

Discussion Paper (Preliminary Version)

COVID-19 Pandemic in the SAARC Countries:

Policy Responses and its Impact – Sri Lanka

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Abstract

This study provides policy measures taken by the Government of Sri Lanka and the Central Bank to curtail the economic impact created by the pandemic. The pandemic has affected all spheres of the economies, altered the emerging economic models to their core and turned inwards to stay resilient through the transition to new normal and there was no exemption for Sri Lanka as well. Mobility restrictions and other containment measures imposed locally and internationally, hampered real economic activity across all sectors in the Sri Lankan economy. There were three COVID-19 waves so far in Sri Lanka. Despite the limited fiscal scope, extraordinary fiscal stimulus measures were implemented by the Government of Sri Lanka under faltered growth. The discretionary fiscal measures in the form of immediate fiscal impulse via spending measures and foregone revenue measures, deferrals including tax deferrals, and liquidity provisions and guarantee were adopted in the midst of the countrywide lockdowns, quarantines and social distancing policies. The Central Bank took a series of policy measures to reduce the interest rates, to improve the market liquidity and provided financing support to the Government while helping businesses and individuals affected by the outbreak of COVID-19. Reflecting the impact of the series of monetary policy, operational and regulatory measures, aggregate market lending rates declined to historic lows while credit to the private sector picked up. Once aggregate demand conditions normalise, it is essential to have proactive intervention by the Central Bank to prevent inflation from accelerating beyond levels desired over the medium term.

Keywords: COVID-19, Policy Measures, Sri Lanka, Monetary

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1. Introduction

The COVID-19 pandemic has caused an unprecedented humanitarian and economic crisis since late 2019, and it necessitated countries to impose strict containment measures to minimise the spread, thereby suppression in economic activity notably. Economic collapse due to Covid-19 is known to be the hardest hit to the economies in nearly a century. Unlike any other global recessions, which we have experienced so far in the history, the recession caused by the COVID-19 pandemic has to be dealt with fully or partial lockdowns and limited domestic as well as smaller global trade and other transactions. The pandemic has affected all spheres of the economies, altered the emerging economic models to their core and turned inwards to stay resilient through the transition to new normal. Despite the rolling out of new covid-19 vaccines, the second and third impact of pandemic that is the social and economic impact is likely to far from over and appears to outweigh the direct health impact. Policymakers around the globe adopted a plethora of policy easing measures, including fiscal and monetary stimuli and regulatory forbearance to mitigate the impact of the pandemic on the financial markets and the economy. Implementing unprecedented monetary and fiscal policy measures that are highly disparate across borders, the fiscal and monetary authorities have been attempting to achieve competing social welfare, development, and growth policy objectives. As highlighted by the IMF in their World Economic Outlook in April 2021, the contraction in the global economy could have been three times as large if not for extraordinary policy support from the Central Bank and the Government. Nevertheless, the developing economies face uphill challenges in steering the economies through pandemic mainly owing to their fragility of the fiscal sector. The policy measures put into effect have heavy toll on their economies, thus their economic outlook remains grim and vulnerable.

Sri Lanka is a middle-income country with a Gross Domestic Production (GDP) of around USD 80 billion or 15 trillion in Sri Lanka rupees. As per the literature, as soon after the internal conflict Sri Lanka recorded a notable economic growth mainly driven by the infrastructure developments, which were lagged, and Sri Lanka was progressing well towards graduating into an upper middle-income country. However, Sri Lanka was not able to continue its growth trajectory over last few years due to various reasons. Over last six decades, the dynamics of the Sri Lankan economy have significantly altered the landscape of Sri Lanka's fiscal sector to facilitate the sustainable development. The fiscal policy has swiftly adopted to a volatile global environment ensuing the economic liberalisation, while successive headwinds such as civil war, tsunami, Easter Sunday attacks, and presently the COVID-19 pandemic have blown it. Sri Lanka's fiscal sector is prominently characterised by an overextended deficit bias, largely due to revenue slippage. Public expenditure, which consists of rigid and non-discretionary spending, has been on a declining trend as a ratio to GDP with public investment declining due to constrained fiscal space. Despite the financial flounders,

welfarism flourished in the legacy of Sri Lanka's welfare state via direct and indirect programs to alleviate poverty, of which the outcome is encouraging. The budget deficit has been mostly met through borrowings with large and consistent reliance on foreign sources, which were mostly on concessional terms up until Sri Lanka's graduation to middle income status. Piling of foreign debt has led issues related to balance of payment, of which root causes have been structural weaknesses of the economy, for instance contraction in external flows with low exports and lack of foreign direct investments. Nevertheless, key fiscal indicators in terms of revenue to GDP, deficit to GDP and debt to GDP showed substantial improvements during more gradual pace of fiscal consolidation by means of revenue mobilization and expenditure rationalization, but these improvements were not sustained amidst the intermittent shocks. However, at the onset of 2020, there were strong signs of recovery followed by new production based economic model of the newly elected Government along with the political stability in the country, which led to a notable rise in sentiments.

There were three COVID-19 waves in Sri Lanka, first in March 2020, second in early October 2020 and the current third wave from late April 2021. After recording low economic growth over consecutive few years, alongside the global economic downturn induced by the COVID-19 pandemic, the Sri Lankan economy contracted by 3.6 per cent in real terms in 2020. Mobility restrictions and other containment measures imposed locally and internationally, hampered real economic activity across all sectors. Compared to regional peers, mobility restrictions in Sri Lanka were relatively tight (Annexure I and II). During the second quarter of 2020, where the total lockdown was in place, the economy contracted by 16.4 per cent. In nominal terms, the Sri Lankan economy contracted by 0.3 per cent in 2020, compared to the expansion of 5.1 per cent in the previous year. This, along with the depreciation of the Sri Lankan rupee, caused the overall size of the economy to contract to US dollars 80.7 billion in 2020 from US dollars 84.0 billion in the previous year, and per capita GDP to decline to US dollars 3,682 in 2020 from US dollars 3,852 in 2019. Reflecting the effects of the pandemic, the unemployment rate increased to 5.5 per cent in 2020 from 4.8 per cent in the previous year. With the mobility restrictions imposed to curtail the spread of the COVID-19 outbreak, labour force participation rate (LFPR) declined to 50.6 per cent in 2020 from 52.3 per cent recorded in the preceding year.

The Central Bank of Sri Lanka has dual mandate, which are to maintain the economic and price stability and the financial system stability. As announced in 2017, the Central Bank moved to Flexible Inflation Targeting framework in 2020. Sri Lanka was able to maintain single digit inflation over 12 years delivering its price stability mandate to the general public. Since mid 2019, given subdued inflation and favourable inflation outlook, and subpar economic growth, the Central Bank initiated easing the monetary conditions gradually by reducing the Statutory Reserve Ratio (SRR) and policy interest rates, while some regulatory measures were also in place to expedite the monetary policy transmission to the real economy. Followed

by these policy and regulatory measures, market interest rates were trending downwards at the beginning of 2020 while inflation remained broadly within the desired range of 4-6 per cent during 2020.

1.1 Status of the fiscal sector of Sri Lanka after the pandemic

Sri Lanka reported its first case of COVID-19 in late January 2020, a Chinese national, and the first local case was identified in the second week of March. Since March 2020, the pandemic has been triggering immense fiscal pressure on Sri Lankan economy undermining economic activities, which yielded low tax revenue and increased recurrent expenditure and widened budget deficit, while exacerbating the risk of external debt sustainability. The pandemic hit the economy at a crucial juncture, where the economic rebound was envisaged ensuing the recuperated strong political stability alongside the tax incentives offered since late 2019 to boost the economic growth after the Easter Sunday attacks. However, the uncertainty of the length and depth of the pandemic related social and economic consequences have fueled risk and volatility into the economy and aggravated the fragility of the fiscal position in Sri Lanka, while providing no prospects to reap the benefits of political stability and tax incentives.

2. Policy Measures adopted since the COVID-19 Outbreak.

2.1 Fiscal policy measures in response of COVID-19

In the face of economic collapse, despite the limited fiscal scope, extraordinary fiscal stimulus measures were implemented by the Government of Sri Lanka under faltered growth. Though the magnitude of fiscal injections offered by Sri Lanka only account for around two per cent of GDP, a wide range of fiscal stimulus packages have been unleashed to avert the economy fall into deep and prolong economic crisis, while speeding up the rebound in new normal. The discretionary fiscal measures in the form of immediate fiscal impulse via spending measures and foregone revenue measures, deferrals including tax deferrals, and liquidity provisions and guarantee were adopted in the midst of the countrywide lockdowns, quarantines and social distancing policies. The spread of COVID-19 in Sri Lanka led to a complete nationwide lockdown for about two months from mid March 2020 sending tremors to all segments of the economy, followed by partial lockdowns during late 2020 and from May 2021 to date, thus affecting the lives and livelihoods of millions. The restrictions on mobility, the closure of factories and the halting of domestic production were set to amplify uncertainty and trigger a massive shock on domestic demand. In the face of heightened uncertainty, the intervention of the Government is imperative to mitigate and prevent cycles of calamitous economic collapse, as the economy progressively functions only when the flows of income of the economic agents are uninterrupted.

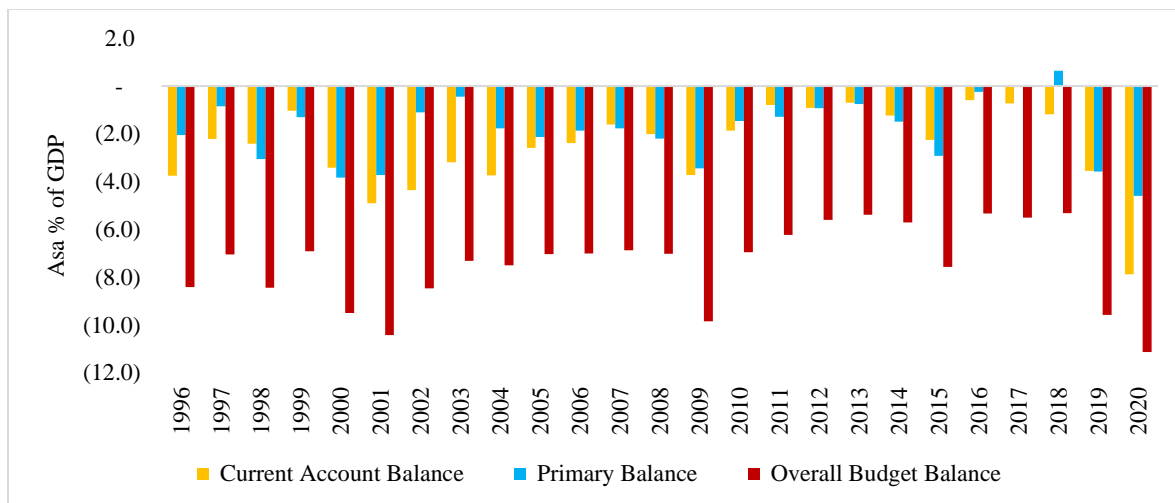
Despite the likely decline in government revenue in the near term, higher short-term effect on aggregate demand can potentially boost via government spending measures. A swift and substantial policy

intervention was required to minimise the impact of the shock on the markets and the economy. Though the fiscal stimulus offered in Sri Lanka appears to be relatively low compared to its peers, the country has inevitably made an impressive progress in confronting adverse consequences of the pandemic alongside the decisive fiscal and monetary measures implemented spot on time. It is crucial that the Government continue with a strong fiscal response to boost the economy and empower its rebound while identifying, treating the COVID-19 patients and mitigating the spread of the pandemic to ensure the safety of the citizens as the Government's first line of focus in this juncture. In this case, the Government responses are more broad-based and those include, the supporting the livelihoods of the people through the social safety networks such as Samurdhi, providing monthly allowance for elders and cash grants to the temporarily unemployed due to restrictions on mobility and the provision of essential goods to those quarantining at their homes, operating Quarantine Centers in various parts of the country and facilitating to people, particularly for the medium term business via tax exemptions and holidays.

With respect to the tax related actions, the Government initiated a range of tax measures with the aim of providing support to businesses and individuals, which affected by the COVID-19 pandemic. These include; exemption of importation of selected health related equipment from the Ports and Airports Development Levy (PAL) and the Commodity Export Subsidy Scheme (CESS), extending payment timelines of Withholding Tax (WHT) and Value Added Tax (VAT) for few months in 2020, issuing directions with respect to penalty payment exemptions for all taxes during the lockdown period and to commence penalty provisions for late payments, granting tax relief for Small and Medium Enterprises (SMEs) in the form of waivers of income tax arrears, non-issuance of additional assessments, granting a grace period to settle taxes in arrears/default, giving extension on seizure notices and extending timelines for tax payments and filing tax returns.

Meanwhile, since the external sector of the country experienced a significant challenge. Earnings from tourism have reduced to significant low levels compared to an annual average of around US dollars 3.7 billion in the five year period from 2015 to 2019. Continued foreign investment outflows from the government securities market and the Colombo Stock Exchange were observed. As such the Government was compelled to impose strict restrictions on non-essential imports in order to curtail the outflows of foreign exchange.

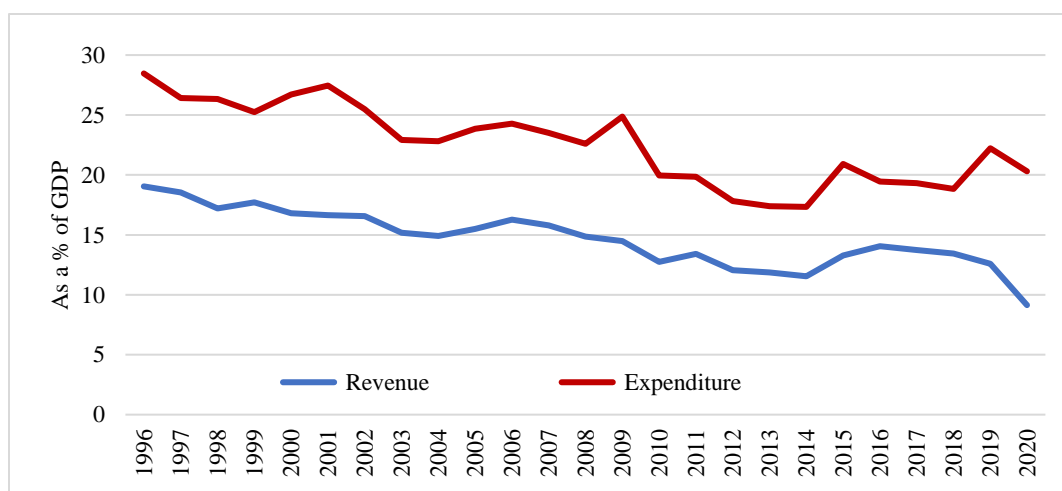
Chart 01: Key Fiscal Balances



2.1.1 Summary of Key Fiscal Sector Policies

- Establishment of a COVID-19 Healthcare and Social Security Fund
- Granting tax exemptions on importation and supply of pharmaceutical machinery, medical instruments and drugs required for the provision of the COVID 19 pandemic
- Cash allowance for low income families living in locked down areas across the nation.
- Introduction of the one-month grace period to the general public for the payments of utility bills
- Extending the payment deadlines for Value Added Tax for the months of February and March until April 30, 2020.
- Relief measures for SMEs such as wavering of income tax arrears and granting grace period to settle taxes in arrears/default, extension on seizure notices, and extension of the dates for the payment of taxes and filling tax returns

Chart 02: Revenue and Expenditure



2.2 Monetary and Financial policy measures in response of COVID-19

The Central Bank of Sri Lanka deployed number of its monetary policy tools to ease monetary policy citing the outbreak of COVID-19 and the Central Bank actively took steps to ease the burden on the economy created by the pandemic. Broadly, the policy measures were (a) to reduce the interest rates, (b) to improve the market liquidity (c) to provide required financial support to the Government through the purchase of Treasury bills, (d) to implement debt moratorium to COVID-19 affected businesses and individuals, (e) to establish of concessional credit schemes such as the Saubagya COVID-19 Renaissance Facility, and (f) to introduce extraordinary regulatory measures for licensed banks to support businesses and individuals affected by the outbreak of COVID-19. The Central Bank adopted a relaxed monetary policy stance, while enhancing liquidity and introducing targeted credit programmes to support economic segments affected by the pandemic. Importantly, these measures were accompanied by several regulatory relief actions which were aimed at reducing the burden on the financial sector during the pandemic and increasing the availability of low cost financing.

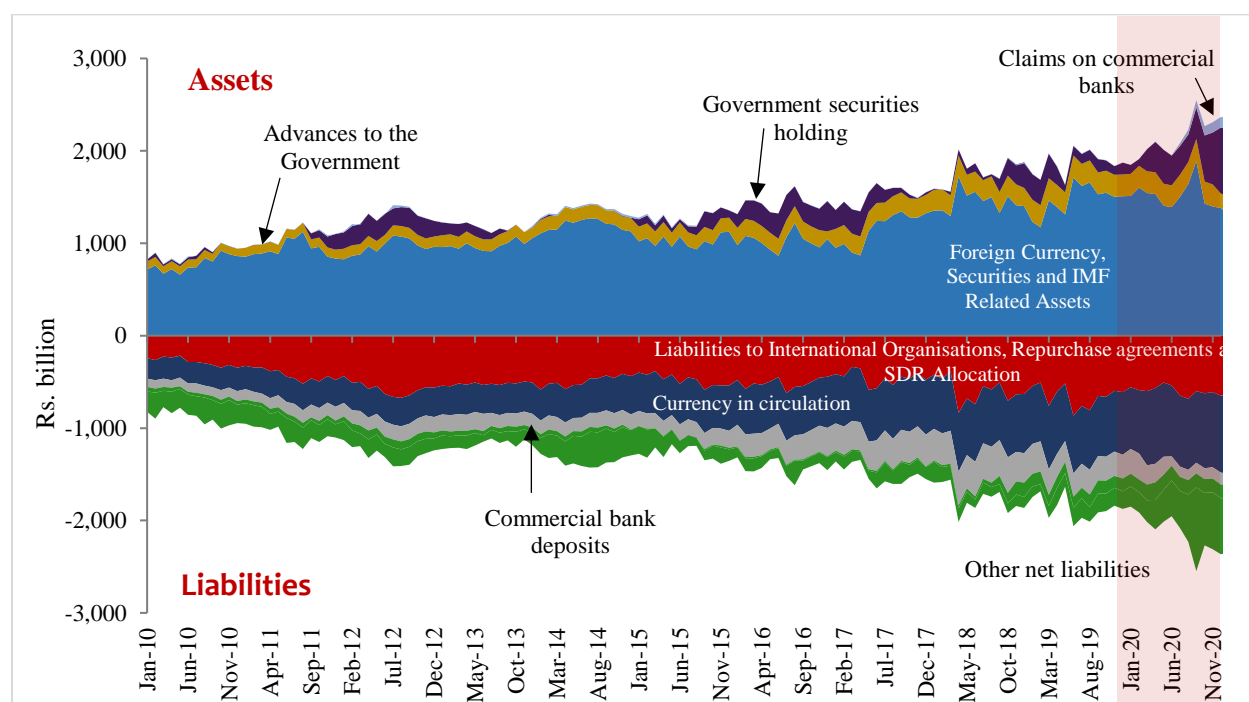
In addition to one percentage point reduction in 2019, the Central Bank continued to relax the monetary policy stance during 2020 with a view to supporting the economy to recover from the effects of the pandemic and to regain the growth momentum, given the subdued inflation conditions. The key policy interest rates, i.e., the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR), were reduced by a total of 250 basis points on five occasions to their historically lowest levels of 4.50 per cent and 5.50 per cent, respectively, during 2020, with a view to enhancing credit flows by lowering real interest rates. Despite numerous measures adopted to ease credit conditions in the economy, the growth of credit to the private sector remained low. Hence, the SRR applicable on rupee deposit liabilities of licensed commercial banks (LCBs) was also reduced on two occasions by a total of 3 percentage points to 2.00 per cent during 2020, thereby increasing liquidity in the domestic money market amidst heightened uncertainty emanating from cashflow disruptions and urgent funding requirements of financial institutions. Reduction of SRR directly injected around Rs. 180 billion liquidity to the market immediately reducing the cost of funds of banks further, thereby inducing private sector borrowing. Meanwhile, to signal the availability of emergency funding for the financial sector at an affordable cost, the Central Bank reduced the Bank Rate by a total of 650 basis points to 8.50 per cent during 2020, while allowing it to be determined automatically with a margin of 300 basis points above the SLFR.

In spite of the prevailing high liquidity in the money market, Open Market Operations (OMO) were also conducted by the Central Bank to guide short term interest rates to remain at low levels while maintaining sufficient extra liquidity in the money market. Meanwhile, the outbreak of COVID-19 posed significant challenges to the Government as revenue mobilisation efforts were impaired with the decline in economic

activity, while fiscal outlay also increased notably during 2020. Hence, the Central Bank provided urgent financial assistance to the Government, to support businesses and individuals affected by the pandemic, by purchasing Treasury bills from the primary market, more than Rs. 800 billion, on a gross basis, since the outbreak of the pandemic. This also helped improve liquidity in the domestic money market and helped reduce yields on government securities by around 2-3 percentage points.

The Central Bank established a refinance scheme to provide re-financing facility to support businesses affected by COVID-19 including self-employed businesses and individuals. These concessions include debt moratorium and a working capital loan for eligible customers. Total funds provided by the Central Bank under these schemes amounted to around Rs. 180 billion, at a concessional rate of 4 per cent, thereby providing direct relief to businesses, particularly to Micro, Small and Medium scale Enterprises (MSMEs), to continue operating through times of great difficulty. Further, in order to support a broad-based economic revival, the Central Bank introduced priority sector lending targets for licensed commercial banks on the MSME sector in consultation with the banking community.

Chart 03: Expansion of the CBSL balance sheet



The Central Bank continued to use moral suasion to persuade commercial banks to reduce market interest rates in line with the monetary policy expectations and also influence banks to provide essential liquidity support to pandemic-affected entities, by maintaining constant dialogue with banks. Policy measures that were implemented in consultation with the banking community since 2019 to provide relief to economic

activities following the Easter Sunday attacks and to ensure a sustained reduction in market lending rates also contributed to the effectiveness of this endeavour. Following the global best practices, the Central Bank also exercised forward guidance as a tool to convince the stakeholders of the economy that the accommodative monetary policy stance would be maintained until the economy shows strong signs of recovery. Such guidance was instrumental in dispelling adverse speculation on the possible rise in interest rates in the near future. Further, it helped maintain the momentum of declining market interest rates, while supporting the cause of ensuring a single digit interest rate structure in the medium to long term, thereby passing the benefit of the sustained low inflation environment to domestic investors.

With a view to boost the construction sector in the economy, while helping the middle class salaried employees, in line with the concessional loans schemes proposed by the Government, the Central Bank introduced a maximum interest rate on mortgage-backed housing loans for salaried workers in both public and private sector. Further, the Central Bank implemented regulatory measures to reduce excessive interest rates charged on certain financial products, including credit cards, pawning, and temporary overdrafts thereby quickening the monetary policy transmission process and helping marginal borrowers. Meanwhile, measures were also taken to introduce priority sector lending targets for licensed banks on MSMEs.

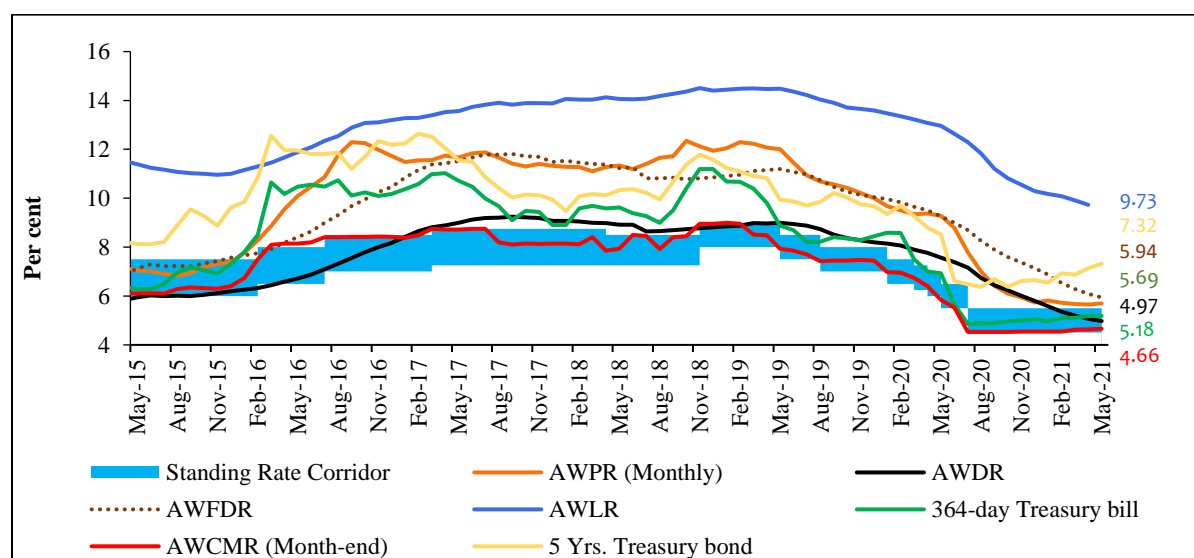
Considering capital and liquidity buffers and other factors which affect the safety and soundness of the banking sector, the Central Bank introduced extraordinary regulatory measures for banks as well as non banks to support businesses and individuals affected by the outbreak of COVID-19. These extraordinary regulatory measures include draw down their Capital Conservation Buffers, defer the enhancement of capital by licensed banks, which are yet to meet the minimum capital requirement of end 2020, until end 2022 subject to certain conditions and re-classification on restructuring loans.

3. Impact of COVID-19 related emergency policy measures on the Sri Lankan economy

Series of unprecedented policy regulatory and operational measures, which were implemented by the Central Bank, yielded the desired results in most of fronts. These interventions were essential to mitigate the socioeconomic impact of the spillovers of the COVID-19 pandemic and the resultant scarring of households and enterprises. Such interventions were also required to uphold the confidence in the economy, thereby averting acute stresses on macroeconomic and financial system stability. The series of monetary policy tools deployed by the Central Bank throughout 2020 amidst the COVID-19 pandemic greatly facilitated the maintenance of financial system stability under extremely challenging circumstances. Although the Sri Lankan economy contracted during 2020, the economy rebounded during the second half of 2020, registering a real growth of 1.3 per cent, year-on-year, in spite of the disruptions caused during October-November with the second wave of the pandemic.

Reflecting the impact of the series of monetary policy, operational and regulatory measures, aggregate market lending rates declined to historic lows, with new lending rates declining to single digits levels, on average. Market deposit rates also decreased substantially, causing some deposit products to generate negative real returns, despite low levels of inflation. All the average weighted lending rates which were hover above 13 per cent in 2019 are now below 10 per sent levels, while all average weighted deposit rates are hovering around 5 per cent levels. Credit extended to the private sector, which was significantly affected by the onset of the pandemic, recorded a gradual expansion since August 2020 supported by accommodative monetary conditions. Credit to the private sector increased by Rs. 374.1 billion during 2020, recording a growth of 6.5 per cent, year-on-year, by end 2020.

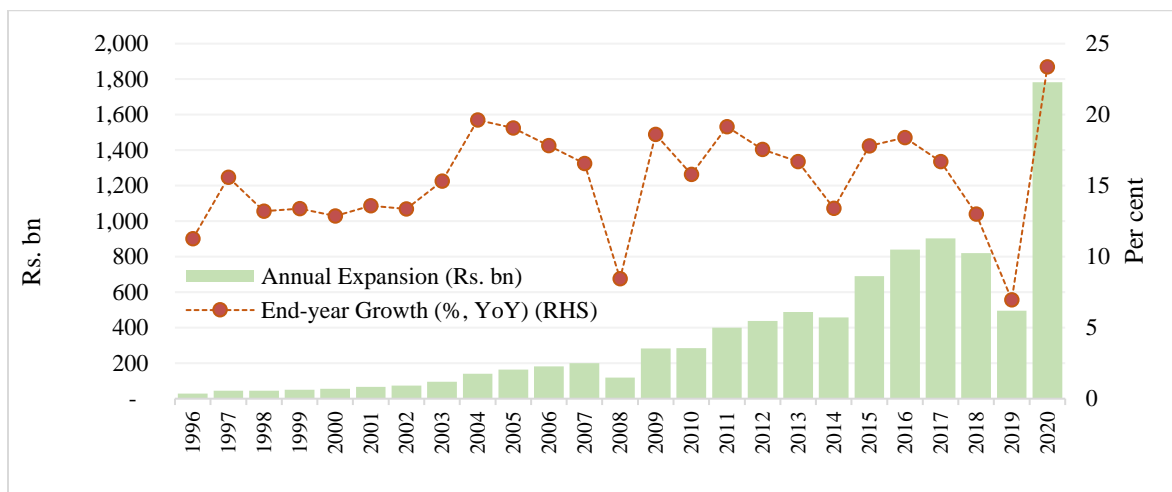
Chart 04: Movement of Selected Market Interest Rates



Monetary policy easing measures taken by the Central Bank, led to a noteworthy expansion of money supply during 2020 and early 2021. The combined gross infusion of liquidity from the policy rate reduction, SRR reduction and lending to the Government alone exceeded Rs. 1.0 trillion during 2020. Broad money (M_{2b}) growth accelerated in 2020 due to the expansion in NDA of the banking system, driven mainly by the credit extended to the public sector, while NFA of the banking system contracted during the year. Reflecting the impact of the monetary easing measures, the growth of M_{2b} accelerated notably to 23.4 per cent, year-on-year, by end 2020, compared to the growth of 7.0 per cent, year-on-year, at end 2019. Absolute increase in broad money amounted to around Rs. 1.8 trillion during 2020 as opposed to Rs. 495 billion in 2019 and the annual average expansion of Rs. 854 billion during 2016-2018. Amidst limited access to foreign financing and the decline in government revenue, net credit to the government (NCG) by the banking system increased substantially by Rs. 1,752.1 billion during 2020. Credit extended to State

Owned Business Enterprises (SOBEs) by the banking system also increased by Rs. 184.2 billion, reflecting the weak financial position of most SOBEs, aggravated by the pandemic. Credit extended to the private sector, which was significantly affected by the onset of the pandemic, recorded a gradual expansion since August 2020 supported by accommodative monetary conditions. Credit to the private sector increased by Rs. 374.1 billion during 2020, recording a growth of 6.5 per cent, year-on-year, by end 2020.

Chart 05: Monetary Expansion (M2b): 1996-2020



Supported by such extraordinary monetary accommodation, along with the fiscal stimulus measures, the economy has already shown signs of steady recovery, and it is expected that the current low interest rate environment will help the economy to revert to a high growth path, alongside the implementation of reforms required for such growth. The substantial expansion of money supply driven by the Central Bank's policy intervention was imperative to prevent the economy from running into a pandemic-driven crisis. This ensured that the domestic financial market was kept fluid to facilitate the smooth flow of transactions in the economy, while also encouraging the banking sector to channel low-cost credit to the cash-strapped, needy sectors of the economy that were adversely affected by the pandemic. Targeted credit programmes for small and medium scale enterprises (SMEs) ensured that such entities could survive under challenging circumstances while contributing towards the domestic production economy, thereby fast-tracking the economic recovery. The enhanced supply of money also assured that payments systems were unaffected while limiting the impact of the pandemic on stakeholders. The prevailing low inflation environment provided the Central Bank with the space required to support the broader economic recovery efforts.

From the external front, Sri Lanka's external sector exhibited somewhat resilience amidst unprecedented uncertainties during the COVID-19 pandemic, supported by the measures taken by the Government and the Central Bank. Merchandise exports, which declined significantly during the second quarter of 2020,

recovered faster than expected, reaching pre-pandemic levels by the end of the year. Merchandise imports declined significantly in 2020, mainly reflecting the impact of policy measures to restrict non-essential imports and relatively low international petroleum prices during the year.

Nevertheless, the fiscal challenges offered by the pandemic is yet to be predicted, particularly in terms of revival of the economy, as it is apparent that Sri Lanka is left with compounded revenue slippages and rise in recurrent expenditure. Taking into account of prevailing narrow fiscal space that Sri Lanka has been experiencing so far, as represented by high budget deficits and public debt ratios, the continuance of these fiscal stimulus package could be very challenging. This situation demands the susceptibility of continuing the fiscal prudence and building fiscal buffers to absorb impending shocks, while raising concerns over risk of debt distress that the country may endure in near term. Since the pandemic left the country with a weaker fiscal outlook and fiscal challenges going forward. The pandemic driven fiscal stimuli in terms of debt financed government spending and tax cuts are likely to widen the budget deficit and substantially drive up the government debt amidst the dwindled revenue mobilization beside the subdued economic activities. Further, debt distress may exacerbate with low growth and higher borrowing costs. Yet, fiscal stimuli inevitably set the stage for notable rebound of economic activities; in absence of which would worsen the economic downturn reeling in an unprecedented crisis.

The stability of Sri Lanka's financial system was preserved amidst uncertainties and challenges posed by the COVID-19 pandemic. The banking sector exhibited moderate growth despite risks emerging from the challenging economic environment due to the effects of the pandemic. The deterioration in credit quality and the moderation of foreign exchange inflows due to the pandemic remained the major macroprudential concerns on banking sector operations.

Conclusion

The help, provided via fiscal and monetary stimuli has been vital the recovery of the economy, if not the economic downturn would have been large. However, such fiscal and monetary expansion beyond desired levels could increase aggregate demand, thus destabilising inflation expectations and generating high and undesired inflation over the medium term. Although the external demand is partly controlled via temporary import restrictions, excess demand and an overheated economy could also increase the demand for imports, which could lead to a depreciation in the domestic currency. Further, notable expansion in the public sector borrowings from the banking system could pose a significant challenge on the continuation of the accommodative monetary policy as the expansionary fiscal policy is heading against the monetary policy objectives as yields on the government securities has increased driven by high government borrowings. Due to the neutrality of money in the long term, continued monetary expansion will not affect real economic

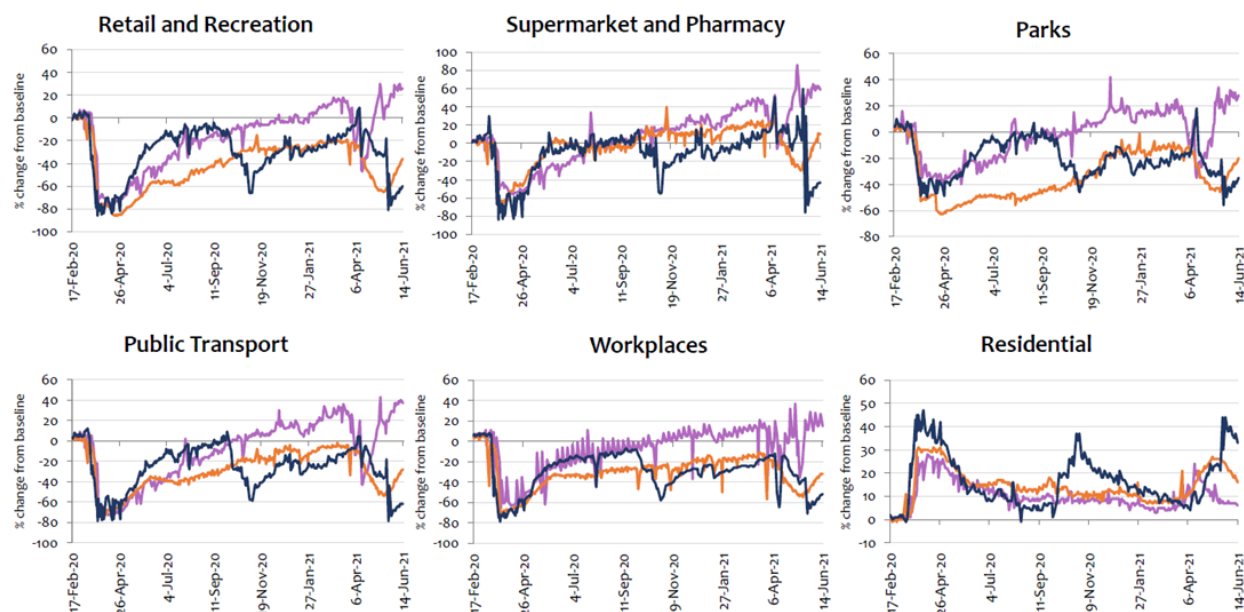
activity in the long run, but will affect nominal variables such as prices and wages, leading to undesirable outcomes. Once aggregate demand conditions normalise, it necessitates the proactive intervention by the Central Bank, including the timely rollback of monetary stimuli, to prevent inflation from accelerating beyond levels desired over the medium term. It is observed that it is fiscal policy that has been used extensively to support activities, or rather, lack of activities. This is either done either directly through social security transfers and tax relief to businesses and individuals, or through the financial sector where the cost of relief to businesses and individuals through the financial system is borne by governments. However, in Sri Lanka, this avenue is severely constrained as the entire fiscal space, if there was any, has been utilised to revive the economy immediately after the elections. Although this was done with the good intention of helping an ailing economy, this has limited the government's capacity to address the ongoing crisis by introducing measures that could have any material impact such as delaying corporate tax collections, reducing tax rates, delaying PAYE payments, etc., are no longer available options to provide "additional" fiscal stimulus in Sri Lanka.

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Annexure I

Comparison of COVID-19 community mobility (as of 14 June 2021)

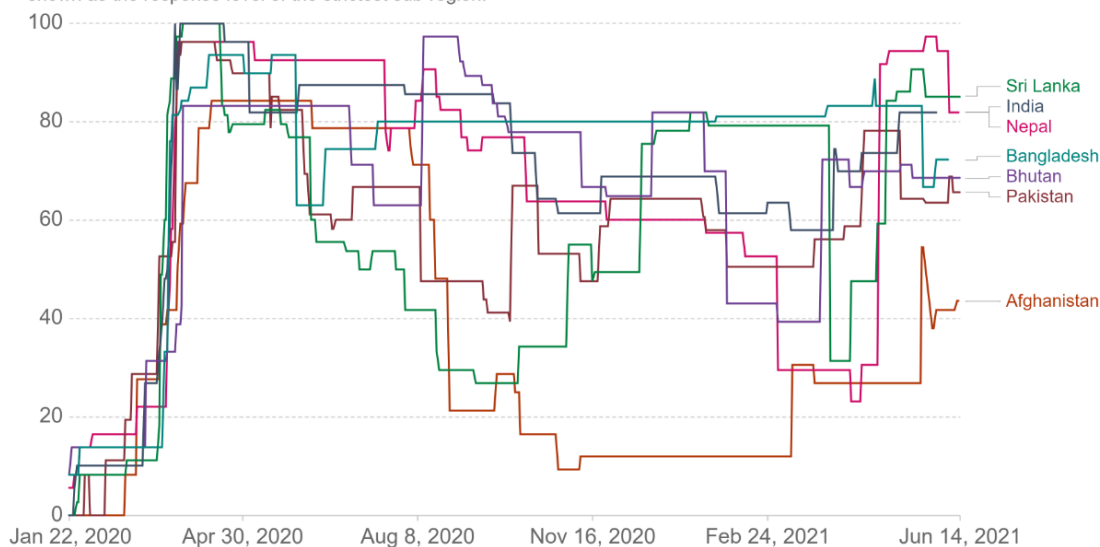


Annexure II

COVID-19: Stringency Index

This is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.

Our World
in Data



Source: Hale, Angrist, Goldszmidt, Kira, Petherick, Phillips, Webster, Cameron-Blake, Hallas, Majumdar, and Tatlow (2021). "A global panel database of pandemic policies (Oxford COVID-19 Government Response Tracker)." *Nature Human Behaviour*. – Last updated 19 June, 11:00 (London time)
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