

RESOURCE DIGEST:

MARCH 2021

PANDEMICS, PUBLIC HEALTH AND ECONOMIC PROSPERITY



INSTITUTE OF POLICY STUDIES SRI LANKA

CONTENTS

2	About IPS Our Vision Our Mission Research Focus	16	Sri Lanka's Tobacco- Smoking Challenge: Going the Last Mile
3	Editorial	18	Tobacco Economics: How Reduced Consumption Benefits the Household and the National Economy
4	Protecting Jobs and Enterprises during Crises: How can Sri Lanka Respond Better?	20	Cigarette Smuggling in Sri Lanka: Hype vs. Reality
6	Urban Solutions: Building Pandemic Resilience in Sri Lanka's Cities	22	Smoked Out: Why the Sale of Single Stick Cigarettes Must Be Banned
8	Building Back Better: Reviving Sri Lanka's Economy Beyond COVID-19	24	Tobacco Cultivation: A Threat to Sri Lanka's Food Security amidst COVID-19
10	Weathering Disasters: Why it Pays to be Prepared	26	Reducing Health Costs and Increasing Government Revenue beyond COVID-19: A Case for Raising Cigarette Taxes in Sri Lanka
12	New Face of Hunger: Building a Resilient Food System in Sri Lanka in an Age of Pandemic	28	Smoking in the Time of Corona: Why Limiting Smoking is Important in the Battle Against COVID-19
14	Repatriation and Replacement of Lost Foreign Jobs: Handling Labour Migration in Sri Lanka during COVID-19	30	Smoking Cessation in Sri Lanka: A Silver Lining in the COVID-19 Crisis?
		32	Contributors



About IPS

The Institute of Policy Studies of Sri Lanka (IPS) is the apex economic policy research organisation in Sri Lanka, established by an Act of Parliament. Our mission is to conduct high-quality, independent, policy-relevant research to provide robust evidence for policymaking and improve the lives of all Sri Lankans.

Through its substantive body of rigorous research spanning more than 25 years, the IPS has come to be recognised as a centre of excellence in economic policy research. The Institute's research programme covers many of the critical areas of relevance to current socio-economic policymaking in Sri Lanka and the Asian region. The complementary expertise of a strong team of in-house researchers is the key to its successful record of supporting economic policymaking, with empirically-based research disseminated widely through reports, research papers, journal articles and public presentations.

Vision

To be a globally-recognised research institute that is a catalyst for Sri Lanka's socio-economic transformation.

Mission

Conducting high-quality, independent, policy-relevant research that provides trusted insights on socio-economic issues to inform our stakeholders and shape policy agendas to positively impact the lives of all Sri Lankans.

Research Focus

Macro, trade and competitiveness

Stable macro environment for sustained growth
Accelerate development through export competitiveness
Foster private sector led economic competitiveness
Tally

Labour, education and health

Skills and education for better lives and productive employment
Efficient and effective labour market that improves lives and sustains growth
Healthy and productive lives for all, at all ages

Migration and urbanisation

Sustainable and equitable urbanisation for promoting shared growth
Migration for improving lives and promoting economic development

Poverty and social welfare

End poverty
Reduce vulnerability and minimising inequality
Leave no one behind

Agriculture and agribusiness development

End hunger and achieve food security
Improve farm incomes through agricultural productivity
Achieve eco-friendly low carbon development

Environment, natural resources and climate change

Achieve eco-friendly low carbon development
Build resilience against climate change and disaster shocks
Sustainable use of eco system services

EDITORIAL

Throughout the centuries, civilisations have faced several pandemics which have changed the course of human history. The bubonic plague, cholera, smallpox, and influenza are some of the deadliest pandemics in recorded history that have killed hundreds of millions around the world, and radically transformed social and economic structures. Along with these high impact pandemics resulting from communicable diseases, there are other types of epidemics that result in high social and economic costs. One example of this is the tobacco epidemic, which has been a leading cause of deaths and hospitalisations both locally and globally.

This Resource Digest on 'Pandemics, Public Health and Economic Prosperity' presents policy recommendations based on in-depth research on how Sri Lanka can respond effectively to public health concerns so that the country's population and economy is better protected. It is intended for policymakers as well as the general public to gain a better understanding of the key issues that need to be addressed and outlines both prevention and mitigation strategies for economic prosperity. As our researchers argue, the impact of adverse public health shocks can be reduced through appropriate policy and preparedness measures.

The Digest is presented in three parts:

1. Responding to COVID-19 Impacts
2. Controlling the Tobacco Epidemic
3. The COVID-19 and Tobacco Nexus

Responding to COVID-19 Impacts

The novel coronavirus disease 2019 (COVID-19) which emerged in Wuhan, China in late 2019, spread at an alarming rate to nearly every country on earth in a matter of a few weeks, triggering socio-economic disruptions of an unparalleled scale. Due to factors such as ease of travel, climate change, urbanisation and increased human-animal contact, the potential for pandemics has grown exponentially. The coronavirus outbreak came as a shock to much of the world, but it did not surprise scientists, whose warnings over decades had been blithely ignored. While the exact definition of 'pandemic' is still disputed, there is a general consensus that a pandemic is a disease that has spread across a large region, crossing international borders and affecting a substantial number of people. Pandemics not only increase the morbidity and the mortality of a population, but also influence their economic and social activities. They can be extremely costly and often attention given by policymakers to control pandemics is insufficient.

The World Health Organization (WHO) formally declared the coronavirus disease 2019 a Public Health Emergency of International Concern in January 2021, and a pandemic in March 2021. A year on, the virus has claimed the lives of at least 2.6 million and infected more than 120 million people across the world. It has challenged healthcare systems in unprecedented ways, disproportionately impacted the vulnerable and exposed inequalities in access to healthcare. With the rapid surge in infections and mounting death toll, governments were forced to impose stringent restrictions to curb the spread of the disease through hitherto alien measures such as 'lockdowns', 'masking' and 'social distancing'.

What began as a health crisis morphed into a social and economic crisis dealing crushing blows to key sectors such as manufacturing and services. It drew attention to the close link between health and economic performance, with studies showing that countries that were able to protect their population's health during the pandemic generally being able to protect their economy.

Controlling the Tobacco Epidemic

The tobacco epidemic is another critical public health concern which deserves policy attention given its effect on the economy. In contrast to the coronavirus which is a highly transmissible infectious disease, the tobacco pandemic is a 'slow-motion', man-made and corporate-backed epidemic which has been in our midst for decades adversely affecting health and impeding human development, and the need to 'flatten the curve' is even more urgent.

Tobacco use is one of the leading causes of death accounting for more than eight million deaths across the globe each year. More than seven million of those deaths are the result of direct tobacco use while around 1.2 million are caused by non-smokers being exposed to second-hand smoke. Not only is tobacco use a critical public health challenge, it is also a huge burden to the world economy with an estimated USD 1.4 trillion in healthcare costs and lost productivity, annually. The tobacco pandemic is the single most preventable pandemic in the world through health systems, advocacy and support systems.

Sri Lanka ratified the Framework Convention on Tobacco Control in 2003 and has made steady progress in reducing smoking prevalence rates in the country over the years by implementing comprehensive tobacco control policies such as health warnings on cigarette packaging and increases to cigarette taxes. The overall smoking prevalence rate for males (15 and above) of 38.1 per cent in 2009 reduced to 28.4 per cent in 2018 but prevalence remains high among certain identifiable groups. The challenge now is to reach these remaining groups with higher smoking prevalence rates through targeted policies to bring the overall rate to under 10 per cent.

The COVID-19 and Tobacco Nexus

Researchers have scientifically shown the causal relationship between tobacco smoking and adverse COVID-19 disease outcomes and flagged the need for smokers to quit. The link between tobacco use and COVID-19 is well established; smoking harms the body, particularly the cardiovascular and respiratory systems. Research evidence confirms that smokers are 1.4 times more likely to be admitted to an Intensive Care Unit (ICU), need mechanical ventilation or more likely to die, compared to a non-smoker.

In a world that values human wellbeing over profits, tobacco would not be sold as there is no 'safe' level of exposure. The grim reality, though, is that public health advocates find themselves up against a highly lucrative, transnational and formidable trade that invests heavily in marketing and public relations to perpetuate myths to sustain their toxic industry – which even some policymakers buy into.

Preventing a disease outbreak is not easy, but implementing efficient systems, risk assessments, policy interventions and multiple stakeholder approaches have proven successful. The COVID-19 and tobacco epidemics containment efforts can yield significant economic and social benefits for the country as a whole. With all its multifaceted challenges, COVID-19 represents a unique moment to 'Build Back Better' and divert Sri Lanka's limited resources to where it is most needed. It is an opportunity that should not be squandered.

*The Publications Unit at IPS
March 2021*

PROTECTING JOBS AND ENTERPRISES DURING CRISES:

How can Sri Lanka Respond Better?

By Ashani Abayasekara

The policy proposal in Sri Lanka's 2021 Budget to impose a 0.25% tax on the revenue of companies to set up a 'COVID-19 Insurance Fund' has raised concerns among many private sector industry stakeholders. They argue that this is a big blow to industries already suffering in the wake of the pandemic, and warn that mandating payment of an additional tax can push them to reverse current measures taken to retain staff, amidst dampened business activity and customer demand.

The government's aim of establishing a guaranteed fund to help workers during COVID-19 and other future crises is well-placed. Statistics from the Department of Census and Statistics show that Sri Lanka's unemployed population rose by 100,000 during the first quarter of 2020, along with the first countrywide lockdown in March. Increased job losses, however, are often a reflection of enterprise losses too. According to an e-survey conducted by the Department of Labour among a sample of 2,764 private sector organisations, as of May 2020, 53% of the interviewed businesses were closed, and 39% of establishments indicated an inability to pay worker salaries. The means of generating emergency funds, therefore, needs to be thought through carefully for it to be sustainable in the long-run.

While the government – which is grappling with massive debt burdens and fiscal deficits – has limited capacity to assist workers and employers, are there ways in which current employment-related social protection programmes can be used to provide for both job and enterprise protection during crises? What measures have other countries taken that Sri Lanka can learn from? This blog examines these issues.



Current Protection for Private Sector Workers in Sri Lanka

Private sector employees in Sri Lanka are covered by the Employees' Provident Fund (EPF) and the Employees' Trust Fund (ETF), both of which provide a lump-sum payment at retirement. Employers and employees contribute jointly to EPF at rates of 12% and 8% of monthly wages, respectively, whereas ETF is financed entirely by employers who are required to contribute 3% of an employee's salary. Early withdrawals from both funds are only allowed for specific reasons, such as a permanent sickness or disability or permanent migration.

There is also limited provision for withdrawal of funds under specified circumstances, such as in cases of economic shocks.

The funds are managed by the Central Bank, and represent the largest source of investments for government domestic borrowing. This means that when the government is cash-crunched, so are the funds.

The active contributions to and usage of the funds have been low due to several reasons, including poor awareness of the schemes and its benefits, and evading or manipulating contribution requirements, given the absence of any near-term benefits and concerns of its sustainability. As of end 2018, the EPF had a total of 18.6 million accounts, of which only 2.6 million were active, while only 43% of employers contributed to the ETF in 2017.

COVID-19 Policy Responses in Other Countries

The rapid spread of COVID-19 has seen governments across the world resorting to unprecedented measures to support workers and businesses, including income support, investments in healthcare, job retention schemes, and business facilitation. Many developed countries have used already existing unemployment insurance schemes – designed to protect workers against job losses – to extend support. Additionally, countries with provident fund schemes similar to those in Sri Lanka have provided extra benefits and introduced more flexibility.

India's EPF scheme, for example, allows a non-refundable advance when the government has declared a disaster or epidemic, which employees need not deposit back into their EPF account. An amendment to the EPF regulation following COVID-19 allows employees to withdraw up to 75% of their savings as a non-refundable advance, or three months' basic salary, whichever is lower. The government also cut employee EPF contributions to 10% from the existing 12% from May-July 2020.

In Malaysia, employees below the age of 55 are allowed to withdraw RM500 (~LKR 22,700) per month from EPF for 12 months, starting March 2020, to buy essential goods. The minimum EPF contribution by employees was reduced from 11% to 7% from 1 April to 31 December 2020, while discussions are also underway to allow certain contributors such as laid-off workers to withdraw funds. To assist employers, an Employer Advisory Scheme was introduced, which evaluates the specific conditions of affected companies and offers tailored plans on EPF contribution schedules, including restructuring or staggering payments for outstanding contributions. Employers in Singapore are supported via a Jobs Support Scheme, under which they receive a 25% cash grant (up from 8% pre-pandemic) on the monthly wages of each employee who is part of the Central Provident Fund.

In Brazil, the government increased withdrawal limits from the Fundo de Garantia por Tempo de Serviço (FGTS) – a fund which provides account-based cash benefits to employees on termination of employment for any reason – up to Rs. 1,045 (~LKR 37,000) per worker until December 31 2020, which is expected to benefit over 60 million workers. The FGTS is entirely funded by the employer, via compulsory monthly deposits equivalent to 8% of the employee's salary.

Looking Ahead

The COVID-19 impacts on Sri Lanka's labour market have made a strong case for revisiting employment social protection. The country should take this opportunity to introduce reforms to make better use of employment provident funds to support both workers and companies during times of crisis. The above country examples provide important insights in this regard, particularly in allowing for flexible withdrawals from funds in emergencies.

Encouraging more active and regular contributions is essential for there to be sufficient funds to draw from when needed. One option in the current context is to allow withdrawals from ETF – currently funded solely by employers – to provide assistance during the crisis, instead of requiring employers to make additional contributions to a new fund.

Assigning the management and administration of the funds to an independent body is also important to assure a guaranteed return upon retirement or to draw from during emergencies. Creating more awareness of the schemes and different types of benefits they offer will also help encourage more participation.

URBAN SOLUTIONS:

Building Pandemic Resilience in Sri Lanka's Cities

By Ruwan Samaraweera

Sri Lanka is experiencing a second wave of the COVID-19 pandemic, and cities and urban centres have become the hotspots of vulnerability. With their relatively favourable economic conditions and extensive transport networks, cities attract migrants from rural areas, frequently resulting in overcrowding and greater vulnerability to external shocks such as COVID-19. In fact, over 95% of the total reported COVID-19 cases worldwide are in urban areas. Hence, strengthening resilience of cities and urban settlements to meet health emergencies is a critical part of the national response strategy to pandemics.

Cities as Focal Points

The reasons that cities warrant close attention are as follows (Figure 1):

Figure 1: Why Should Cities be Focal Points?



Source: Author's Illustration

Entry points: Transport hubs in cities are entry points to a country, and intra and inter-city transport channels are means of disease transmission. According to the National Transport Commission, public transport accounted for 43% of the modal share of transport in Sri Lanka in 2017. The total person trips in the Colombo Metropolitan Region is projected to almost double in 2035, and rise to 12.2 person trips per day.

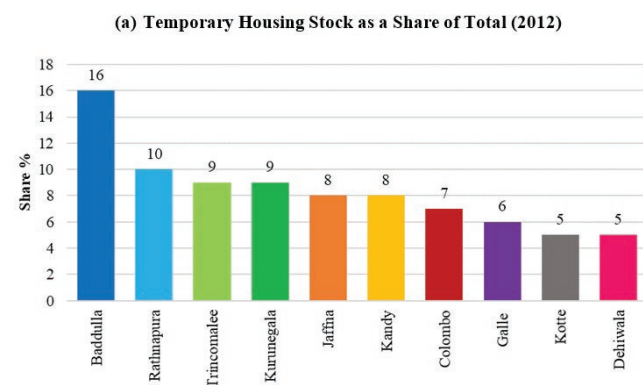
Densely populated: Residential towers, neighbourhood districts and housing schemes are prominent examples of places with high population densities. While this makes strong economic sense and supports better living standards for many, high population densities also make urban residents more susceptible to health emergencies.

Limited and congested public spaces: Recreational parks, supermarkets, amenities like movie theatres and mass gathering spaces for cultural and religious purposes can escalate the spread of disease.

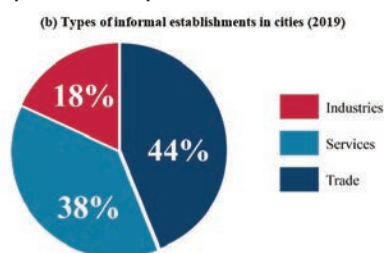
Diverse population mix: The high social and cultural diversity of cities can induce different response patterns and willingness to comply with measures taken to contain health emergencies, in many circumstances.

Pockets of vulnerability: Cities include urban poor living in informal settlements, homeless people, elderly and people with disabilities and medical conditions that fall under vulnerable groups. Significant shares of urban populations occupy temporary houses (Figure 2.a). Overcrowding, along with undernutrition among children as well as chronic medical conditions in adults, tend to increase infection rates. Moreover, a large proportion of informal sector employees in Sri Lankan cities dwell in underserved settlements, with around half a million people in the urban sector estimated to be engaged in informal economic activities. Usually, informal sectors in cities are mostly comprised of non-agricultural informal activities (Figure 2.b).

Figure 2: Vulnerability – Temporary housing and informal establishments



Source: Department of Census and Statistics (2012). Census on Population and Housing-Final Report. Colombo: Department of Census and Statistics



Source: Department of Census and Statistics (2017). Economic Census 2013/2014 – Final Report on Informal Non-Agricultural Activities. Colombo: Department of Census and Statistics

Healthcare capacity can be overwhelmed: City dwellers can face difficulties in accessing limited healthcare facilities due to financial constraints, limited bed numbers and limited availability of specialised healthcare workers.

Need to function under lockdowns: Cities are usually hubs or centres of essential services for national economies. Such characteristics compel cities to be alive, busy and running, even under lockdown conditions.

Building Pandemic Resilience in Sri Lankan Cities

The above-mentioned reasons make it clear why special attention is necessary for enhancing the preparedness and resilience of cities to mitigate threats posed by pandemics in the future. If ignored, cities can become hot spots for disease transmission. Some areas that require urgent attention are summarised in Figure 3.

Figure 3: Strengthening resilience in Sri Lankan cities



Source: Author's Illustration

Locally organised and coordinated responses: The essential functions of cities should be identified and plans need to be formulated for pandemic management so that hazard preparedness and resilience of cities against pandemics can be enhanced. Planners should review the levels of existing human resources and available facilities, and conduct forecasts of future requirements, review existing supply chains and logistic networks, and identify alternative channels of logistic facilities.

Continuous monitoring and evaluations of implementation, level of compliance/violations of regulations, etc. should be a part of the plan. A coordinated approach between different levels of government and a multi-sectoral approach incorporating sectors like health, social services, transport, housing, education, communication, water and sanitation and waste management should be adopted.

Evidence-based responses: This is one of the crucial factors that will determine the effectiveness of city-level policy responses. Relevant national agencies and local government authorities should carry out risk assessments, prepare profiles and maps of epidemiological risks, and identify and implement suitable urban planning and settlement solutions to overcome expected risks based on available evidence.

Vulnerable and underserved sub-populations: Measures to register people engaged in informal livelihoods will help deliver relief without overlaps. The existing transfer payment schemes like 'Samurdhi' can have a dual payment strategy where emergency allowances can be topped-up over the base amount during crisis situations. Another alternative is to create a financial facility that offers non-employment benefits for informal sector workers during declared periods of emergency.

Clean environment: Managing waste in cities amid pandemics is crucial. Lessons from South Korea suggest that waste from the infected should be subjected to immediate incineration. Similarly, waste of self-quarantined must be disposed in sanitised bags. Local authorities have to implement quick and efficient training programmes on handling hazardous waste for sanitation workers.

Organise public transport to minimise contagion risks: Adequate measures should be put in place to address congestion in public transport. Maintaining social distance in public modes of transport is always a challenge, and working from home and flexible working hours have eased the congestion to a certain extent. More rigorous adjustment of public transport schedules with changes in working hours and traffic management plans, synchronised with revised work-transport schedules, are necessary to address the problem.

Effective communication: The most appropriate means of communication on disease control has to be devised. User-friendly mobile applications can facilitate effective communication and also enable instant updating of information to multi-sector stakeholders, including health workers, civil defence and others.

Technology-based innovative solutions: Automatic doors in buildings, voice-operated or face recognition technology-enabled infrastructure including elevators and doors, exploring the possible applications of drone technology, social distancing facilitated public spaces, and a city-wide wireless network for uninterrupted internet access are possible technology-enabled smart interventions. However, these measures must be carefully designed to ensure that they do not infringe on the citizen's right to privacy. Overall, high-quality infrastructure, well-designed institutions and effective interventions strengthened by technology-based solutions will enhance a city's resilience to potential pandemic outbreaks in the future.

BUILDING BACK BETTER:

Reviving Sri Lanka's Economy Beyond COVID-19

By Harini Weerasekera

The Sri Lankan economy is likely to face a contraction in 2020 as a direct result of the COVID-19 pandemic but there is potential for this to be followed by a sharp V-shaped economic recovery. The means of navigating such a recovery path were discussed at a webinar panel discussion held on 15 October 2020 to mark the release of the Institute of Policy Studies of Sri Lanka's (IPS) flagship report 'Sri Lanka: State of the Economy 2020'.

Macroeconomy: Getting Public Finances in Order

Dr. Dushni Weerakoon, Executive Director, IPS, stated that the key macroeconomic challenge Sri Lanka has to contend with is its mounting debt. This is not a new issue, but one that has built up progressively over the last decade, where a shock like COVID-19 simply makes dealing with such a debt burden much more challenging. A large debt overhang does not allow for the implementation of a crisis mitigation strategy or an economic stimulus package of the desired size, to match the scale and complexity of the current pandemic.

The medium-term recovery path outlined by Dr. Weerakoon comprises of temporary measures to jump-start economic growth, which should then be followed by productivity-driven growth with technology infusion that is more sustainable in the long-term. Specifically, a quick-win strategy would be infusions to the infrastructure sector; attracting FDI into sectors such as construction can aid in jump-starting the recovery process. However, policymakers must recognise this as a temporary measure and not lean on such measures as the main driver of economic growth in the post-recovery phase. Dr. Weerakoon contended that import restrictions are "understandable" at this juncture but should be viewed as an emergency measure to protect employment but must eventually be re-aligned based on global value chain recovery. With rapid structural changes taking place, value chains are also restructuring and becoming more compact. Sri Lanka cannot afford to hold on to protectionist measures and miss out on breaking into these new regional production structures.

Private Sector Perspectives

Mr. Dilhan Fernando, CEO, Dilmah Ceylon Tea said that the COVID-19 crisis has exposed several structural weaknesses in the business world. The pandemic has shown that businesses must now ascribe value to education and healthcare, which were once considered costs, and that these will be vital components in 'building back better'.

He stressed on the need to improve the country's export competitiveness and productivity and asserted that integrating technology and value addition is the way forward, similar to what is practiced in the tea industry. Currently, the



Dushni Weerakoon
Executive Director, IPS



Nisha Arunatilake
Director of Research, IPS



Dilhan C. Fernando
CEO, Dilmah Tea

market is demanding features like traceability of products, ethical business practices and sustainability so businesses must adapt to these evolving demands.

Commenting on the tourism sector, he flagged the need to focus on refining processes, training employees and looking at ways to rebuild to engage consumers, even though the sector cannot receive them in full capacity at present. He stated that pent-up demand will build up for better times, so the best option is to prepare for it in the interim.

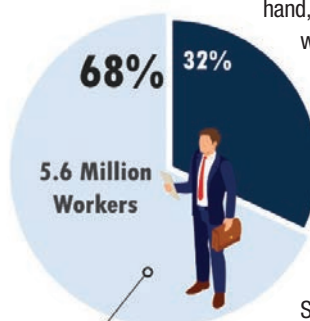
Widening Disparities

Dr. Nisha Arunatilake, Director of Research, IPS, said that the government's relief package to workers was comprehensive, but small relative to other middle-income economies. While government expenditure acts as a key stimulus during crises, Sri Lanka does not possess the macroeconomic stability to offer such a package. The repercussions of this are primarily felt by informal sector workers who make up 68% of Sri Lanka's workforce. Such workers will experience a decline in savings and resort to coping mechanisms such as foregoing investments in education and health, thus widening already existing inequalities. She stated that the country's macroeconomic constraints also limit the government's ability to keep the education sector afloat, during and in the aftermath of the pandemic. There were constraints in providing an integrated response of the nature seen in other countries where state resources were deployed to reach all students through multiple channels such as television, social media, etc. Instead, in Sri Lanka, individual schools and other educational institutions were left to their own devices, which intensify disparities. A significant proportion of households with school-going children do not have access to smart phones/computers (52%) and the internet (66%) which affects educational outcomes and exacerbates inequalities in the long run.

Another aspect discussed was gender inequality, where women tend to be disproportionately affected by the pandemic. On the one hand, flexible working arrangements can create more opportunities for women, but these benefits will be primarily accrued by skilled female workers. On the other hand, it is the large majority of female informal sector workers who are not covered by social protection schemes, who will be rendered more vulnerable than their male counterparts. She stressed that the solution lies in better disaster risk management systems – similar to that in Sri Lanka's health sector, which had the apparatus in place to prepare for and deal with the crisis.

Way Forward

Sri Lanka must make some important policy choices to ensure an effective post-pandemic economic recovery. There is a need for a sound fiscal policy including better tax and spending policies as a central requirement to address wide-ranging challenges including the debt burden, providing remote-education opportunities for all, and protecting workers and businesses without entrenching existing disparities, in the time of COVID-19.



Informal Employment



WEATHERING DISASTERS:

Why it Pays to be Prepared

By Nisha Arunatillake

The world economy is predicted to contract by -4.9% in 2020 (International Monetary Fund, 2020). The performance of individual countries during the COVID-19 pandemic varies widely. A variety of factors including severity of the pandemic, stringency of containment efforts, and the connection of economies with other affected countries determine the performance of individual economies. Disasters such as COVID-19 can significantly impede development. While it is difficult to avoid being affected by disasters, being prepared can reduce the costs, and quicken the recovery.

Countries can prepare for disasters in a variety of ways. Following the World Development Report 2014 recommendations, this blog concentrates on disaster preparedness along: a) integrated risk management; b) fiscal and financial risk management; and c) social insurance and work status.

Integrated risk management (IRM) involves strengthening the overall capacity of a country to manage all types of risks, rather than specific ones. IRM is both efficient and cost-effective. It helps countries prepare for different types of disasters using the same process, by providing a framework for exploiting synergies in the management of risks and balancing different trade-offs across risks. For example, building capacity to provide relief to people during a disaster can be useful during different types of disasters. IRM also helps prepare for less frequent, but high impact disasters, such as pandemics, which receive less policy attention. An IRM system also takes into account both low probability high impact risks (e.g. tsunamis and pandemics) as well as high probability low impact risks (e.g. floods and droughts).

**PANDEMICS CAN DELAY THE
PROGRESS IN HUMAN DEVELOPMENT**



Fiscal and financial risk management is important to improve a country's resilience to disasters. The ability to respond to a disaster effectively depends on its available fiscal space. Evidence shows that countries with sufficient funds to cushion the impacts of an adverse shock can minimise the costs of disasters, and facilitate a faster recovery. This requires increasing spending when economies are down, and saving during economic booms. Such counter-cyclical spending is possible only when countries plan to manage their finances keeping a long-term perspective.

Social protection and social insurance provide safeguards against poverty during adverse shocks and boosts recovery of economic activities by maintaining aggregate demand. The coverage of protection and the adequacy of benefits are important to improve the effectiveness of social protection. Social protection funds that are independent of governments and employers are more resilient, as they are not affected by economic downturns during disasters.

Building Sri Lanka's Resilience

Sri Lanka is highly vulnerable to different types of disasters. Preparedness can reduce the resultant socio-economic costs.

Over time, Sri Lanka has put in place a variety of institutions and mechanisms to respond to disasters. However, there is no IRM process in the country. For example, the epidemiology unit at the Ministry of Health is experienced in handling public health risks and has managed to contain COVID-19 successfully, but its functions are limited to the health sector.

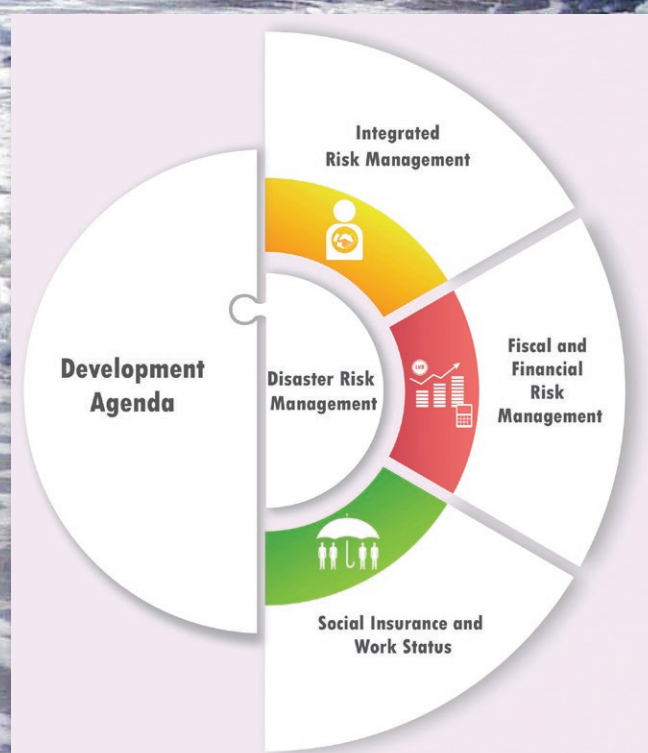
Since the 2004 tsunami, Sri Lanka has followed international frameworks to improve its disaster preparedness through legal and institutional reforms and capacity building. However, the current framework is highly focussed on addressing hydro-meteorological disasters. As such, the relief activities of COVID-19 were coordinated by a task force under the Presidential Secretariat. The involvement of a high-level office has certainly improved the response effectiveness in the short-term; in the long term though, it is important to build the capacity of existing institutions to handle such disasters.

The importance of long-term fiscal discipline in Sri Lanka was exemplified by the COVID-19 pandemic. A stronger financial position would have enabled more relief to households and businesses for a faster recovery, including more investments to boost growth. Many countries increase public investments to create jobs and boost economic activity. For example, in the aftermath of the 2008 global financial crisis (GFC), the Chinese government rolled out a massive investment plan to stimulate the economy, mainly focussed on improving infrastructure. This facilitated a quicker recovery in comparison to many other countries.

The COVID-19 experience highlights the need for stronger social protection coverage in Sri Lanka. The inadequate coverage of existing programmes has hampered the effective channelling of relief to the most affected individuals. A universal programme can overcome some of these issues. Such a programme can also be more efficient and flexible, as the administrative costs incurred will be minimised and the government will have better information to target different types of populations in providing relief.

At present, Sri Lanka protects the incomes of formal sector workers by protecting jobs. Companies are compelled to pay their workers regardless of whether they work or not. Continuing to retain a full workforce during financially difficult times can be a challenge to many companies, especially amid severe reductions in business activities and revenue. Schemes that are not linked to the employer to provide unemployment insurance, can help the employers survive, while providing relief to workers.

The COVID-19 pandemic presents unprecedented economic and social challenges to countries across the world. Sri Lanka has been largely successful in containing the spread of the disease and maintaining low casualty levels. The recovery from similar pandemics in the future can be expedited if the country is better prepared to respond to disasters. Given that Sri Lanka will remain highly vulnerable to the growing threat of pandemics like COVID-19 and other forms of disasters, improving its disaster preparedness can mitigate the human and economic costs arising from them.



NEW FACE OF HUNGER:

Building a Resilient Food System in Sri Lanka in an Age of Pandemic



By Manoj Thibbotuwawa

COVID-19 is dealing an unprecedented blow to economies around the globe and the health risk is only the tip of the iceberg. Among the many impending crises resulting from the pandemic, rising food insecurity due to lockdown measures is one of the most critical. The 2020 Global Report on Food Crises highlights that the pandemic is likely to limit access to dietary energy and diversity, safe water, sanitation, and healthcare and will create high levels of malnutrition.

Sri Lanka is no exception. While the country has been battered by major natural disasters and long-lasting civil conflicts, it has not experienced a pandemic of this scale and severity. The food system in Sri Lanka has already proven to be vulnerable and inefficient in coping with such crises. Further, malnutrition is a persistent problem in Sri Lanka, with severe regional disparities. Policymakers are thus faced with the dual challenge of mitigating the short and medium term impacts of COVID-19 as well as strengthening Sri Lanka's food systems in the long term. This blog examines how COVID-19 could worsen food security issues in the country and what measures can be taken to overcome these challenges.

Sri Lanka's Food System is Highly Vulnerable to COVID-19

Sri Lanka's food system comprises food produced locally (78%) and imported (22%). The domestic production of major food items like rice, meat, eggs, fish, vegetables, and fruits exceed 88% of the total supply. Yet, many essential food such as wheat and canned fish (100%), pulses (87%), sugar (85%), vegetable oil (79%), onions and potatoes (70%), and milk products (53%) are imported. As such, the proper functioning of the food supply chains and the food flow are key elements of food and nutrition security.

The prolonged curfew imposed in Sri Lanka in mid-March, to contain the COVID-19 pandemic, highlights the vulnerability of Sri Lanka's food system. Consumers were not able to buy food as distribution channels collapsed due to the restrictions on transport and storage and the closure of major wholesale and retail markets. Food shortages were exacerbated due to panic buying and rising food

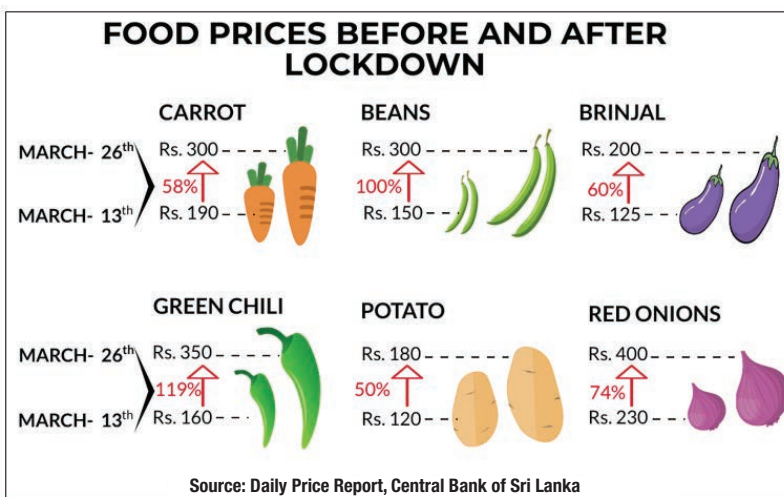
prices of both domestically produced and imported food items. These issues make life harder for the urban poor, amidst massive unemployment, especially among daily wage earners.

Digital market alternatives, such as online platforms and mobile applications – despite their potential to connect people during lockdown – failed to deliver, primarily due to lack of capacity and unfair prices. As a result, initial hopes of online ordering and home delivery being a solution to the crisis faded even amongst sophisticated, middle-class populations.

Increasing concerns over access to food and food affordability resulted in public dissent against lockdown measures in densely populated, urban areas, especially in places where high numbers of daily wage earners live. Anecdotal evidence suggests that poor households had to depend on friends and family, use savings, or get into debt, just to buy food.

Beyond Disruptions to Food Supplies

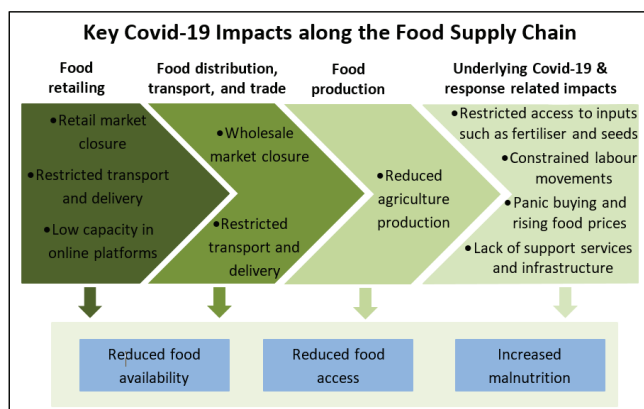
While Sri Lanka has not experienced countrywide food shortages, the crisis created by the breakdowns in supply chains is now resulting in farmers losing income and low farm gate prices. Traditionally, agricultural markets in Sri Lanka are not readily available to absorb the produce at the time of harvesting, and it has been left to organised traders to





purchase crops at relatively low prices. The widened wholesale-retail price spread too did not benefit the farmers who are usually price takers. Moreover, restricted access to agricultural inputs, such as fertiliser and seeds, constrained labour movements, and the lack of support services and infrastructure have already started affecting food production in Sri Lanka. Also, inefficiencies in food supply chains could lead to food losses and waste.

All these factors, along with reduced demand from domestic and foreign customers and market uncertainties, might push farmers to the brink of poverty. As a result, future shortcomings in food production and reduced food availability are to be expected. Overall, these trends indicate that the shock caused by the pandemic is not just short term, but will have far-reaching consequences, especially on vulnerable and marginalised populations.



Source: Author's Illustration

Government's Struggles

On top of a growing health hazard, Sri Lanka's government has also been overburdened with ensuring the food security of households. It launched several initiatives to help food producers, distributors, and consumers during the lockdown. Agriculture activities were exempted from curfew restrictions and farmers were allowed to continue with their operations. Also, the government introduced maximum prices for vegetables, to provide relief to consumers, while safeguarding farmers. Meanwhile, it introduced a new procedure for the distribution of fruits and vegetables at Divisional Secretariat level, by the Economic Centers. Restrictions were

imposed on the importation of locally grown crops, including rice and sugar, to strengthen domestic agriculture. Importantly, the "Saubhagya" National Programme on Harvesting and Cultivation was launched, to develop one million home gardens islandwide. Finally, a consumption support of Rs. 5,000 was granted to about four million vulnerable Sri Lankans, including senior citizens, people with disabilities, kidney patients, and Samurdhi recipients.

However, these efforts are insufficient. The government stepping in to control prices and purchase harvest has provided some relief for consumers and farmers. However, there have been issues at the lower end of the supply chain, with most vulnerable farmers not being able to sell their produce even at unprofitable prices, partly due to the exploitation by middlemen involved in the government's purchasing programme. Also, while the home gardening programme looks promising, its real economic impact will largely depend on whether the interest shown by people will remain post COVID-19, and its long term impact on commercial cultivations. The consumption support programme is poorly targeted, with many vulnerable people not receiving adequate support due to the lack of reliable information required to administer cash transfers.

Way Forward

The complexity of the unfolding crisis demands well thought out policy responses, based on robust evidence. Even if the spread of COVID-19 begins to ease off shortly, the government cannot pass it off as a temporary shock. Besides the turmoil it has already created, COVID-19 has shaken the country's food system to its core, revealing its high vulnerability to external shocks. Hence, it is important to strengthen the food system to face future blows.

Therefore, Sri Lanka needs a well-established and permanent mechanism of public food distribution at the central level, with clear linkages to provincial and local government institutions. Further, a regular monitoring system should be established to safeguard the local food distribution system from possible malpractices and to ensure the effectiveness of government interventions. Also, a digital food and nutrition surveillance system, with more frequent data collection, should be set up to monitor vulnerable populations, to improve targeting in crisis situations. Finally, the increased demand for digital marketing platforms should be capitalised at both ends of the food supply chain.



REPATRIATION AND REPLACEMENT OF LOST FOREIGN JOBS:

Handling Labour Migration in Sri Lanka during COVID-19

By Bilesha Weeraratne

Sri Lanka, which has been sending workers abroad for employment for decades, is now faced with the formidable challenge of repatriating large numbers of migrant workers affected by COVID-19. Having successfully brought back students from China, UK, Australia, and South Asia and pilgrims from India, the authorities are now making plans to repatriate large numbers of migrant workers.

But, unlike bringing home students and pilgrims, this upcoming repatriation exercise involving migrant workers calls for a continued coordination with the returnees, beyond the period of travel and quarantine. This blog dissects the nuances of labour migration, lost foreign employment opportunities, and repatriation brought about by the spread of COVID-19 and provides policy recommendations to successfully re-enter foreign labour markets.

Need to Return and Repatriate

The COVID-19 pandemic resulted in Sri Lankan origin migrant workers returning to the country in large numbers, during the first half of March 2020. The influx of returnees up to mid-March comprised mainly workers in South Korea, Italy, and other European countries. But, with the closure of the Sri Lankan air and sea ports for arrivals on 19 March, many were unable to return. As of mid-May, the number of migrant workers waiting to return to Sri Lanka has further increased. This includes those without jobs in their countries of destination, possibly due to being laid off as a result of the economic downturn caused by the pandemic and those who have ended their employment contract and were due to return anyway. Additionally, it includes migrant workers still holding a job but are underemployed or fear becoming unemployed in the near future, and those who are willing to give up a secure job to safeguard themselves from the raging pandemic.

Latest estimates show that around 17,000 migrant workers and their families are trying to return to Sri Lanka, and the government has planned out a meticulous scheme to repatriate them. This involves prioritising those hoping to return based on the countries of destination, and within countries, prioritising based on the type and the situation of these migrant workers. For instance, repatriation from Kuwait will be fast-tracked to make use of the amnesty granted to those without valid entry documents. At the same time, the government is nudging migrants who are still holding a job to reassess their situation in their countries of destination and consider their plight in Sri Lanka once returned.

Halted Departures

Even though most migrant workers who are planning to return are still outside the Sri Lankan labour market, the domestic labour market is already affected by the stock of 'would-have-been' migrant workers. Specifically, compared to the approximately 15,000 Sri Lankans who left for foreign employment in April 2019, in April 2020, there were zero departures of migrant workers, as the Sri Lanka Bureau of Foreign employment (SLBFE) temporarily banned the departure of migrant workers registered with them. May 2020 also appears to be a lost month in terms of foreign employment, while in March 2020, only about a half of the planned departures occurred (around 7,500). As such, from mid-March to end of May, the missed foreign employment opportunities for Sri Lankans amount to around 37,500 jobs. All these 'would-have-been' migrant workers add to the displacement in the Sri Lankan labour market, as they are unemployed for all intents and purposes.

Domestic Labour Market

Regardless of the returning migrant workers and those who could not take up their planned foreign jobs, the labour market in Sri Lanka has been feeling the impact of COVID-19 in many ways. For instance, hundreds of thousands of informal sector workers immediately became unemployed or underemployed with the economic shutdown on 20 March.

Now, private sector employees are hit by the unemployment/underemployment wave. In short, even without factoring in the returning and the 'would-have-been' migrant workers, the Sri Lankan labour market was already in turmoil from COVID-19.

Way Forward

With a growing unemployment rate, Sri Lanka should rapidly start programmes to address the unfavourable repercussions of the pandemic on the labour market. In doing so, special strategies should be developed to handle unemployment associated with migrant workers. As such, just as the government has invested time and resources to carefully plan a large scale repatriation exercise of migrant workers, it has to be complemented with a detailed plan to address the resulting labour market challenges.

'Would-have-been' Migrant Workers

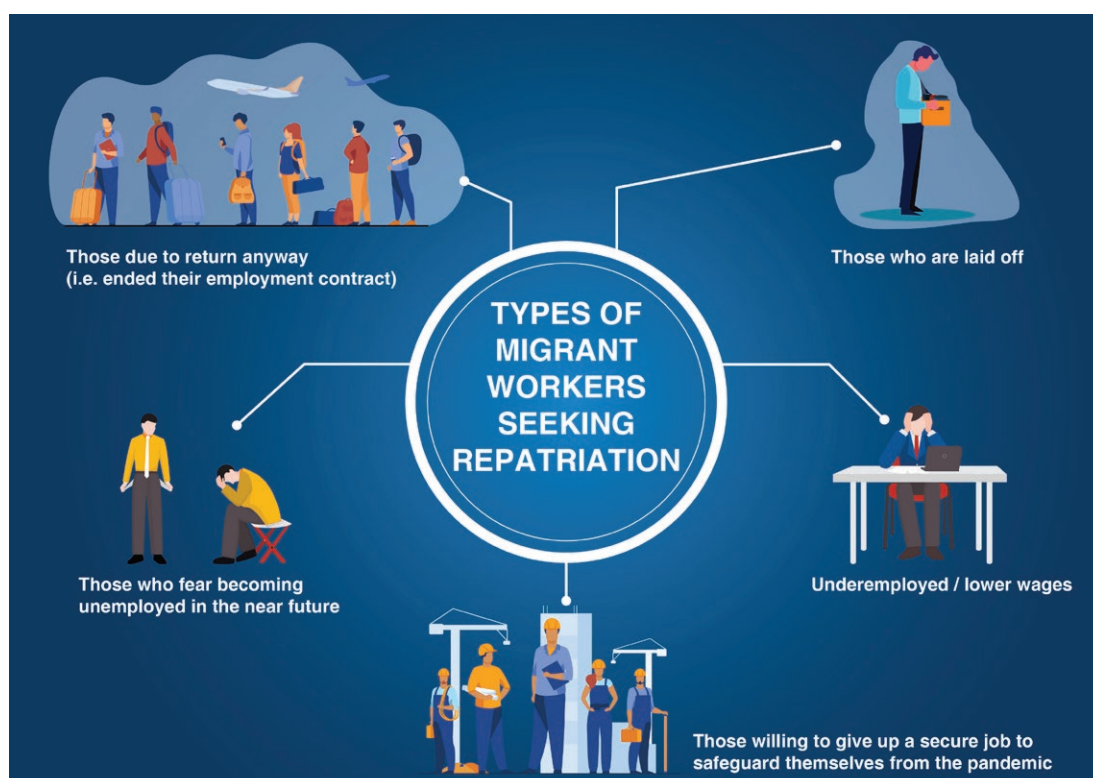
- 1 Ensure they retain their skills and training until they can be redeployed.
 - i. SLBFE to provide online programmes or short videos to help them maintain their skills and training.
- 2 Redirect them towards reskilling and upskilling activities and provide appropriate certifications.
- 3 Contact their 'would-have-been' employers and find out about the availability of the same employment opportunity.
 - If above employment opportunity is still available, plan out a rapid deployment plan, without losing this opportunity to another sending country.
 - If above employment opportunity is no longer available, explore the possibility of negotiating a new employment package (wages, benefits, etc.) with more flexibility to facilitate the employer to hire the same 'would-have-been' migrant worker.

Returning Migrant Workers

- 1 Ensure that returning migrant workers have received their service letters and other such credentials, as well as payments and benefits.
- 2 Provide Recognition of Prior Learning (RPL) certification.
- 3 Deploy them, as appropriate, towards skills development of those unemployed in Sri Lanka.
- 4 Assist their socioeconomic reintegration.

Migration Sector

1. Lift the SLBFE's current temporary ban on departure for foreign employment for all countries, as this restriction only applies to those registered with SLBFE, and the continuation of the ban further deepens the dichotomy among registered and unregistered migrant workers.
 - i. Instead impose the ban on a list of selected countries, with selection to be done on a scientific/medical basis.
- 2 Maintain regular contact with employers of returning migrant workers, and overseas recruitment agencies through:
 - i. Sri Lankan diplomatic missions.
 - ii. Recruitment agencies in Sri Lanka.
- 3 Explore possible measures to encourage overseas employers to retain Sri Lankan migrant workers.
 - i. Alternative working arrangements, telecommuting.
- 4 Introduce an attractive, streamlined, flexible and speedy mechanism for overseas employers to re-hire laid off Sri Lankan workers as well as to hire new employees.
 - i. Provide additional flexibility for employers who have previously employed Sri Lankan workers.



Source: Author's Illustration



CONTROLLING THE TOBACCO EPIDEMIC

SRI LANKA'S TOBACCO- SMOKING CHALLENGE:

Going the Last Mile

By Sunimalee Madurawala

"I stopped smoking after being diagnosed with cancer. I was shocked when I heard about it. Doctors say it is because of tobacco smoking. I know it is late now to quit, but I decided to do so because I do not want my condition to worsen. It is heart-breaking to go to the cancer hospital in Maharagama and see what people are going through."

These are the words of a 58-year-old farmer from Kilinochchi who started smoking in his youth while participating in a recent study conducted by IPS. It is a sobering reminder that while Sri Lanka has made notable strides in reducing the overall smoking rate from 38.1% to 28.4% between 2009 and 2018, smoking remains a significant health threat. The challenge for Sri Lanka now is to identify the groups where smoking prevalence is highly concentrated – what we term the 'Last Mile Smokers' (LMS) – and implement policy measures that are specifically designed to reduce smoking among LMS.

The benefits of reducing the prevalence rates among LMS are substantial as tobacco smoking comes with high health, social, economic, and environmental costs. Tobacco consumption kills more than 20,000 Sri Lankans, annually. In 2016, tobacco smoking cost the Sri Lankan economy LKR 213.8 billion, equivalent to 1.6% of its GDP. Against this backdrop, the IPS study identifies LMS categories, explores important dimensions of their smoking behaviour, and proposes a set of targeted policy measures that facilitate reaching them. This blog highlights some crucial findings and outlines policy responses to reduce smoking prevalence among the LMS.

LMS in Sri Lanka – Secondary data reveals that the LMS tend to be older men (those in the 40 and above age category), from poorer backgrounds, and often living in rural areas. Young men from a non-schooling background also have high rates of smoking.

Persons occupied in 'skilled agricultural and fishery workers' and 'craft and related workers' occupational groups tend to smoke more. Further, Nuwara Eliya, Vavuniya, Mullaitivu, Mannar, and Kilinochchi districts recorded the highest percentage of detected

smokers in 2016. A series of discussions with different LMS groups across the country identified the following salient characteristics of LMS.

- **Why do LMS smoke?** Most smokers reported starting to smoke because they had perceived smoking as a remedy for loneliness and distress, were curious to experiment with new things, wanted to break the job monotony, were under peer pressure, and were stimulated by smokers in the family, community, and celebrities. Most of the smokers were initiated into smoking in their youth. They continued because it had become a habit or addiction, they perceived smoking as a remedy to overcome job monotony, lacked incentives and support channels to stop smoking, and lacked self-control to stop smoking.
- LMS want to quit smoking and support measures are needed to help them do so. The majority of smokers wanted to quit smoking and had tried to do so. Most of them had made at least one attempt to quit. Health concerns, financial reasons and commitments towards their families and children had motivated them to consider quitting.
- Almost all smokers from different sectors were aware of the adverse health and economic impacts of smoking. However, many LMS were unaware of its adverse impact on the environment, and the effects of second-hand smoking and third-hand smoking. Most of the smokers cited self-determination as the most crucial factor to quit smoking. Family and close network support is also important. Reaching for formal help in smoking cessation was minimal. This was mainly due to a lack of awareness on existing formal cessation channels and unavailability of such services targeted at LMS across the country.

"We have neither heard about cessation support nor have we participated in such programmes... There have been many instances where we wished that there was someone or some support that would encourage or motivate us to stop smoking. We like to stop, but we do not have access to such support programmes." – 42-year-old male tea estate worker from Hatton

LMS are sensitive to price increases – Price plays a crucial role in shaping smoking patterns, both in relation to initiation and continuation. Overall, smoking has become less affordable in recent years according to the study participants. The responses by the LMS to price increases were: (1) reduce intake, (2) switch to cheaper brands/products, and (3) quit smoking. It should be added that only a few smokers from certain groups had considered switching to cheaper smoking products due to price increases.

LMS purchase single sticks – With the price increase in recent times, many smokers have switched from buying an entire pack to single sticks. In fact, as many as 70 % of the LMS who participated in the study purchase single sticks.

How to Reduce LMS Numbers?

To continue reducing the prevalence of tobacco use, the government needs to strengthen tobacco control policies and introduce targeted policy interventions that reach LMS categories.

Continue price increases through tobacco taxation as a key policy intervention: Price increases in smoking products have forced some crucial changes in smoking behaviour that reduce the tobacco intake (e.g., to reduce the intensity of smoking and quit smoking). Hence, price increases must continue, and these should be inflation-adjusted and



income growth-adjusted to make smoking products even less affordable.

Ban sale of single sticks: Implementing the proposed ban on single stick cigarette sales in Sri Lanka without any further delay would contribute significantly to reduce smoking among the LMS. **Respond to unmet demand for smoking cessation:** There is substantial unmet demand for smoking cessation support, and emphasis should be placed on approaches that support smokers' self-determination towards quitting smoking (e.g., "Stoptober" campaign in the UK).

Introduce targeted interventions that reach the LMS: Tailor-made approaches are needed for wider outreach and to influence the LMS. This is important as LMS have specific needs and characteristics which are difficult to address through general interventions.

Most of the LMS are from the informal sector, a sector that often goes unnoticed, is difficult to reach and not captured adequately by the existing health service networks. Integrating worksite tobacco control measures into other available health and safety programmes, using powerful pictorial messages and partnerships with high prevalence industries are some approaches proven to be successful in reaching the LMS. Sri Lanka can also adopt such interventions by appropriately re-designing them to the local context.

Greater awareness creation: Awareness creation programmes and campaigns must be carried out more rigorously so that they reach the LMS. These should cover all aspects of adverse implications of tobacco smoking, including effects of second-hand and third-hand smoking.

Reducing smoking prevalence among the LMS would be beneficial for the public healthcare system and the entire economy yielding huge financial benefits and ensuring a labour force that is healthy, fit and productive. It would also make families happier and create a greener environment.

TOBACCO ECONOMICS:

How Reduced Consumption Benefits the Household and the National Economy

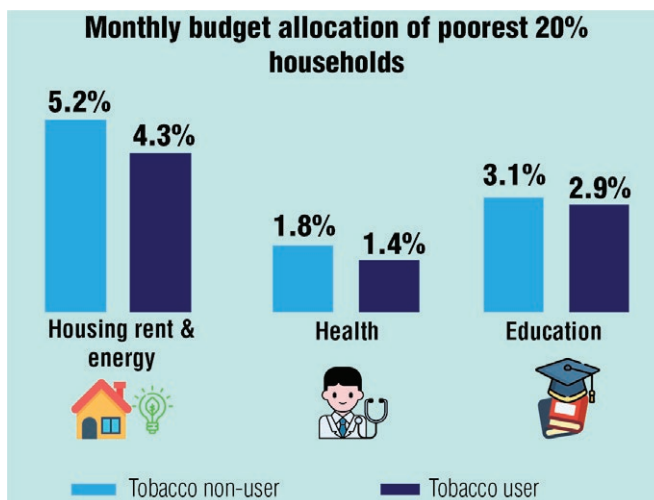
By Priyanka Jayawardena

On average, a tobacco-user household spends nearly Rs. 2000 per month on tobacco, constituting 4% of the household budget. Spending on tobacco can drive out other critical expenditures, including basic needs. This crowd-out effect would be greatest for poor families, affecting not only the smoker but the rest of the family as well. Smoking, therefore, is not only unhealthy but costly.

“We feel guilty when our family members complain about not having sufficient money to buy food provisions... If I had not wasted money on cigarettes, we could have used that money for other needs.” – Male driver at an IPS Focus Group Discussion in Colombo (November 2019).

When tobacco users stop smoking, they spend their money freed from tobacco products on other goods and services — food, health, education.

Although Sri Lanka has made good progress over the years, in reducing the prevalence of tobacco use to 28.4% of males above 15 years, further action is needed to target the ‘Last Mile’ of tobacco users. These remaining smokers are concentrated among over 40s, low income males. Targetted policies to reduce tobacco consumption among these groups would enhance the economic well-being of these tobacco-users and their families, who are more likely to be poor, as it would free up money for basic needs.



Source: Author's calculations based on HIES 2016 micro-data.

In addition, tobacco users are at much higher risk of falling sick and dying prematurely due to tobacco-related diseases such as cancers, heart attacks, and respiratory diseases. Tobacco-related illness can cause severe financial strains – pushing families into poverty, by depriving them of much-needed income and imposing additional costs for health care in the long-run.

Beyond the household level, switching consumer spending from tobacco products to other goods and services, positively impacts the national economy as well.



IPS' ongoing study on the 'Impact of Tobacco Control on National Income', reveals that reduction of tobacco products will have a positive rather than negative impact on the national income.

Following the Economics of Tobacco Toolkit developed by World Bank, IPS research examined the impact of tobacco consumption reduction on the national economy, using the national input-output tables developed by the Department of Census and Statistics (DCS).

The analysis involves following three main steps:

- Estimate the reduction in outputs resulting from the fall in demand for tobacco products.
- Estimate the increase in outputs from the increases in demand for non-tobacco goods and services.
- Calculate the net change on outputs due to the change in final demand as the difference of the two.

Impact of Tobacco Spending on the Household Budget

The IPS study reveals intra-household budget allocation is negatively affected by tobacco expenditures.

Poor families in particular spend a larger proportion of their income on tobacco. Among the poor, tobacco-using households allocate a significantly lower budget share to all commodity groups (except for other expenses) than non-tobacco user households.

- Tobacco user households spend an even greater share of their budget allocation for tobacco (4.0%) than education (3.2%) and health (2.7%) spending.
- Among the bottom 20%, tobacco user households spend less on food, education, health and housing than same the economic group – non-tobacco using households.
- This suggests that if tobacco users were to stop smoking, they would spend more money on their own and their family's food, health and education.

Monthly budget allocation of households (%)

	Overall		Poorest 20%	
	Tobacco non-user	Tobacco user	Tobacco non-user	Tobacco user
Food	40.0	40.4	68.8	65.3
Tobacco	0.0	4.0	0.0	4.2
Housing rent & energy	4.2	3.5	5.2	4.3
Health	3.6	2.7	1.8	1.4
Education	4.4	3.2	3.1	2.9
Transport	9.4	8.2	5.1	3.9
Clothing	3.3	3.1	3.6	3.4
Communication & recreation	4.2	3.7	2.4	2.0
Other *	31.0	31.1	9.9	12.5
Total	100.0	100.0	100.0	100.0

Note: *This includes expenses on durable and non-durable goods, alcohol and other expenses.

Source: Author's calculations based on HIES 2016 micro-data.

How Might Reduced Tobacco Consumption Affect National Income?

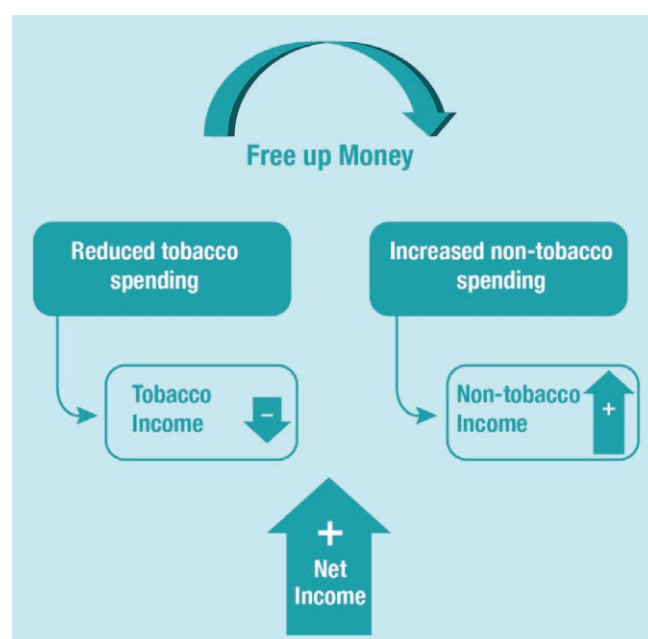
Tobacco control measures are designed to reduce consumer demand for tobacco products. This shift in demand can lead to reduced spending on tobacco products and increased spending on other goods and services.

Thus, income loss in the industry related to tobacco can be countered with income gain in other industries, based on consumer non-tobacco spending, due to money saved from reduced tobacco expenditure.

Despite the obvious threat of tobacco to human health, many governments, have not taken significant action to tobacco control, partly due to concerns about the undesirable consequences on national income. The fear of the possible negative impact on national income by reduced tobacco production is due to a lack of information.

IPS Study Reveals the net Effect of Tobacco Control Policies on National Income is Positive, as a Result of Consumers Switching Their Spending from Tobacco Products to other Goods and Services.

With the application of World Bank developed economics of tobacco methodology, IPS study reveals a 20% reduction in tobacco expenditure will lead to 30% net benefit to the economy through increased consumption of non-tobacco goods and services. The study assumed that the money released from tobacco purchases is spent on non-tobacco goods and services in proportion to consumption pattern of HIES survey. Thus the IPS study offers compelling evidence that reduced tobacco consumption will yield net positive gains for Sri Lanka's economy, as evidenced in other countries like Vietnam.



Way Forward

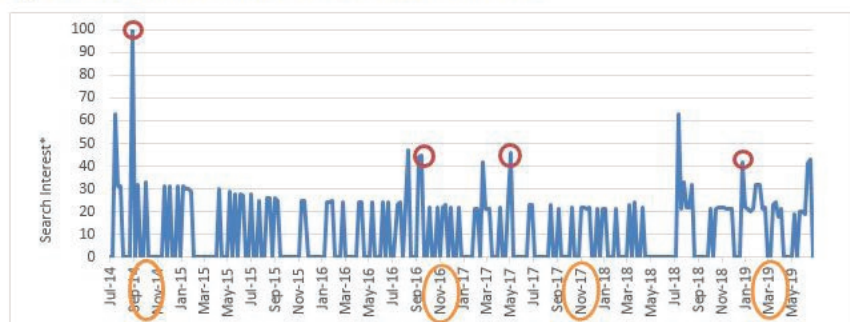
The findings of the IPS study highlights the importance of tobacco control policies in Sri Lanka. Implementing tobacco control policies to reduce smoking prevalence will enhance the economic well-being of people, particularly the poor, as it would free up more resources for basic needs such as food and education, thereby resulting in a positive gain for the whole economy. This is very important information for policy-makers who are hesitant to make tobacco control efforts.

For a developing country like Sri Lanka, it is essential to integrate tobacco control measures into poverty alleviation policies and programmes to benefit the individual, the household and the national economy.

CIGARETTE SMUGGLING IN SRI LANKA:

Hype vs. Reality

Figure 1: Search Interest over Time for the Term 'Beedi' in SL



Source: Google Trends

Note: *Numbers represent search interest relative to the highest point on the chart for the given region and time. A value of 100 is the peak popularity for the term.

By Harini Weerasekera

In the run up to elections, Sri Lanka is once again witnessing various news activities highlighting how the government is losing revenue due to increased consumption of illicit cigarettes and beedi. However, the wider government policy on tobacco control is aimed to reduce smoking rates and the related direct and indirect costs – which was estimated to amount to 6% of government revenue in 2015 – through taxation. This blog argues that although controlling the availability of illegal cigarettes in the market is important, this should be done through regulation so that both legal and illegal cigarette consumption remains low in the country.

Furthermore, attempts to arrive at estimates on illicit cigarettes/smuggling and its effects on government revenue are hampered by data limitations. This blog uses the most reliable data available and busts popular smuggling-related myths propagated in the media, to demonstrate that smuggling should be controlled by regulation, while keeping taxes high.

Myth 1: There is a Robust Estimate of the Illicit Cigarette Market Size in Sri Lanka

The Tobacco Control Research Group at the University of Bath, UK has shown how tobacco companies exaggerate the extent of illicit tobacco by commissioning studies whose methodology and validity are unclear and misquoting data in the media. A 2019 study conducted in Colombia found that the tobacco industry estimate of the illicit cigarette market is significantly exaggerated at 18%, when illicit cigarettes represented only 6.4% of total cigarette consumption in 2017.

The story is not too different here in Sri Lanka. Various aspects of illicit tobacco trade are highlighted in local media, quoting vague sources and misrepresented official statistics. In addition, research reports have estimated the size of the illicit market using questionable methodologies. For instance, a 2017 study using a disposed cigarette butt/pack collection technique, found that 15% of butts and 10% of packs came from the illicit market. However, both estimates are questionable. The study relied on tobacco company expertise to distinguish formal butts from illicit butts. Further, the packs for the study were collected in high tourist density districts, potentially creating an upward bias in the results. As such the estimate of Rs. 80 billion loss in tax revenue to the government arrived at by this study based on the abovementioned figures is unreliable.

On the other hand, the same study found through test purchases, that only 3% of cigarettes sold in the open market were illicit. Due to the sample districts chosen, it is likely that the pack/butt collection method largely captures foreign cigarettes making its way into the country via tourists hand-carrying cigarettes, while the test purchases method gives a more accurate estimate of the supply of illicit cigarettes.

More recently in 2019, a report estimated the illicit cigarette share to be 21% of the total market. However, this estimate is arrived at by comparing 2016 cigarette consumption data, against 2019 sales data, which again distorts the estimation.

Myth 2: Beedi Consumption has Risen Following Tax Hikes on Cigarettes

Alcohol and Drug Information Centre's (ADIC) survey data indicate that beedi consumption – rolled-leaf cigarettes sold in the informal market – has in fact declined over time. The ADIC SPOT Survey is a trend survey developed and conducted by ADIC since 1998, on tobacco smoking trends in Sri Lanka. As a percentage of current smokers, the share of beedi users has declined from 11% in 2013 to 5.4% in 2017. Further, in 2017, only 2.5% of current smokers were found to be substituting away from cigarettes to beedi, following cigarette price increases; in contrast, 87% reduced cigarette usage and 3% switched to low-price cigarettes. This data contradicts the argument floating in the media that smokers replace formal cigarettes with illicit cigarettes and beedi.

It is also interesting that stories about beedi consumption appear to be more common in the months preceding national budgets. Google trends suggest that there were spikes (red circles) in the search term 'beedi' in the months preceding budget speeches (orange circles) in 2014, 2016, and 2019 (2015 had an interim budget and the 2018 budget reading was pushed to March 2019). This might suggest that stories are being placed intentionally, to sway policymakers away from tax hikes on cigarettes in upcoming budgets.

Disentangling Hype From Reality is Crucial

Tobacco control experts argue that if a rational taxation policy (a policy involving consistency in frequency and extent of tax increases) was implemented over the years, a far larger sum of revenue – than the supposed Rs. 80 billion lost to smuggling – could have been recovered by the government, whilst reducing tobacco consumption. In contrast, increasing revenue by lowering tax rates would only result in higher tobacco consumption and, on balance, a higher cost burden to the government; a cost of Rs. 89 billion was incurred by Sri Lanka from tobacco, in 2015.

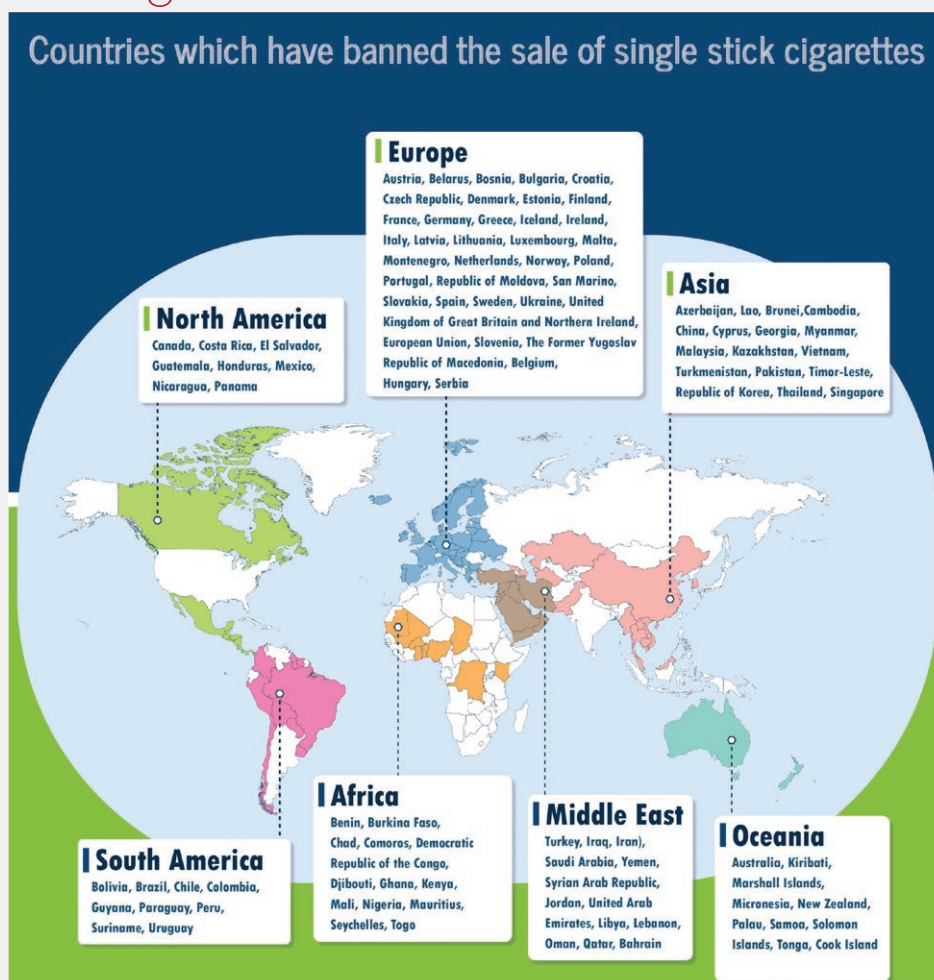
Moreover, the 'myths' presented here point towards the fact that information on cigarette smuggling activities and illicit tobacco products – whether it be articles in the press or studies – must be taken with a pinch of salt.

The existing evidence base tends to be subject to tobacco industry influence or have limitations in estimation techniques, as demonstrated in this article. A well-documented tactic employed by tobacco companies worldwide is to heighten the perception of illicit tobacco trade when governments decide to implement tobacco taxation or tobacco control policies – Sri Lanka appears to be experiencing a similar phenomenon.

For this reason, disentangling the hype surrounding illicit tobacco from the reality is crucial. It is important to increase the evidence base of reliable estimates on the informal market so that false information that is circulated – and picked up as legitimate by policymakers – can be effectively combatted. More importantly, the issue of smuggling must be tackled through effective regulation, whilst keeping tax rates high, in order to reduce smoking prevalence to under 10%.

SMOKED OUT:

Why the Sale of Single Stick Cigarettes Must Be Banned



Source: Secretariat, WHO Framework Convention on Tobacco Control (FCTC)

By Dilani Hirimuthugodage

This month, the National Authority on Tobacco and Alcohol (NATA) announced the drafting of legislation to ban the sale of single cigarettes. It is a welcome move given that Sri Lanka lags behind 107 countries that have banned the sale of single stick cigarettes (see Figure 1). This is despite Sri Lanka being the first South Asian country and the fourth in the world to ratify the World Health Organisation's (WHO) Framework Convention on Tobacco Control (FCTC) 15 years ago.

Since 2016, Sri Lanka has made several attempts to introduce a ban on single stick cigarette sales. Earlier, the single stick ban was proposed as an amendment to the NATA Act. In 2018, the proposed draft policy to ban single stick cigarettes was tabled for Cabinet approval. Unfortunately, it was not passed. This blog explains why the sale of single cigarettes must be banned without any further delay.

Need to Ban

Single Stick Cigarettes are More Affordable to Youth and the Poor

Studies around the world have shown that selling single stick cigarettes makes smoking more affordable for the underprivileged and minors who are unable to afford packs with 12-20 cigarettes. This increases cigarette consumption and enables low-income smokers to continue smoking despite price rises caused by increased taxes. In Sri Lanka, 1.5 million people smoke as much as 11 million cigarettes daily. Despite a ban on promoting and selling tobacco to minors, shockingly, more than 6,000 children in Sri Lanka (age 10-14 years) smoke cigarettes (3,700 boys and 2,600 girls).

Almost all smokers in Sri Lanka purchase cigarettes as single sticks, IPS research has revealed. The most popular cigarette brand in Sri Lanka, which commands nearly 80% of the market share, is sold as a single stick at Rs. 65, 12-pack at Rs. 780, and 20-pack at Rs. 1,300. This indicates that the affordability is higher when bought as single sticks. Moreover, a worker belonging to the lowest wealth quintile earns nearly Rs. 783 daily. Thus, they can buy a single cigarette for less than 10% of their daily wage.

“Smoking cigarettes has become a bit expensive. But we manage to save a sum from the daily wage for our cigarettes. We save money for at least two cigarettes a day.” – Focus Group Discussion (FGD) participant, Colombo.

Sale of Single Stick Cigarettes Encourages Smoking Initiation

Because cigarettes are more affordable as single sticks, it encourages initiation and experimentation among youth. As identified in the Annual Trend Survey on Tobacco and Smoking in Sri Lanka (2019), the majority of tobacco smoking initiation occurs in the age group of 18-20 years, which implies that the affordability of single sticks encourages youth groups to initiate smoking.

Health Warnings are not Seen When Cigarettes are Sold as Single Sticks

Single stick cigarettes also make it impossible to communicate the health warnings which are otherwise printed on the packs. In Sri Lanka, 191 men and 46 women die every week due to direct and indirect smoking. As such it is important to provide awareness among potential smokers on the adverse health effects of smoking.

Challenges

The previous attempts to promote a ban on sale of single stick cigarette was not successful due to several myths.

According to one myth, a ban would reduce tax revenues. However, this has never been proved in any other country that has already implemented the ban. Besides, tobacco-related costs are higher than the revenue it generates, as smoking increases the risk of many non-communicable diseases (NCDs) such as cancer, heart diseases, and respiratory illnesses. As identified by an IPS study, direct and indirect costs of tobacco amounted to 6.1% of Sri Lanka's government revenue in 2015; and it is a lesser amount than the government revenue from tobacco taxes in the same year (5.5%). **Another myth suggests that a ban will increase the**

consumption of local cigarettes (beedi). This trend was not observed in other countries, including Pakistan. Moreover, people who are addicted to the flavour and the taste of cigarettes would not easily switch, IPS research has shown.

Construction workers, drivers, and youth stated that they would never shift from cigarette to beedi despite any further price increases (mainly due to ‘bad smell’ and ‘poor quality’ of beedi)." – FGD participants, Colombo

Retailers Receive a Higher Incentive for Selling Cigarettes as Single Sticks

Retailers receive a commission of nearly Rs. 1.20 from selling one cigarette while they receive the same commission for the entire packet. Thus, there is an incentive for retailers to sell cigarettes as individual sticks.

Recommendations

Implementation:

To be effective, the single stick cigarette ban should be implemented carefully. Experience from other countries shows that proper implementation of a single stick cigarette ban can be a challenge. Even once the policy has been adopted, implementation can be a challenge and requires attention.

In Nepal, the Tobacco Product Control and Regulatory Bill was approved in 2011 but Nepal has been lagging in implementation. Pakistan is the only South Asian country that has banned single stick sales. In 2018, the Ministry of National Health Services and Regulations in Pakistan, in compliance with the federal Cabinet's decision, banned the sale of loose cigarettes to minors and the sale of packets with less than 20 sticks. This mirrors the minimum pack size of 20, which is enforced in Australia, USA, Norway, and many other countries worldwide.

It is clear that Sri Lanka needs to implement the proposed ban on single stick selling and it should be one of the priorities of the new government. When implementing a ban, the introduction of an amendment to the country's current tobacco policy is necessary in line with international best practices. The policy should, as in Australia, be devoid of ambiguities.

The minimum number of cigarettes in one pack, as proven by international best practices, should be specified.

Most countries have specified the minimum number of cigarettes in one pack as 20 sticks. In addition, it is important to counter myths relating to tobacco consumption and revenue among the general public. The enforcement mechanism of the ban is crucial and needs to be given sufficient attention and resources. Since the monitoring process is of paramount importance, the policy will have to be very clearly stated on who will be monitoring retailers, who will be responsible for monitoring, how often the monitoring is done, and who should inform customers and retailers of the ban. To avoid black market formations, there should be an effective monitoring process. Further, penalties must be introduced for the above offences.



TOBACCO CULTIVATION:

A Threat to Sri Lanka's Food Security amidst COVID-19

By Nimesha Disanayaka

The prolonged curfew and lockdown measures introduced to contain the COVID-19 pandemic exposed the vulnerability of Sri Lanka's food system. The country's food distribution channels collapsed due to travel restrictions imposed by the government and the closure of major wholesale and retail markets, stifling consumers' access to food. Meanwhile, digital market alternatives struggled to meet rising demand. Further, increases in food prices, especially fruits and vegetables, reduced the affordability of nutritious food. The situation worsened due to high unemployment among daily wage earners. More worryingly, restricted access to agricultural inputs, such as fertiliser and seeds, signals shortages of food production in the future.

The government has taken many initiatives, such as purchasing and distributing fruits and vegetables at the Divisional Secretariat level, introducing maximum prices for vegetables, and launching the 'Saubhagya' home gardening programme, to help both food producers and consumers and to support various aspects of food security, including food availability, and access to and affordability of nutritious food. Among these measures, the Saubhagya programme is at the forefront. Tobacco, a nonfood crop in direct competition with food crops grown in home gardens, could pose a severe threat to the primary objective of this initiative.

In 2017, the government made a commitment to ban tobacco cultivation by end 2020 and launched a programme to discourage farmers from growing tobacco and instead switch to sustainable alternatives. While the transition period of the proposed cultivation ban is nearly over, the programme is currently at a deadlock. This blog examines how tobacco cultivation could weaken the government's efforts to promote home gardening and why the transformation initiative should be sped up to improve food security during the COVID-19 outbreak.

Tobacco versus Home Gardening Boom

Home gardening started gaining worldwide attention during lockdowns resulting from the pandemic, as it is a promising approach to enhance households' food security and wellbeing. Home gardens offer many perks, including improved food and nutrition security, enhanced incomes, part-time employment opportunities, and environmental benefits. Sri Lanka's government too launched its own home gardening initiative, the

Saubhagya National Programme on Harvesting and Cultivation, aimed at developing one million home gardens. To kick off the programme, the government distributed packets of vegetable seeds (five varieties of seeds per packet) among interested households. Tobacco cultivation could directly challenge this initiative, as tobacco is a nonfood crop grown in home gardens of small scale farmers in Sri Lanka.

At the household level, food security refers to the ability of the household to secure, either from its own production or through purchases, adequate food for meeting the dietary needs of all members of the household. Tobacco does not produce consumable food or nutritional sources and does not help improve food security. Some may argue that a higher income and improved purchasing power could indirectly contribute to tobacco food security. Nevertheless, the literature provides further evidence to prove that tobacco is not profitable for farmers, and farmers often miscalculate their investment returns.

The Sustainable Agriculture Development Programme (SADP), a corporate social investment project of the Ceylon Tobacco Company (CTC), has given subsidies and technical support to selected farmers to cultivate tobacco in home gardens, together with other cash crops and animals. There is no guarantee that the lands benefitting from the Saubhagya home garden programme will not be used to grow tobacco. Historically, market linkages between commercial tobacco companies and smallholder farmers have played a major role in farming decisions. However, there are only a few public-private-producer partnerships (4P) for other food crops.

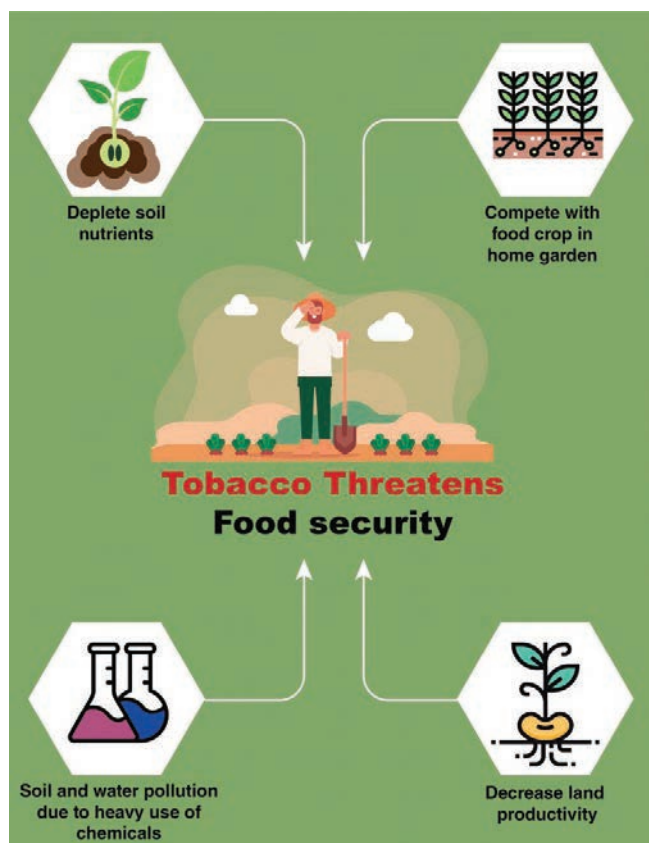


As such, farmers are more likely to opt to grow tobacco as they are protected by the tobacco company and its guaranteed market. Therefore, developing marketing contracts for a food crop will give the edge over a harmful crop, such as tobacco in terms of both the guaranteed income and food security.

Tobacco is not Sustainable as a Home Garden Crop

Tobacco's impact on home gardens is moderate, but overall it imposes huge environmental costs. Growing tobacco in the mid and up-country areas of Sri Lanka has caused severe soil erosion, leading to the downstream sedimentation, depletion of water resources, and a decline in land productivity.

The National Action Plan (NAP) for Combating Land Degradation in Sri Lanka 2015-2024 estimates that the soil erosion rate in sloping lands where tobacco is cultivated without any soil conservation measures is 70 Mt/ha/year, the highest compared to all other crops. It further highlights that heavy soil erosion caused by tobacco cultivation has severely degraded the soil in areas such as Hanguranketha, Walapane, and Teldeniya in the Kandy district. Soil and water pollution due to the substantial application of chemicals, including pesticides, fertilisers, and growth regulators, aggravates the existing problem of soil erosion. Also, tobacco crops deplete soil nutrients by taking up more nitrogen, phosphorus, and potassium, compared to other home garden crops.



Therefore, farming tobacco repeatedly reduces land fertility, resulting in low output and narrow profit margins from tobacco, which could affect the profitability of other food crops grown in the same home garden as well. Moreover, handling tobacco leaves can cause a disease called Green Tobacco Sickness that adversely affects farmers' health and labour productivity. As tobacco cultivation has many health, economic, and environmental consequences, it cannot be considered a sustainable home garden crop.

Way Forward

Growing tobacco will hardly contribute to household food security, which is a growing concern during the pandemic. The COVID-19 lockdown and the speedy policy drive towards home gardening promotion have given a golden opportunity for policymakers to revamp the sluggish transformation programme to ban tobacco cultivation and promote household food security. It is also important to discourage the cultivation of tobacco as part of a strategy to reduce tobacco use in Sri Lanka, which will ultimately benefit the health and economic sectors.

Further, agricultural extension services should raise awareness among farmers on the detrimental impacts of tobacco cultivation in terms of household food security, especially during pandemics and on the economic benefits that can be gained by cultivating different alternative crops in home gardens. One of the crucial aspects to consider when introducing alternative crops to farmers is the establishment of local farm market relationships.

Public-Private-Producer Partnerships (4P) would be a better option to absorb the marketing pressure of the semi-subsistence level farmers during transformation. Strengthening local farm-market relationships for food crops will ultimately generate a higher income for the farmer and improve the food security of households. These will help to defeat the repeated attempts made to introduce tobacco cultivation for farmers in Sri Lanka by commercial tobacco companies and make farmers more resilient to food insecurity during pandemics.



REDUCING HEALTH COSTS AND INCREASING GOVERNMENT REVENUE BEYOND COVID-19:

A Case for Raising Cigarette Taxes in Sri Lanka

By Harini Weerasekera and Chamini Thilanka

The susceptibility of smokers to contract COVID-19 has been recognised by the World Health Organisation (WHO) and other medical authorities. In Sri Lanka, concerned parties have called for a temporary ban of cigarette sales as a measure to contain the spread of the virus – a commendable move. However, beyond the pandemic, it is important to have appropriate cigarettes taxation measures in place whenever cigarettes are in the market, to reduce consumption, raise government revenue, and reduce the health costs of smoking. Easing the government's health cost burden from smoking (6% of government revenue in 2015) has become even more crucial amidst the COVID-19 outbreak, where health resources are already stretched thin.

In a previous IPS blog, the case for increasing specific excise tax rates on cigarettes and simplifying Sri Lanka's existing 5-tier cigarette tax structure was highlighted. Increasing and simplifying excise taxes are prescribed by the WHO Framework Convention for Tobacco Control (WHO FCTC) and are the most cost-effective tools that governments can employ to reduce smoking rates.

However, the tobacco industry strongly opposes raising taxes on cigarettes. Further, Sri Lanka has some misinformed cigarette taxation practices in place, such as taxes differentiated by the length of cigarette and ad hoc cigarette tax changes that are linked to the country's overall VAT policy. This blog shows the fallacies in these arguments and practices, and highlights the importance of streamlining taxation policies in the country, with the objective of reducing smoking prevalence and reducing smoking related health costs.

Switching to Beedi Consumption

Currently, cigarettes in Sri Lanka are taxed at five different excise duty rates, based on the length of the cigarette (Table 1). As per WHO FCTC recommendations, if Sri Lanka is to simplify its tax structure by taxing all cigarettes at one rate, regardless of length, the tax on shorter cigarettes would have to be increased. Over time, there has been pushback from the tobacco industry to keep taxes low on the cheapest type of cigarette, arguing that raising this tax will incentivise users to switch to beedi consumption.

However, the Alcohol and Drug Information Centre's (ADIC) survey data indicate that beedi consumption has, in fact, declined over time, despite the narrative peddled in media that consumption has increased in response to cigarette tax increases. As a percentage of current smokers, the share of beedi users declined from 11% in 2013 to 5% in 2018. Further, in 2017, only 2.5% of current smokers were found to be substituting cigarettes with beedi, following cigarette price increases; in contrast, 87% reduced cigarette usage and 3% switched to cheaper cigarettes. This evidence contradicts the argument that smokers replace formal cigarettes with illicit cigarettes and beedi.

Table 1: Excise Duty on Cigarettes in Sri Lanka - December 2019

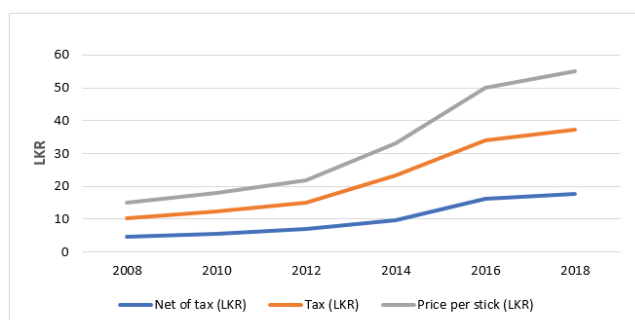
Length of cigarette	Tax (LKR per 1000)
Length below 60mm	13,360
Length 60-67mm	22,300
Length 67-72mm	37,650
Length 72-84mm	43,100
Length Exceeding 84mm	48,350

Source: Ministry of Finance, Gazette Notifications

Taxation Versus Pricing of Cigarettes

Prices of cigarettes have continuously increased at a global level, as per the WHO's calculations. However, such price increases usually consist of a higher net-of-tax price component. Net-of-tax is simply the portion of the price left once the tax is deducted. In Sri Lanka, the price of the most sold cigarette brand (JPGL) increased more than threefold between 2008 and 2018, this increase was due to both the increase of tax per stick (LKR) as well as net-of-tax (Figure 1). This pattern can be observed in other cigarette brands as well. The price of a cigarette borne by the consumer consists of production cost, profit, and tax. A marked feature here is that a high share of the net-of-tax price is absorbed as a profit margin by the producer, which eventually results in pushing prices up by more than the tax increase, while stagnating the government tax revenue.

Figure 1: NetofTax against Prices and Tax – Most Sold Brand (JPGL)



Source: Authors' compilation and calculation based on ADIC archives of CTC price notifications, Annual Reports (various issues), Ministry of Finance Sri Lanka and inland Revenue, (2008-2019)

As such, although tax increases – to which the industry is resistant – usually push prices up, the beneficiary tends to be the cigarette industry, rather than the government, gaining a higher markup than tax revenue, respectively.

Value Added Taxes (VAT) on Cigarettes

A problematic feature of Sri Lanka's cigarette taxation policy is that, over time, tax policy has fluctuated according to changes in the country's overall VAT rate. The VAT is applied on several goods in Sri Lanka, and is a fixed rate that is common to all goods that fall into the VAT net. Cigarettes have both excise duties and VAT applied on them. However, when the overall VAT rate in the country fluctuates based on external factors unrelated to cigarettes, excise taxes are adjusted to reflect this change. This is not

in line with best practices; excise rates should be raised to adjust for changes in inflation and income, and not according to changes in VAT. This is because cigarettes might still be affordable for consumers, if the price is not raised to reflect a rise in inflation or income.

For instance, in 2014, cigarettes were exempted from VAT and so excise rates on cigarettes were raised to adjust for the shortfall in revenue. More recently, in 2019, the VAT rate was reduced from 15% to 8%, so excise rates on cigarettes were raised for the same reason. As such, there is a tendency for movements in the excise tax to be determined by changes in the VAT rate, rather than be adjusted in line with inflation and income. It is important that cigarette tax policy focuses on raising excise taxes, independent to VAT rate movements.

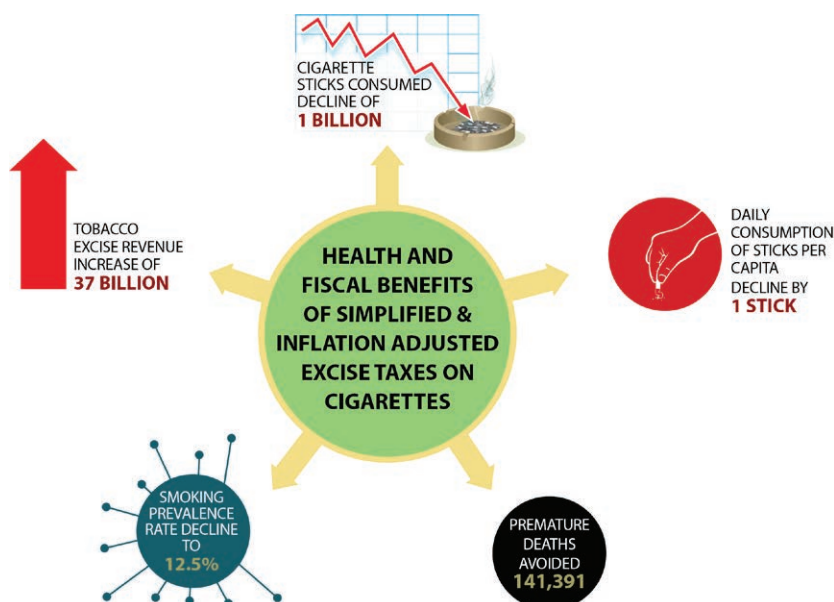
Conclusion

The blog flags and debunks three arguments against the WHO recommendations to raise excise taxes on cigarettes and establishes that (1) although there is a negligible trend in switching to lower-priced cigarettes, the common response to price rising is the reduction of cigarette consumption, not replacing the tobacco consumption with illicit cigarettes and beedi, (2) the producer has benefited more from cigarette tax/price increases than the government in terms of revenue per stick, and (3) the effectiveness of cigarette taxation vastly depends on the type of tax imposed.

As such, separating ad-valorem taxes from excise tax on cigarettes and following-up the WHO recommendation (specific excise taxation with inflation and income adjustment) is the most effective way of curbing cigarette consumption as well as increasing government tax revenue.

A forthcoming IPS study estimates through a tax modelling exercise, that if (1) excise taxes on cigarettes were raised to adjust for inflation such that they become less affordable, and if (2) the existing tier structure was incrementally collapsed into a uniform tax rate over a four year period, government revenue from tobacco will increase by LKR 37 billion, cigarette consumption will decline by one billion sticks, smoking prevalence (of +15 years) will decline to 12.5%, with the number of premature deaths from tobacco use that can be avoided in the future amounting to 141,391.

These are significant outcomes for Sri Lanka's health and fiscal space, and can be implemented at no cost to the government. As such, it is suggested to increase tobacco taxes in this manner, to increase tax revenue and reduce health costs incurred by the government, regardless of industry pressure against the implementation of such policies.



Source: Author's Illustration

SMOKING IN THE TIME OF CORONA: Why Limiting Smoking is Important in the Battle Against COVID-19

By Sunimalee Madurawala

The COVID-19 pandemic has already claimed thousands of lives worldwide. As expected with any respiratory illness, there is clear evidence that smokers are much more vulnerable to COVID-19 than non-smokers. As such, Sri Lanka's National Authority on Tobacco and Alcohol (NATA) has made a request from the government to temporarily ban the sale of cigarettes to help curtail the spread of COVID-19. In addition, the Government Medical Officers Association (GMOA) has also called for a temporary ban on smoking in Sri Lanka. Meanwhile, the country's Director General of Health Services has likened the sale of cigarettes to selling "death" and has requested shop owners to refrain from selling cigarettes.

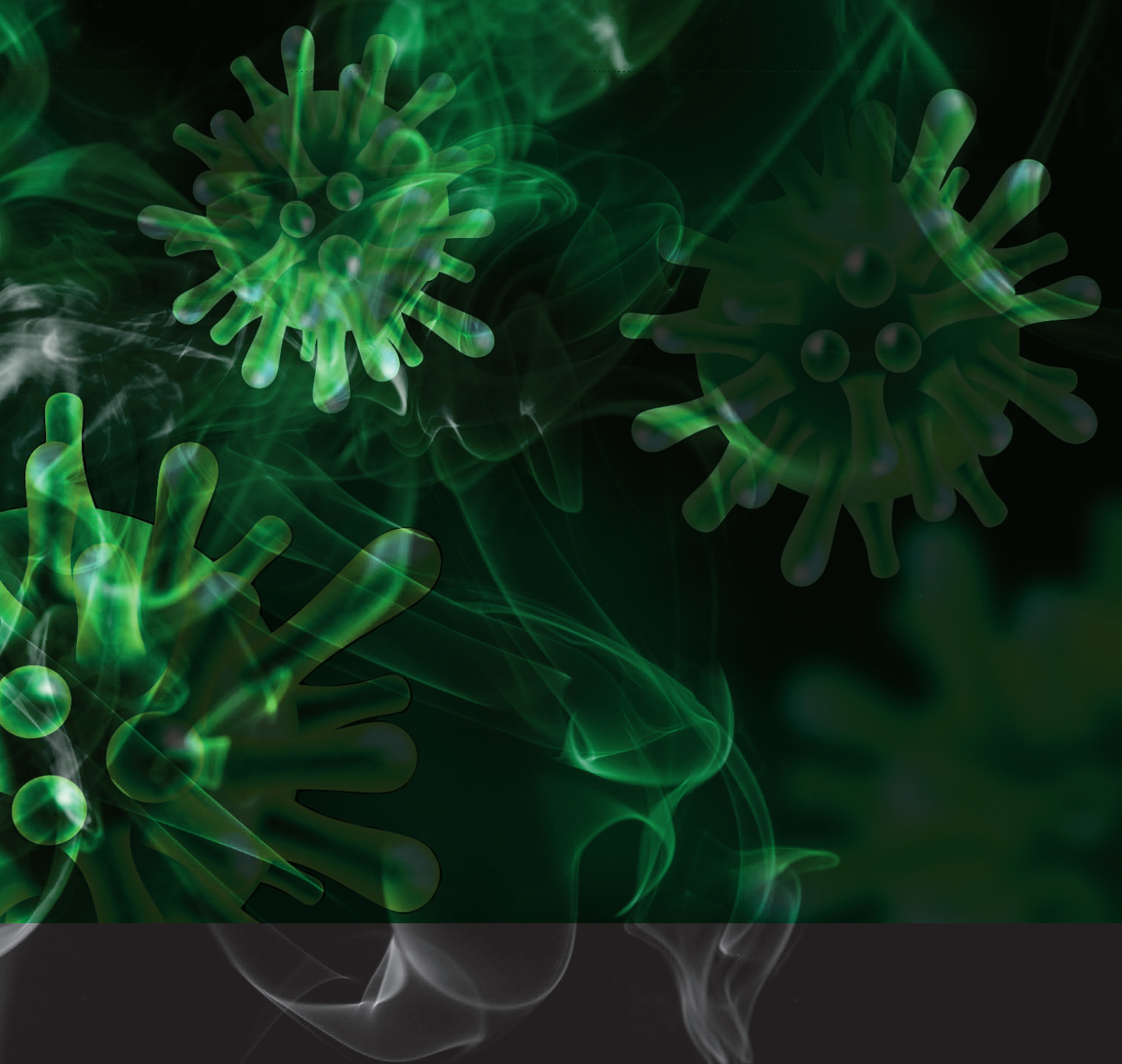
In this context, this blog discusses how smokers can make the crisis worse and provides short term policy recommendations that can help control the spread of the disease in Sri Lanka. In particular, the blog makes a compelling case for imposing a temporary ban on cigarette sales in Sri Lanka.

Smokers Make the COVID-19 Pandemic Worse

The World Health Organization (WHO) has recommended stopping smoking as smokers are more vulnerable to the disease. Even though

smokers have been identified as one of the high risk groups, they have not received as much attention as the other high risk groups (older people and those with pre-medical conditions). Any kind of tobacco smoking is harmful to the body, especially the cardiovascular and respiratory systems. Data from China, where COVID-19 originated, shows that people who have cardiovascular and respiratory conditions caused by tobacco use (or otherwise) are at a higher risk of developing the severe COVID-19 symptoms. The WHO estimates that there are 1.1 billion current smokers across the world. This group, with weaker lungs and immunity, is more likely to fall victim to COVID-19.

Furthermore, smokers are more likely to suffer the severe symptoms of COVID-19, as they are more likely to have other medical conditions that put them at a higher risk. In this regard, the link between COVID-19 and cardiovascular health is important to consider, because tobacco use and exposure to second-hand smoke are major causes of cardiovascular diseases (CVDs) globally. Thus, COVID-19 can make pre-existing cardiovascular conditions worse. Prolonged use of tobacco is one of the factors which lead to the progression of COVID-19 pneumonia, according to a study from China. Moreover, COVID-19 patients who have a history of tobacco use are not only susceptible to severe symptoms, but they also have a higher risk of death.



Smoking is also detrimental to the immune system and its responsiveness to infections, making smokers more vulnerable to infectious diseases such as COVID-19. Additionally, the hand-to-mouth action of smoking also makes smokers more vulnerable to COVID-19, as they touch their face and mouth more often.

Apart from the risk to themselves, smokers also impose a higher burden on the health systems during the pandemic. The current crisis has already placed a huge strain on health systems and services in every country. There is an urgent need for an intensive supply of health resources, both human and physical. Health systems are compelled to divert all their resources and capacities in one direction – to fight against the COVID-19 pandemic. Regular health services are limited in most countries and only essential health services are provided. In such a dreadful situation, smokers put additional pressure on hospitals and medical staff. On top of that, smokers put others' lives in danger, as smokers who contract COVID-19 can spread it to others through second-hand smoke.

Policy Options to Curtail the Risk

There are two main policy options to reduce and control the impact of smokers on the current crisis. The first is to reduce the supply by banning smoking products until the situation is contained. A smoking ban can be implemented fairly easily in the country now, due to the widespread

restrictions on people's movements and the ability to purchase goods. The public health case for banning smoking products is stronger than ever, given the smokers' higher vulnerability to COVID-19 and their influence in making the pandemic more severe. Further, a temporary ban would allow the government to test reactions and impacts, and to consider more permanent restrictions. It might also persuade people to give up smoking for good, provided that effective cessation support is given.

The other option is helping smokers to quit. Quitting tobacco use has an almost immediate positive impact on lung and cardiovascular function and these improvements increase the ability of COVID-19 patients to respond to the infection and reduce the risk of death. Further, quitting makes smokers less likely to become infected because the absence of smoking reduces contact between fingers and mouth. In this context, the demand for smoking cessation support would increase and it is very important to make use of this excellent opportunity.

Providing adequate cessation support, as well as using effective cessation support channels suitable for an outbreak situation, is important. Web-based smoking cessation programmes, which include websites, computer programs, and other electronic aids (e.g. Smokefree.gov, QuitNet) and mobile phone applications (e.g. MyQuit Coach, Cessation Nation, QuitNow!), are attractive platforms to help people quit during the current pandemic.



SMOKING CESSATION IN SRI LANKA: A Silver Lining in the COVID-19 Crisis?

By Chathurga Karunanayake

As the deadly COVID-19 pandemic threatens the entire world, claiming thousands of lives and disrupting economic activities, it would be wise to look at the role smoking cessation could play in the response. According to the World Health Organization (WHO) and the Government Medical Officers' Association (GMOA), smokers are at a higher risk during this outbreak, and there is growing evidence that confirms COVID-19 and smoking is a noxious combination. Therefore, giving up smoking can offer protection from coronavirus in the short term, as the benefits of quitting smoking begin just one hour later. Given that over a quarter (28.4%) of Sri Lankan men (15 years and older) smoke, one important intervention that can be taken right now, is utilising this moment of panic as motivation to stop smoking. Unprecedented attention being paid to respiratory health at the moment will certainly help in this regard.

This blog discusses the role of smoking cessation in reducing the chances of falling victim to the pandemic, which will not only assist in protecting public health, but will also make the population less susceptible to COVID-19 and its future recurrences, both now and in the longer term.

Smoking Epidemic and COVID-19 Pandemic: Now is the Perfect Time to Quit

According to the WHO, the link between smoking and COVID-19 is well-established; the habit harms the body, especially the cardiovascular and respiratory system. Research confirms that smokers are 1.4 times more likely to suffer the severe symptoms of COVID-19 and approximately 2.4 times more likely to be admitted to an ICU, need mechanical ventilation, or die, compared to non-smokers. Given that lung function improves in as little as one month after quitting smoking, and after nine months' time, lung function doubles and the risk of serious infection reduces substantially, giving up smoking now can help fight COVID-19 or the upcoming waves of it.

According to the WHO Sri Lanka, over half (51.8%) of the current smokers have attempted to quit smoking, while 34.4% of former daily smokers have already quit smoking.

As IPS research shows, cessation support has an important role to play in reducing smoking prevalence, especially when it is combined with other policy interventions.

As Sri Lanka continues its strict social distancing measures, closing all supermarkets, private pharmacies, and groceries, and imposing curfews to control the spread of COVID-19, the daily routines of smokers are disrupted already. A majority are off work and confined to their homes, reducing the opportunities to smoke and to buy tobacco.

In addition, with many requests made by professional bodies to ban the sale of cigarettes in view of the pandemic, smokers will be motivated to give up, as the threat to their lives is closer to home now than ever before.

Therefore, the current situation in Sri Lanka can drive smokers to quit if they are approached through proper cessation channels. That said, it is possible that the intensity of smoking may increase, owing to social isolation (provided they have enough cigarettes for consumption); IPS research suggests that loneliness could lead to continuation in smoking. The good news is that these can be controlled through proper cessation channels.

Furthermore, as this pandemic is already disrupting the economy, smoking will become relatively more expensive to people, especially for those who rely on daily wages, as they do not have much of an income right now to purchase cigarettes. This will be an additional incentive for them to quit. Thus, it is important to use this opportunity wisely, to help people to finally kick the habit, through properly targeted cessation channels.

Cessation Programmes in Sri Lanka and the Country's Readiness

IPS research shows that Sri Lanka's current efforts in tobacco cessation focus on changing the behaviour of people, by conducting diversified programmes that target different groups. These programmes include educative sessions, trainings, one to one counselling, a national quit line, and awareness campaigns via electronic and print media. According to the Strategy for Tobacco Cessation in Sri Lanka 2020-2025, the two complementary approaches used are community tobacco cessation and clinical cessation. While community cessation programmes such as 'tobacco free villages' are identified as more cost-effective, as they help a large number of people at once, to quit smoking within a short period of time, persons with the addiction are required to get support under clinical settings.

However, given that the current situation in the country encourages self-isolation and social distancing, there are many challenges in delivering cessation support, and as such, prevailing cessation programmes in the country are likely to struggle to help smokers to quit in the immediate future.

Quick, Cost-effective Cessation Support during the Pandemic

International evidence suggests that, during an outbreak, the most successful way of controlling smoking is through online cessation channels, such as mass-media anti-smoking campaigns and free smoke-free mobile apps that assist smokers with personal quit plans. Therefore, it is suggested that more online support is introduced in Sri Lanka, in addition to raising awareness and increasing the capacity of the national quit line already in use.

For instance, mobile apps can be used to encourage people to quit smoking through a quit plan or a schedule that can be used during their stay at homes, while telephone calls and text messages can be used to

deliver programmes remotely to help the smokers stick to the plan. This support can be introduced quickly and at a relatively low cost.

Support should be coupled with an awareness campaign, including using social media to inform people on how smoking could trigger the symptoms of the outbreak, and traditional media channels can be used to inform the people about the deadly combination of smoking and COVID-19 as a social message. While the government has included smoking cessation advice in the health messages on tackling the spread of COVID-19, it is important that those messages are extended to the general public through all radio channels, television programmes, social media, and text messages.

Way Forward: A Start to a Stop!

As highlighted earlier, smoking is strongly associated with greater risk of hospitalisation and deaths from COVID-19. Thus, smokers should seriously consider quitting now. This will improve their immunity, lung function, respiratory systems, and reduce their risk of serious symptoms that could later lead to death.

As Sri Lanka strives to overcome the deadly COVID-19 through its health and safety measures, using timely cessation channels such as social media, online support, mobile apps, radios, text messages, and telephone calls are very important and come in handy at a time like this, when people are advised to be in self-isolation and practice social-distancing.

Reducing smoking rates through proper cessation support can help to make the population more resilient to the pandemic, and as such, should be key in the public health response. Finally, if Sri Lanka can make this crisis an opportunity to incentivise smokers to successfully quit, it will be a great win, not only in terms of curbing the risk of the pandemic but also, in avoiding the burdens that future waves could bring into the public health system and more generally, in terms of reducing all the other negative health impacts of smoking in the longer term. Therefore, this is a window of opportunity to reduce tobacco prevalence for good.



CONTRIBUTORS



Nisha Arunatilake
Director of Research



Nimesha Dissanayaka
Research Officer



Dilani Hirimuthugodage
Research Economist



Priyanka Jayawardena
Research Economist



Chathurga Karunanayake
Research Officer



Sunimalee Madurawala
Research Economist



Sadhana Mohan
Communications
Consultant



Ruwan Samaraweera
Research Officer



Manoj Thibbotuwawa
Research Fellow



Bilesa Weeraratne
Research Fellow



Harini Weerasekera
Research Economist



Ayesha Zuhair
Head of Research
Communications

RESOURCE DIGEST:

Pandemics, Public Health and Economic Prosperity

Throughout the centuries, civilisations have faced several pandemics which have changed the course of human history. The bubonic plague, cholera, smallpox, and influenza are some of the deadliest pandemics in recorded history that have killed hundreds of millions around the world, and radically transformed social and economic structures. Along with these high impact pandemics resulting from communicable diseases, there are other types of epidemics with high social and economic costs. One example of this is the tobacco epidemic which has been a leading cause of deaths and hospitalisations both globally and locally.

This Resource Digest on 'Pandemics, Public Health and Economic Prosperity' presents policy recommendations based on in-depth research on how Sri Lanka can respond effectively to public health concerns so that the country's population and economy is better protected. It is intended for policymakers as well as the general public to gain a better understanding of the key issues that need to be addressed and outlines both prevention and mitigation strategies for economic prosperity. As our researchers argue, the impact of adverse public health shocks can be reduced through appropriate policy and preparedness measures.

The Digest is presented in three parts: (1) Responding to COVID-19 Impacts; (2) Controlling the Tobacco Epidemic; and (3) The COVID-19 and Tobacco Nexus.



Institute of Policy Studies of Sri Lanka

100/20, Independence Avenue, Colombo 7, Sri Lanka

Tel: +94 11 2143100 Fax: +94 11 2665065

Email: ips@ips.lk; Website: www.ips.lk

Blog 'Talking Economics': www.ips.lk/talkingeconomics

Twitter: www.twitter.com/TalkEconomicsSL

Facebook: www.facebook.com/instituteofpolicystudies