

SRI LANKA

Socioeconomic crisis

CRISIS OVERVIEW

Sri Lanka faces an economic crisis partly resulting from its twin deficit economy. A twin economy indicates that its domestic expenditure exceeds its national income, making it prone to external debt and reliance on foreign capital flows (ADB 03/2019; Chowdhury and Saleh 2007).

The Government has, for several years, acquired multiple loans from other countries and international organisations to finance the provision of public services (CNN 07/04/2022; NYT 25/03/2022). Several issues have also been hitting tourism in the country. Initially, a series of extremist attacks on churches and hotels started affecting the industry (which accounted for 5.6% of the country's gross domestic product). The COVID-19 pandemic, which prevented travel, followed in 2020. Finally in 2022 came the war between Russia and Ukraine, two of the countries that accounted for the majority of tourists in the country (Vox 30/04/2022; VOA 05/05/2019). In 2021, the Sri Lankan Government also introduced a fertiliser ban that significantly reduced the production of rice and tea, two of its main export products (CNN 07/04/2022).

In May 2022, the country announced suspending the foreign debt repayment due that year (Outlook 27/05/2022; Reuters 12/04/2022). Since 2019, the Sri Lankan Government has reduced some taxes to stimulate the economy, but the decision instead considerably reduced its revenues (CNN 07/04/2022; BBC 20/05/2022). Under these conditions, the Government reduced its reserves by 70% in two years to pay off some of its debts, leaving it without sufficient resources to pay international actors for certain products, such as oil, leading to a shortage in the country (TOI 19/05/2022; The Indian Express 19/05/2022). The Sri Lankan currency has also depreciated sharply, making basic goods more expensive for the population (Reuters 22/04/2022; Business Standard 11/03/2022).

Monthly inflation rates in the country rose from 3% in January 2021 to 39.1% in May 2022, the highest recorded in history (TE accessed 27/05/2022). In March 2022, the Government announced a 13-hour blackout to save energy in the middle of the economic crisis (Al Jazeera 31/03/2022). Following the blackout, many people took to the streets to protest the economic crisis. Since then, there have been intermittent protests across the country (BBC 20/04/2022).

The economic crisis is affecting the daily life of the population. Hospitals have reported shortages of medicines, price increases have made food unaffordable for part of the population, and some people have already started to migrate to India to escape the effects of

the crisis (Government of Japan/WFP 20/05/2022; Government of Australia 08/04/2022; CNA 23/05/2022). Food production in 2022 has also been lower than usual because of the ban on chemical fertilisers, which will likely affect food access for several months (Al Jazeera 18/05/2022).

ANTICIPATED SCOPE AND SCALE

As at 29 May 2022, there had been 50 days of protests in the country, during which at least ten people were killed and 300 injured (Vox 14/05/2022; TNIE 23/05/2022). Most of these protests were concentrated in the capital city of Colombo, although there were also reports of protests in other important cities, including Kandy and Jaffna (Tamil Guardian 05/04/2022; NYT 20/05/2022; BBC 10/05/2022). The Government has arrested 1,500 people in connection with the protests (TNIE 23/05/2022; DW 29/05/2022). Instead of resigning, as called for by the protesters, the Government has taken minor steps, such as removing some of its family members from high positions, while continuing to confront those who come out in protest (The Hindu 29/05/2022; Vox 14/05/2022). If the current Government remains in power without a solution to the economic crisis, protests are likely to continue and increase, and, to add to the looming humanitarian crisis, the political crisis may deepen (The Guardian 24/04/2022).

Some of the elements enhancing the economic crisis are beyond the Government of Sri Lanka's control. Disruptions in supply chains resulting from the Russia-Ukraine war are increasing petrol and food prices (SCMP 10/04/2022). Other low- and middle-income countries (such as Burkina Faso, Egypt, Mali, Pakistan, and Tunisia) may be facing problems paying their external debts as well, meaning that it is likely that other countries in the world will also face economic crises (The Guardian 09/05/2022; The Week 27/05/2022; The Telegraph 26/05/2022). The situation could mean that available resources for economic support may have to be distributed among several countries in crisis, reducing Sri Lanka's foreign aid capacities. If these external conditions are not resolved, the economic crisis could turn into a humanitarian crisis, with the Government of Sri Lanka having little control.

The Central Bank of Sri Lanka has announced that inflation will continue to rise for several months and that the country will not be able to start paying its debts again for at least six months (BS 20/05/2022). The prime minister of Sri Lanka has forecasted a food shortage during the next months, as fertilisers will not be available until September (ABC News 20/05/2022). The measures that the Government has announced to alleviate the crisis in the long term (tax

increases, selling national companies, and momentarily printing money) will produce short-term effects, such as increasing inflation and depreciating the currency. Political instability may also increase if the Government fails to convince the population of the need for these short-term effects (Reuters 18/05/2022).

HUMANITARIAN CONSTRAINTS

The number of people affected by the socioeconomic crisis and the extent of its impacts are still unknown. There are no assessments on the extent of the crisis and how it is affecting the population, which may mean that the information available to understand the scale of what is happening is limited.

The current humanitarian response to the socioeconomic crisis has consisted of donations handed over to the central Government. Although there is currently no large humanitarian response in the country (as there is no major humanitarian disaster occurring), in the past, there have been disagreements between humanitarian organisations and the Sri Lankan Government. Since 2006, the Government has increased scrutiny and regulation of the humanitarian sector. For instance, Sri Lanka has additional registration measures, financial reporting, and visa requirements for humanitarian responders. During previous times of humanitarian response, whether to violence or natural disasters, the Government has attempted to control the delivery of humanitarian assistance (FIC 06/2010). Establishing clear mandates for humanitarian organisations and determining the tasks they must fulfil in advance has been helpful in enabling the development of assistance (Harris 06/2010; Akurugoda et al. 2017).

IMPACTS

Health

Sri Lanka imports more than 80% of its medical supplies (AI Jazeera 23/05/2022). Throughout the economic crisis, the Government of Sri Lanka has been unable to afford to import various medicines, which has produced a shortage.

As at 31 May 2022, about 200 medical items were in shortage. Some were blood thinners for heart attacks, antibiotics, vaccines, and cancer chemotherapy drugs. During the last week of May, some hospital and health centre authorities had decided to only perform urgent surgeries, as several items of medical equipment and anaesthesia were running out very quickly (The Guardian 31/05/2022). Medicines shortages in Sri Lanka have resulted in the delay of around 50% of medical operations in the country (AI Jazeera 23/05/2022). The health minister has announced that some medicines will remain in short supply for up to three months

(Bloomberg 03/05/2022). The prescription of drugs has been curtailed to the bare minimum to extend the availability of medicines. Drug prices have increased by 40% across the country (BBC 30/04/2022).

Constant power outages in the country also affect health services since hospitals must stop some medical procedures during power cuts (Daily Sabah 31/03/2022; Bloomberg 03/05/2022; WSWs 30/05/2022).

According to the Government of Sri Lanka, the import of medicines should normalise over the next three months, which implies several more weeks of putting the health system under pressure (BS 04/06/2022).

Food security

The Government of Sri Lanka introduced a chemical fertiliser ban in April 2021 to make agriculture completely organic (India Today 05/04/2022). This decision has affected farmers' harvests in 2022, as they have been unable to find ways to replace fertilisers, resulting in a considerably smaller harvest (Reuters 03/03/2022). The Government has announced that it is not possible to obtain fertiliser for the harvest season between May–August, making it plausible that food shortages will remain during these four months (AI Jazeera 18/05/2022 and 20/05/2022). National food production decreased by 20% in the first six months after the imposition of the fertiliser ban, and a 50% reduction is anticipated during the upcoming harvest season (FP 05/03/2022; ColomboPage 29/05/2022).

There are about two million farmers in Sri Lanka, representing about 9% of the country's population (FP 05/03/2022). Approximately 40% of Sri Lankan households (2.1 million households) are involved in agriculture or livestock (EN 09/12/2019 a). Nearly 32% of the population aged 15 or above have farming as their main occupation (EN 09/12/2019 b). Around 77% of the Sri Lankan population resides in rural areas, and almost half of them are small-scale farmers (Sri Lankan Department of Census and Statistics 2012; IFAD accessed 31/05/2022).

Aside from food shortages resulting from the fertiliser ban, food prices in Sri Lanka have risen above other commodities. In April 2022, food prices were up by 46.6% compared to the previous year (AI Jazeera 20/05/2022).

Although the hunger situation in Sri Lanka in 2021 was classified as moderate by the Global Hunger Index, WFP has reported that the country has high levels of undernutrition, overweight and obesity, and vitamin and mineral deficiencies among the civilian population, especially in rural areas (Global Citizen 07/04/2022; WFP 28/02/2022; GHI 10/2021; WB accessed 02/06/2022). With higher prices and less food available during the current harvest, a significant part of the population may have reduced food access in the coming weeks and months.

Food inflation in Sri Lanka reached 57.4% in May, causing many families to restrict their diets to less than three meals daily (News 1st 31/05/2022; Arab News 03/06/2022). The increasing unaffordability of food, coupled with reduced production because of the fertiliser ban and the country's limited capacity to import food, create conditions that are likely to affect the nutrition and food security of the Sri Lankan population.

Protection

Rising food and petrol prices and shortages of basic goods have prompted several Sri Lankans to migrate to India. Sri Lanka is an archipelagic state, which means the only way out of the country is by water or air. As Sri Lanka is located southeast of India's southern coast and India is closest to the country, it has become the main recipient of Sri Lankan migration. As at 1 January 2021, there were around 58,800 Sri Lankan citizens in Tamil Nadu (ORF 26/05/2022).

As at 24 May 2022, at least 84 people had fled to south India (Tamil Nadu state) to avoid the economic crisis in their country. All Sri Lankan arrivals to India are treated as illegal migrants (Indian Ministry of Law and Justice 12/12/2019; The Indian Express 09/04/2022; DW 24/05/2022). The vast majority have already spent more than a month in camps. The Sri Lankan Navy also apprehends those who try to leave and has prevented some attempts to cross the sea to India (TNIE 24/05/2022).

During previous humanitarian crises resulting from violence or natural disasters, Tamil Nadu was also a common destination for many Sri Lankans who chose to leave the country. A deepening humanitarian crisis would make another wave of migration to India likely (News18 16/05/2022).

LESSONS LEARNT

In the past, corruption on the part of some public officials in Sri Lanka has made it difficult for humanitarian assistance to reach the intended recipients. The State has channelled the collection of information on recipients and their needs through its institutions, generating instances of patronage and affecting the quality of assistance (HPG 08/2008). Even though several years have passed, corruption is still present at various levels of government in Sri Lanka today (FP 25/05/2022; CATO Institute 24/05/2022; The Print 04/05/2022). It is important to establish accountability and transparency mechanisms to prevent affecting the humanitarian response, which has been observed in the past.

Acting early from a humanitarian perspective can prevent socioeconomic crises from deepening (Pichon 04/2019). Although anticipating socioeconomic crises is complex, early action at the first signs of deterioration has been effective in minimising some impacts on food security, nutrition, and livelihoods (IFRC accessed 02/06/2022; Sapountzaki et al. 2019).

RESPONSE CAPACITY

Funding for humanitarian assistance in Sri Lanka has gradually decreased since the end of the war in 2009 (ECHO 21/05/2012). Currently, there are two broad areas for humanitarian response in the country. Certain organisations provide emergency response to disasters (normally natural disasters), with a focus on disaster risk reduction, emergency preparedness, and response and early recovery (UNICEF accessed 07/06/2022; WVI accessed 07/06/2022; Habitat for Humanity accessed 07/06/2022). Some organisations also work permanently on development projects in Sri Lanka related to overcoming poverty, food insecurity, a lack of access to certain basic services, and gender imbalances (CARE accessed 07/06/2022; Peace Insight accessed 07/06/2022; WFP accessed 07/06/2022; UNFPA accessed 07/06/2022).

AGGRAVATING FACTORS

Ukraine-Russia War

The war between Russia and Ukraine has affected Sri Lanka's economy in several ways. Russia is the third-largest market for Sri Lankan tea, the country's main export commodity (FT 06/03/2022; EN 01/03/2022). The current war means one of Sri Lanka's main markets has significantly reduced its procurement or, because of sanctions on its financial system, has been unable to pay Sri Lanka (SCMP 10/04/2022). The war has also increased global oil prices, increasing petrol prices in Sri Lanka (Al Jazeera 28/05/2022; TWP 17/04/2022; DW 28/05/2022). People from Russia and Ukraine were also among the ten nationalities that frequented Sri Lanka the most, meaning the conflict has had a significant impact on the tourism market in Sri Lanka (SLTDA 2021; FT 06/03/2022). As long as the war remains active, Sri Lanka's economy will likely continue struggling to recover.

Monsoon season

The southwest monsoon affects Sri Lanka every year from mid-May through September. This phenomenon consists of a season of windy weather and intermittent rainfall in the southwestern regions of Sri Lanka (Department of Meteorology of Sri Lanka accessed 26/04/2022). The most affected areas are the Western, Southern, and Sabaragamuwa provinces (Colombo, Gampaha, Kalutara, and Kegalle districts) (IFRC 14/05/2021).

The 2021 southwest monsoon affected over 245,000 people (60,674 families) in ten districts (OCHA 28/06/2021). In the middle of the current socioeconomic crisis, the Sri Lankan State will likely be less able to respond to those affected. Flooding could lead to further shortages of food and medicine and the further disruption of people's livelihoods.

In April 2022, the Sri Lankan Department of Meteorology determined that the Northern and North Central provinces received more than twice the normal monthly rainfall. Between May–July, 15 districts are estimated to have a 60% chance of above-average rainfall (Department of Meteorology of Sri Lanka 08/05/2022).

Droughts

80% of Sri Lanka's land is dry and frequently faces water shortages (WFP accessed 03/06/2022). Between March–May 2020, below-average annual rainfall led to drought affecting around 312,000 people in 14 districts in eight provinces of the country (DMC Sri Lanka 10/05/2020). In times of drought, aside from the need to provide clean water to affected populations, their livelihoods are also disrupted, as at least 40% of Sri Lankan households depend on agriculture to generate incomes (EN 09/12/2019). Between May–July 2022, four districts have an at least 40% chance of below-average rainfall. The provinces most affected in the event of drought would be those located in the south of the country (Central, Sabaragamuwa, Southern, Uva, and Western provinces), as little rainfall is projected for these territories in June (Department of Meteorology of Sri Lanka 08/05/2022 and 04/05/2022). Similar to the impact of a potential monsoon in the middle of the socioeconomic crisis, a drought emergency will likely constrain the Sri Lankan Government from responding.

Fuel shortages

Fuel is one of the main products that Sri Lanka has lost access to because of the lack of foreign currency, leading to a fuel shortage throughout the country (The Week 19/05/2022; BBC 17/05/2022; Reuters 24/05/2022). Fuel prices have increased by more than 137% between December 2021 and May 2022 (The Guardian 24/05/2022).

The fuel shortage has affected land transport, with vehicles stuck in long queues at petrol stations (NPR 20/05/2022). The lack of fuel affects the livelihoods of about 500,000 people (6% of Sri Lanka's workforce) who work as drivers of a tuk-tuk (three-wheeled vehicles commonly used for transport in the country) (EN 23/03/2019; The Guardian 24/05/2022). These people have reported spending hours searching for fuel to be able to work. The increase in prices has also significantly reduced their income (The Guardian 24/05/2022).

The Government decided to suspend school classes for a few days and prevented some official workers from going to work to save fuel (BS 20/05/2022). Across the country, there have been several blackouts daily, some lasting up to four hours (The Week 19/05/2022).

In the face of a deepening humanitarian crisis, the lack of oil can be an aggravating factor for humanitarian response, as it can delay the transport to affected locations or the distribution of humanitarian assistance.

BASELINE INFORMATION

INDICATOR	NATIONAL FIGURES	WESTERN PROVINCE	NORTH CENTRAL PROVINCE	NORTH WESTERN PROVINCE	CENTRAL PROVINCE	EASTERN PROVINCE	UVA PROVINCE	SABARAGAMUWA PROVINCE	NORTHERN PROVINCE	SOUTHERN PROVINCE
Total population	20,359,439	5,851,130	1,266,663	2,380,861	2,571,557	1,555,510	1,266,463	1,928,655	1,061,315	2,477,285
% of rural population	77.4%	60.4%	96%	95.5%	70.6%	74.9%	81.7%	85.9%	83.3%	87.7%
% of urban population	18.2%	38.8%	16.7%	4.1%	10.5%	25.1%	5.5%	6%	16.7%	10.6%
Women	10,502,805	-	-	-	-	-	-	-	-	-
Men	9,856,634	-	-	-	-	-	-	-	-	-
Ethnicity	Sinhalese: 74.9% Tamil: 15.3% Sri Lanka Moor: 9.3% Other: 0.5%	Sinhalese: 84.2% Tamil: 6.8% Sri Lanka Moor: 7.9% Other: 1.2%	Sinhalese: 90.9% Tamil: 1% Sri Lanka Moor: 8% Other: 0.1%	Sinhalese: 85.7% Tamil: 3% Sri Lanka Moor: 11% Other: 0.3%	Sinhalese: 66% Tamil: 23.8% Sri Lanka Moor: 9.9% Other: 0.3%	Sinhalese: 23.2% Tamil: 39.2% Sri Lanka Moor: 36.9% Other: 0.7%	Sinhalese: 80.8% Tamil: 14.7% Sri Lanka Moor: 4.3% Other: 0.3%	Sinhalese: 86.4% Tamil: 9.2% Sri Lanka Moor: 4.3% Other: 0.1%	Sinhalese: 3% Tamil: 93.8% Sri Lanka Moor: 3.1% Other: 0.1%	Sinhalese: 95% Tamil: 1.7% Sri Lanka Moor: 2.9% Other: 0.4%
Age distribution	Less than 15 years: 25.2% 15–59 years: 62.4% 60 years and above: 12.4%	Less than 15 years: 22.7% 15–59 years: 63.9% 60 years and above: 13.4%	Less than 15 years: 26.6% 15–59 years: 64% 60 years and above: 9.4%	Less than 15 years: 25.4% 15–59 years: 62.4% 60 years and above: 12.2%	Less than 15 years: 26.4% 15–59 years: 60.8% 60 years and above: 12.8%	Less than 15 years: 30.4% 15–59 years: 61.8% 60 years and above: 7.8%	Less than 15 years: 26.8% 15–59 years: 62.4% 60 years and above: 10.8%	Less than 15 years: 24.2% 15–59 years: 62% 60 years and above: 13.8%	Less than 15 years: 26.7% 15–59 years: 61.4% 60 years and above: 11.8%	Less than 15 years: 25.1% 15–59 years: 60.9% 60 years and above: 14%
Economically active population	Total: 7,857,370 Urban: 1,416,9557 Rural: 6,048,095	-	-	-	-	-	-	-	-	-
Number of poor people	Total: 3,042,300 Urban: 217,500 Rural: 2,500,600 Estate: 324,200	342,200	144,900	294,400	503,500	316,300	378,500	468,100	267,200	327,100
Agricultural households	2,100,000 (40% of all households)	-	-	-	-	-	-	-	-	-
Average agricultural household size	3.8	-	-	-	-	-	-	-	-	-

Chronic malnutrition (children between 6–59 months)	17%	-	-	-	-	-	-	-	-	-
Child health	Children with low birth weight: 15.7% Chronic malnutrition: 17.3% Acute malnutrition: 15.1% Underweight: 20.5%	-	-	-	-	-	-	-	-	-
Doctors per 1,000 inhabitants	1.6									

Sources: Sri Lankan Department of Census and Statistics (2012, 04/2022, 2017, and 2016); Sunday Times (26/03/2017); WFP (28/02/2022)