
Purpose: To engage with the IMF mission team and present concerns and suggestions in relation to the IMF intervention in Sri Lanka

Date: June 29, 2022 (15.00 hrs to 17.00 hrs)

Hosted by: Centre for Poverty Analysis (CEPA) – with participation physically at CEPA and via zoom

Chaired by: Prof. Camena Gunaratne – Chairperson - CEPA

Participants: Civil Society Organisations/Think Tank representatives (complete list attached)

IMF representatives:

Mr. Peter Breuer, Senior Mission Chief

Mr. Masahiro Nozaki, Mission Chief

Mr. Tubagus Feridhanusetyawan – Resident Representative

Ms. Ting Yan, Communications Officer

Ms. Manavee Abeyawickrema – Economist at Resident Representative Office

Background

CEPA convened the meeting between selected civil society organisations (CSOs) that also included a few think tanks and the visiting delegation from the International Monetary Fund (IMF). This brief compiled by CEPA captures the main points presented by the participating organisations on the basis of the common governance and socio-economic themes raised in the discussion. Given the duration for the meeting, it was requested that participants avoid repeating issues that had been raised before. Hence, it is important to note that the highlighted issues here were endorsed by most participants; however, as there was a variation of specific measures proposed by the respective participants, these are mentioned separately. Relevant CSOs/Think Tanks are attributed, as required.

1. An overarching Human Rights framework to underpin assistance

The need to use a human rights framework to underpin any support being provided to Sri Lanka by either the IMF or other assistance is stressed. As evident in Sri Lanka, ensuring socio-economic rights as well as the freedom of expression, assembly and free speech would support any programme to reach the most vulnerable and for accountability to be ensured. To do this, using a human rights framework as the overarching frame for assistance to Sri Lanka is required.

Recommendations include:

- Ensuring that support is provided only after a human rights assessment which prioritises the rule of law and the protection of all human rights – i.e., economic, social and cultural rights as well as civil, political rights. (Amnesty International)
- Preparing such assessments before, during and after the implementation of assistance using the guidelines issued by the Independent Expert on the effects of foreign debt, so that financial assistance programmes are regularly reviewed against the state's human rights obligations is necessary as well as making such reports accessible to the public (Amnesty International)

- Strengthening Article 14 of the constitution related to freedom of association, speech and peaceful assembly (Solidarity Center)

2. Strengthening governance mechanisms

Sri Lanka's current economic crisis is inextricably linked to the political crisis and seeing these two elements as separate is counter-productive. On one hand, there must be a government in power that has the credibility as well as the trust and confidence of the people. While currently, there is a trust deficit which has not been adequately addressed by the government, there is also growing discontent of the political instability and systems in place to govern Sri Lanka.

On the other, the degree of corruption has had a direct impact on Sri Lanka's current predicament. State capture and the emergence of a powerful group of kleptocrats have also led to laws being changed to benefit those few, raising pertinent questions/concerns of whether IMF-backed or other assistance would continue to be channelled towards meeting the best interests of the country.

Therefore, it is imperative that any financial assistance clearly addresses key governance issues such as more transparent systems, a clear accountable mechanism which needs to be strengthened especially by revising or introducing laws that assure accountability including a rigorous audit and procurement processes, as well as ensuring space for participation of civil society organisations.

Ensure transparency in the negotiations

- Ensure that the government is transparent about its negotiating positions at all stages and that people are informed of the conditionalities and the changes to be instituted as a result of the IMF support. This also places the burden on the IMF to be transparent at all stages of the negotiation; so that the final outcome is not presented as *fait accompli* (LST, TISL, CPA, WMC)
- Improve transparency and accountability at the highest levels and up to service delivery to maximise the benefits of the assistance as funds run the risk of being 're-corrupted' (TISL)
- Insist on transparent/accountable governance systems including protecting the right of all citizens to know the nature of loans and grants awarded and how they will be utilised. Establish a monitoring commission comprising independent local and international participants (Chrysalis/Berendina)
- Access to data of the Department of Census and Statistics (DCS) and of the monitoring of the programmes must be ensured on the principle that the public has the right to access these data as they are publicly financed. Such data must be made accessible while ensuring strong privacy protections are in place (LIRNEasia).

Improve accountability mechanisms to increase effective implementation

- Introduce/strengthen mechanisms at all levels of government including the Cabinet of Ministers especially where decisions related to natural resources/energy are taken without oversight of the parliament. It must be mandatory for such decisions to have approval of the Parliament (TISL/LST).
- Insist on the establishment of open procurement platforms (TISL) to reduce corruption and arbitrary awarding of government contracts.
- Strengthening parliamentary oversight means the strengthening of existing mechanisms such as the Committee on Public Enterprises (COPE), committee on public accounts, public finance etc. which are currently only reporting back to the Parliament and has no authority to channel the reports to the Attorney General's Department for further action (TISL).
- Reinstate the national audit committee which had provisions under the 19th amendment but with adequate funding and resources and for members to be appointed via a transparent process. This would address the absence of laws in relation to procurement processes in Sri Lanka (TISL).

- Explore if the decisions made in the energy sector can be revisited as this may make Sri Lanka more vulnerable to market forces (LST)

Increase facilities and support for Anti-Corruption

- Focus on resourcing the Bribery Commission adequately as they lack the capacity to look at modern forms of corruption (i.e. Pandora papers) and international asset recovery cases (TISL)
- A full-audit of State Owned Enterprises (SOEs) are required as they have become vehicles of corruption while using public resources (TISL)

Revise existing laws or introduce new ones to deal with corruption and asset recovery

- A composite law on anti-corruption has been drawn to address the existing loopholes but bring that into law; a first step is to review the draft (TISL)
- Reform the current law on asset declaration which is outdated (1975) and make asset declaration public and mandatory (TISL)
- Introduce laws to regulate campaign financing (TISL)

Ensure independence of key state institutions

- Ensure the independence of state institutions including the parliamentary committees so that they have the independence to function (CPA). This also includes curtailing government overreach where law enforcement is concerned and introducing measures to this end (TISL).
- Ensure measures are introduced to maintain the independence of the Central Bank of Sri Lanka so that professionals make key decisions (Women's Action Network)

Insist on CSO participation and collaboration as partners for development.

- IMF must stress with the government the important role of CSOs in development and as a partner for the government and the IMF and other stakeholders in the extension of technical and financial support (TAF); this must extend to all CSOs regardless of their funding capacity, size and reach. Inclusion of 'non-mainstream' CSOs, such as youth advocacy/interest groups and labour activists should also be considered (Save the Children)
- Subject experts including civil society representation must be ensured in consultative processes. A possibility is to explore – law permitting – if a committee to advise on key decisions of the Government (cabinet and of key government institutions) can be established; may require daily or regular meetings to assist the government. (Berendina)
- Women must be assured of a strong and meaningful presence at all decision-making levels as they are disproportionately impacted by key decisions. Ensure their participation/political representation at local, district, and national levels which is not a tokenistic representation of a few, to ensure that their role in economic recovery and resilience remains central to the discussions and negotiations (Chrysallis)

3. Public sector reforms

Along with social protection and governance concerns, public sector reforms are a key area for consideration. This includes revising government spending and re-allocating funds for critical public services as opposed to 'vanity' projects.

IMF must ensure that the burden of the public sector reforms as well as the assistance provided is not disproportionately borne by the poor. Currently, the budget allocations are disproportionately focused on defence. Expenditure on the military is taking away from investments in health and education which are grossly underfunded (LST). Other public services at risk also include the protection mechanisms available for at-risk/vulnerable children and women. The impact of this is two-fold: public services suffer. For example, psycho-social support and mental health do not

receive the same support anymore; allocations for school meal programmes have been reduced, risking the wellbeing of one million children.

IMF instituted reforms could also lead to social spending cuts hence, the need for a meaningful balance of the interests of the most vulnerable being taken into consideration. This is critical as such support has a knock-on effect on reducing gender-based violence, access to health and nutrition and protection.

Second and equally important is the dangerous development of increased militarisation of democratic spaces, the public sector as well as civilian life, further increasing existing fears among politically marginalised and ethnic minorities of reprisals.

Ensure adequate government spending on social investments

- While ensuring adequate and appropriate funding is set aside for public and national security, reduce the budget allocations for defence and re-route these to critically deficient spending on education and health which remain grossly underfunded (LST/CPA/WMC/WAN etc.) as well as for care needs (CEPA, WMC) and protections including psycho-social support and support for child and elder care and maternity benefits (TAF/Save the Children, WMC).

Introduce progressive taxation that does not overburden the poor

- Introduction of a progressive tax system that is not dependent on value-added and consumption is vital to ensure that the tax burden is not disproportionately borne by the poorer households and the women in particular (LST, WMC)

Improve the regulatory environment for better outcomes

- The CBSL removed the interest rate cap for regulated Micro Finance Institutions (MFIs) a few weeks ago which was initially introduced because of the microfinance crisis and the exploitation borrowers experienced. The proposed monitoring of loans under 250,000 LKR by CBSL will not be very effective as it is not a law. Since the regulated institutions were significantly responsible for the issues in 2018, the same situation may arise. The establishment of the interest rate cap linked to AWPLR would be a feasible proposal as well as the acceleration of the Microfinance and Credit Regulatory Authority Act (Berendina)
- Institute a progressive scheme where the electricity price adjustment is on a cost basis so that high consumption users pay more instead of the regressive one which incentivises under consumption; further introduce measures like targeted subsidies to those that cannot pay and smart metering to support the new tariff structures (LIRNEasia)

4. Strengthening effectiveness of social protection schemes

Reforming and where necessary strengthening the existing social protection mechanisms and ensuring that the most vulnerable and the poorest segments of society are effectively targeted and supported during this phase is critical. Given the current conditions, reaching consensus on reforming the existing system is more plausible as cross-party agreements can be reached. Overall, the key concerns raised in relation to the existing social protection schemes included its effectiveness, efficiency and the (in)ability to effectively support the most vulnerable in its present iteration/form.

Emphasis must be placed on correct targeting and addressing the corruption and political patronage inbuilt into the system as it currently operates. This was specifically in relation to the Samurdhi

programme but also seen in cash-transfers and other forms of support extended by the Government of Sri Lanka (GoSL).

A key concern is reaching out to the new poor groups and ensuring that households have adequate resources to cope in the current situation. Given the immediacy and urgency of the situation, social safety nets must be a combination of cash grants and food grants, calculated to support a decent standard of living (including food kitchens, direct cooked food distribution and uncooked food distribution with an emphasis on the provision of nutritional food including fresh vegetables) to ensure adequate access to food and non-food items in the short-term. Presently, in-kind transfers are more affordable and is an easily accessible option under the current circumstances as supply chains have been disrupted and transportation is a challenge.

Furthermore, those who are currently on social security schemes have strongly stated that they want access to nutritious food and not cash transfers. Estimates of basic costs for a family of 4 members currently stands at 64,000/- This is not including sanitary napkins, sugar, meat fish or eggs, not including any transport costs other than one-stop bus ticket and not including costs for education and health. Any cash transfers of 5000/- (current cash transfer per household) or increased to 7500/- as proposed becomes meaningless, unless adjusted regularly to take into account hyperinflation.

Reforms must also focus on monitoring the implementation of the social safety nets and building in accountability and transparency measures. Access to data on the progress of these efforts would help course-correct as well as enable transparency.

Key suggestions for consideration by the IMF:

- Introduce a universal social protection scheme by consolidating the 30-odd schemes that are in place. This would also help reduce corruption of the system (Sarvodaya)
- Improve targeting of safety nets especially cash transfers as evidence indicates the richer segments benefit from these instead of the poorest households (LIRNEasia).
- Possible means to improve targeting include:
 - o The use of big data especially those related to electricity consumption since coverage is high. (Sarvodaya/LIRNEasia). However, access to such data remains protected by the providers, limiting the role CSOs can play (LIRNEasia).
 - o The use of the District Committees as a channel is available where multi-stakeholder consultation and the engagement of the Grama Niladhari can be included but this is open to politicisation and corruption as the elected members can influence the process (WAN).
 - o While the rural development societies, women's rural development societies in the north and east and the death donation/benevolence societies (Maranadara Samithi) in the south may be considered a more appropriate vehicle for cash or in-kind transfers, this is also vulnerable to elite capture on the basis of caste, class and other power cleavages (CEPA)
 - o Information and awareness creation via CSOs can help reduce corruption in targeting. The TISL for example has a dedicated branch to support complaints of corruption. Capacitating and supporting people to use the RTI and also to question the duty-bearers has led to them being included in the systems.
- Streamlining the Samurdhi programme to reduce politicisation of the mechanism can include expanding bank transfer options and reducing the time spent on accessing the Samurdhi Banks which are generally over 8 kilometres away whereas the nearest ATM or cash machine is about 4 kilometres away from the recipients (LIRNEasia)

- Re-visit/reconsider the amount and support provided as this is inadequate in the current crisis (Amnesty International).

In terms of monitoring:

- Introduce strong and independent monitoring / steering and scrutiny mechanisms to ensure appropriate selection criteria is used (CEPA/LIRNEasia)
- Open and transparent data to monitor impact and course correct. Specifically, the DCS data to be provided for free without the current barriers, preserving privacy/confidentiality yet enabling granular data analysis. (LIRNEasia).

5. Decent work for all categories of workers

Expanding access to work was anchored on ensuring decent work for multiple sectors in the economy. Given that a majority of the workforce is in the informal sector (the micro, small, and medium (MSME) enterprise sector in particular is estimated to contribute 52% of the GDP and provide 45% of total employment), and women are concentrated in precarious sectors in the formal sector such as manufacturing (i.e. apparels) and tea plantations, ensuring their rights in line with international commitments was stressed. Increased informalisation within formal sectors of employment (i.e. apparels) is an alarming development which directly impacts women's access to protection and decent work.

In relation to the IMF's own position on increasing female labour force participation (FLFP) in Sri Lanka, it is critical that the conditions of work and the nature of the work and women's paid and unpaid care responsibilities and emotional responsibilities, especially framed by the ongoing crisis context, are taken into due consideration. Key recommendations include:

Ensure social protection and decent work for formal and informal sector workers

- Establish/revive adequate contributory pension schemes for informal sector workers (agriculture and fisheries sector workers primarily) and ensuring adequate, accountable and contributory pension schemes for both public sector and informal sector (ex: agriculture, fisheries etc.) (CEPA)
- Consult the National Labour Advisory Council (NLAC) on issues related to labour and review the NLAC policy reform document on the 21st amendment. (attached) on how to improve good governance and transparency (Solidarity Center)
- Recognise and compute women's contribution to the formal and informal economy including the paid and unpaid care economy (WMC)
- Ensure fiscal investments and provision of infrastructure, particularly in the provision of care services, to support women's labour force participation (WMC)

Support the recovery and specific needs of the M/SME sector

- Institute/introduce immediate actions to support the recovery and resilience of the sector as multiple crises have hit them. Addressing the gendered implications of the sector via public policy is critical (Chrysalis).
- Provide concessionary lending and mentoring to a carefully selected set of micro and small businesses, conduct a pilot programme and then roll it out nationally, with medium-long term prospects so that the lessons learned from the indiscriminate and aggressive targeting of microfinance loans and their impact on destabilising the MSMEs are taken into consideration (Sarvodaya).

- Provide grants or low-cost funding for livelihoods initiatives for low-income households to be implemented by CSOs, co-operatives and regulated MFIs. A mechanism to supervise these via a committee of civil society and government professionals is needed to reduce exposure to increasing borrowing interest rates (Berendina).

Strengthen agriculture sector, food value chains and food security

- Ensure uninterrupted functioning of supply and market channels of food related value chains through the establishment of a mechanism using existing structures to channel inputs and required support services such as transport. This includes using Cooperatives, and producer groups such as farmer organisations, fisheries societies etc. to channel input and services as they already have certain structures and systems in place (CEPA)
- Where they are not available, support existing producer groups and collectives to create the infrastructure and the mechanisms to initiate input distribution and service provision. The monitoring and regulatory mechanisms that are already in place to track and monitor could be used to monitor input supply (CEPA)
- In the short to medium term, the provision of an input subsidy is recommended through an accountable mechanism to minimise over-use of input (CEPA)
- Promote low-cost agricultural practices using organic and biologically derived inputs with the engagement of community-based and civil society organisations. Consolidating abandoned small farms under semi-formal cooperative societies formed by youth could be another viable solution to re-farm the estimated 30-40% of farmlands abandoned as a result of the shortage of fertilizer and agrochemicals (Sarvodaya).
- Encourage home gardening to produce family requirements and create economic opportunities for homemakers by providing starter packs and advice through community-based organisations as a means to ensure food security (Sarvodaya).

Protect jobs and workers (domestic and migrant) in multiple sectors

- In preparation for potential re-shoring/near-shoring and job losses in manufacturing, create mechanisms to provide financial safety nets until workers are re-employed in the short term, and reskilling of workers in the medium term, with private sector participation, coordinated by the technical training sector (CEPA)
- In promoting FLFP, increased informalisation of the formal sectors of work (compelled to move into sub-contracting work that is precarious and include longer night shifts) should not be the benchmark (WMC/WAN).
- Introduce/regulate skills training and standardisation of the care sector work force (paid care) (CEPA)
- Push for the ratification of the ILO C190 to ensure harassment is addressed in a meaningful manner to encourage women and assure them of adequate protections (WAN)
- Introduce the long-delayed National Labour Migration Policy to streamline the recruitment process and thereby introduce safe and orderly migration and decent work for migrant workers of all skill levels (CEPA).
- Encourage semi-skilled migration with basic protections ensured in the short-term as these workers have a higher capacity to remit and migration is a common coping strategy adopted by the poor (CEPA)
- Trust-building with migrant workers is urgently required. Being marginalised during the pandemic and the lack of protections during crises, have made workers distrust the government and therefore refrain from remitting via regular channels (CEPA).

6. Women, children and youth

Women, children and youth are key participants in the economic, social and political spheres but generally lack the space to effect meaningful changes and participate in decision-making that impacts their access to livelihoods and wellbeing of their households. Key measures to be implemented range from ensuring that women and youth have a voice and a presence at the table, especially where such policy-level decisions are made in relation to IMF assistance.

In the plantations, garments, and migrant worker sectors as well as the informal sectors, it is women who have been the primary workers. Women have also been carrying the burden of care work and the impact of the current economic crisis. Therefore, any social security programme cannot be gender neutral or gender blind. A strong focus on women workers is primary to ensure recovery for Sri Lanka

The trust deficit and the frustration of youth as they experience the effects of this economic crisis may lead them to assume a more violent response as they continue to be marginalised in decision-making. The lack of space for the demands of the resistance (*'aragalaya'*) to be taken up, including the need for elections, will increase their despair, alienation, anger, and frustration and generational tension.

On the other hand, children of poorer households are at risk of falling out completely as public spending on protection, education and health is reduced dramatically. This includes spending cuts instituted to school meal programmes compromising the nutrition levels and overall wellbeing of children.

Recommendations proposed include:

- Immediate rollout of nutrition programmes via school meal programmes for children and programmes targeting young children and lactating mothers that address nutrition and not merely hunger (Save the Children/WMC)
- Ensure that childcare related decisions are arrived at via a consultative process and is not arbitrary (Berendina)
- Introduce a well-planned multi-sectoral approach to provide economic opportunities, skills development assistance, mechanisms for resumption of education, cultural and entertainment, and sports engagements for the youth so they could lead purposeful lives (Sarvodaya)
- Provide due recognition to women's current contributions to formal and informal sector work and to paid and unpaid care work especially since the IMF is keen on increasing FLFP (WMC)
- Address the impediments to participation via fiscal investment to support women's labour participation especially the funds required to establish infrastructure related to child and eldercare (WMC)
- Ensure access to child and eldercare by facilitating quality, accessible and affordable care services for children, elderly and the differently-abled (CEPA)
- Strengthen and where necessary establish elderly and child-care linked to the public health system in the country, to be managed at the decentralised level (e.g. day care centres for elderly to be managed at the community/Grama Niladhari level with health sector participation) (CEPA)

Annexure 1: List of CSO/Think-tank participants

	Name	Organization	Designation
1	Ms. Dinushika Dissanayake	Amnesty International	Research Director
2	Mr. Anura Athapattu	Berendina Development Services	Chairman
3	Dr. Paikiasothy Saravanamuttu	Centre for Policy Alternatives	Executive Director
4	Ms. Bhavani Fonseka	Centre for Policy Alternatives	Senior Researcher
5	Professor Camena Gunaratne	Centre for Poverty Analysis	Chairperson - CEPA
6	Dr. Gayathri Lokuge	Centre for Poverty Analysis	Senior Research Professional
7	Ms. Karin Fernando	Centre for Poverty Analysis	Acting Executive Director
8	Mr. Eranga Amunugama	Centre for Poverty Analysis	Head, Resource Mobilisation and Operations
9	Ms. Ashika Gunasena	Chrysalis	Chief Executive Officer
10	Dr. Sakuntala Kadirgamar	Law and Society Trust	Executive Director
11	Ms. Helani Galpaya	LIRNEasia	Chief Executive Officer
12	Ms. Gayani Hurulle	LIRNEasia	Research Manager
13	Mr. Julian Chellappah	Save the Children	National Director
14	Mr. Ranjan Weththasinghe	Save the Children	Director, Program Development, Quality and CSO Strategic Partnership
15	Dr Vinya Ariyaratne	Sarvodaya Movement	President
16	Mr. Ranjan Kurian	Solidarity Center	Senior Program Officer
17	Mr. Johann Rebert	The Asia Foundation	Deputy Country Representative
18	Ms. Nadishani Perera	Transparency International	Executive Director
19	Ms. Shreen Saroor	Women's Action Network	Co-Founder
20	Ms. Kumudini Samuel	Women and Media Collective	Director, Programmes and Research
21	Ms Jayanthi Kuru Utumpala	Women and Media Collective	Chairperson - WMC
22	Mr. Patrick Vandenbrouaene	Development Partners Secretariat	Head of Office