



# **Solutions to Mitigate Learning Losses due to the COVID-19 Pandemic and Economic Crisis in Sri Lanka**

## **Keynote Speech**

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# Sri Lanka's Education System is at a Crossroads

- **Sri Lanka traditionally gained a reputation as a country to achieves high-performing human development.** Sri Lanka's state-led education system providing free education from 1945 achieved access to primary and secondary education for nearly all school-age children. Sri Lanka ranked high on Human Development Index compared with other peer countries.
- **However, even before the COVID-19 pandemic, higher access to general education did not necessarily translate into a productivity increase.** For example, Sri Lanka's labor force participation rate is around 50% which is considerably lower than the upper middle-income average of 67%. It did not also lead to economic diversification.

# Schools closed due to the pandemic challenge of the traditional education system

- **Pandemic forced 71 weeks of full or partial school closures in Sri Lanka.** South Asia region continued the longest school closures and Sri Lanka recorded the 20<sup>th</sup> longest school closure in the world. Due to the school closure, children and youth are also deprived of opportunities to continue quality education and develop 21<sup>st</sup>-century skills such as creative thinking, collaboration, and critical thinking.
- **ADB estimated 4.5% earning losses in Sri Lanka.** The pandemic forced us to compromise access and quality of education through remote learning, and there will be scarring effects in the medium to long run. The earning losses will be higher for girls.
- **Youth had already felt the pandemic impact on employment.** During the pandemic, the youth unemployment rate (age 15-24) soared from 20% in 2<sup>nd</sup> quarter of 2019 to 30% in the 2<sup>nd</sup> quarter of 2021. In particular, female youth unemployment is 39.8% in the 2<sup>nd</sup> quarter of 2021.

# Learning Losses at State Owned (Government & Provincial) Schools due to the COVID-19 Pandemic in Sri Lanka

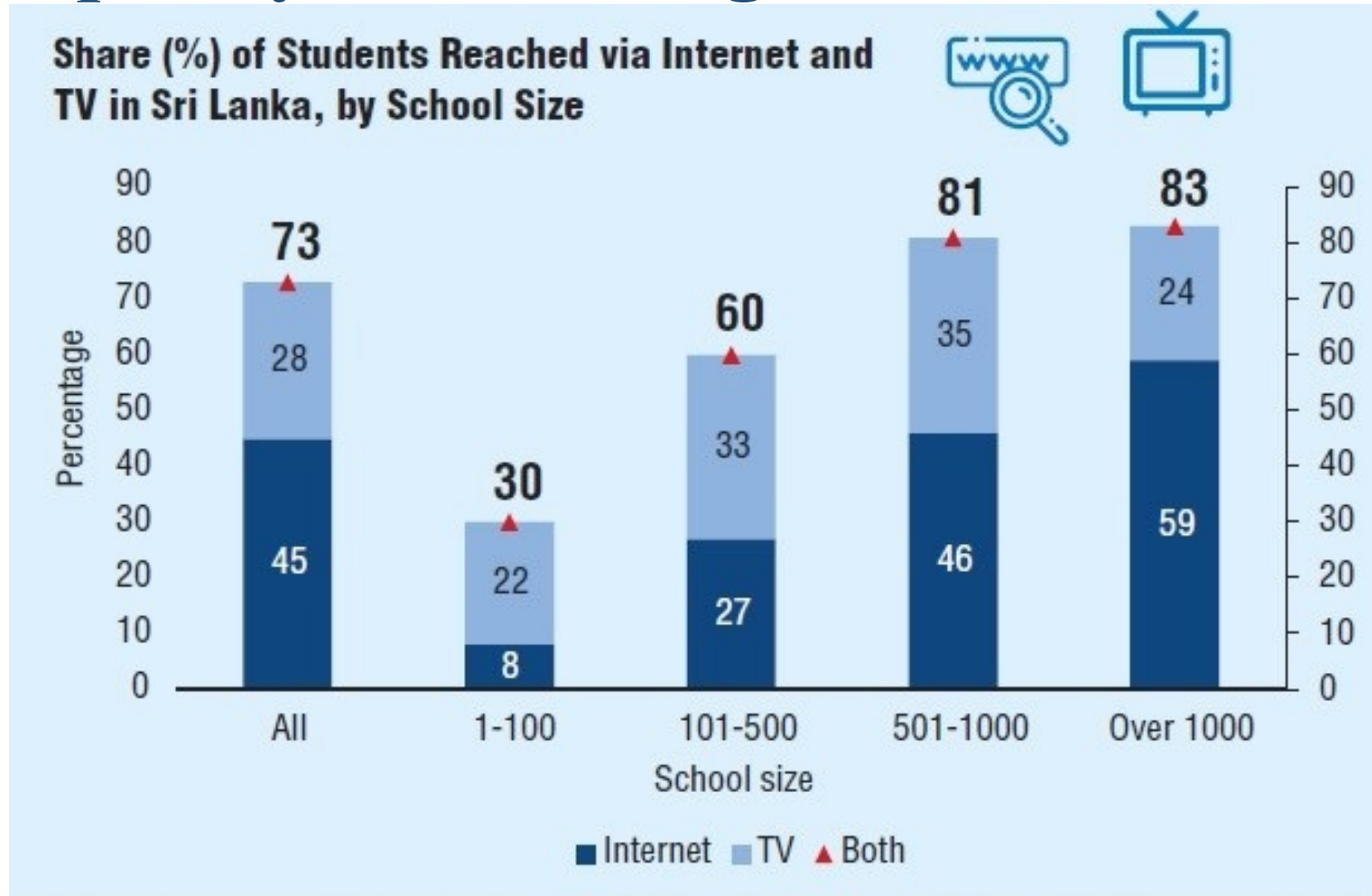
Year	Scheduled Number of Dates	Actually Conducted Dates- Western Province	Actually Conducted Dates -Outside of Western Province
2018	197	185	185
2019	197	183	183
2020	194	97 (50%)	117 (60.3%)
2021	183	102 (55.7)	143 (78.1%)
2022*	139*	18*	18*

\* Until 9<sup>th</sup> June 2022

Prof. H. D. Karunaratne, UOC

Prof. H.D. Karunaratne

# Inequality in Learning Losses in Sri Lanka



Source: Gamage, S., & Zaber, M. (2021). Teaching and Learning in Distance Mode during COVID-19 in Sri Lanka and Bangladesh. National Conference on COVID 19: Impact, Mitigation, Opportunities and Building Resilience. Colombo: Education Forum Sri Lanka.

# The pandemic, however, had a silver lining.

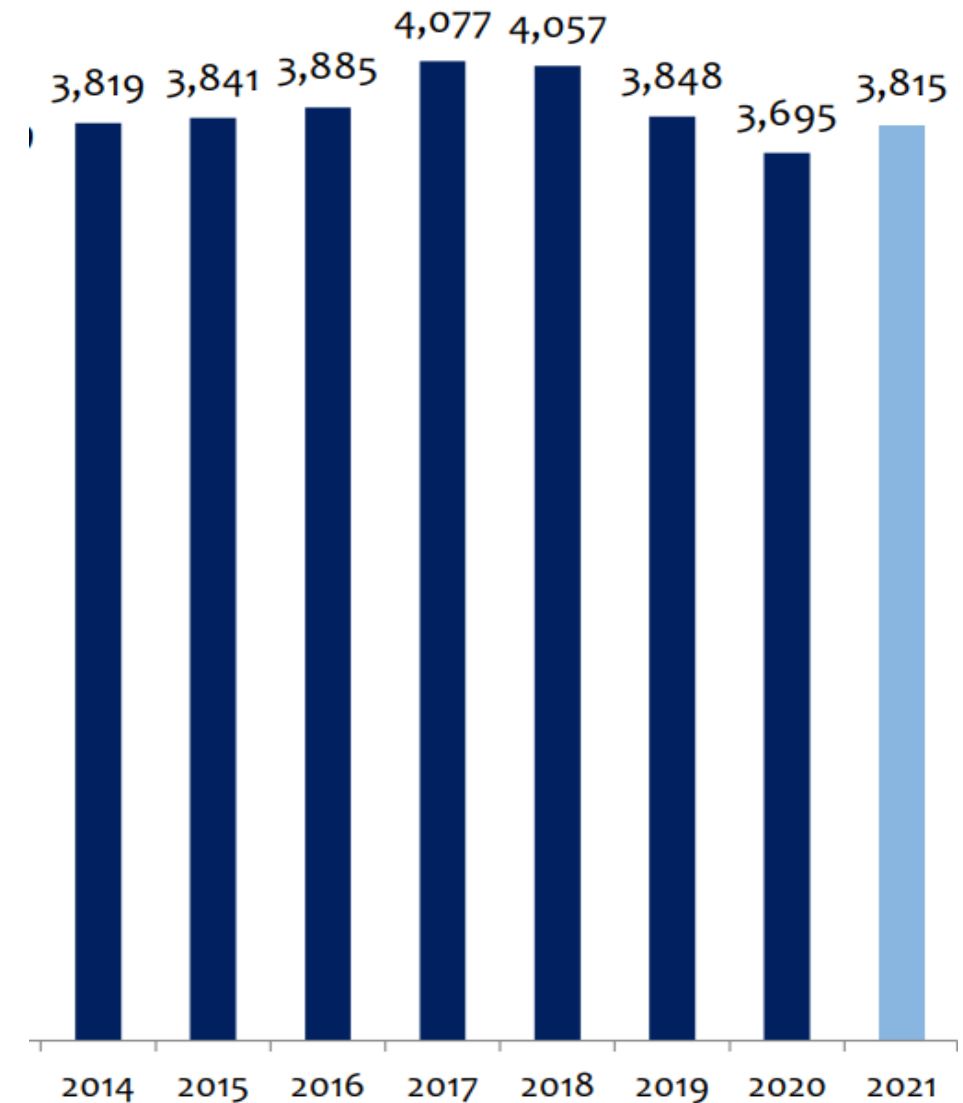
- **Sri Lanka made a remarkable transformation during the pandemic.** For example, the Ministry of Education developed education TV channels in collaboration with industry and telecommunication partners. Soon after the pandemic, free access to zoom and learning management systems at respective state universities was ensured to continue higher education online.
- **The access to devices and the internet remained challenges.** Not all individual students own a TV, laptop, or high-speed internet. Many students had to share TV and 3G smartphones with family members. Some students from low-income households even did not have any.

# Characteristics of Economic Crisis of Sri Lanka

## 1. Fluctuation of GDP Growth

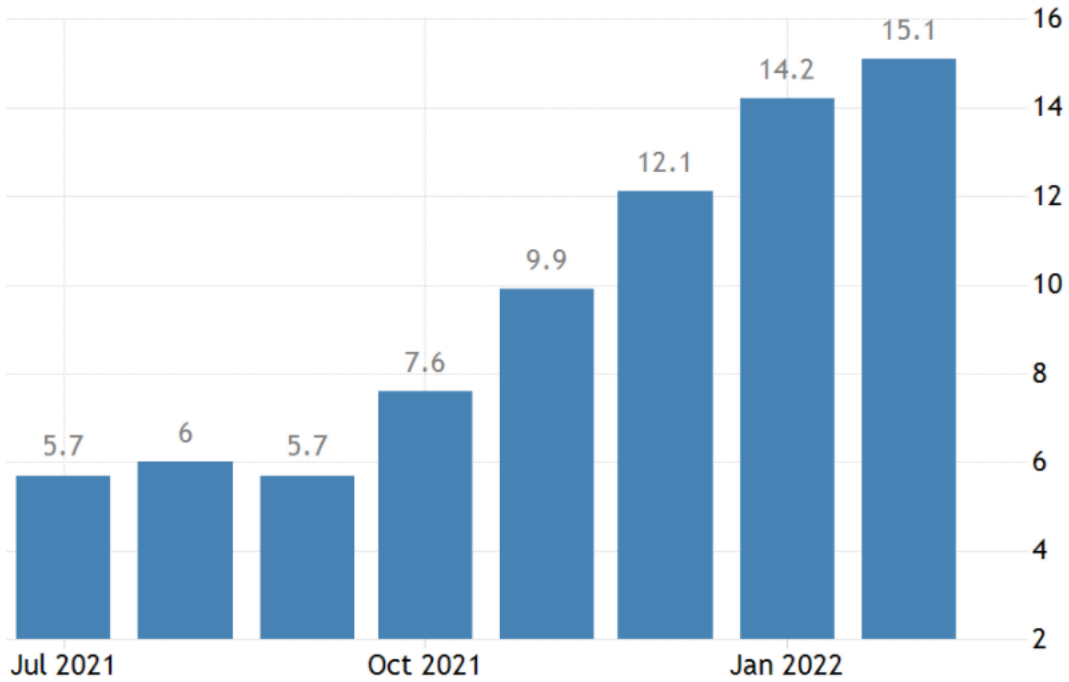


## 2. Declining Per Capita GDP

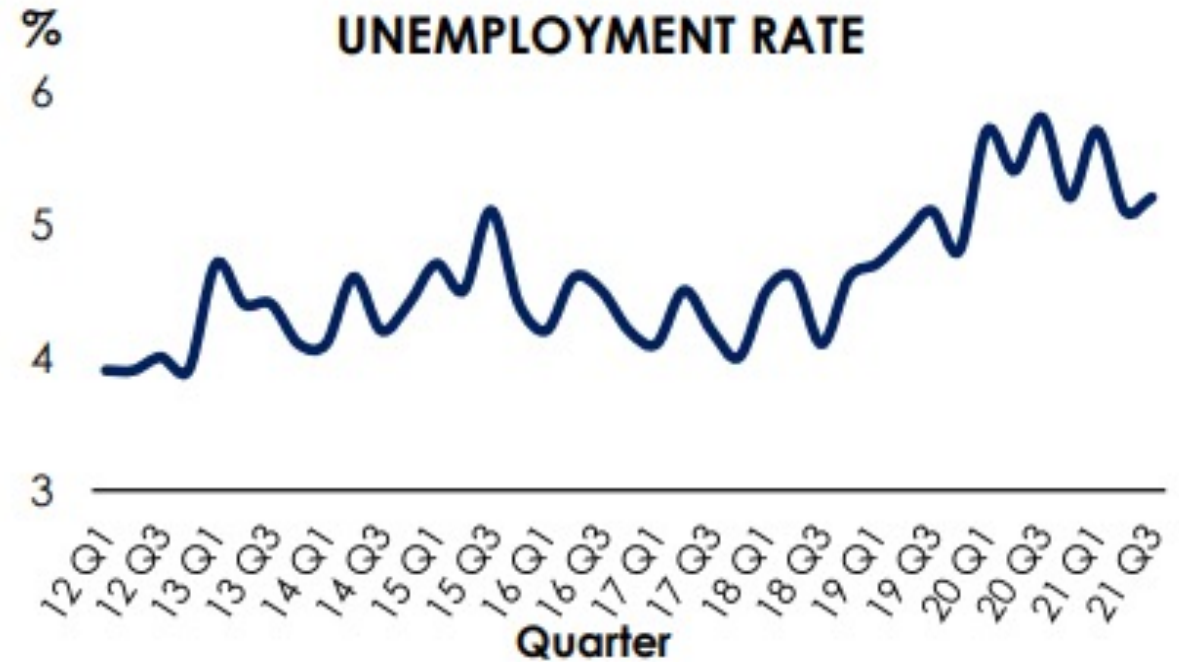




### 3. Increasing Price Level



### 4. Increasing Unemployment rate



**LIQC'S NEW FUEL PRICES**

FUEL TYPE	PREVIOUS	INCREASED MARGIN	NEW
92 OCTANE	RS. 204	RS. 50	RS. 254
95 OCTANE	RS. 233	RS. 50	RS. 283
AUTO DIESEL	RS. 139	RS. 75	RS. 214

**Sri Lanka hit by massive fuel price**

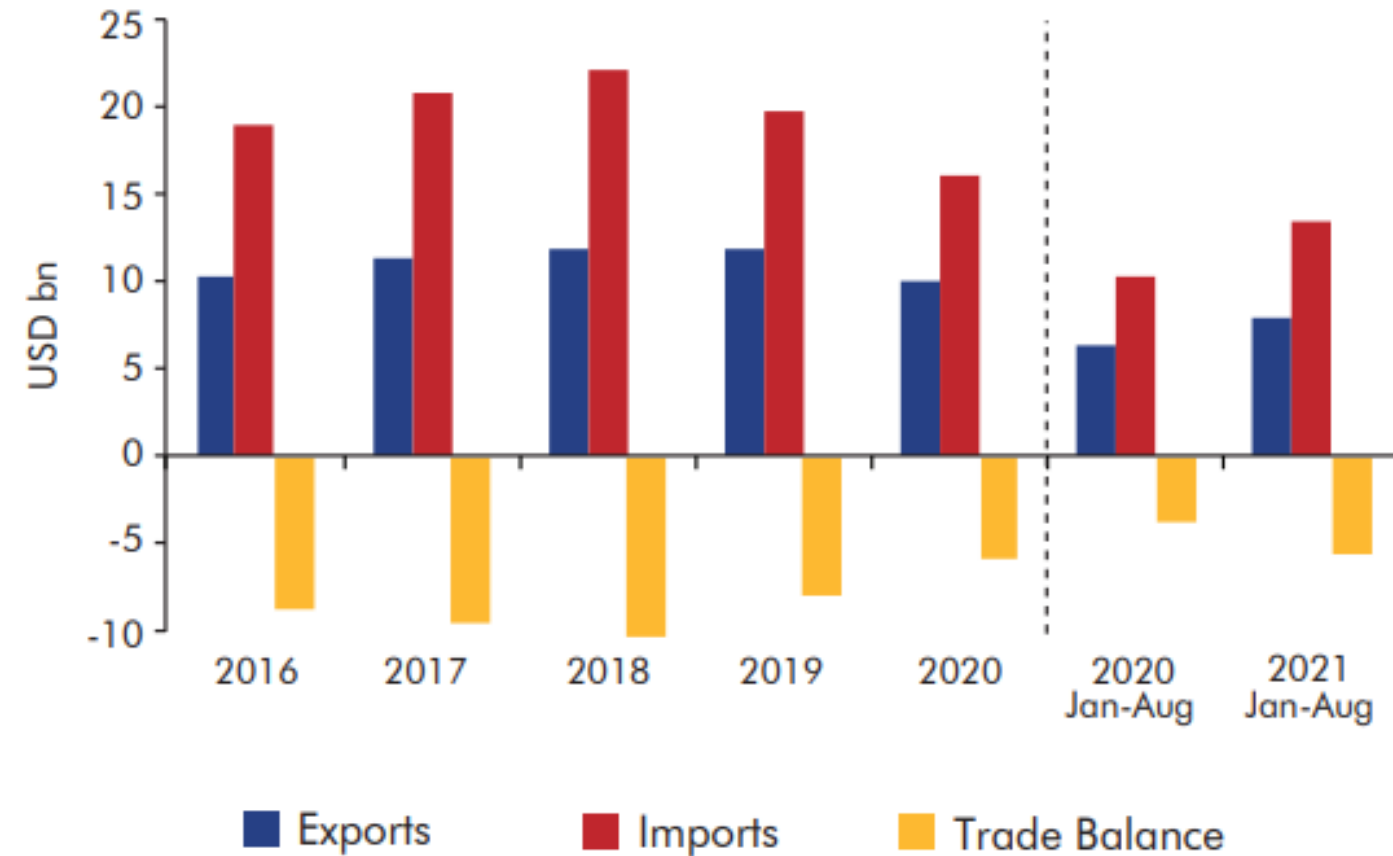
Source: Department of Census and Statistics



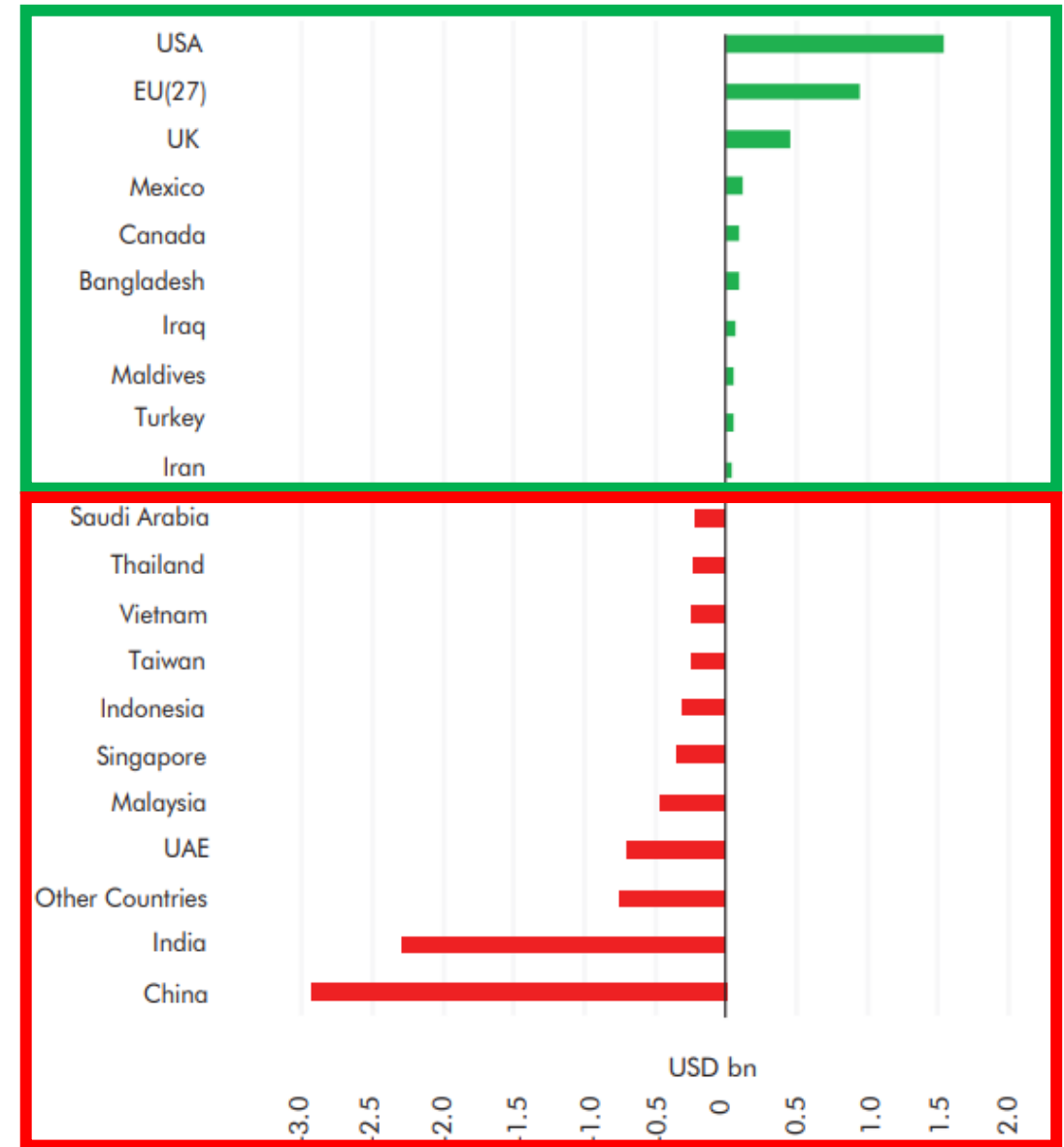
## 5. Heavily Dependent on Imports

## 6. Accumulated and Widening trade deficit

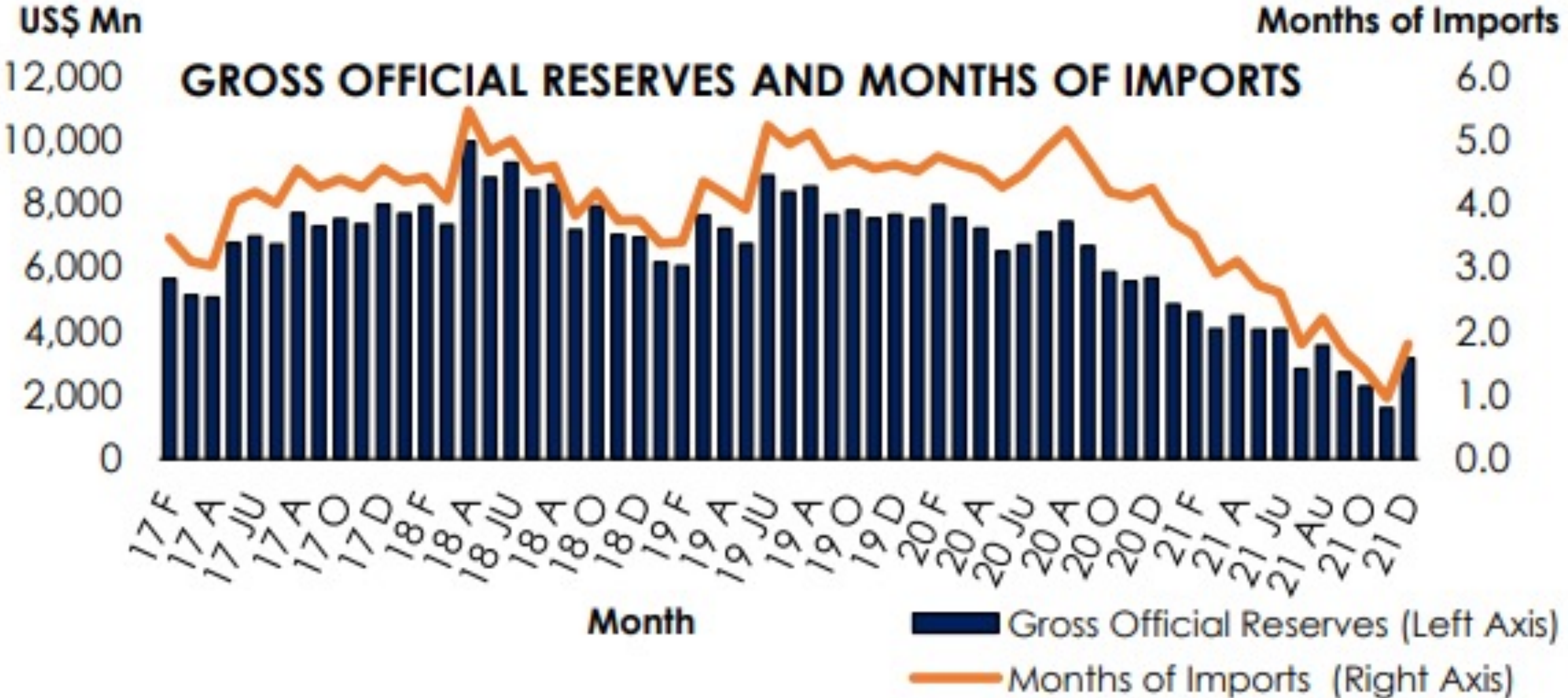
### External Trade Performance



### Bilateral Trade Balances during Jan-Aug 2021

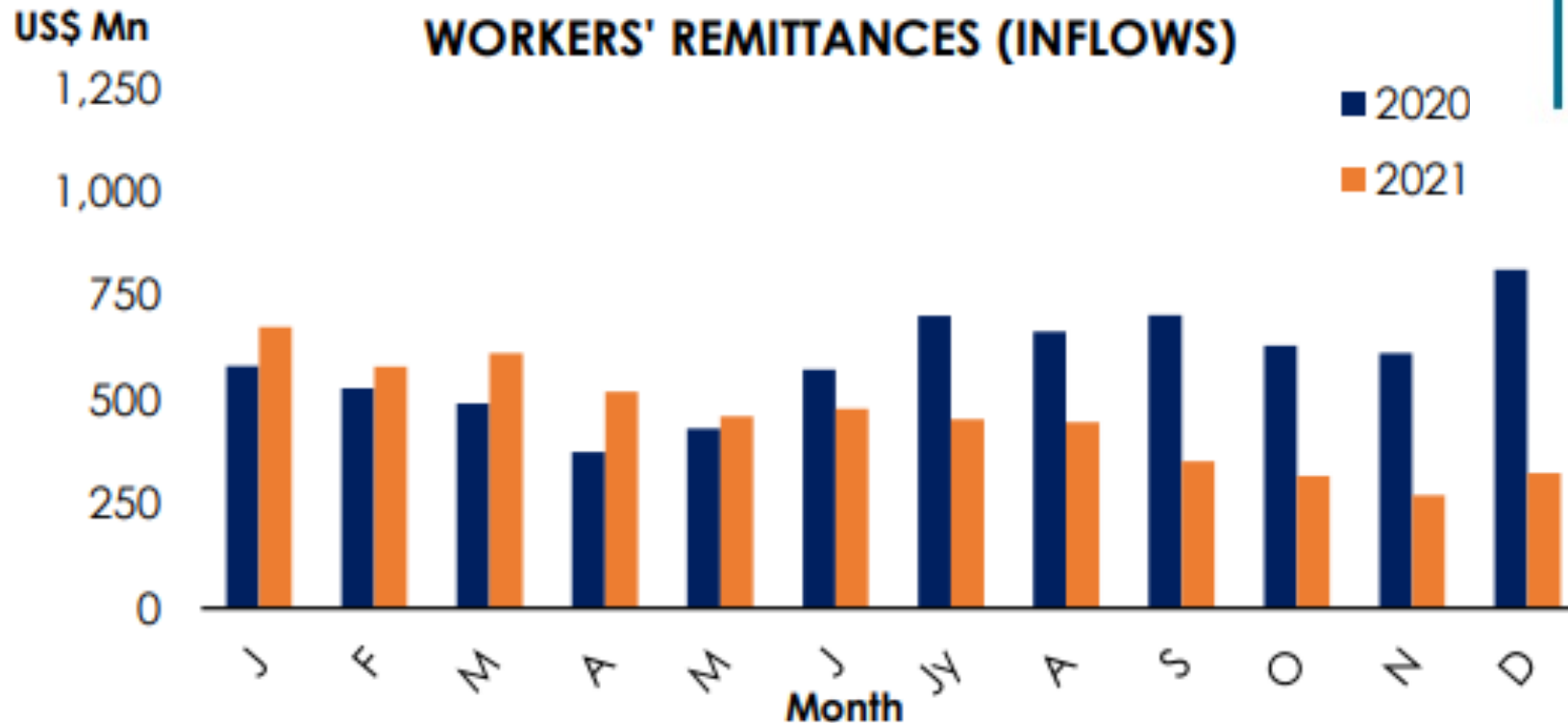


# 7. Declining Foreign Reserves

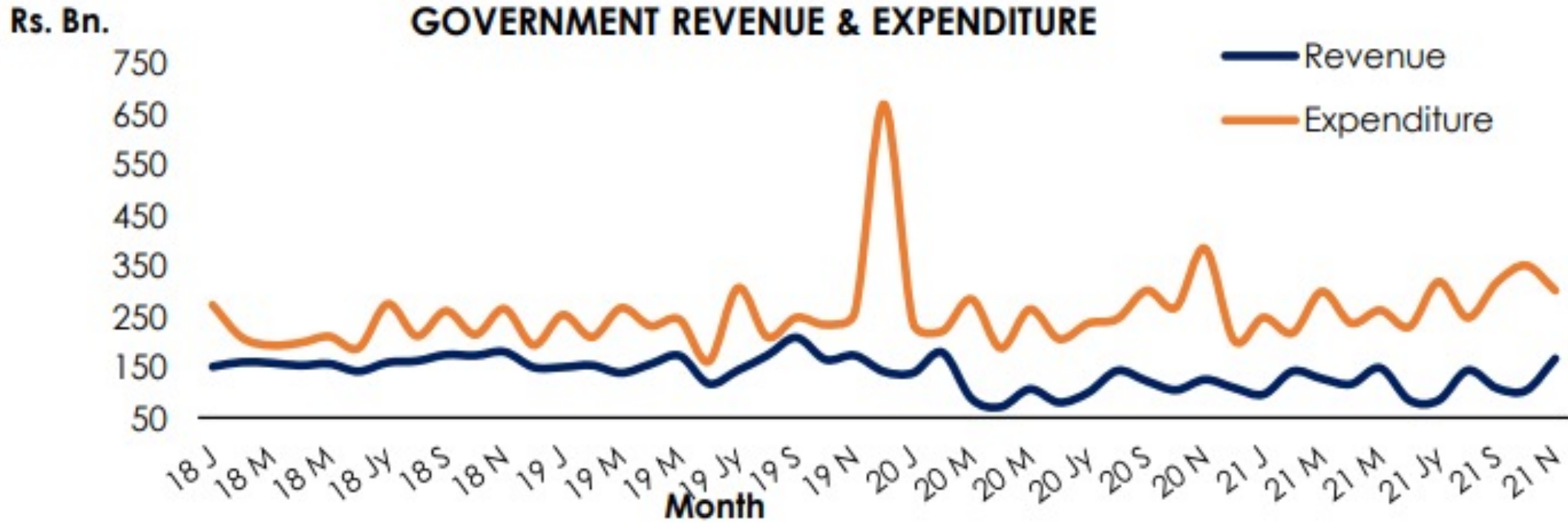


## 8. Declining workers' Remittances

“Workers’ remittances slowed down notably since June 2021, partly due to the increased use of informal channels...”



## 9. Expanding Government budget deficit



Proposals:

1. Collect data from grassroot level income by using public officers
2. Expand tax net by the digitalization of IR Department
3. Re-think on Tax exemptions
4. Re-structure loss making Public sector organization
5. Promote PPP activities with provincial and local government authorities
6. Introduce public sector employees to foreign employment opportunities



## Economic Classification of Government Revenue

Item	Rs. bn			
	2019	2020 (a)	2020 Jan - Jul (a)	2021 Jan - Jul (a)
<b>Tax Revenue</b>	<b>1,734.9</b>	<b>1,216.5</b>	<b>670.4</b>	<b>716.7</b>
Income Taxes	427.7	268.2	126.0	119.6
VAT	443.9	233.8	119.3	174.9
Excise Taxes	399.5	321.9	184.9	171.8
Import Duties	98.4	114.2	60.4	56.4
PAL	112.2	115.4	62.4	79.7
CESS	50.7	49.3	28.1	45.6
SCL	70.4	82.7	46.5	33.8
Other Taxes	132.2	30.9	42.8	34.9
<b>Non Tax Revenue</b>	<b>156.0</b>	<b>151.4</b>	<b>92.8</b>	<b>82.2</b>
<b>Total Revenue</b>	<b>1,890.9</b>	<b>1,368.0</b>	<b>763.2</b>	<b>798.9</b>

(a) Provisional

Source: Ministry of Finance

## Economic Classification of Government Expenditure

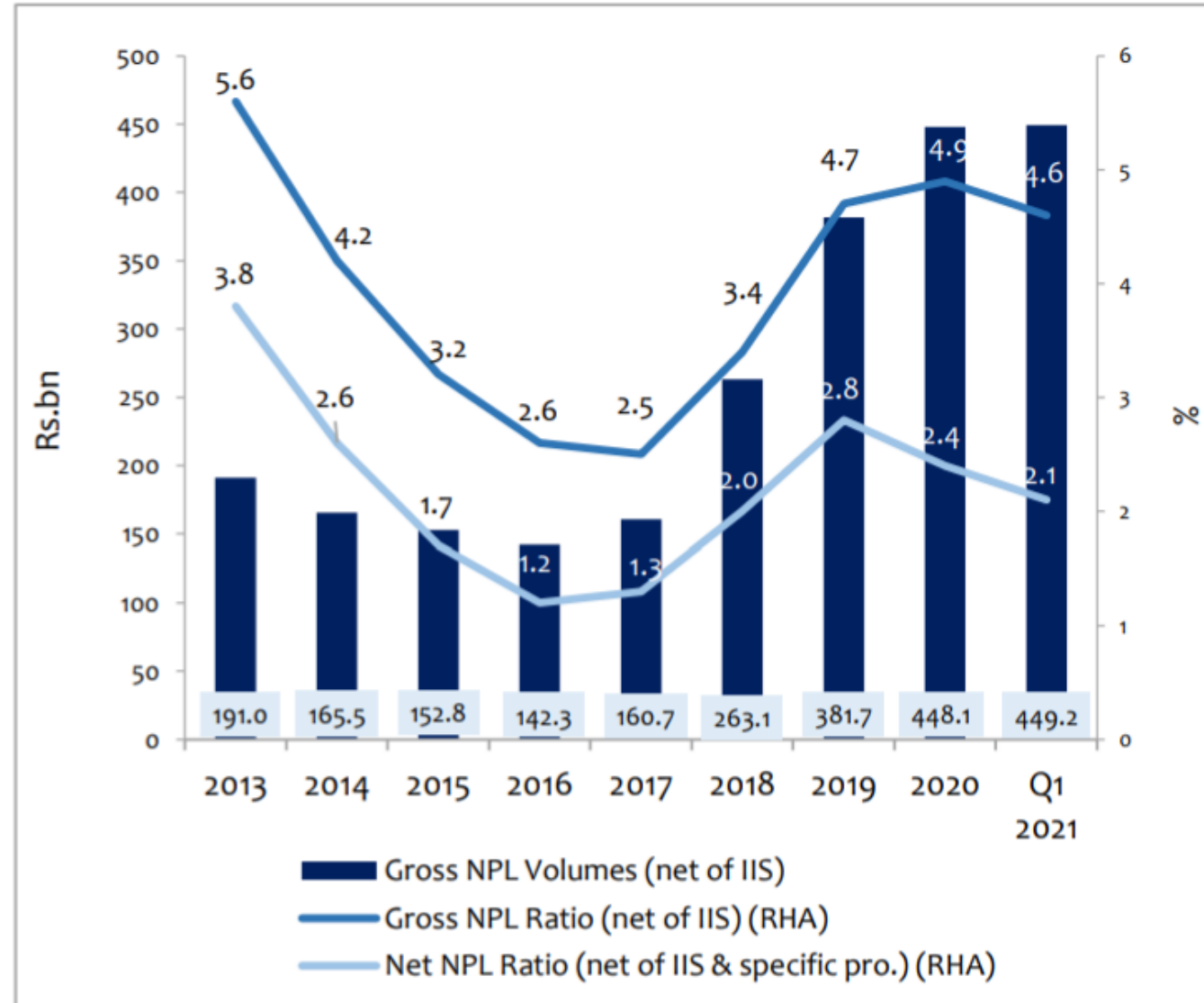
Rs. bn

Item	2019 (a)	2020 (b)	2020 Jan - Jul (b)	2021 Jan - Jul (b)
<b>Recurrent Expenditure</b>	<b>2,424.6</b>	<b>2,548.4</b>	<b>1,457.7</b>	<b>1,578.0</b>
Expenditure on Goods and Services	848.3	974.4	534.0	575.6
o/w Salaries and Wages	686.5	794.2	451.4	490.8
Interest Payments	901.4	980.3	583.6	637.4
Foreign	234.0	266.7	170.8	157.8
Domestic	667.4	713.6	412.8	479.6
Current Transfers and Subsidies	551.5	717.1	340.1	365.1
o/w Pensions	227.7	257.8	140.7	153.2
Samurdhi	44.7	52.4	30.7	34.6
Fertiliser Subsidy	35.0	36.7	18.6	8.8
<b>Capital Expenditure and Net Lending</b>	<b>913.3</b>	<b>492.6</b>	<b>180.2</b>	<b>236.3</b>
<b>Total Expenditure and Net Lending</b>	<b>3,337.9</b>	<b>3,041.0</b>	<b>1,637.9</b>	<b>1,814.4</b>

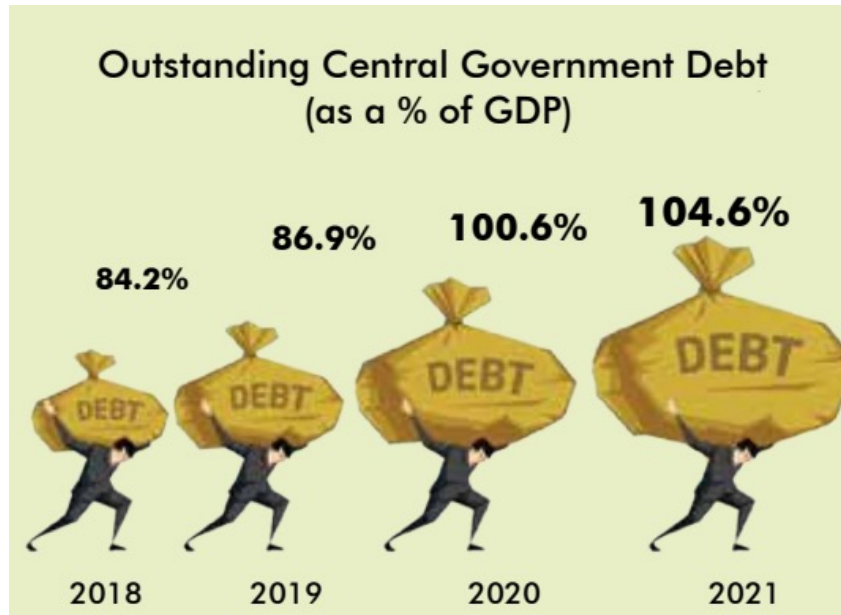


# 9. Increasing Non-performing Loans of the Banking Sector

## Non-Performing Loans of the Banking Sector



## 10. Growth in Debts in Sri Lanka



Foreign debt of Sri Lanka was,

US\$ 9.0 billion in 2000

US\$ 11.3 billion in 2005

US\$ 21.2 billion in 2010

US\$ 44.8 billion in 2015

US\$ 56.0 billion in 2020

The foreign

- **Main Reasons:**
- 1 Expanded Trade deficit- Imports grew faster than exports
- 2. Expanded government budget gaps and high level of borrowing
- 3. Insufficient export promotion due to lack of innovations, new products, and new business registrations
- 4. Welfare oriented policy making without understanding ground realities
- 5. Institutional failures to promote financial literacy & entrepreneurship among people.
- 6. Infrastructure development projects with lack marketing strategies

# Economic Impact of Learning Losses: Literature Review

- The present value of learning losses is estimated at \$1.25 trillion for developing Asia, equivalent to 5.4% of the region's 2020 gross domestic product (GDP).
- Existing research suggests that the students in grades 1-12 affected by the closures might expect some 3 % lower income over their entire lifetimes.
- For nations, the lower long-term growth related to such losses might yield an average of 1.5 percent lower annual GDP for the remainder of the century.

# The ongoing economic crisis hit the education lifeline, particularly for the poor

- **The shortage of power and fuels put challenges to continuing education.** The long hours of power cuts disrupted online education. The lack of fuels made it difficult for children to commute by school bus. Some students continued to protest the government and some teachers went on a strike.
- **The economic crisis could further exacerbate disparities.** The experiences of the Asian financial crisis in 1997 tell us lessons that economic shocks have the potential to exacerbate disparities between rich and poor, urban and rural, and boys and girls.
- **Children do not have any responsibility for the current economic crisis.** We need to give them hope and solutions.

# Sri Lanka needs to reimagine the education system to come up with new solutions

- **Education system can deliver social protection services.** The role of the government is more important than ever to ensure free general education, including school meals, during this crisis. It is important to consider providing targeted scholarships or student loans for students from low-income households so that they can continue to access education.
- **The state-led education system, however, needs to be revisited under tight fiscal space.** The pandemic reminded the importance of engaging nontraditional education partners such as telecommunication industries and this needs to be further accelerated. It is important to capitalize on online and blended learning in response to the COVID-19 pandemic. These measures require changes in regulations but we need to make them happen for the benefit of our children.
- **Mindset needs changes in managing education policy and system.** To be realistic, since the crisis is likely to continue for some time, policymakers and teachers cannot continue business-as-usual practices. We need to work on new curriculum development, pedagogy, and assessment systems as a medium to long-term solutions in this unprecedented time.

# **I appreciate ADB jointly organizing this Serendipity Knowledge Program event with the University of Colombo and look forward to discussing solutions**

- The research and survey evidence generated by ADB will be useful for policy-making and further academic research to discuss measures for mitigating learning losses in this critical juncture. I'm honored that the School of computer science in my university joined ADB's efforts to produce the first Serendipity Knowledge Program ADB brief.
- ADB-funded programs and projects such as the ongoing Secondary Education Sector Improvement Program (SESIP: \$400 million), Skills Sector Enhancement Program (SSEP: \$200 million including additional financing), and Science and Technology Human Resource Development Project (STHRDP: \$145 million) would be instrumental not only to provide USD inflow but also for much-needed education sector reform during this crisis.



# Thank You!