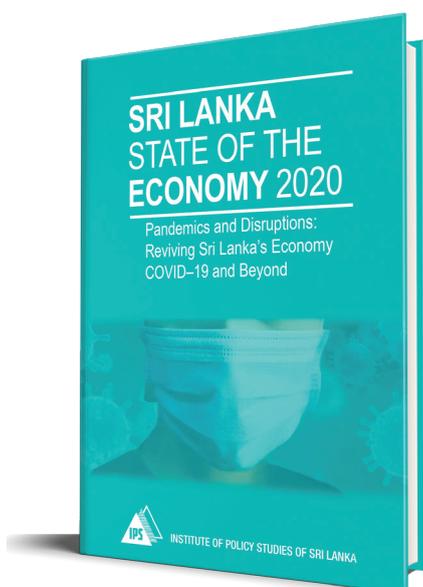




TOWARDS PANDEMIC RESILIENCE: A CRISIS RESPONSE STRATEGY FOR COVID-19

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



Faced with such an unprecedented shock, the world community has offered a poorly coordinated emergency response to the COVID-19 pandemic, acting alone as individual nations. Sri Lanka has recorded a reasonable degree of success in containing the COVID-19 related health hazards. The number of infected cases has been kept well within the management capacity of the country's healthcare system; the reported number of deaths per patients can be considered as very low relative to that of many other countries. However, the health hazard is only one aspect of the pandemic shock; the COVID-19 has many other social and economic impacts which are partly triggered by the emergency response to the pandemic. Sri Lanka is yet to make a comprehensive assessment of its real impact on the economic and social spheres. The debt-ridden economy was already under stress when the COVID-19 shock struck, and the resultant downturn is therefore likely to be far worse despite the reasonable efficacy displayed in handling the health hazard.

The impact of pandemics on different activities varies across the economy. Sri Lanka's strict containment measures together with declining global demand saw sharp declines in production output. The gradual build-up of the impact of COVID-19 on the economy can be traced back to January 2020 as shown by a decline in exports, even before mitigation measures were introduced from mid-March.

A Crisis Response Strategy (CRS): Core Elements and Essential Steps

A rapid, decisive and collective response is necessary to overcome the dual crisis of a health emergency and an economic recession triggered by the COVID-19. The overall aim of the CRS should be to save lives and livelihoods. This can be achieved through a multi-dimensional policy strategy, where the main components are: a public health policy response, an economic policy response, and a social protection policy response.

The core elements of the CRS include:

Containing the health hazard at a manageable level:

The aim of the public health policy response is to prevent a further spread of the pandemic or its resurgence. Even though Sri Lanka passed the initial shock of COVID-19 with comparatively low level of damage, all signs indicate that the country as well as the world is drifting towards a more severe secondary wave. Health workers should be on alert to swiftly detect new cases, and respond speedily.

Limiting the economic fallout from the threat:

This implies managing the short run trade-off between health policy actions and their economic impacts. Emergency economic policy responses are necessary at this stage to flatten the recession curve resulted in by pandemic shock and to avoid further collapse. Essential measures include targeted income support programmes and business support for affected SME and formal businesses to remain solvent without mass layoffs so that they can catch-up quickly once demand begins to recover.

Supporting recovery and rebound:

This requires launching a proactive strategy to drive the economy through the path of recovery by offering monetary and fiscal stimulus package and launching strategically designed investment projects to restore demand and invigorate growth

Building a pandemic resilient economy:

This involves rebuilding the economy through a path of inclusive sustainable development.

- Preparedness of the health system to pandemic hazards should be strengthened so that the system will be more alert to possible threats on a regular basis. Sufficient resources and procedures will be in place that can be deployed rapidly to neutralise threats when detected.
- Macroeconomic policies should be managed to ensure that economic fundamentals are stable to absorb a sudden, acute and economy-wide shock

such as the COVID-19, with limited overall damage. Moreover, policies have to ensure enhanced monetary and fiscal space to address future shocks and cope with their impacts effectively.

- A scheme of contingency facilities to address impacts of sudden shocks developed on the basis of scientific principles of risk management should be in place. The lack of such a mechanism has led to common funds being raised as a reactive approach quite often, when the country is hit with disaster situations. Hence, a permanent scheme of contingency facilities with a transparent institutional mechanism needs to be established. The purpose is to address emergency needs of future shocks.
- The lockdown allowed a 'glimpse' of the environment that can be achieved if not for the aggressive interference by human economic activities. It is no secret that the occurrence and severity of hazards such as pandemics are closely connected to poor environmental conditions. Hence, post-COVID-19, rehabilitation efforts will give priority to 'green development' alternatives as far as possible.

Economic and social protection policy responses are invariably interconnected. The aim of the social protection policy response is to relieve the distress of those who suffered the most from the socio-economic impacts of the pandemic.

The response strategy requires bold policy initiatives aimed at achieving desirable changes in health and economic behaviour of the public through positive and negative policy incentives.

Institutional and Policy Challenges

The success of a crisis strategy is not automatic and it will have to traverse a path with various challenges. These involve institutional and policy issues that need to be addressed through careful evaluation of the same. This section examines a few of the key challenges that can be expected under the current policy and institutional circumstances in Sri Lanka.

The most critical challenge that the government has to cope with is limited fis-

CORE ELEMENTS OF A CRISIS RESPONSE STRATEGY



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Supporting recovery and rebound



Building a pandemic resilient economy

cal space constrained by a large debt burden and poor state of public revenue collection.

Another challenge that can constrain the successful implementation of a CRS is issues related to targeting of beneficiaries. Sri Lanka provided income support in the form of cash transfers to nearly one-third of the population during the lockdown period, using existing institutional channels of social protection. Targeting and distribution issues were observed in a number of places; the scheme attracted criticism from different groups on allegations over political bias and poor implementation.

The CRS requires cooperation and coordination across sectors, involving multiple agencies. During the peak period of the COVID-19 hazard, institutional coordination achieved commendable successes, especially between health and the defence sectors. This mechanism, which was coordinated by a Presidential Task Force, helped to combine the strengths of health professionals and armed forces to run a successful programme for containment of COVID-19. However, beyond the core process of handling the health hazard, the same level of coordination is not observed among other agencies that are involved.

Another issue is the lack of a streamlined regulatory framework to address health hazards of a COVID-19 scale. The government had to use powers vested under a number of legislations such as the Quarantine Ordinance, Police Ordinance and Disaster Management Act to handle emergency situations. However, on a positive note, even under such a complex regulatory context, the cooperation between health and defence authorities flourished and produced favourable results. This implies that even gaps in regulatory frameworks can be bridged through effective institutional coordination.

This Policy Insight is based on the comprehensive chapter on "Towards Pandemic Resilience: A Crisis Response Strategy for COVID-19" 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.



100/20, Independence Avenue,
Colombo 7, Sri Lanka
T: +94 11 2143100 / 2665068
F: +94 11 2665065
www.ips.lk