the country, not only on the disaster response measures. Secondly, the experience of responding to the current pandemic will help officials in a permanent institute be better prepared to respond to future pandemics. Thirdly, strong/stabilised institutions can bring in necessary leadership in a future disaster, even in a weak political environment.

In an integrated disaster response mechanism, relief and rehabilitation functions would also be mainstreamed into the disaster response framework. Since there are different institutions responsible for various aspects of disaster response in the country, the integrated disaster response mechanism can be established



through combining/linking these institutions through a committee.

Such temporary committees are already brought together to respond to various disaster situations at different times. But, having a permanent committee can improve the coordination of activities among different stakeholders. Further, such a committee could make the country prepared for all types of disasters (i.e. low occurrence high impact disasters as well as high occurrence low impact disasters), and reduce the overlap in roles and responsibilities of various institutions.

Countries with well established, social protection systems are able to provide relief to the affected population much easily. When existing social protection systems are not efficient countries take measures to widen the existing systems and increase benefits to expand the coverage and adequacy of social protection. However, such means of extending social protection is less efficient and can

lead to errors in targeting, resulting in rewarding the wrong families at the expense of vulnerable families. Such mistakes will delay economic recovery and hold back development. A well targeted social protection system will alleviate such problems.

This Policy Insight is based on the comprehensive chapter on "COVID-19 and Beyond: Minimising the Costs of Pandemics" in the 'Sri Lanka: State of the Economy 2020' report - the flagship publication of the Institute of Policy Studies of Sri Lanka (IPS). The complete report can be purchased from the Publications Unit of the IPS.



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