

Sri Lanka	
Containment	<p>January 28, First confirmed case March 13, Nationwide school closure March 14, International travel ban on high-risk regions c March 16, Workplace closure March 19, First confirmed death March 21, Restricted movement and nationwide curfew, suspend all arriving flights and ships March 27, Close all public transportation May 11, Gradual easing, workplaces reopen May 13, Liquor shops reopen June 8, Tourism ministry issues operational guidelines as a move to resume tourism sector June 28, Nationwide lockdown is lifted August 10, school reopen fully after keeping them closed for over four months</p> <p>2021 January – vaccination begins Airports reopened to international tourists</p>
Fiscal	<p>March 30 – President announces cash transfers for vulnerable groups (0.1% of GDP).</p> <p>April 2 – Government allocates \$130 million (0.1% of GDP) for quarantine and other containment measures, and \$5 million to the SAARC COVID-19 fund.</p> <p>President establishes a Tasks Force on Economic Revival and Poverty Eradication and a special fund, inviting donations.</p> <p>Treasury bill stock of central bank rose in end April.</p> <p>Tax measures:</p> <ul style="list-style-type: none"> - 2020 Q1 payment deadlines for income tax, VAT and certain other taxes extended until end-April. - Tax exemptions for imported masks and disinfectant, price ceilings on essential food times, concessional loans and food allowances for poor consumers. - Import duties on gasoline and diesel increased to mitigate weak revenue collection. <p>June 6 – MoF releases draft budget for 2020¹</p> <ul style="list-style-type: none"> - Government revenue projected to decline to 9.2% in 2020, from 12.6% a year earlier, following the COVID-19 tax cuts of over Rs. 400 billion - Current expenditures to fall to 15% of GDP in 2020, from 15.3% a year earlier - Projected budget deficit of 8.5% of GDP in 2020, up from 6.8% a year earlier (primary balance deficit would widen to 3.1%, from 0.8%) - Central government debt is projected to rise to 92.4% of GDP in 2020, from 86% a year earlier <p>In late April, import duties on gasoline and diesel were increased to mitigate weak revenue collections, but this was reversed in late June.</p> <p>By October, Sri Lanka has to pay \$4.8 billion in debt and interest payment.</p>

¹ Sri Lanka has so far only passed ‘mini-budgets’ so far this year, first through May and then through August.

	<p>Negotiations ongoing with official creditors, bilateral and multilateral.² Data on outstanding central government foreign debt stock by creditor at the end of 2019 shows that about half is market borrowing, and the rest includes China (10%), Japan (10%), India (2%), ADB (13%) and World Bank (9%).</p>
Monetary and financial	<p>CBSL reduces policy rates by a cumulative 100 basis points from March to May (March 16, April 3, May 6) and then by another 100 basis points on 8 July.³</p> <p>CBSL reduces required reserve ratio on domestic currency deposits of commercial banks by 1 percentage point, and the rate at which it grants advances to commercial banks for temporary liquidity needs by 500 bps.</p> <p>March 31 – CBSL announces \$250 million refinancing facility for banks, to expend their lending capacity by Rs 40,000 crores to businesses, offer loan repayment moratoriums and provide working capital at 4% interest⁴</p> <p>President announces a wide-ranging debt repayment moratorium, including a 6-month moratorium on bank loans for the tourism, garment, plantation and IT sectors, related logistics providers and SMEs, with reduced rate working capital loans and investment-purpose loans for these sectors; also a 6-month moratorium on small-value personal banking and leasing loans.</p> <p>Interest rate on credit cards will be capped, for transactions up to a certain amount, with a reduction in the minimum monthly repayment. Financial institutions requested to reschedule NPLs. Lower capital conservation buffer requirements and a relaxation of loan classification rules.</p> <p>State-owned financial institutions will invest in treasury bonds and bills to stabilize the money market interest rate at 7%.</p> <p>Restricting capital outflows, through suspension of outward investment payments, and a prohibition on commercial banks purchasing Sri Lankan sovereign bonds.</p> <p>Current account restrictions, suspending imports of non-essential goods except raw materials, pharmaceutical products and fuel, as well as prohibiting commercial banks facilitating imports of vehicles and non-essential goods, and suspension of outward remittances; inward remittances will be exempted from certain regulations and taxes.</p> <p>July 24, CBSL and the Reserve Bank of India entered a \$400 million swap under the Framework of Currency Swap Arrangement for SAARC countries.</p> <p>October 21, CBSL keeps its policy rates steady and takes note of the decline in overall market lending rates following monetary easing earlier this year</p> <p>November 1, CBSL projects Sri Lanka economy to contract by 1.7 percent in 2020 and grow by 5 percent in 2021</p>

² <http://www.dailymirror.lk/opinion/COVID-19-would-undoubtedly-be-a-turning-point-Interview-with-CB-Governor-W-D-Lakshman/231-188263>

³ See the press release

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/press_20200709_Monetary_Policy_Review_july_2020_e_nG5d8.pdf

⁴ <https://economictimes.indiatimes.com/news/international/world-news/saarc-nations-unveil-emergency-stimulus-packages-to-tackle-covid-19-economic-fallout/articleshow/75387385.cms?from=mdr>

Trade measures ⁵	<p>Restrictive:</p> <ul style="list-style-type: none"> May 21: Sri Lanka, on Thursday, lifted its import restrictions on several products despite retaining the ban on vehicle imports, as part of its COVID-19 economic revival plan. April 03: Imports of non-essential goods including vehicles and plastic goods are suspended. <p>Liberalizing:</p> <ul style="list-style-type: none"> Elimination of import duties and taxes on masks and disinfectants.
SME measures (last update 22 January 2021)	<p>Deferral of tax payment:</p> <ul style="list-style-type: none"> The 2020 H1 payment deadlines for income tax, VAT and certain other taxes were extended until end-December. <p>Tax exemption:</p> <ul style="list-style-type: none"> Income tax of SMEs have been partially waived off. <p>Other fiscal support:</p> <ul style="list-style-type: none"> Self-employed persons operating tricycles, school buses, vans, minivans, and buses can obtain a six-month moratorium on rental rents. In June, the Sri Lanka Institute of Marketing (SLIM) as the national marketing agency unveiled “Restart Sri Lanka”, which voluntarily supported and undertook to guide local firms and SMEs to take positive measures to respond to the threat of coronavirus and become more resilient to cope with future shocks.⁶ <p>Loan support:</p> <ul style="list-style-type: none"> Financial institutions have relaxed loan classification rules. <p>Deferral of loan repayment:⁷</p> <ul style="list-style-type: none"> SMEs, tourism, apparel, plantations and IT industries, and related logistics providers can obtain a six-month moratorium on bank loans and interest. Personal loan repayments for non-executive employees in private sectors were postponed to the end of May 2020. The above-mentioned private-sector working-capital requirements will be provided by financial institutions at an interest rate of 4 per cent. Moreover, the financial institutions must waive interest payments for at least six months and incorporate interest subsidies in refinancing. Blanket moratorium for SMEs on capital repayments for one year.⁸ Financial institutions are requested to reschedule non-performing loans. A debt moratorium for the tourism sector will last until March 2021.

Source: National sources, local news, OxCGRT, IMF policy tracker.

⁵ <https://www.macmap.org/covid19>

⁶ <http://www.ft.lk/business/SLIM-launches-Restart-Sri-Lanka-national-initiative-to-re-engineer-businesses/34-701018>

⁷ <https://www.lankabusinessonline.com/fitch-revises-sri-lankas-banking-sector-outlook-to-negative-on-coronavirus/>

⁸ <https://www.worldbank.org/en/data/interactive/2020/04/14/map-of-sme-support-measures-in-response-to-covid-19>