

# CoVID-19 and Sri Lanka: From Outlier to Uniformity?

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## Introduction

The WHO declared the rapid spread and severity of CoVID-19 as a global pandemic on March 11 2020. Soon thereafter many countries took various Non-Pharmaceutical Interventions (NPIs) to respond to and curtail the spread of the virus because there was no preventive vaccine or pharmaceutical treatment available at the outset. Sri Lanka too adopted strict lockdown measures (including curfew) by March 16, 2020, partly in response to the first Sri Lankan citizen testing positive to CoVID-19 on March 10, 2020 (World Bank 2020). The measures the Sri Lankan government adopted at the inception included shutting-down the international airport from the midnight of March 16, 2020, treating infected patients in secure facilities, with testing and escalating contact tracing efforts escalating coupled with public awareness raising campaigns on prevention. The World Bank (2020), for instance, credits these early efforts to place Sri Lanka's public health management of CoVID-19 in a positive place.

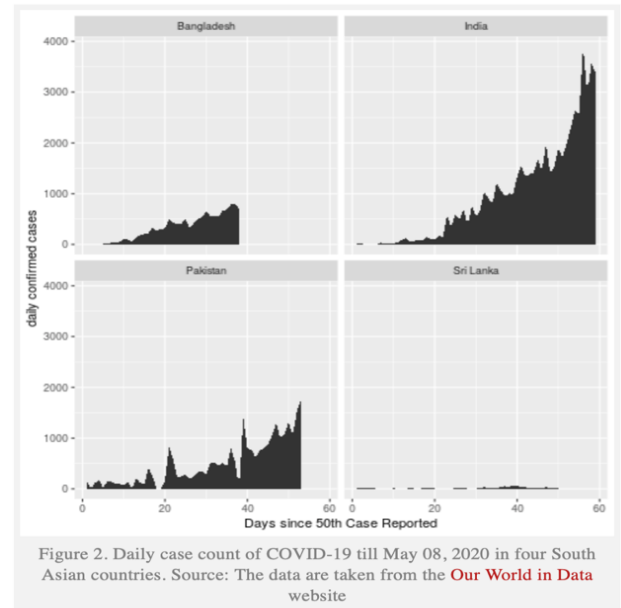
Additionally, the Sri Lankan government proclaimed to put in place the following measures in an attempt to protect worker rights and safeguard livelihoods (see Appendix for economic policy responses):

- a) A tripartite agreement between the government, labour unions, and the Employers' Federation of Ceylon (EFC) in March 2020 assured that workers in the private sector will be paid 50% of the basic salary or Rs.14,500 per month, whichever is higher, during the curfew and lockdown imposed as a result of COVID-19 pandemic in Sri Lanka.
- b) The Termination of Employment of Workmen (Special Provisions) Act, No. 45 of 1971 and amendments thereof was again amended through an extraordinary gazette notification on February 25, 2021, to double the compensation paid in the event of involuntary termination of

employment to 2.5 million rupees from the earlier amount of 1.25 million rupees.

Early evaluations for the region from a political economy perspective on CoVID-19 management suggests a similar sentiment as the World Bank, with Basu and Srivastava (2020) noting how "Sri Lanka has the best position and India is the worst hit." They depict this graphically in Figure 1 as follows:

Figure 1: CoVID-19 cases on May 8<sup>th</sup> 2020 across Bangladesh, India, Pakistan and Sri Lanka



(Source: Basu and Srivastava 2020).

The initial gains and tractions, however, were not sustained over time, as we will briefly outline in this brief. Sri Lanka adopted an autocratic-militarized angle to managing the pandemic. We overview this and the degree to which fiscal constraints that the country faced may have shaped the eventual faltering towards the region norm on managing CoVID-19.

## The economy and fiscal realities

The World Bank (2020) identifies how the country was facing economic challenges prior to the onset of the pandemic. A year later, the effects were particularly severe in the spheres of tourism and apparels, as will be outlined below. Although Sri Lanka's migrant domestic workers found themselves in dire circumstances, which

will be detailed in the next section. However, unlike other earning that continued to contract, in comparison with the level they were at in the same quarter a year previously, remittances were above their pre-crisis levels during the third quarter of 2020. The table below captures a summary of changes to the main sources of foreign exchange in Sri Lanka; and the likely drastic shock to the economy.

	April-June 2 <sup>nd</sup> Quarter 2020	July-Sept 3 <sup>rd</sup> Quarter 2020	Oct-Dec 4 <sup>th</sup> Quarter 2020	Jan-March 1 <sup>st</sup> Quarter 2021
<b>Foreign Remittances</b> US\$ Million	1,379 (1,653) (-) 17%	2,069 (1,660) 25%	2,056 (1,787) 15%	1,867 (1,600) 17%
<b>Apparel Exports</b> US\$ Million	689 (1,287) (-) 46%	1,343+ (1,425) (-) 6%	1,136 (1,410) (-) 19%	1,336 (1,255) 6%
<b>Tourism Earnings</b> US\$ Million	January-December 2020 682 (3,607) (-) 81%			13 (682) (-) 98%
<b>Tea Exports</b> US\$ Million	302 (338) (-) 11%	348 (340) 2%	321 (321) 0	338 (270) 25%

Note: The numbers in the parentheses are for the same period in the previous year (Source: CBSL quarterly data).

This blow to the economy also percolated to affecting those labouring for the various industries, with workers in the apparel sector particularly hard hit. These specific issues are stated below, although what is important to note is that with the top four external revenue sources for the Sri Lankan economy were affected, the likely impact on livelihoods was likely to be severe.

Additionally, according to our analysis of Central Bank of Sri Lanka (CBSL) data, the country's debt levels too were at a perilous level before the unexpected declaration of the pandemic and Sri Lanka's debt only worsened during the year. The total outstanding external debt of US\$ 49 billion as of December 31, 2020, or 61% of the GDP is a significant burden to the economy. Consequently, debt servicing ratio was at 33.5% in 2020, resulting in significant balance-of-payment burden on the country.

Yet, during this time period and in the midst of a pandemic, there was little tangible evidence that

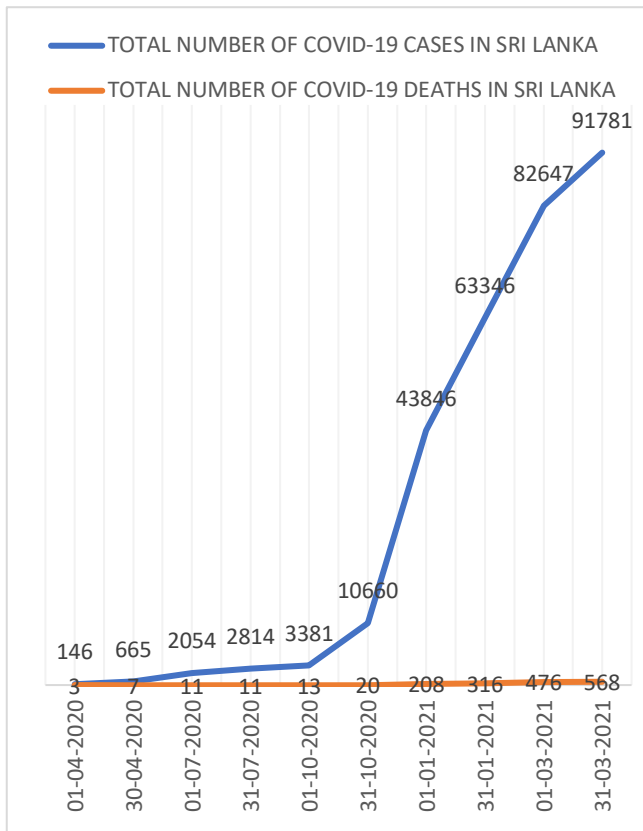
public health management via investment in the health sector, stockpiling on adequate oxygen supplies, bolstering rural health network systems appeared not to take precedence. During the same time period, notwithstanding pronounced public debt problems within the country, the prevailing political regime prioritized and often dwelt on "Vistas of Prosperity and Splendour" that underpinned a 2019 National Policy Framework (Ministry of Finance 2019). Thus, highways and large infrastructure projects were given prominence and visibility; and continued to take priority, plunging the country further into debt. Moreover, during the same time period – and particularly at the early onset of the pandemic, the management of a global public health crisis was placed on the hands of a CoVID-19 Task Force that solely compromised of military cadre, save the brother of President Gotabhaya Rajapaksa (ITJP 2021). The Ministry of Health appeared to be sidelined.

These events suggested that for the Sri Lankan government, the pandemic did not serve as a catalyst for forging an alternative vision of the country, to change policy course and prioritise the welfare of its citizenry. The government's response instead was to increasingly militarize the state and make political governance into one-family rule to the sole neglect of its populace and its workers in particular, as outlined in the next sections. Hence, many of the early successes in managing the spread of CoVID-19 soon went into disarray.

### Managing CoVID-19

A snap shot of data at May 8<sup>th</sup> 2020 across the region as depicted in Figure 1 offers an indication of CoVID-19 management strategies and its efficacy in Sri Lanka during the early phase of the pandemic in South Asia. Figure 2 moves from a regional to a Sri Lanka specific-focus and displays the number of CoVID-19 related cases and deaths. It clearly demonstrates the distinct period in which CoVID spread in Sri Lanka moved from CoVID clusters to community transmission becomes evident.

Figure 2: CoVID-19 cases from April 1<sup>st</sup> 2020-March 31<sup>st</sup> 2021



The available statistics, even if underreported as is speculated, suggests the CoVID-19 Task Force lost control of the CoVID-19 spread at the start of October 2021. Since this time, CoVID-19 transmission has kept growing in the country with no indication of control or flattening.

Sri Lanka’s CoVID-19 related deaths for the period appears relatively negligible from a comparative perspective, both globally and the South Asian region, given resource constraints on the health infrastructure in the country, this steady and growing incidence of CoVID-19 cases is likely to impose restrictions on the economy as well as become a burden on tight resources on the country. The effect of CoVID-19 mismanagement continues and bears upon working class communities, especially, the chances of political eruptions and unrest are likely to exacerbate in a country that has increasingly failed to address its ethnic, religious, and class fault lines. These tensions and unease are captured through various media and social media reports. The last section of this brief focuses on some key evidence and concerns that have been highlighted in media reportage.

## CoVID-19 and workers

The overall picture at the inception for the Sri Lanka as an outlier in CoVID-19, however, did not necessarily translate effectively for workers. This was particularly evident for overseas migrant workers and garment sector workers, especially those labouring in the Free Trade Zone areas. We take each in turn, although it is important to bear in mind that the Tourism sector especially was negatively affected – and there is a greater likelihood that of loss of employment and hardship for workers in the trade. However, media coverage for migrant domestic workers and garment sector workers far outstripped any attention to the tourism trade.

The situation for overseas migrant workers to the Middle East at the start was grim due to a combination of factors: workers quickly found themselves without jobs in the MENA (Middle East and North Africa) region, there was no adequate repatriation policy and equally troublingly none of the Sri Lankan Embassies or Consulates in the region appeared to have contingency plans to support migrant workers; a labouring group that was a significant source of foreign remittances (nearly 10% of the GDP of 2020). These collective factors meant that graphic images of Sri Lankan migrant workers camping outside embassies and/or consulates located in the MENA region was a familiar sight on social media initially and eventually mainstream newspapers. It took constant media pressure and almost a year of overseas migrant workers being stranded before the ruling Rajapaksa government started to take steps to repatriate this group of workers. The lack of ranking a group of workers that brought foreign exchange remittances to the country over various other categories of Sri Lankans repatriated into the country reflected an inability to value a group of Sri Lanka’s citizenry that required protection. The government appeared more interested in the remittances they send than in the well-being of its working-class citizens stranded abroad.

Apparel sector workers likewise came into the spotlight after October 2020 – losing some of the early gains made by the industry. In contrast to the rest of the South Asian region, the apparel sector of

Sri Lanka was quick to shift from fashion garments to Personal Protective Equipment (PPE) production. ILO (2020) identifies Sri Lankan apparels placed only second to China in PPE production for the January-June 2020 period. Either mainstream media or corporates themselves advertised their quick shift to PPE production with as an expression of foresight and commitment to supporting the country in unprecedented times (The Hindu 2020, MAS 2020). Moreover, the steps taken to protect health and safety of workers were emphasized by the apparel industrialists. In essence either explicitly or implicitly garment sector workers were treated as essential or key workers from the onset of the pandemic because of the valuable foreign exchange the industry earns for the country.

Moreover, Sri Lanka was also an outlier at the inception because the apparel sector early on reached tripartite agreements to pay minimum wages prescribed for the sector (Rs.14,500 per month) or half of an individual worker's wage packet, whichever was higher – irrespective of whether factories were temporarily closed or not (IndustriALL 2020). This tripartite agreement was reached in a bid to avoid factory closures and mass-scale unemployment. Again, this was in contrast to other neighbouring countries where non-payment of wages, job losses were all the more pronounced (Hoskins 2021a; Kelly 2020a, 2020b).

Originally garment sector workers appeared to be better protected within Sri Lanka but a factory outbreak at a leading apparel production site, a BRANDIX factory in Minuwangoda, under dubious circumstances, led to what was first considered a community cluster (Hoskins et al 2021; HRW 2021). This incident occurred at the start of October 2020. As Figure 2 outlines, this incident was also the moment at which the country's CoVID-19 transmission rates started to increase; to never be contained at the start of April 2021. Partly the lack of acknowledgement, by the CoVID-19 Task Force, BRANDIX and/or JAAF (the industrial body), of the circumstances, the scale of the BRANDIX factory outbreak or that community transmission had begun, resulted in the eventual escalation of CoVID-19 cases within the country (Hoskins et al 2021; HRW 2021). This was to matter for both Sri Lanka and apparel sector workers in particular.

Subsequently, apparel sector workers in the Sri Lankan garment workers started to come to attention in ways that had not been the case previously. From workers being pressured to do excessive overtime, to wage poverty and overcrowded boarding houses that were ideal breeding ground for rapid CoVID-19 transmission were some of the harsh realities that shaped the lives of garment workers (Gunawardana and Padmasiri 2020; Hoskins et al 2021; Ruwanpura 2021; Ruwanpura et al 2021). In other words, the lack of living wages in the apparel sector – and its effects on all other spheres of workers' lives – came to blight the record of ethical sourcing and Garments without Guilt promoted by Sri Lankan apparels.

## Conclusion

Sri Lanka's response towards CoVID-19 management and its autocratic-militarized approach may seem to have held together at the start of the pandemic. However, this very dogmatic and narrow approach may offer a partial explanation for the increasingly dire situation in which Sri Lanka, the state and its workers found themselves by April 2021. It meant a lack of consultation and deliberative democratic politics with health sector and medical professionals that mattered most for a public health crisis. This resulted in misplaced priorities – focusing on highways and hard infrastructure rather than investment in public health facilities, community health facilities and expanding the healthcare staff base. It was an outcome of an inability to recognize the actual scale of the likely effects of the pandemic; but also, a wilful neglect of the voter base, the working classes, that propped up the regime in the first place.

This constellation is a result of increasing corruption that is a hallmark of the Sri Lankan polity. Corruption is repeatedly associated with various Sri Lankan governments (Herath, Lindberg and Orjuela 2019). Hitherto the corporate sector's culpability and close relations with the state was largely hidden from scrutiny. The pandemic, however, and especially the fall-out of community transmission through a BRANDIX factory highlighted the need for greater scrutiny of the

ways in which private institutions are implicated too. Further work on the inter-dynamics between the government and the private sector matters because it has a direct bearing on the nature and shape of the state as well as the well-being of Sri Lanka's citizenry.

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## APPENDIX A

### Economic Policy Responses by the Government of Sri Lanka in Response to Covid-19 up to July 01, 2021

#### Fiscal Policy

The IMF claimed that the Government of Sri Lanka has allocated 0.1% of GDP to contain the COVID-19 as of July 01, 2021. Sri Lanka has also contributed USD 5 million to the SAARC Covid-19 Emergency Fund. Direct cash transfers to vulnerable sections of the population amounted to 0.6% of the GDP in 2000 and 0.1% of the GDP up to July 01, 2021. Income tax and Value Added Tax (VAT) payments were deferred to end of 2020. Income tax arrears of Small and Medium Enterprises (SMEs) had been partially waived, payment terms have been relaxed, and legal actions thereof have been suspended temporarily.

#### Monetary Policy

A moratorium on debt repayments on bank loans by the affected sectors was introduced in March 2020 and has been subsequently extended till September 2021. There was a three-months moratorium on personal loans and leasing as well in 2020. While monetary policy rates have been reduced by 200 basis points, the statutory reserve ratio of commercial banks was reduced by 300 basis points, the interest rate on Central Bank advances to commercial banks has been reduced by 650 basis points since March 2020. The construction sector has been afforded government guarantee to borrow from banks.

Ceiling on interest rates have been imposed by the Central Bank on overdrafts, pawning, and credit cards. Commercial banks are also urged to reschedule non-performing loans. In any case law courts have been shut for non-essential cases for prolonged periods and therefore legal actions to recover loans have dwindled.

#### External Sector Policy

Between mid-February 2020 and end-June 2020, there has been net capital outflow of nearly USD 470 million amounting to almost 0.6 of the GDP of Sri Lanka in 2020 (USD 80.7 billion). Prohibition on non-essential imports (including motor vehicles) was imposed in mid-March 2020, which continues to date. Outward remittances and outward investment payments were suspended in March 2020, which remains to date. Sri Lankan rupee has sharply depreciated since March 2020 compounding the balance of payments problems.

**Source:** International Monetary Fund, 2021, Policy Responses to COVID-19: Policy Tracker, July 02. <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#S>