



## EXPERT GROUP MEETING ON **HEALTH FINANCING IN SRI LANKA**

7th September 2020,  
WHO Country Office for Sri Lanka

### Introduction

The COVID-19 pandemic has created a double crisis - a health emergency and a possible economic disaster. Experts predict that the impacts of the pandemic will continue long after the virus itself is contained. The most intuitive economic consequence of an epidemic is increased health care costs that result from scaling up the public health response and building case management capacity in the health system. However, the primary economic impact stems from the significant restrictions of economic activities due to prevention measures, such as the suspension of travel between countries and lockdown measures within countries. Currently, the world is experiencing a massive global economic contraction, causing a rise in unemployment, poverty, and inequality. To compound the crisis, countries are experiencing a decline in public revenues, remittances, and household incomes. Most countries have significantly increased borrowing to mitigate the effects of the crisis. While, higher borrowing may mitigate the immediate impact; rising debt levels will likely imply fiscal pressures for many years to come.

## Economic impact of COVID-19 in South Asia

- Sri Lanka's economy is among the hardest hit by COVID-19 in South Asia after Maldives and Afghanistan...
- ... and one of the slowest to recover...

Unit: GDP growth in real terms (%)

Country	2019 (estimate)	2020 (forecast)	2021 (forecast)
Afghanistan	2.9	-5.5	1.0
Bangladesh	8.2	1.6	1.0
Bhutan	3.9	1.5	1.8
India	6.1	4.2	-3.2
Maldives	5.2	-13.0	8.5
Nepal	7.1	1.8	2.1
Pakistan	3.3	-2.6	-0.2
<b>Sri Lanka</b>	<b>2.6</b>	<b>-3.2</b>	<b>0.0</b>

World Bank (2020). Global Economic Prospects, June 2020. Washington DC: World Bank.



Source: Dr Hideki Higashi presentation, Impact of COVID-19 on Public, Health Financing, 07 Sept 2020

Thus far, Sri Lanka has been successful in controlling COVID-19 due to its robust and resilient health system and committed workforce. It is critical to build on these strengths and gains. Additionally, continuing to explore opportunities to further strengthen the system's capacity to deal with future epidemics and public health emergencies such as natural disasters, dengue and other emerging threats is a priority. (WHO 2020). The Oxford University Stringency Index suggests that Sri Lanka's lockdown was one of the most stringent in the region during its operation (Hale et al 2020) as measured by indices such as daily border closings, school closings, etc.

WHO, in collaboration with ADB and World Bank organized an "Expert Group Meeting on Health Financing in Sri Lanka" on the 7th of September 2020 at the WHO Country Office for Sri Lanka with the participation of key government officials, development partners and technical experts to stimulate discussions and explore ways to sustainably finance the health system. Key economic impacts and recommendations for Sri Lanka to

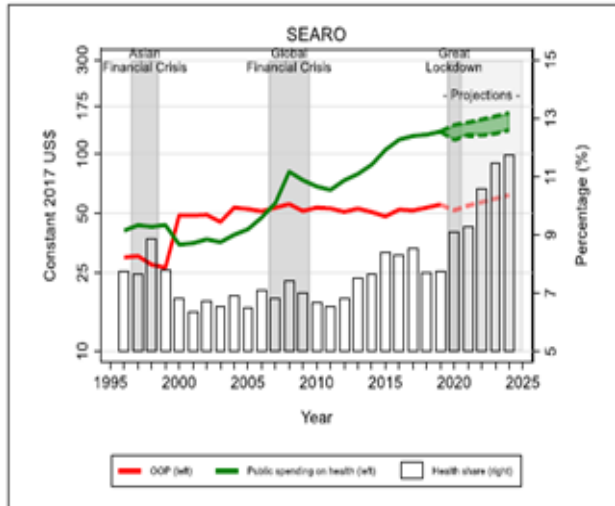
continuously progress in the path to universal health coverage and achieving the SDGs in the time of COVID-19 and beyond, which emerged from the meeting, are outlined below.

## Highlights

### A. Economic impact of COVID 19

Global economic output is expected to contract by 5.2% in 2020. Projected SEARO per capita income contraction is 3.9% in 2020. It should be noted that the projected contraction is deeper than previously seen contractions. We are experiencing a rise in unemployment, a dramatic drop in remittances, and a decline in household incomes and consumption. The service sector and manufacturing sectors have also been severely affected, and the informal sector has been hit the hardest. World Bank Economic Update in June projected that Sri Lanka will have a contraction of -3.2% in 2020 and 0.0% in 2021. Sri Lanka is one of very few countries that is not projected to return to positive growth in 2021.

## Slowdown/Contraction in Health Financing Expected



- Even with countercyclical increase in total government spending share of GDP by increasing borrowing and rising debt, growth in per capita total government spending is expected to **slowdown or contract** in SEARO.
- Health's share of public spending will need to **increase** to preserve previous trend growth rates and to offset likely declines in OOP spending.
- Higher debt → greater debt servicing in future; **fiscal tightening may continue** for several years beyond end of current crisis.



Source: Ajay Tandon and Valeria De Oliveira Cruz, Economic Impact of COVID-19 presentation, 07 Sept 2020

### Considerations for Sri Lanka's recovery and health financing

- All COVID-19 care to date had been managed by the state healthcare system.
- The quarantine and PCR testing of returnees is costly. We should think about splitting the cost between private-funded hotel quarantine and testing compared to government-run testing and quarantine.
- COVID-19 highlighted the need for better NCD care and the potential for contact tracing, which could now be usefully tapped for addressing other communicable diseases like TB.

Sri Lanka is facing a deep recession. Output is falling at a greater rate and the near-term economic outlook is very challenging, with a need for substantial recovery in the fourth quarter this year to see a positive or zero annual growth rate. Other uncertainties such as weather patterns and rainfall can substantially impact agricultural activity.

Accordingly, Ministry of Finance has initiated the budgeting process and a circular has been issued. The government is hoping to scale up investment in the health sector in the next two years.



## In summary: A Crisis for Health Financing

A massive global economic contraction is occurring and causing a rise in

unemployment, poverty, inequality as well as declining public revenues, remittances, and household incomes

Most countries have significantly increased borrowing to mitigate the effects of the crisis

But while, higher borrowing may mitigate the immediate impact; rising debt levels will likely imply fiscal pressures for many years to come

Source: Ajay Tandon and Valeria De Oliveira Cruz, Economic Impact of COVID-19 presentation, 07 Sept 2020

The key points for the Sri Lankan health finance system are to prioritize public spending to address the pandemic, prioritize health in government budgets, mobilise adequate domestic revenue, improve value for money in health and enhance pro-poor targeting.

### B. Key recommendations

Policy options in health financing that can be considered are as follows:

#### 1. Economic revival through the implementation of fiscal and financial stability strategies to build investor confidence by:

- Cutting down on red tape and digitalizing services
- Improving efficiency in the use of resources in the public / state sector
- Encouraging the private sector and businesses to expand in niche areas: e.g. manufacturing face masks may have potential for local and international markets

- Limiting non-essential imports and promote local production: e.g. it was highlighted during the discussion that around 2 billion USD of food is imported annually and some of this can be produced in Sri Lanka. Strategies to minimize post-harvest losses and improve the supply chain should be implemented

#### 2. Prioritize health in the government budget – health is key to economic development and controlling COVID-19 in Sri Lanka is key for economic revival, tourism, production, and foreign employment

- Better NHA system integrating the funding from state and other agencies including DPs and undertake costing / budgeting for activities in 2021
- Prioritization of activities will be important as there will be funding restrictions from the treasury

### 3. Mobilize adequate domestic revenues by:

- Expanding the tax base by improving tax administration and collection mechanisms
- Improving the design and implementation of value-added taxation and property taxation, etc.
- Sustain and expand on “pro health taxes” such as alcohol and tobacco taxation and sugar sweetened taxes, which can be expanded to salt and trans-fats as well. These are considered non-regressive and pro-poor taxes

### 4. Increase efficiency gains and ensure value for money in health spending by:

- Reducing the fragmentation of funding flows and parallel administrative arrangements
- Better connected screening, contact tracing, testing and treatment through the linkage of preventive and curative care delivery systems through the Shared Care Cluster model
- Better functional integration and coordination (curative sector, preventive sector, laboratory services, information systems and supply chain). An efficient supply-chain system has a lot of benefits and is important for SL's COVID19 vaccine readiness
- Increase use of digital technology in healthcare. Effective use of technology for sharing information, contact tracing and surveillance

### 5. Sustain investments in Primary Healthcare as the best and most cost effective strategy for achieving Universal Health Coverage. ADB and WB have come forward to support this in Sri Lanka, with WHO taking the lead.

- Re-orienting the service delivery system so that it can be adapted to the epidemiologic and population health profile in Sri Lanka. Strengthening Primary Health Care will increase health care services for older people, people with disabilities, and people with Non-Communicable Diseases. It will also support the elimination of TB, HIV, and other essential services, closest to where they live
- Investing in health workforce, especially in the PHC setting, will retain human resources and increase the quality of services that is delivered at these settings

### 6. Digitalization of health care and the effective use of technology for sharing information, contact tracing, and coordinating the efficient use of clinical resources.

### 7. Improve health sector coordination and a whole of society approach in relation to disaster and pandemic response.

### 8. Harmonize support based on plans to avoid duplication and increase accountability. Improve institutional coordination on multi-sectoral issues.

## ANNEX A – AGENDA

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12.00 PM - 12.05 PM

### Welcome

Dr Razia Pendse – WHO Representative, Sri Lanka

Dr Sridharan, Acting Director General Health Services, DDG, Planning, MoH, Sri Lanka

12.05 PM - 12.35 PM

### Input Presentations: 10 minutes each

- **Global /Regional economic outlook and impact of COVID-19**  
Ajay Tandon (Lead economist, World Bank) and Valeria Oliveira Cruz (Regional Adviser - Health Financing & Governance, WHO SEARO)
- **Preliminary study on impact of COVID-19 in Sri Lanka**  
Prof Amala de Silva (Professor in Department of Economics, Faculty of Arts, University of Colombo University of Colombo) and Hideki Higashi (Senior Health Economist, Health, Nutrition & Population World Bank)

### Discussion

12.35 PM - 12.50 PM

- **Prospects on Economic Recovery for Sri Lanka**  
Dr Ganeshan Wignaraja, Executive Director, Lakshman Kadiragamar Institute, Sri Lanka

12.50 PM - 1.50 PM

### Perspectives on possible options for Sri Lanka: (3-5 minutes each)

- **MOF**  
Mr. D. S. R. Perera, Additional Director General - Department of National Planning, Ministry of Finance
- **ADB**  
Dr. Brian Chin, Social Sector Economist in the South Asia Human and Social Development Division at the Asian Development Bank
- **MOH**  
Dr. Susie Perera, DDG, Public Health Services II, Ministry of Health Sri Lanka
- **WHO**  
Dr Susan Sparkes, Health financing Technical Officer, WHO HQ

1.10 PM - 1.25 PM

### Moderated discussion

Dr Razia Pendse – WHO Representative, Sri Lanka

1.25 PM - 1.30 PM

### Summary and way forward

Dr Olivia Nieveras - Public Health Administrator, WHO Sri Lanka

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## ANNEX B – PARTICIPANTS

	Name	Designation
01	Dr. Razia Pendse (Chair)	WHO Country Representative for Sri Lanka
<b>Resource Speakers/Experts</b>		
02	Dr. Ajay Tandon	Lead economist, World Bank
03	Dr. Valeria Oliveira Cruz	Regional Adviser - Health Financing & Governance, WHO SEARO
04	Prof. Amala de Silva	Professor in Department of Economics, Faculty of Arts, University of Colombo University of Colombo
05	Dr. Hideki Higashi	Senior Health Economist, Health, Nutrition & Population World Bank
06	Dr. Ganeshan Wignaraja	Executive Director, Lakshman Kadiragamar Institute, Sri Lanka
07	Mr. D. S. R. Perera	Additional Director General - Department of National Planning, Ministry of Finance
08	Ms. Chandrika Senanayake	Director - Department of National Planning, Ministry of Finance
09	Dr. Brian Chin	Social Sector Economist in the South Asia Human and Social Development Division at the Asian Development Bank
10	Dr. Susie Perera	DDG, Public Health Services II, Ministry of Health Sri Lanka
11	Dr. Susan Sparkes	Health financing Technical Officer, WHO HQ
12	Mr. Lluís Vinals	Advisor Health Policy and Systems for UHC, WHO Myanmar
13	Dr. Palitha Abeykoon	Advisor, WHO
14	Mr. David Blackman	Economist, UN RCO
15	Dr. Nishan De Mel	Executive Director   Verité Research
16	Dr. Ravi Ranan-Eliya	Executive Director, Institute of Health Policy
17	Prof. Indralal De Silva	Professor Emeritus (Demography) UOC
18	Dr. Lalini Rajapakse	Specialist in Public Health
19	Dr. Eshani Fernando	Director Planning, MoH
20	Dr. Thilina Wanigasekera	Director, Organizational Development, MoH
21	Dr. Dileep De Silva	Head, HRM Unit, MoH
22	Dr. Dushni Weerakoon	Director, IPS
23	Dr. Vinya Ariyaratne	President, Sarvodaya Shramadana Movement
24	Dr. Anuruddha Padeniya	Consultant Paediatric Neurologist /President, GMOA
25	Ms. Hui Wang	Technical Officer, Health Economics & Health Planning, Department of Health systems Development, WHO
26	Dr. Utsav Kumar	Deputy Country Director & Senior Country Economist, South Asia Department, ADB
27	Ms. Afraa Mohamed	Research Assistant for SDG planning and financing, UNDP Sri Lanka
28	Dr. Deepika Attygalle	Senior Health Specialist, Colombo Office, World Bank
<b>Organizers and Invitees</b>		
29	Dr. Olivia Nieveras	WHO Country Office, Sri Lanka
30	Dr. Padmal De Silva	WHO Country Office, Sri Lanka
31	Dr. Shreenika De Silva Weliange	WHO Country Office, Sri Lanka
32	Dr. Anjalee De Silva	WHO Country Office, Sri Lanka
33	Ms. Sahani Chandraratna	WHO Country Office, Sri Lanka
34	Dr. Nalika Gunawardana	WHO Country Office, Sri Lanka
35	Dr. Manjula Dhanansuriya	WHO Country Office, Sri Lanka
36	Dr. Nalinda Wellappuli	MoH
37	Dr. Pramila Adhikari	MoH

