

Communicating Crisis

On the 7th of March 2024, the Centre for a Smart Future and Colombo Urban Lab hosted an event called, “Communicating Crisis”. The event featured a panel discussion on Sri Lanka’s path to a just recovery, anchored to key questions. How do economic indicators compare with people’s lived experiences? How can civil society and the media amplify voices from the ground?

The crisis is far from over - with families resorting to a host of coping mechanisms just to survive, from pawning jewellery, undertaking a second job, not buying essential medicines and eating less to name a few. Against this backdrop, how do we communicate the reality of the crisis, using a range of different techniques to ensure that ground realities are understood and are being reflected through effective policy interventions?

The discussion explored the impacts of the crisis on households and livelihoods, and the different ways in which we should be responding to the crisis. The core insights from the discussion which are listed below speaks to the heart of the problem and the purpose behind this event. The polycrisis in Sri Lanka is not something that has been happening for a short period of time and the kind of shocks experienced in the last five years is presenting itself at household and livelihood levels in different ways, different scales and it is extremely complex.

Without understanding this complexity, it is difficult to work on a path to a sustainable and just recovery - not only for government and state officials, but also for civil society and development actors. It also makes it clear that these issues cannot be tackled in isolation, and it requires a cross-sectoral, multi-disciplinary approach, through a constellation of mechanisms, rather than siloed interventions.

The discussion was moderated by Iromi Perera and the discussants were *Namini Wijedasa, Sonali Deraniyagala, Andrew Fidel Fernando and Anushka Wijesinha.*

Namini Wijedasa

Namini is the Deputy Editor (Investigations) of The Sunday Times in Sri Lanka. She is an award-winning professional reporter and editor with over 26 years of full-time journalism in global and local media.

Sonali Deraniyagala

Sonali is a Sri Lankan memoirist and economist. She serves as a lecturer in Economics at the SOAS South Asia Institute and is an Adjunct Associate Professor of International and Public Affairs at Columbia University.

Andrew Fidel Fernando

Andrew is a journalist based in Colombo, and author of the award-winning travelogue, *Upon a Sleepless Isle.*

Anushka Wijesinha

Anushka is a Sri Lankan economist with experience in Government, international organisations, private sector and think tanks. He is the Co-Founder and Director of the Centre for a Smart Future.

Iromi Perera

Iromi is a Colombo based researcher and activist and works on post-war urban development and spatial justice in Sri Lanka. She is the Founder and Director of Colombo Urban Lab.

Core Insights

Illusion that the Crisis is Over

- There is an illusion that the crisis is over - the stabilisation story is about the absence of fuel and gas queues.
- However, many people do not understand the ground realities of the crisis, that so many families are struggling today.
- It is becoming increasingly difficult to get people to talk about poverty; *“no one wants to know the poverty story”*.
- There is also a lack of resources in the media to give attention to all the different aspects that need to be addressed such as poverty, corruption and crisis.
- Macroeconomic stabilisation does not mean the end of the crisis. It’s hard to know where the crisis starts and what denotes its end. Economists have different origins for the crisis - the fertiliser ban, the war in Ukraine, Easter Sunday attacks, COVID-19 and the fall in tourism, to name a few.
- Sri Lanka’s economic recovery is currently not, but should be anchored to a “just” recovery.

The Impacts of Crisis on Households

- The scarring effects of an economic crisis go beyond economic implications. For example, successive months of drought have resulted in farmers finding it difficult to maintain their livelihoods. Even when the rain returns, they are unable to get back on track, because the drought made them worse-off - they have spent their savings and have sold assets or taken on debt to meet expenses so there is no cash flow for seeds and other resources.
- There are many tools to understand what is happening at a household level. When looking at the long-term effects - when talking about poverty and rate of poverty, the headcount ratio living under the poverty line has doubled in one year. When prices stabilise and output increases the headcount poverty rate doesn’t necessarily fall. A significant portion remains in poverty, and it becomes intergenerational. *“You lose land, a buffalo, you pawn jewellery, and you will never get it back.”*
- For any household to improve over time they need a minimum asset level. Many families have lost this over the course of the crisis.
- The impact to health and nutrition also has a long-term effect. Whilst the situation could improve in five year’s time, the damage done now, such as stunting and wasting has an impact on cognitive development in the long run, which is likely to have effects on the labour force. For example, the [Young Lives Survey](#) looks at effects on stunting and has found that it affects short-term memory. There are also impacts to behavioural change - when people are under stress, they can’t make long term rational decisions.
- Currently families are migrating, even as undocumented immigrants to help deal with the impacts of the crisis. Whilst the Government may identify the increase in migrants to the Middle East as a positive outcome, we are taking away from households in exchange for foreign exchange. There is data to show the impact on children in households where both parents are not present.

Core Insights

The Impacts of Crisis on Households

- Malnutrition also makes education outcomes worse, robbing children of a future they could have had. Similarly, pregnant mothers are also facing increased costs of nutritious diets. This is likely to have long term impacts, as they will be the next generation leaders, voters, teachers, and labour force. As such, macroeconomic stabilisation only tells one part of the story.
- The question remains, how do we communicate the complexity of this crisis without going behind the “stabilisation story”?

The Impacts of Crisis on Businesses

- There is also a need to think about the impact that the crisis has had on firms, in particular small and medium enterprises (SMEs). Like households, asset loss and indebtedness also apply to firms as well.
- Only 2.7% of impaired loans in 2023 went under parate execution. By using blunt tools, like suspending parate execution, we miss doing more meaningful and holistic things to support crisis-hit SMEs.

The Impacts of the Crisis More Broadly

- There is a general agreement amongst the public that Sri Lanka has been excessive and that's why the crisis happened. But who has benefited from the excess and who is paying for it? Whilst highways were built that cost the state a lot of money, how many people's lives have changed as a result of it? For example, we need to think about where we would be if we spent more on public transport instead of building highways.
- Even through TV advertisements we see how corporations are trying to normalise or exploit the crisis. There is an advertisement by a well-known brand that talks about the use of a soup cube with flavouring to make low-cost vegetables taste like chicken.

Beyond Macroeconomic Stability Alone

- The IMF programme requirements have become a tick box exercise - there is no real analysis on the impact of human beings.
- Fiscal Policy - a good fiscal programme can unlock resources for school meal programmes and other welfare programmes.
- Whilst raising taxes are important to support fiscal stability it is important that this is reflected with a change in expenditure. Whilst the IMF has a floor on social expenditure - it is not that austerity is imposed on education and health; the onus is on the Government to ensure that citizens are protected. Often it seems that the IMF is more pro-poor than the Government is. If we accept targeted programmes, we need to ensure that the targeting is done properly and captures vulnerability and precarity in all the ways it is experienced by households, which targeting is unable to do.

Core Insights

Beyond Macroeconomic Stability Alone

- Fiscal reform efforts cannot be one sided—we need to also look at expenditure. It is easier to reform the revenue side, but the expenditure is harder and structural. This issue is also fundamentally to do with Sri Lanka's post-war growth model, driven by public debt. We need to consider - line by line what we are spending on. For example, there are certain enterprise institutions that are taking tax money from businesses to exist - however, it is difficult to find an SME who will be impacted if they don't exist if it is shut down tomorrow. Expenditure needs to be tackled, and Sri Lanka can't be complacent now that revenue targets are being met.
- There is also a need to consider leakages through tax incentives, and the Strategic Development Projects Act (SDP Act) - which is a problematic growth model. Through this discretionary piece of legislature - whether it's a strategic project is discretionary - it incentivised projects that aren't export oriented and don't connect Sri Lanka to the global market. The projects are mostly real estate and mixed development. As a result, Sri Lanka will continue to incur these expenses because we gave incentives to these projects. It includes projects that started without SDP status. It is difficult to get the quality of growth that we want through these actions.

Social Security in Times of Crisis

- Aswesuma has become a blindly accepted version of social protection, however with the indicators being developed in 2019 prior to the pandemic and crisis it is not relevant to capture the complexity of what households are going through today.
- When thinking about social security - we also need to reflect broadly on what the objective of the policy is and what our starting point is. For example is it to ensure that everyone has a good chance of getting it and reducing vulnerability or is the starting point coming up with a scheme within budgetary constraints? It is easy to say one is better than the other because we aren't thinking about treasury cash flows. We have to consider the starting point and objective - vulnerability or getting it done quickly with constraints.

Joining the Dots

- There is an assumption that corporations don't understand the effects of a crisis beyond macro stabilisation. But while they don't talk about it, they have access to data that makes them understand it. If we take the example of fast-moving consumer goods at a granular level, the industry has market research about perceived cost of living and different findings to us in civil society. Talking to them and finding ways to engage is important.
- There are also many different data points out there from different organisations. It is important to be clear on the policy objective and the best data point that supports the objective. Everyone needs to consider what the objective is and who we are trying to reach.

Core Insights

Joining the Dots (continued)

- On the topic of communicating crisis, whilst vernacular media does convey stories of hardship and poverty - there is a perception that policymakers don't read this. How does one move the conversation beyond the media alone, so that everyone is talking about it? For example, the media runs a cost of living story every week but they are seeing limited impact and engagement with it.
- There are public officials who do care about the situation, however they get distracted with new policies being implemented by Ministers. They have little power and agency to effect change. The question is, how do we create spaces where they can discuss these issues and how do we make sure they get the nuance without them getting blamed for decisions being made?
- To understand a complex problem and think of solutions requires us to dig deeper than the immediate data points available. For example, if we look at the consumption or the food plates of working-class families in Colombo, it is inadequate to look at food inflation or cost of living alone to understand nutrition. We also need to look at their household expenses - food and non-food expenses and how they are meeting their monthly costs, how being connected to electricity and water affects their consumption patterns, how shocks and shifts in the value chain impact the price and quality of the produce they consume (for example, moving of the Manning Market from Pettah to Peliyagoda has resulted negatively down the value chain in terms of price and freshness as well as costs to vendors).



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