



Position paper on COVID 19:

Economic Preparedness and Building Resilience - Ensuring Disaster Preparedness and Business Continuity:

Recommendations for the Private Sector

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Approach

The unprecedented effects of the COVID-19 pandemic are being felt globally and with many socio- economic implications. Although COVID-19 is a global event, its prevention and preparedness requires strategic planning and execution at national level. The pandemic posed severe detrimental effects on the Sri Lankan economy. The GDP contracted by 3.6% in 2020 from a 2.3% positive growth in 2019, reflecting the largest economic downturn recorded in the country's history. A quantum shift in the approach and architecture in pandemic preparedness is obligatory in Sri Lanka. This position paper proposes a set of recommendations for the private sector but also recognizes the need for a Public-Private Partnership approach to focus on pre-outbreak and post outbreak planning and preparedness.

This position paper has been developed by the Economic Intelligence Unit of the Ceylon Chamber of Commerce, Social Policy Analysis and Research Centre (SPARC) of the University of Colombo and Global Disaster Resilience Centre (GDRC) of the University of Huddersfield. The paper has been informed by the following steps:

Step 1: A review of literature, which drew on secondary sources including scholarly articles, institutional reports, news reports and websites.

Step 2: A series of consultations with stakeholders in 4 key economic sectors: Agriculture, Apparel, Construction and Tourism and with Asia Disaster Preparedness Centre [ADPC], Disaster Management Centre [DMC] of Sri Lanka and Regional Chambers of Commerce. The consultations sought to capture the impacts of COVID-19 (first and second wave), their current status of preparedness for biological hazards and multi-hazard contexts, and recommendations to enhance disaster and economic preparedness.

Step 3: Inclusion of insights from the panel discussion held at the launch event of the first version of the position papers. The first version was revised to incorporate newly available information and recommendations.

Part 1: Macro Issues and Concerns

Prior experience of managing pandemics such as COVID-19 was not evident from the Government and the community in general. Non-compliance to health and safety protocols by the general public was the major problem to control the COVID-19 spread during the first wave. In addition, the following are the main macro issues highlighted during the consultations in the scope of first and second waves which requires attention of policymakers:

- Weak preparedness measures for the pandemic
- Lack of knowledge on preparedness for multi-hazard scenarios
- Aggravated financial pressures
- Gaps in communication mechanisms
- Undiversified export basket
- Lack of attention drawn towards the SMEs and the informal sector
- Lack of innovation and investment
- Issues related to transport and logistics due to mobility restrictions
- Escalation of prices of both local and global goods owing to import restrictions
- Cases of labour shortages, reverse migration and shift to alternative jobs
- Inevitable working capital expenses
- Supply chain disruption



Part 2: Recommendations for the Private Sector

A. Macro Recommendations

Proper planning

Industries in Sri Lanka require a proper plan to effectively face future pandemic and disaster scenarios. Disaster preparedness and resilience building mechanisms including firm level plans for the industry should also be developed, in line with the national disaster management plan. For example, weak participation of the private sector was observable in the Nationally Determined Contributions process in the Paris Agreement. This example in relation to risk mitigation of climate change could also have parallels towards pandemic planning. If the private sector does not practice a proactive participatory role in pandemic planning, the adverse effects will be much higher. Industry representatives further highlighted the need of private sector inclusion in policy making to accomplish a common goal.

Strong business continuity plans

Strong business continuity plans at a sector or business level should take into account policy or regulations prepared by the health sector, police and other relevant authorities to manage future pandemics and multi hazard scenarios. Most of the individual business continuity plans are prepared only considering company specific internal processes and elements. However, in the case of a pandemic situation, the potential adverse effects can cause bigger impacts across sectors and industries which will eventually be felt by the whole economy. Therefore, it was suggested by industry experts to incorporate contributions from other relevant authorities (health sector, police, etc.) to individual business continuity plans.

Collaboration with Disaster Management Centres

Emergency preparedness measures for disasters, such as those triggered by natural and biological hazards, but also man-made, should be mainstreamed into corporate policies, plans and activities through constant liaison with disaster management authorities in the country. This will ensure the uniformness of the preparedness measures across all businesses and will ease the procedure of disseminating updated information and knowledge.

Focus on digital marketing

Prominence should be given to the digital marketing aspect of a business during the pandemic and businesses should take relevant implementation measures proactively. However, the readiness of the businesses to convert to digital is questionable, especially among many SMEs, who may require additional investment and training or support to adopt these technologies. More widely, increased marketing would be beneficial, especially during a pandemic, as it is relatively easier to shift to online platforms that continue generating sales and maintain operations even during a country lockdown. Further, investment in digital marketing enables precise targeting of customers during and in the aftermath of a disruptive event, while also seeking out for new opportunities and markets that may emerge following a disruptive event.

B. Sector Wise Recommendations

This section aims to bring attention to sector specific recommendations for agriculture, apparel, tourism and construction sectors. These are captured within broader resilience building measures rather than pandemic or natural hazard related. However, addressing these given weaknesses will result in building resilience capacities of the sectors and the industries will be better placed to withstand future pandemics and other hazard threats.

I. AGRICULTURE SECTOR

Promotion of Ceylon Tea to the global markets

Measures should be introduced to enable the conditions and provide opportunities for Ceylon tea to obtain a higher price in the global market. Ceylon tea has to be promoted more aggressively as a value added product, rather than a commodity in established markets. Globally, disruptive events such as pandemics can see variations in sales quantities



owing to rules, regulations and sanctions of those respective key markets. Therefore, new markets should also be explored to diversify the target market concentration. This would strengthen the economic recovery in respect of the current pandemic effects, but also increase preparedness to face future pandemics, minimising the susceptibility to disruptive events.

Diversification of crops in plantations

The sector should accentuate to plant other crops that are suitable for the country, community, climate, and the economy. It is observable that some crops have been grown many times in the plantation sector for three or four cycles. The risk factor of the plantation sector can be reduced as the sector is heavily dependent on a few crop varieties at present. Given the impact of climate changes in the country and a need to adapt to variations, alternative crops that can be used to substitute and better suit different climates should be cultivated. This will strengthen the resilience of the sector. Furthermore, the export basket can be diversified and new markets can be reached at global level, strengthening the resilience of the overall economy.

II. APPAREL SECTOR

Need for Standardization in the case of SMEs

Standardization and quality control is required for SMEs in terms of both materials and production. There is less concern on quality standards for the raw materials for textile and apparel sector SMEs. There is also a gap between high tech and low tech businesses that also needs to be addressed. Experts further expressed that some of the firms in the sector have started to source materials from local sources due to supply chain disruptions. However, the main issue with this is the lack of quality raw materials and limited capacities to meet this increased demand.

Collaboration

Collaboration between the larger apparel and textile firms with the MSME segment will need to be encouraged to improve the value chain and create new business opportunities to face future crises like pandemics. For instance, during the pandemic, all the SMEs got together and created a knowledge sharing platform called "co-create". This helped many entrepreneurs and businesses to face the pandemic in a more resilient manner. Further, there were instances where large apparel companies had given orders to SMEs during this period in order to support the smaller group in the sector. One sector expert also expressed that manufacturing minimums (the minimum quantity of items a manufacturer will accept for a production order) used to be a huge issue for the craft sector but now that the bigger companies are looking to manufacture with smaller companies, it has opened some doors for greater collaboration.

III. TOURISM SECTOR

Need for savings

Most of the savings in the industry were drained due to the 21st April 2020 attacks, which made it difficult to cope with the additional challenges created by the pandemic. It was recommended to educate and encourage all stakeholder groups in the sector including SMEs, local manufacturers and support industries to generate more savings. This will make the industry less susceptible to future disruptive events and would create the ability to rebound in a shorter time period. The sector operations will continue to run smoothly by utilizing savings even in an emergency.

Need for authenticity

There is a need to initiate a marketing plan that promotes unique attributes of Sri Lanka such as heritage, historic culture, local food, hospitality and Ayurveda. These measures should be backed with sufficient government support and complemented with other initiatives such as Ayurveda research and training that are relevant for the industry. A strong and authentic tourism offering will be an advantage for the country's revival in the aftermath of COVID-19 and preparedness for future pandemics and multi hazard scenarios. This will also facilitate the recovery of the sector as tourism is usually one of the most heavily affected by external disruptions and hazards.



IV. CONSTRUCTION SECTOR

Eradicating vector borne diseases

Steps should be taken by the businesses involved in the construction industry to eradicate vector borne diseases such as Dengue from construction sites to ensure such diseases do not emerge from the sites themselves. This will ease business's preparedness for pandemics and other disasters.

Integrating disaster risk into engineering designs

Engineering designs should incorporate disaster resilience measures in terms of costs associated with it. One of the main issues brought forward by the sector experts was, with the advent of the pandemic, the cost of pre-planned projects increased. These costs should be included in the engineering designs to better prepare for future pandemics and to mitigate the adverse impacts of such events. Certain ground level issues such as an increase in pre-determined project costs, insufficient space in the dormitories, sharing of equipment, dengue breeding grounds and the practicality of social distancing, should be revisited, as a lack of preparedness for pandemics and related multi-hazard scenarios can lead to massive losses at the ground level.

Stimulating Innovation and Digitization

Traditional construction methods should be replaced with modern construction techniques such as off-site construction, modular construction and pre-cast construction that are more responsive and suitable for a pandemic situation. Practises such as running offices from a distance can be adopted and mainstreamed to face future pandemics or a similar disruption. Further, digitization within the industry currently remains low and measures should be taken to improve this aspect.

Improving productivity and efficiency of construction projects

Productivity and efficiency of construction projects should be improved by altering inputs in terms of manpower, machinery and material. This may call for structural changes, such as in labour laws, and promoting the utilization of foreign labour. Enhancing productivity through these aspects will enable the sector to function more effectively during pandemics and other disasters under any controlled environment. For instance, during the first two waves of COVID-19, with the imposition of the island wide lockdown, the sector was not prepared enough in terms of productivity to catch up with the delayed projects. That is mainly owing to these productivity issues coupled with labour issues.

Insurance cover

Measures to cover the loss due to multi hazard scenarios through an insurance cover should be considered. At present the main insurance that has been taken by the sector is known as Construction All Risks (CAR). This covers a wide range of hazards such as fire, floods, accidental damage, burglary, liability to third parties, etc. This is typically taken for civil works such as putting up buildings. On the other hand, if the project is more like an installation of a plant or a lift, a slightly different policy, called Erection All Risk (EAR), is adopted. Apart from this, Workmen's Compensation Insurance policy (WCI) is also considered to cover the site employees. The sector experts were of the opinion that it is important to introduce loss coverage insurance for the construction sector to cope up with the adverse effects of multi hazards. This proposal is quite similar to the existing business income insurance.

Re-modeling construction projects

Identify scientific approaches in handling disasters particularly in the construction sector. The in-built mechanisms that are already available, for example, the national disaster management council should be consulted, site specifications and possible risks should also be assessed. Further, future construction contracts should be remodeled to incorporate health and safety considerations.