

This month's issue features articles on macroeconomics, trade, policy efficiency, education and the external environment. In an article for the ADB's Development Asia (DevAsia) platform on 'Strengthening the Financial Security of Older Persons in Sri Lanka', Dr Ganga Tilakaratna argues that reforms are needed to increase the financial security of seniors. She also points out that factors influencing the participation of older men and women in the labour force must be considered when designing related policies.

Additionally, a comprehensive report on the 'Recovery of the Apparels Sectors of Bangladesh and Sri Lanka from the COVID-19 Crisis: Is a Value Chain-based Solution possible?' was released by Southern Voice recently. The report is based on a joint study conducted by the Centre for Policy Dialogue, Bangladesh and IPS. The study suggests that in the case of a major global crisis, a redistributive approach should be taken to ensure that export orders remain at least at the pre-crisis levels, particularly for countries that have fiscal constraints and weak social support programmes for their suppliers and workers.

Staying within the sphere of the economies of Sri Lanka and Bangladesh, Dr Asanka Wijesinghe provided an insightful presentation on the benefits of a free trade agreement between the two countries at the Second SANEM International Development Conference 2021.

This issue's 'Inside IPS' segment features Research Officer Nimesha Dissanayake. We hope you find this issue insightful and welcome your feedback to make our content even more engaging.

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## Report

### Recovery of the Apparels Sectors of Bangladesh and Sri Lanka from the COVID-19 Crisis: Is a Value Chain-based Solution Possible?

By Centre for Policy Dialogue (CPD), Bangladesh and IPS

This study explores a value chain-based solution for Bangladesh and Sri Lanka in which the major market players adopt responsible business practices (RBPs) for sustainable recovery. It found that during the pandemic period major sourcing countries either reshored or over-concentrated on a limited number of sourcing countries. The major market players took too few initiatives to address the medium-term challenges or to retain the suppliers of major sourcing countries and a 'world of work' in uncertainty. A major shift in the distribution of buyers' export orders during the COVID-19 period (January to June 2020) deprived several major supplying countries of market share, including Bangladesh and Sri Lanka.

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## Inside IPS



### Special interview featuring:

**Nimesha Dissanayake**

Research Officer at IPS working on food security, agriculture policies and institutions, agriculture productivity, and agribusiness value chains.

**Q: Tell us about yourself and your role at IPS:**

I am a graduate of the University of Peradeniya specialising in agricultural economics. At IPS, I work on agriculture and agribusiness development policy research, which involves exploring many areas such as food security, behavioural aspects of the farming community, agricultural productivity and agribusiness value chains.

**Q: What do you enjoy most about your work?**

I have the opportunity to address major issues in agriculture by formulating well-researched policy recommendations, and that's exciting!

**Q: What are you currently researching?**

My current research looks at the impact of COVID-19 on agriculture, in particular the smallholder farming community and tea exports. I am also researching on tobacco cultivation to evaluate the possibilities of farmers shifting to alternate crops.

**Q: What are some of the challenging aspects of your work?**

Due to the nature of my research, I require large amounts of primary data, which can sometimes be quite difficult to obtain and understand, as it requires me to reach out to the farming community directly. Researching behavioural aspects involves looking at the decision-making process for farmers which is somewhat complex and unpredictable. As such, I spend a considerable amount of time on synthesising data.

**Q: Apart from your current field of research, what are your other pursuits?**

I love art, especially drawing and painting. A picture is worth a thousand words! Painting is a great way to relax during these uncertain times.

**Q: What is your advice to someone who is looking at a career in economics?**

It is important to develop your critical thinking and communication skills. Every policy recommendation begins with in-depth research. A policy researcher in the field of economics must be comfortable using a range of research tools and methodologies to develop a thorough, evidence-based understanding of the problem at hand, from every possible angle.

**Q: What is the one book you recommend to an aspiring economist?**

'Misbehaving; The Making of Behavioral Economics' by Richard H. Thaler.

## Blogs



### Trade in the Pandemic Era: A One-year Assessment

By Dr Asanka Wijesinghe

Many countries, including Sri Lanka, started practicing mobility restrictions from March 2020. As a result, in parallel to the slowdown of global merchandise production, trade volume also contracted from the second quarter of 2020. However, the World Trade Organization (WTO) estimates that the realised trade contraction in 2020 was just 5.3% contrary to the April 2020 forecast of a sharp contraction by between 13% and 32%. This article discusses global and Sri Lankan trade during this pandemic, the impact of the pandemic and trade policy on Sri Lanka's trade and food imports, and policy options for sustained growth in trade and domestic food security.

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### COVID-19, Fiscal Policy and Public Debt in Emerging Economies

By Harini Weerasekera

One year into the pandemic, Sri Lanka's already tight fiscal space has become further constricted, leaving some tough decisions to be made in the pandemic recovery period. A third wave of COVID-19 that the country is currently experiencing will further delay such recovery efforts. Although some fiscal tools have been included in the recovery plan, there is consensus that the size and scale of the country's fiscal stimulus package have been inadequate against the scale of the crisis. Conversely, wealthier countries have been rolling out some of the largest fiscal stimulus packages. This blog discusses the global tilt towards fiscal policy reliance in the aftermath of the pandemic and deliberates on how far the developing world can adopt a similar strategy.

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### Sri Lanka's Labour Market Amidst COVID-19: The Need for Targetted Interventions

By Dr Nisha Arunatilake

Lockdowns and restricted mobility have devastated labour markets across the world. The COVID-19-instigated recession has affected the quantity and the quality of jobs, with increasing levels of informal types of work with lower remuneration. Restoration of labour markets is important to minimise damage to human development and increase aggregate demand, thereby boosting economic recovery. This blog looks at why it is important to have targetted policy interventions to revive the labour market by illustrating that the impact of COVID-19 is different across occupations and industries.

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### Mitigating Sri Lanka's COVID-19 Education Crisis: Priority Areas for Action

By Ashani Abayasekara and Thisali De Silva

The year 2020 saw close to 1.6 billion students from over 180 countries being kept out of schools for extended periods of time, in response to the COVID-19 pandemic. Despite commendable efforts by many countries to put in place alternative remote learning strategies and corrective measures, learning losses have been unavoidable and substantial.

In this second year of the pandemic, many countries are moving towards policies aimed at recovery. Along with reopening schools and resuming education, these also include tailored support to help students adjust to learning in the new normal, and remedial measures to make up for lost learning.

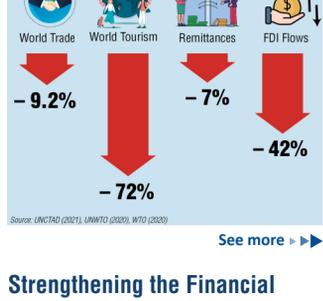


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### COVID-19 and Sri Lanka's External Sector: Challenges and Policy Choices

By Tharindu Udayanga

Unprecedented declines in merchandise trade, foreign direct investment (FDI) flows, tourism and cross-border migration have all been hallmarks of the economic fallout of COVID-19. As a result, global growth expectations dimmed. However, due to substantial expansionary monetary and fiscal policies being rolled out to achieve pre-COVID economic recovery levels and the development of vaccines, the contraction in global trade and economic output are less than what was anticipated. The Sri Lankan economy too has been impacted by these external developments, witnessing fluctuating fortunes in its external sector performance. This blog discusses the impacts of global economic developments on Sri Lanka's external sector and suggests ways to cushion them.



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### Strengthening the Financial Security of Older Persons in Sri Lanka

By Dr Ganga Tilakaratna

The rapid aging of populations has been of concern among economists and policymakers. This is especially true in Sri Lanka, which has the fastest aging population in South Asia. Around 14% of its population in 2015 is 60 years and above. This is expected to rise to 21.2% by 2030 and 25.6% by 2040. Furthermore, the universal access to free health care in the country will result in the escalation of the health care burden because of the growth in the population of older adults. Therefore, reforms must be put in place to increase the financial security of seniors without putting the government and the economy at risk. Factors influencing the participation of older men and women in the labour force must be considered when designing related policies.



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