



Australian Government



SRI LANKA COVID-19 DEVELOPMENT RESPONSE PLAN

- Australia and Sri Lanka share a long history of cooperation in development, trade and education.
- Sri Lanka has successfully limited the spread of COVID-19, however health, economic and post-conflict related challenges have been exacerbated due to downturns in key industries and remittances.
- Australia is supporting Sri Lanka's health security and economic recovery from the pandemic, with a focus on the poor and vulnerable.

Sri Lanka is an important partner for Australia. We have a long-standing bilateral relationship in areas such as development, education, trade and investment, sport and culture. In 2017, Australia and Sri Lanka entered into a Trade and Investment Framework Arrangement to deepen our economic cooperation.

COVID-19 SITUATION ANALYSIS

Sri Lanka has one of the lowest numbers of reported COVID-19 cases and deaths per 100,000 people in South Asia (according to John Hopkins University and national public health agencies). Current sources of infections are primarily Sri Lankan returnees from the region and the Middle East. Up to 1.5 million Sri Lankan citizens work overseas and nearly 50,000 have nominated for Government of Sri Lanka-assisted repatriation, while others will return independently. This will result in high demand for quarantine and health services over an extended period.

The Sri Lankan health system has coped well with the first wave of the COVID-19 pandemic. Official figures indicate minimal community transmission, although relatively low testing rates could mean some cases go undetected. The government's extensive use of quarantine centres is an attempt to take pressure off the health system, but mandatory hospitalisation of active cases has placed the system under some strain (while also contributing to low death rates).

The World Health Organization (WHO) is concerned about the ability of the health sector to respond if a second wave of infections were to occur, including as the country looks to re-open its borders. Compounding this risk is the ongoing presence of: mosquito-borne diseases such as dengue and chikungunya; potential humanitarian impacts related to Sri Lanka's two monsoon seasons; high rates of respiratory infection; diarrheal diseases and childhood malnutrition. According to Global Nutrition,

17.3 per cent of children under five are stunted (chronic malnutrition) and 15.1 per cent are wasted (acute malnutrition), increasing their vulnerability if COVID-19 is transmitted.

COVID-19 threatens to intensify Sri Lanka's pre-existing levels of social exclusion. The UN has reported evidence of an increase in rates of sexual and gender-based violence. Increased competition for jobs will compound pre-existing low female participation in the formal labour force. Women with disabilities are most at risk regarding safety and access to income.

The medium to long-term economic impact of COVID-19 on Sri Lanka threatens to be severe. Pre-existing fiscal, external debt and economic weaknesses, combined with high levels of economic and social vulnerability, will challenge Sri Lanka's capacity to withstand future exogenous shocks.

Textiles/garments, remittances and tourism are three key foreign exchange earners and vital for economic growth in Sri Lanka, representing approximately 6 per cent, 8 per cent and 4.9 per cent of GDP respectively. Both export industries are large employers of women, in both formal and informal roles and a high proportion of returnees from the Middle East are female.

Sri Lanka's national clothing industry expects earnings from the textile and clothing sector to fall by 30 per cent in 2021 (from USD5.6 billion to USD3.9 billion) due to COVID-19. It also anticipates a loss of 100,000 jobs from the sector.

The World Bank projects a decline in remittances of 22 per cent in South Asia in 2020. In 2019, Sri Lanka received USD6.7 billion (nearly 8 per cent of GDP) in remittances with estimates of one in every 11 households receiving on average LKR40,000 (AUD310) per month. This would represent a loss of a crucial financial lifeline for many vulnerable households.



Tourism has taken a major hit. Following the 2019 Easter Sunday terror attacks, tourist arrivals dropped 17.4 per cent to 1.9 million (down from 2.3 million in 2018) according to the Sri Lanka Tourism Development Authority. COVID-19 has exacerbated this situation, with small and medium enterprises (SMEs) the hardest hit. We expect that the less-developed tourism sector in the north and east will be slower to recover than in other parts of Sri Lanka, bringing a sharper economic downturn in these areas.

There is a threat that poverty will increase in Sri Lanka in the wake of COVID-19 and will impact Sri Lanka's poorest and most vulnerable, particularly those with multiple, overlapping vulnerabilities (e.g. ethnic minorities, women, people with disabilities, rural populations, and those affected by social exclusion). The World Bank estimates the economy will contract by around 3 per cent, and poverty, as measured against the upper middle-income poverty line of USD5.50/day, will rise to around 44 per cent of the population.

Sri Lanka's 'Samurdhi' social welfare scheme has up to 4.4 million beneficiaries, however many of those most adversely affected by the economic impact of COVID-19 may fall outside this safety net. Sri Lanka's informal workforce (estimated by the International Labour Organisation to be at 66 per cent of the total workforce) has limited or no access to social protection. Women are overrepresented in many of the services most impacted by the pandemic.

Sri Lanka's fiscal deficit and high debt levels limit its ability to use social expenditure to cushion the effect of a COVID-19 recession on households. There is a widening gap between revenue and expenditure, with the primary deficit anticipated to reach 4 per cent in 2020. Before COVID-19, Sri Lanka's public debt burden was already 85 per cent of GDP. Poor international ratings agency assessments have increased the cost of further borrowing. The government is seeking to increase bilateral loan arrangements and debt write-offs. It is also promoting public donations (salary sacrifice or investment in high yielding bonds), which has reduced potential household income, crowded out investment and raised money laundering concerns.

AUSTRALIA'S RESPONSE

Australia's whole-of-government development cooperation aligns strongly with the Sri Lankan government's development priorities.

Australia's development program will support Sri Lanka's efforts to enhance health security, stability and economic recovery. We will do this by being flexible and

responsive to Sri Lanka's emerging needs, while at the same time building on our long-term partnerships.

The Department of Defence, Department of Home Affairs, Australian Federal Police, CSIRO and Austrade cooperate with Sri Lanka in areas such as border integrity, countering transnational crime, defence cooperation, policing, science, education, trade, agriculture, water, disaster management, search and rescue, and people-to-people linkages.

While this COVID-19 Development Response Plan demonstrates our initial support for the pandemic response, it will also build foundations for the future, reflecting Australia's ongoing commitment to engaging with Sri Lanka.

Health Security

Australia was one of the first COVID-19 responders in Sri Lanka supplying Personal Protective Equipment (PPE), dry rations for COVID-19 affected families, as well as funding for WHO's support for Sri Lanka's Ministry of Health. Australian funding has also supported sexual and reproductive health services during the pandemic.

The Department of Home Affairs partnered with the International Organisation for Migration (IOM) on its Integrated Border Management project to build health security capacity at the border, delivering health screening equipment and establishing an online health declaration system for advanced screening of incoming passengers. Home Affairs' partnership with IOM will continue to build the capacity of border agencies, including the Ministry of Health, to manage health security risks over the longer-term.

Similarly, the Department of Defence provided PPE supplies produced by Ansell in Sri Lanka to the National Centre for Prevention of COVID-19 Outbreak and the Sri Lankan Navy.

We will provide continued support for health security in Sri Lanka through our Building Resilience (Humanitarian Assistance) investment. We are developing a flexible mechanism, with UN partners under the 'One UN' approach, to ensure we can respond quickly and efficiently in the event of an outbreak. This will include continued funding for immediate health needs and for sexual and reproductive health.

We will provide funding for Sri Lanka through global and regional programs to address the impacts of COVID-19 on health security. These programs will include support for Gavi, the Vaccine Alliance's funding on COVAX, as well as programs that target other diseases that put additional strain on the health system. These include the



World Mosquito Program on decreasing dengue fever and the Global Fund to fight Aids, Tuberculosis and Malaria.

Australian companies will continue to play an important role supporting Sri Lanka's water sector. An example is Outotec Australia's provision of water filtration and distribution in Anuradhapura. This will be vital for ensuring the continued success of health messaging around washing hands and proper sanitation is enacted and maintained by the Sri Lankan government. CSIRO will continue its work in water quality detection, monitoring and management, to support health security.

Stability

In support of vulnerable families impacted by COVID-19 curfews and shut downs in Batticaloa District, the Department of Home Affairs partnered with a local NGO on the distribution of dry rations. DFAT also provided funding through the World Food Programme (WFP) for a school meals program for students affected by COVID-19 lockdowns.

We will deliver Australia's support for stability in Sri Lanka through the Governance for Growth – Sri Lanka investment and our social inclusion investments. This program aims to support Sri Lanka's efforts to increase economic growth and reduce poverty and inequality in the country. Australia will also design a new subnational governance program to assist with strengthening stability through COVID-19 by building the capacity of relevant authorities to work in a timely and efficient manner. This will improve their ability to recognise emerging needs because of the pandemic, address key issues, and increase the voice of women and the most vulnerable. We will strengthen our policy engagement and advocacy on women's empowerment and reducing sexual and gender-based violence.

Our One UN approach will allow us to provide a rapid response through UN partners such as WFP, in the event that food shortages become significant.

The Australia Awards program will continue to provide education opportunities but will pivot to focus on the three new priority areas under *Partnerships for Recovery*. We are exploring options for the delivery of courses by Australian tertiary institutions that have already established a presence in Sri Lanka (approximately 22). We are developing online short courses to continue to respond to capacity needs in key sectors such as tourism, agriculture and water despite the travel restrictions.

In the latter part of this plan, we will start implementing our Building Resilience program that will strengthen our

focus on climate change while continuing to support stability and the resilience of the most vulnerable and those most highly impacted by COVID-19.

Economic Recovery

Australia has pivoted existing development programs to have a strong private sector focus to ensure a robust, inclusive and sustainable recovery from COVID-19.

We have reframed our Economic Opportunities for the Poor portfolio to address the immediate impacts of COVID-19 in several areas, with a view to the longer trajectory of recovery required by Sri Lanka. This includes redesigning the skills building element of the portfolio to ensure that it assists with faster economic recovery in selected value chains of importance to recovery from COVID-19.

DFAT will remain engaged in the tourism sector, as this is a key sector for Sri Lanka's economic recovery, and one in which Australia has considerable influence. Australia and Sri Lanka will both benefit in the longer-term through trade and investment opportunities. However, our focus in the short-term will be on policy and strategic development, rather than supporting job-creating SME development in the sector.

We will ensure our private sector development work addresses COVID-19's disproportionate economic impact on those most vulnerable, including women. For example, we will use the International Finance Corporation-DFAT Women in Work investment and funding through the Business Partnerships Platform to focus on women entrepreneurs and business owners. We will ensure that our work in agriculture value chains and agriculture technology targets the most vulnerable, especially women and people with disabilities.

Through DFAT's Eliminating Barriers to Economic Growth program with the World Bank (part of our Governance for Growth investment), we have pivoted part of the program to provide assistance for SME recovery. We will focus this initiative on trade and economic policy reform, vital to ensure Sri Lanka remains engaged and competitive in global markets and value chains.

We will support Australia's and Sri Lanka's economic recovery through increasing trade and education linkages. Australian businesses and institutions are already investing in a range of sectors including minerals, water, energy, manufacturing and education. All of these investments will support jobs, income generation and foreign direct investment in Sri Lanka and export earnings for Australia. They will be important for helping to re-establish safe and efficient global supply chains.



HOW WE WILL WORK

Australian Government agencies will work together in a coordinated whole-of-government approach. This will ensure that both our ODA and non-ODA investments provide the greatest return for Sri Lanka's immediate recovery from the pandemic and its longer-term development aspirations.

Australia funds the Development Partners Forum in Colombo. Through this, we are helping to harmonise donor contributions for the immediate consequences of the pandemic as well as for Sri Lanka's longer-term recovery.

Multilaterals (the World Bank and the Asian Development Bank) have major investments in health security and stability (social safety nets) and economic recovery. We will continue to engage with other donors and multilaterals to leverage our investments, where this is appropriate.

We will look for opportunities to flexibly fund smaller, but highly effective projects that directly benefit the most vulnerable and marginalised under the Direct Aid Program, aligned with the three priority areas.

Australian NGO Cooperation Program (ANCP) partners have demonstrated a flexible and nimble response toward pivoting to Sri Lanka's COVID-19 needs. Australian NGOs (working through local partners) will continue to be essential partners in delivering Australia's response to COVID-19 in Sri Lanka.

To ensure that our programs are effective, accountable and deliver real results, we will maintain our strong commitment to monitoring, evaluation and learning across the whole of our program. This will inform and improve our immediate response to COVID-19 and importantly our long-term support for Sri Lanka's development.



Table 1: COVID-19 RESPONSE PLAN PERFORMANCE FRAMEWORK

Response Plan	1. Health security	2. Stability	3. Economic recovery
Expected Outcomes	<ul style="list-style-type: none"> - Emergency health assistance supports vulnerable people (SDG1, 2, 3) - Government has improved capacity to prepare for and respond to emergencies (SDG 13) 	<ul style="list-style-type: none"> - Improved responsiveness of GoSL to COVID-19 impacts across all regions/districts (SDG 16,) - Improved capacity to provide sustainable quantities of food (SDG 2) 	<ul style="list-style-type: none"> - Improved level of industry-relevant skills and education in tourism, agriculture, and aquaculture (SDG 7, 14) - Contributions to progress trade and investment reform in response to COVID-19 by GoSL - Improved economic opportunities for marginalised groups, particularly women and people with disabilities (SDG 5, 8)
Key results (Tier 2)	<ul style="list-style-type: none"> - Instances of improvements in government capacity to improve health security outcomes - Number of women and girls receiving sexual and reproductive healthcare with Australian support - Number of vulnerable people (sex-disaggregated) receiving emergency assistance with Australian support 	<ul style="list-style-type: none"> - Instances of improvements in subnational government service delivery related to public health, education, social protection, and economic growth - Instances of women's voice empowered to influence policies, regulations, and norms - Instances of improvements in local food security in targeted value chains (policy, technical advice, or direct support) 	<ul style="list-style-type: none"> - Number of people (sex-disaggregated) who received industry-relevant skills training - Number of people (sex-disaggregated) who received livelihood assistance - Number of producers connected to selected agriculture and aquaculture value chains - Number of people (sex-disaggregated) with increased access to financial services - Instances of improved economic outcomes for marginalised people, particularly women or people with disabilities - Instances of partnering with the private sector and Australian institutions to improve inclusive economic development
Supporting Investments	<ul style="list-style-type: none"> - Building Resilience One UN - SPRINT program (Regional funding) 	<ul style="list-style-type: none"> - Governance for Growth – Sri Lanka - Economic Opportunities for the Poor - Social inclusion investments - Australia Awards (cross-cutting) - Australia NGO Cooperation Program (cross-cutting) - Australian Volunteers (cross-cutting) - Direct Aid Program (cross-cutting) - Knowledge and Linkages for an Inclusive Economy Grants Program 	<ul style="list-style-type: none"> - Economic Opportunities for the Poor - Women in Work - Business Partnership Platform - Knowledge and Linkages for an Inclusive Economy Grants Program - Social inclusion investments - Australia NGO Cooperation Program (cross-cutting) - Direct Aid Program

Development Context (Tier 1, indicative)	<ul style="list-style-type: none"> - Cumulative cases and deaths of COVID-19 notified to WHO - Universal Health Index of the WHO - Implementation of national and sub national disaster management plans - Trend in climate change vulnerability - Proportion of women and girls experiencing intimate partner violence in past 12 months 	<ul style="list-style-type: none"> - Fragility and conflict score of the World Bank - Score for the Freedom House Index - Risk of debt distress 	<ul style="list-style-type: none"> - Proportion of the population living on less than \$3.20 per day (range) - Value and trend of exports, imports, and current account balance - GDP per capita (range) - Primary school enrolment rate (range) - Variation in remittances received - International tourism receipts as a proportion of GDP
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OPERATIONAL AND ORGANISATIONAL EFFECTIVENESS (TIER 3, INDICATIVE)

- Effectiveness: Effectiveness performance rating by investment; percentage of completed investments assessed as satisfactory against effectiveness quality criteria.
- Efficiency: Efficiency performance rating by investment; percentage of completed investments assessed as satisfactory against efficiency quality criteria.
- Gender: Gender performance rating by investment; percentage of investments effectively addressing gender issues and percentage of investments effectively addressing disability inclusive development