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"COVID-19 Pandemic: Policy Responses and its Impact on the SAARC Countries"

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1. Introduction

COVID-19 has posed unique challenges to the South Asian economies due to the region's infrastructures, socio-economic conditions, social protection systems and health facilities. Although South Asian countries have been relatively successful in containing the spread of the virus and saving people's lives in the early months of the pandemic, however high economic cost due to extended lockdowns is irrefutable. All the South Asian governments have taken steps to expand the health care infrastructure to address the challenge of the COVID-19 pandemic to save lives, curtained movements under lockdowns. They have issued guidelines and protocols to contain its spread.

The authorities of Afghanistan spent about 2.2 percent of GDP to fight in 2020, including a health package of around Af 10.9 billion of which Af 2.6 billion of building hospitals and provincial clinics; the social package of around Af 14.7 billion, of which Af 2 billion on the bread distribution program and Af 12.7 billion on the World Bank supported social distribution program, transfers to provinces to finance COVID-19 response of about Af 1.3 billion; support to agriculture and short-term jobs of about Af 5.2 billion and Af 1.0 billion respectively.

Bangladesh Bank (BB) and other financial sector regulators have made coordinated efforts with the Government on various fronts by combining fiscal and monetary stimulus, regulatory and supervisory measures and economic policy innovations to overcome the adverse impacts of the pandemic on our economy. With the collaboration of the Bangladesh Bank, the Government of Bangladesh has announced a series of stimulus packages and refinance schemes equivalent to BDT 1284.4 billion, which is 4.59 percent of GDP, to recover from the COVID-19 related economic losses.

The Government of Bhutan and the Royal Monetary Authority have come together to put in place several fiscal and monetary measures in light of the COVID-19 pandemic by ensuring adequate relief measures and safeguarding the people's livelihood.

The Government of India and Reserve Bank of India recognized the disruptive nature of the pandemic and announced a range of policy measures to support the economy, such as monetary policy, liquidity, business continuity, regulatory for balance and fiscal stimulus measures, with emphasis on social security in the form of cash transfers, provision for additional employment under various schemes and other supportive initiatives for NBFCs, MSMEs, business enterprises, individual loans, among others. The fiscal and monetary measures announced, taken together, cumulated to 15.7 percent of GDP[1], including liquidity and other actions taken by RBI.

The Government of Maldives has taken measured steps to mitigate the socioeconomic impact of COVID-19 by supporting households and businesses while protecting the health of individuals during the COVID-19 pandemic. To address the economic consequences of mitigating the virus, the Government has formulated an Economic Relief Package for different stakeholders of the

[1] https://www.rbi.org.in/Scripts/AnnualReportPublications.aspx?Id=1314

economy. USD 28.9 million, rapid credit response loan by IMF in April 2020, USD 50 million, combined grant and loan by ADB in July 2020, USD 250 million domestic treasury bond by State Bank of India USD 47.5 million by Japan International Corporation Agency, USD 20 million by OPEC fund for international development and USD 10 million by World Bank were announced.

The government of Nepal and the Nepal Rastra Bank have taken a number of effective policy measures to curb the COVID-19 pandemic. The government of Nepal had initially announced a stimulus package exceeding Rs 210 billion in the budget for fiscal 2020-21 to help businesses cope with unfavorable circumstances created by the COVID-19 pandemic and boost the economy. The government has earmarked Rs 100 billion in the budget for refinancing facilities at a five percent interest rate to industries/businesses affected by the coronavirus.

A relief package worth Pakistani Rupee (PKR) 1.2 trillion (2.9 percent of GDP) was announced by the Government of Pakistan on March 24, 2020. Key measures include: (i) elimination of import duties on emergency health equipment (extended until December 2020); (ii) cash transfers to 6.2 million daily wage workers (PKR 75 billion); (iii) cash transfers to more than 12 million low-income families (PKR 150 billion); (iv) accelerated tax refunds to exporters (PKR 100 billion); and (v) support to SMEs and the agriculture sector (PKR 100 billion) in the form of power bill deferment, bank lending, as well as subsidies and tax incentives.

Sri Lankan Government took several fiscal measures such as 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, relief measures for SMEs. The Central Bank of Sri Lanka deployed monetary and financial policy measures in response to COVID-19, such as, to reduce the interest rates, improving the market liquidity, providing required financial support to the Government through the purchase of Treasury bills, implementing a debt moratorium to COVID-19 affected businesses and individuals, etc.

The highlights of the country experiences of the SAARC countries during the COVID-19 pandemic and the impact of its policies are described in the following order:

2.1. Afghanistan

Afghanistan reported its first COVID-19 case on February 24, 2020. As the infection spread, the government tightened containment measures, including screening at ports of entry, quarantine for infected people, and closure of public places to restrict gathering. The countrywide lockdown was imposed in late March 2020, which was subsequently extended twice.

Afghanistan GDP growth showed a downward trend at the end of 2020 and economic growth was lower as compared to 2019. A downward trend in the agriculture sector and also a weak performance by services and industry sectors caused the economic growth to turn down to -1.9 percent in 2020, which shows a significant decrease from 3.9 percent in 2019. The year-on-year measurement changes in the consumer price index showed an inflationary trend of 5.6 percent on average in 2020, higher than 2.31 percent recorded in the previous year. The national currency appreciated against major foreign currencies and the appreciation rate against U.S. dollars was 2.12 percent. The budget deficit was increasing due to the effect of the COVID-19 outbreak both on expenditure and revenue generation. At the same time, unlike the other sectors, the banking sector of Afghanistan performed well regardless of the COVID-19 pandemic.

Da Afghanistan Bank and monetary policy role in combating against the pandemic:

Much easier monetary policy, massive liquidity provision, and targeted credit support to the real economy all played a role in stabilizing financial conditions and credit. Da Afghanistan Bank (DAB) maintains confidence in the Afghani and high liquidity in the banking sector. The authorities increased the frequency of Financial Stability Committee meetings, enhanced monitoring of early signs of liquidity stress, and reviewed banks' business continuity plans.

DAB postponed the IFRS 9 implementation to June 2021, subsequently by another year to June 2022, and froze loan classifications at the pre-pandemic cutoff of end-February. It also suspended administrative penalties and fees, with no retrospective applications for breaches/noncompliance. DAB phased out emergency pandemic measures in July. It ended the freeze on loan classifications and recommenced the enforcement of all prudential requirements in August with flexible application of penalties and prudential triggers to recognize persisting risks.

Afghanistan fiscal measure to combat against COVID-19 pandemic:

The government initially used contingency funds for an emergency pandemic response, including urgent health needs, such as establishing testing labs, setting up special wards to boost hospitalization and care capacity, and procuring critical medical supplies.

In April-June 2020, the government provided free bread to the poor in Kabul, later extended to other cities. In May, it waived electricity bills of less than Af 1,000 (US$13) for a family residence in Kabul for two months and paid utility bills of the past two months for 50 percent of households in Kabul. The decision benefited more than 1.5 million Kabul residents (IMF).

The authorities rolled out about 0.8 percent of GDP social assistance under the World Bank-funded REACH program in 2020, with the remaining 0.6 percent of GDP continuing in 2021. The program targets Afghan households with incomes of $2 per day or lower (twice the national poverty line), with households in rural areas receiving an equivalent of $50 in essential food staples and hygiene products, while those in urban areas a combination of cash and in-kind equivalent to $100, in two tranches. Altogether, the authorities spent about 2.2 percent of GDP to fight in 2020, including a health package of around Af 10.9 billion of which Af 2.6 billion of building hospitals and local clinics; the social package of around Af 14.7 billion, of which Af 2 billion on the bread distribution program and Af 12.7 billion on the World bank Supported social distribution program, transfers to provinces to finance COVID-19 response of about Af 1.3 billion; support to agriculture and short-term jobs of about Af 5.2 billion and Af 1.0 billion.

Similarly, the 2021 budget includes the following COVID-19 related spending health package of Af 2.4 billion, a social package of Af 8.9 billion and other of Af 3.3 billion. Recognizing that taxpayers were facing liquidity strains, the government extended the tax filing deadline for the first quarter of 2020 by 45 days. In late 2020, the government offered to waive tax and customs payment penalties if taxpayers clear their due taxes before the end of the first quarter of 2021.

DAB Supportive schemes and incentives provided during COVID-19:

DAB has issued an incentive package (the Post C19 Plan) that covers the expansion of banking activities, disbursement of new credit facilities, cost reduction measures including suspension of dividend payments in 2020, electronic reporting option, renewal of loans, relaxation in loan classification and risk weighting of loans guaranteed by the third parties such as ACGF, IFC, USAID, etc. DAB has issued the following supportive schemes and incentives during COVID-19 in 2020:

Interest Rate on commercial banks' overnight deposits increases from 0.1 percent to 0.5 percent: Banks initiated using the central bank's standing facilities, which allowed them to place their excess liquidity to and refinance their deficit from the central bank's cash under smooth conditions. In addition, the size of the interest rate on overnight deposits is also important in determining the demand for these facilities. On December 21, 2020, supreme council of DAB approved the increment of interest rate on overnight deposits for all commercial banks in Afghanistan from 0.1 percent to 0.5 percent.

The SMEs support procedure: The DAB supreme council prepared the SME support procedure and the incentive package to SMEs approved by the High Economic Council. The main objectives of this procedure are to provide fiscal, monetary and structural support for SMEs, enhance support for women SMEs, provide immediate SME support as well as lay the foundation for longer-term institutional support structures for SMEs to create a fiscal incentive committee to manage fiscal support to SMEs, to create a first-loss loan fund to provide banking support to SMEs.

Impact of policy measures taken by Da Afghanistan Bank:

The pandemic continues to affect the livelihoods and economic activity in the country and the economy is being negatively affected by subsequent restrictive measures: intermittent border closures and subdued demand in the domestic and international market negatively impacted businesses. Exports and imports witnessed a substantial decline in 2020. The deficit of trade balance on BOP bases narrowed by 6 percent and stood at a value of USD 5,506.86 million in the FY 2020 compared with a value of USD 5,855.03 million recorded in the FY 2019. Export of goods and services dropped by 3 percent and reached a value of USD 1,476.31 million in FY 2020 from a value of USD 1,515.76 million recorded in the last year. In comparison, the import of goods and services declined by 5 percent and stood at a value of USD 6,983.16 million in FY 2020 compared with a value of USD 7,370.79 million recorded in the last year.

The banking sector was profitable though the profit decreased since December 2019 and loan quality remained weak. Nevertheless, the total assets experienced a slight fluctuation during 2020. Loan, a major component of the assets, also experienced fluctuation, but as of December 20 compared to December 19, the total gross loan of the sector experienced a slight decrease mainly due to loan repayment, settlement, recovery, charge off and USD depreciation. Furthermore, loan classification of the sector was fluctuating from one class to another mainly due to the hit of COVID-19 that led to an increase of NPLs. This led to an increase in credit provision in some months; from April-20, banks' profit showed a decrease in profits or even experienced losses. According to a survey conducted by the BSD, MSMEs loans had more demand compared to other types of loans, despite they were affected negatively, and corporate loans were decreased and the banks reported that the increase or decrease of the loans highly depends on the external factors and COVID-19 situation.

Although the Afghan economy is import-oriented, the country imports very basic consumer goods. Due to the COVID-19 outbreak, Afghanistan's international borders were closed and international trade was shut down, but still, DAB was able to maintain inflation in single digits. Afghani has remained broadly stable against the USD, and GDP growth was contracted less than 2 percent. The data showed all measures taken by DAB were implemented effectively and the result was in favor of DAB as well. Moreover, GDP growth is forecasted at 3 percent for 2021 despite political uncertainty and a high rate of violence. If the situation gets worse, DAB is ready to take further measures to combat the pandemic because experience is already built and DAB is fully aware of the situation and will take necessary actions accordingly.

2.2. Bangladesh

The pandemic disproportionately affected various sectors of the Bangladesh economy. Among the three broad sectors, the manufacturing sector was hard hit, followed by the service sector, while the agriculture sector remained relatively insulated from the shock waves of the pandemic. As the pandemic continues, as of July 05, 2021, in Bangladesh, there have been 0.95 million confirmed cases of COVID-19 with 15,229 deaths, reported to WHO (World Health Organization). Globally, as of July 05, 2021, there have been 183.56 million confirmed cases of COVID-19, including 3.98 million deaths (WHO). In this crucial pandemic situation, the Government of Bangladesh, with the collaboration of the Bangladesh Bank, has announced a series of stimulus packages to maintain the growth momentum of the economy amid the pandemic and refinance schemes equivalent to BDT 1284.4 billion, which is 4.59 percent of GDP to recover from the COVID-19 related economic losses.

Significant steps taken by the Government of Bangladesh and the Bangladesh Bank:

BDT 50 billion was provided for export-oriented industries to pay the salaries and allowances of workers and staff. Export Development Fund (EDF) increased from USD 3.5 billion to USD 5.5 billion to tackle the slowdown in export and resurgence of the COVID-19 affecting export productivity. A Support of BDT 600 billion as a working capital loan facility was given for large industries and CMSMEs. BDT 50 billion as pre-shipment credits refinance scheme was provided to export-oriented industries. Support of BDT 95 billion was given as subsidies and incentives and BDT 50 billion as refinance scheme for the agriculture sector.

Distribution of 0.4 million metric tons of rice and 0.1 million metric tons of wheat were given for humanitarian food aid. Initiation of social safety net programs like direct cash incentive of BDT 12.0 billion, pay allowances among 0.7 million beneficiaries and allocated BDT 21.30 billion for homeless people were initiated. BDT 32 billion was distributed as low-interest credit for the poor farmers, migrant workers and trained youth and unemployed youth.

Cash Reserve Ratio (CRR) requirement has been reduced from 5.5 percent to 4.0 percent. The Repo interest rate has been cut gradually from 6.0 percent to 4.75 percent. The Reverse Repo rate has been reduced from 4.75 percent to 4.0percent. The bank rate has been reduced from 5.0 percent to 4.0 percent. The advance deposit ratio (ADR) has been extended from 85.0 percent to 87.0 percent. The investment deposit ratio (IDR) has been extended from 90.0 percent to 92.0 percent. A long-term REPO facility (360 days) to banks and non-bank FIs from BB has been made available.

To provide credit guarantee facilities for Cottage, Micro and Small (CMS) Entrepreneurs, BB started a Credit Guarantee Scheme (CGS) policy along with a fund of BDT 20 billion. Banks are permitted to extend LC usance (payment) periods for the import of raw materials, agricultural implements and chemical fertilizers. Banks are allowed, without repayment guarantee, to advance credit up to USD 0.5 million for import of corona virus-related life-saving drugs, medical kits/equipment, and other essential medical items. BB is permitting foreign-owned/controlled companies operating in Bangladesh to take short-term working capital loans from their parent companies/shareholders for funding payments of 3-month salaries. Now, ADs may borrow a maximum of USD 30.0 million, increased from USD 25.0 million. The amount of refinancing scheme has been enhanced to BDT 4 billion from BDT 2 billion against term loan for Green Products / Initiatives / Projects.

Refinance scheme of BDT 30 billion has been formed by BB's own fund. BB charged 1 percent interest to banks; banks charged 3.5 percent interest to Micro Credit Financing Institutions (MCFIs) and MCFIs charged 9 percent interest to customers. Customers would repay the loan within 1 to 2 years, including a grace period. Interest charge on loan and investment by banks has been suspended for two months (April and May 2020). The business community has benefited enormously.

Impact of Policy Intervention on Bangladesh Economy:

Bangladesh has been doing progressively well in terms of macroeconomic performance in the last decades. However, due to the pandemic shock, Bangladesh's GDP growth is appeared to be at 5.24 percent in FY20 compared to the GDP growth of 8.15 percent in the previous fiscal year. The quantum index of the manufacturing, mining and electricity sector, which are very good macroeconomic indicators of our output performance, are gradually increasing from the COVID-19 breakout. And the recovery of all these sectors after the implementation of various stimulus packages has resulted in a satisfactory growth of 6.1 percent for the current fiscal year. In April 2021, the general inflation rate and food inflation rate stood at 5.56 percent and 5.57 percent, respectively. The non-food inflation rate has been falling from 6.04 percent in April 2020 to 5.55 percent in April 2021. In March 2020, the general inflation rate was 5.60 percent and it increased in April 2020 and stood at 5.63 percent, which later recorded 5.59 percent in May 2021. The food inflation rate was 5.43 percent in March 2020, which increased to 5.46 percent in April 2020 and stood at 5.82 percent in May 2021. The non-food inflation rate was 5.86 percent in March 2020, which increased to 5.90 percent in April 2020 and recorded 5.23 percent in May 2021.

Bangladesh Bank's recent downward revision of policy rates, particularly the reduction of cash reserve ratio (CRR) revised to 4.0 percent from 5.0 percent effective from April 15, 2020, led to a significant rise in liquidity in the banking system. Before the COVID-19 pandemic, the repo and reverse repo rates were 6.00 percent and 4.75 percent, respectively. Considering the COVID-19 incidents, BB cut the repo rate by 25 basis points and re-fixed at 5.75 percent from 6.00 percent to make funds available to banks at a lower price effective from March 24 2020. BB again reduced its repo rate to 5.25 percent effective from April 12, 2020. Lastly, on July 30, 2020, it further reduced to 4.75 percent, and till now, it has been maintained. Accordingly, the reverse repo rate was reduced to 4 percent on July 30, 2020, from the previous rate of 4.75 percent. Consequently, the weighted average call money rates in the inter-bank money market decreased from 5.14 percent in March 2020 to 4.89 percent in April 2020. In June 2021, interest rates in the call money market gradually decreased and stood at 2.23 percent. The weighted average yields on 10-Year BGTB decreased to 5.68 percent in May 2021, which was 8.47 percent in March 2020. A growing trend is observed in the capital market from May 2020 and the monthly turnover peaked at BDT 33958.76 crore in January 2021. Later, it stood at BDT

14377.27 crore in April 2021. Therefore, there has been a growing trend from May 2020 in terms of month-wise Market Capitalization of DSE, and its value stood at BDT 470712.8 crore in April 2021. To improve the liquidity condition in the capital market, the BB and related regulatory bodies took several initiatives such as: (i) the BB has asked all scheduled banks to create a special investment fund of BDT 2.0 billion for investment in the stock market in addition to banks' stock market exposure limit; (ii) banks can avail financial support from BB through long term repo (iii) the BSEC approved Investment Corporation of Bangladesh's (ICB) BDT 20.0 billion funds for capital market investment.

A record high wage earners' remittance influx along with substantial inflows of foreign loans and grants since March 2020 improved the foreign exchange market stability during a pandemic when the export condition was weak. In March 2020, growth of net foreign assets and net domestic assets were 3.6 and 14.7 percent, which increased to 7.4 and 15.0 percent, respectively, in April 2020. Broad money (M2) growth recorded an increase of 13.1 percent in April 2021 against April 2020. Of the sources of broad money, the growth of net domestic assets increased by 8.3 percent, and net foreign assets increased by 30.9 percent at the end of April 2021 compared to the same month of the previous year. The minimum required liquid assets of the scheduled banks were reduced to BDT 195900.48 crore in April 2020 from BDT 214227.94 crore in March 2020 and stood at BDT 215316.13 crore in April 2021. The excess liquidity in the market shows an increasing trend right after the policy rate cut by Bangladesh Bank and the excess liquidity increased to BDT 201677.93 crore in April 2021 against BDT 113807.71 crore in April 2020.

However, domestic credit growth of the public sector and private sector increased by 9.9 percent and 8.3 percent in April 2021, respectively, compared to the same month of the previous year. The government of Bangladesh has announced a fund of BDT 5000 crore for the agriculture sector to boost crop production to overcome the possible coronavirus impact. The policy announcement made significant improvements in agricultural credit performance. Lastly, the volume of disbursement, recovery and outstanding stood at BDT 1859.43, BDT 1661.65 and BDT 45600.85 crore, respectively, at the end of April 2021.

Several policy measures have been taken by BB and that improved the condition of the SMEs. In the case of the outstanding amount of SME credit, BDT 218972 crore in January-March 2020 increased to BDT 221695 crore in April-June, 2020. Even if at the time of the COVID-19 pandemic, it has maintained the positive trend till December 2020 due to several stimulus packages announced by the government such as agriculture refinance scheme of BDT 50 billion, subsidy for agriculture (on fertilizer) of BDT 95 billion. BB has taken several policy measures to remove this sluggish nature of the economy, which have created a positive impact on the mentioned mediums of transaction. ATM transactions' number increased from 17.62 million in March 2020 to 20.30 million in March 2021 and stood at 17.94 million in April 2021. The number of transactions using credit cards increased from 2.19 million in March 2020 to 2.87 million in March 2021 and stood at 17.94 million in April 2021. Transactions using debit cards increased from 19.11 million in March 2020 to 26.33 million in March 2021 and stood at 23.43

million in April 2021. The COVID-19 pandemic accelerates the number of internet banking customers because it is more convenient rather than general banking due to the disruptions in public movement. Total customers' number increased from 2.65 million in March 2020 to 3.47 million in March 2021 and stood at 3.44 million in April 2021. The number of transactions increased from 1.85 million in March 2020 to 2.60 million in March 2021 and stood at 2.59 million in April 2021. The total accounts opened at agent banking outlets increased from 6.1 million in February 2020 to 10.5 million at the end of February 2021 as banks expand their agent banking activities significantly. The total transaction number stood at 11.9 million and the total number of accounts recorded at 11.5 million in April 2021. The number of transactions through MFS has risen after the incident of COVID-19 compared to the pre-COVID-19 situation and it stood at 307.3 million in March 2021.

Fall in demand inside the global marketplace, exports dropped sharply from USD 2732.0 million in March 2020 to 520.0 million in April 2020. However, exports got a quick 'V-shaped' recovery in May 2020 and reached USD 3910.9 million in July 2020, attributable to the gradual open-ups of the global markets and the government's stance to revive the export-oriented industries. Since August 2020, the exports rose moderately to USD 3436.8 million in January 2021, and with a little fluctuation, the exports stood at USD 3134.4 million in April 2021. Notable reductions in firms' and households' incomes and disruptions in the global supply chain have resulted in a rapid decline in import payments from USD 4121.2 million in March 2020 to USD 2489.8 million in April 2020. Total import payment increased to USD 3940.99 million in May 2020 and it continued to increase to USD 5483.45 million in March 2021. Total merchandise commodity export during July-March, FY20 fell by 6.24 percent compared to July-March, FY19. Cumulative export growth started to increase by 0.59 percent in July FY21 from July FY20. The export growth kept growing at a positive rate till July-November, FY21 and stood at 0.93 percent. However, cumulative export growth increased by 13.64 percent during July-May, FY21 compared to the same period of the previous fiscal year. Custom-based import growth kept on being in negative terrain till July-February 2021, which stood at 1.94 percent. The cumulative growth in import payments increased by 12.99 percent during July-April, FY21 compared to the same period of the previous fiscal year.

The effect on each component of current and financial accounts of BoP has ultimately impact on the foreign exchange reserves. The foreign exchange reserves, which were hovering around USD 32381.47 million since January 2020, eventually got the momentum in October 2020 and piled up to USD 41005.79 million. With an increasing trend, it piled up to a record-high amount of USD 45586.07 million on June 23, 2021. The foreign exchange reserves are sufficient to pay import liability of 8.52 months according to the latest data on April 2021, while it was sufficient to pay import liability of 6.75 months in April 2020. An appreciation has occurred during the COVID-19 outbreak at the beginning of the fiscal year, in July 2020, due to a huge amount of remittance inflows. To tackle the appreciation pressure, BB has participated in open market operations to keep the exchange rate stable. The average exchange rate of BDT stood at 84.80 per USD in April 2021. Remittance inflows are assumed to be largely affected as the economies of the source countries, especially the oil-exporting countries, witnessed a slow-down in the economy since the onset of COVID-19. In May 2021, total remittance inflows recorded to USD 2171.11 million. BB's circular on providing a 2 percent cash incentive for money to be remitted through the banking channel into the country might have played a significant role in remittance earnings improvement.

Challenges of Implementation of the Policies in Bangladesh and ways forward:

It is of critical importance to consider how these stimulus packages are being utilized and making an impact on the economy. These have demonstrated better performance and as well as improved results when management and monitoring of the policies will be well managed. Amidst the ongoing crisis, the government should be ready to deliver further policy support to the economy. Moreover, with the previous experiences, regulators should identify their loopholes and be prepared to take timely measures with short-term, medium-term and long-term plans to mitigate the impact of COVID-19. Short-term recommendations for regulators could be assessing and modifying business continuity plan to maintain operational resilience. Medium-term recommendations are to do continuous monitoring modules for the government's incentive policy and programs, using an automated risk assessment tool, and evaluate the effectiveness of programs. Long-term recommendations are to re-assess the effectiveness of programs for future crises and innovate the post-crisis strategies.

2.3. Bhutan

The COVID-19 pandemic not only brought a health crisis but also severely impacted the socio-economic conditions due to disruption in economic activities and loss of jobs leaving major strains in the economy. The government of Bhutan has taken several fiscal and monetary measures in light of the COVID-19 pandemic. Bhutan confirmed its first COVID-19 case on March 6 2020. Since the outbreak was first detected, the Government immediately implemented strict containment measures such as travel restrictions on the entry of incoming tourists, closure of schools, public institutions and started flexible working hours temporarily for two weeks and later extended indeterminately. Additionally, the state implemented mandatory quarantine for all incoming Bhutanese for 21 days for free. A contact tracing app, "Druk Trace," was also launched. Furthermore, the closure of the border was announced on August 12, 2020.

Impact of COVID-19 on Macroeconomic Performance:

The pandemic has devastated the economy, with economic growth dipping into -6.3 percent in 2020, which is an all-time low growth in Bhutanese economic history. The negative growth in GDP was mainly due to a decline in the performance of tourism and allied sectors, construction and production & manufacturing sectors, in particular, has been dramatically impacted by the pandemic.

The inflation picked up from 2.3 percent in December 2019 to 7.7 percent in December 2020. The increase in inflation in the recent month is attributed to the rise in domestic food prices as there is a restriction on the imports of goods and services.

The uncertainty of the COVID-19 pandemic has forced the employers in the sector to lay off their employees either partially or permanently, thereby adding to the existing unemployment issues. As per the Labor Force Survey Report of 2020, about 19 percent of the total economically active working population (331,222 persons) were laid off from the job market. The overall employment rate increased to 5 percent (16,660 persons) in 2020 from 2.7 percent (8,698 persons) in 2019. An increase in unemployment in 2020 was due to an increase in "employees laid-off" in the tourism sector by 19 percent of total unemployment and the rest are from other sectors. Similarly, youth unemployment jumped to double-digit to 22.6 percent (6,922 persons) in 2020 from 11.9 (3,626 persons) percent in 2019.

On the fiscal front, the domestic tax revenue collection has decreased by 16.3 percent in FY 2019/20 from Nu 27.2 billion in FY 2018/19 due to several tax deferral measures. In addition, the implementation of new tax has forgone the Personal Income Tax (PIT), Corporate Income Tax (CIT) and Business Income Tax (BIT) by 17 percent, 5 Percent each, respectively, which has further aggravated the revenue performances. With the increase in allocation of budget towards containment measures and mobilization of budget for economic recovery, the total expenditure approved for the fiscal year is Nu 69.2 billion, an increase of 7 percent from the previous year. As a result, the fiscal deficit amounts to Nu 15.3 billion (1.9 percent) and of the total fiscal deficit, about 77.1 percent was financed from internal borrowing and the rest are from external borrowing. As of March 2021, the public debt increased by 16.6 percent to Nu 224.9 billion, which is 120.5 percent of GDP from 193 billion in the previous year.

On the external front, the current account deficit improved to 12.2 percent (in percent of GDP) in FY 2019/20 from 21.2 percent (in percent of GDP) in 2018/19. The contraction was largely attributed to improvement in the trade deficit to 9.8 percent (in percent of GDP) in FY 2019/20 from 17.5 percent (in percent of GDP) in FY 2018/19. However, the positive capital and financial account due to higher inflow of aid and grants, concessional loans and FDI have resulted in an overall balance of payment surplus. The positive balance of payment resulted in accumulation and adding up reserve assets of US $1.5 billion, which is adequate to finance more than 27 months of merchandise import coverage.

Response to COVID-19 Pandemic:

Monetary Policy Measures:

The Royal Monetary Authority of Bhutan (RMA), in collaboration with the Financial Institutions, implemented several monetary measures to support the borrowers and also to cushion the risks on the financial sector.

To ensure adequate liquidity in the banking system, the CRR was reduced from 10 percent to 9 percent on March 17 2020 and further to 7 percent on April 27 2020. The reduction of 300 basis points injected additional liquidity of Nu 4.2 billion in the banking sector. As of December 2020, Nu 3.12 billion has been utilized in the form of working capital loans, benefiting 2,753 applicants under the three phases of monetary measures.

The deferment period of 3 months, starting from April until June 2020, to all loans under the Financial Institutions without any interest penalty was granted. A total loan of Nu 118.8 million for 77,529 account holders has been availed. The rebate of 1 percent interest rate was also given to all regular repayment of the loan. A total of 56,696 loan account holders have benefitted from the provision of a one percent rebate on the interest rate, amounting to Nu 37 billion. The deferment of all loans has been further extended by another year until the end of June 2021.

The 100 percent interest waiver from April to June 2020, the cost of interest waiver was shared by the Government and Financial Institutions, amounting to Nu 3.8 billion. For three months, 50 percent cost of interest waivers was borne by the FIs was Nu 1.9 billion.

With the lowering of the CRR, a total of 4.2 billion liquidity support was injected into the banking sector. The concessional term-based working capital and bridging loans at a 5 percent interest rate were provided to affected sectors. The affected sector includes tourism, trade & commerce, and production & manufacturing industries. Among the sectors, the service and tourism sector received the highest share of working capital of Nu 1.28 billion (41.3 percent), followed by production and manufacturing sectors with Nu 1.04 billion (32.9 percent) and trade &commerce with Nu 0.8 billion (26.2 percent).

The RMA and the Financial Service Producers identified the CSI as a priority sector. Because of promoting the CSI, the National CSI Development Bank provided agriculture loans up to Nu 500,000 at an interest rate of 2 percent per annum without collateral requirement and working capital for the CSI at a 4 percent interest rate for three months. Under the Phase II of monetary measures, the provisioning of microloans to agricultural and non-agricultural CSI was further extended by 12 months until June 2021, at 2 percent and 4 percent concessional interest rates, respectively. As of December 2020, a total of Nu 668.93 million to 2,542 projects were financed in the form of microloans and working capital to the CSIs by the National CSI Development Bank.

Fiscal Measures:

The Ministry of Finance (MoF) announced tax relief measures by deferring tax filing and payment for the income year of 2019. The filing of Business Income Tax (BIT) and Corporate Income Tax (CIT) was extended till the end of June 2020 from March 31 2020. The tourism and allied sectors that are severely impacted by the COVID-19 pandemic were provided deferment of tax payment till the end of December 2020. Instead of deferment of tax payment by the Government, the total loss of domestic revenue collection was estimated at Nu 38.5 billion in 2019.

About 19 percent of employees were displaced from their jobs. To address unemployment issues, the Build Bhutan Project (BBP) under the Economic Contingency Plan was launched by the Ministry of Labor and Human Resources. Under the initiative of the BBP, a total of 14,495 individuals were employed and filled the labor shortage. Under the support of BBP, 18 specialized firms were to be established and skilled 6,702 people in the occupational trades in construction.

Other measures:

Upon the Royal command, those employees displaced from jobs were granted relief kidu as immediate financial support to sustain their livelihood. As of December 2020, a total of 38,000 individuals has received a monthly relief kidu in the last one year. As per the State of Nation's on December 12 2020, Nu 679.6 million has been disbursed as a relief kidu in the form of monthly income to 38,440 individuals. Of the total kidu recipients, 25,126 are individuals and 13,314 children eligible in Phase I (Apr-June 2020). During Phase I, monthly income support was granted in two categories, with Nu 8,000 (USD2 108) to Nu 12,000 (USD 162). Phase II was divided into two parts. Part I under the Phase II (Jul-Sep 2020) measures, a total amount of Nu 501.4 million were disbursed to 28,159 individuals and 6,297 children. In Part II of Phase II (Oct-Dec 2020) measures, the total amount of Nu 273.77 million was disbursed to 15,064 individuals along with 5,566 children.

In the initial Phase, I and Phase II measures, interest on all types of loans outstanding before April 10 2020 were granted with full interest payment relief for six months from April till the end of September 2020. The 100 percent interest waiver from April to June 2020 was shared equally by the Government (50 percent) and the financial institutions (50 percent). Starting from July to September 2020, 100 percent interest payment support was provided by the Government. As of March 2021, a total of 139,096 loan account holders have received interest payment support amounting to Nu 11.1 billion. Of which, Nu 9.2 billion (83 percent) was granted from the DGRK under Phase I and II for 12 months. In terms of the sector-wise disbursement, the housing sector received the highest share of 26 percent, followed by the service and tourism sector of 24 percent and the production and manufacturing sector with 14 percent, and 36 percent was received by other sectors.

The COVID-19 pandemic has simultaneously led to health crises and disruption in economic activities. Amidst the increasing number of COVID-19 cases in the country and emergence of the new variant virus, roll out in vaccine towards containing the virus and mobilization of the economic stimulus package is seen an important step toward sending protracted period of the crisis. Nonetheless, the pandemic has also provided a unique opportunity to review our economic model and re-orient national plans and priorities to find an effective solution to address the challenges and structural weaknesses.

2.4. India

COVID-19 had an unprecedented deleterious impact on economic growth all over the world. India was hit by COVID-19 in March 2020 and it imposed a total national lockdown when a total number of infections was only 500 (Economic Survey, 2020). On a scale of 0 to 100 of the stringency indexes, India's index rose to the peak between the end of March 2020 and the middle of April 2020 and moderated thereafter as different unlock phases were implemented.

As per provisional estimates, during 2020-21, India's real GDP contracted by 7.3 percent on the back of a 9.1 percent contraction in private consumption and a 10.1 percent decline in gross capital formation. Investments were dropped due to lack of information increased by 37 percent during March 2020 and recorded a growth of close to 55 percent during the first quarter of 2020-21. On the supply side, except for agriculture which was largely outside the ambit of lockdown, all other sectors recorded a contraction. The intensive contact sectors like trade, hotels and transport and construction registered the largest decline. The manufacturing sector contracted by 35.9 percent; the construction sector contracted by 49.4 percent as well as trade, hotels, transport and consumption sector contracted by 47.6 percent.

Fiscal and Monetary Stimulus during the Crisis:

In the wake of the crisis of COVID-19, India's immediate response was to ensure food security to the vulnerable, direct benefit transfers to aged widows, pensioners and the especially disabled, insurance coverage for the healthcare sector, support to construction workers, employment to returning migrant workers and secure to small businesses. In pursuance of this objective, in May 2020, the Government of India announced a relief package worth 10 percent of GDP. Free food grains were distributed under PMs Garib Kalyan Yojana (Welfare Scheme for the poor) and Aatma Nirbhar Bharat. Wage rates were increased under Mahatma Gandhi National Rural Employment Guarantee Scheme, which is the flagship employment creation scheme today to benefit 136 million rural families. Under PM Kisan Samman Nidhi Scheme, Rs. 2000 was distributed to each of the 87 million farmers. Relief Measures for MSMEs included a collateral-free lending program with a 100 percent credit guarantee; partial credit guarantee to public sector banks (PSBs) on borrowings by NBFCs, HFCs and MFIs; credit facility for street vendors and others. Simultaneously, there was a welcome realization that there was a need to expand the economy's productive capacity to boost supply to meet the pent-up demand once the health emergency eases and lockdown is lifted. Structural reforms included supply chain and price realization reforms for agriculture, contract farming reforms, relaxation in stock-holding limits, an extension of FDI limits in the defense sector, easing of the tax compliance norms (direct and indirect taxes), relaxation in labor laws and simplification of laws.

The Reserve Bank of India also deployed a gamut of conventional and unconventional policies to tide over the crisis. On March 27, 2020, the Reserve Bank of India reduced the policy repo rate under the liquidity adjustment facility by 75 bps to 4.4 percent from 5.15 percent and the reverse repo rate to 4.0 percent in March 2020. The policy repo rate was further reduced by 40 bps to 4.0 percent in May 2020. The Monetary Policy Committee of the RBI provided conditional guidance to continue an accommodative stance until growth revives while ensuring inflation remains within target. The RBI introduced long-term repo operations (LTROs) in February 2020, under which RBI provided long-term liquidity to banks at lower than prevailing market interest rates to lower their cost of funding. The RBI conducted five LTRO auctions, each of Rs. Two hundred fifty thousand million between February-March 2020, which augmented system liquidity by Rs. 12,51,170 million. During March-April 2020, the RBI conducted targeted LTROs (TLTROs) to provide relief to certain stressed sectors. Under this, banks were provided Rs. 10,00,500 million for deployment in investment-grade corporate bonds, commercial papers (CPs) and non-convertible debentures. RBI expanded the scope of eligible instruments used for this, including from the mutual funds and NBFCs. TLTRO 2.0 was introduced to de-stress small and mid-sized corporate and NBFCs and microfinance institutions. Subsequently, in October 2020, on tap TLTRO was introduced for Rs. 10,00,000 million for deployment in corporate bonds, CPs and non-convertible debentures in five sectors.

The Reserve Bank undertook two six-month USD-INR swaps of a total of USD 7 billion in March 2020 to infuse dollar liquidity. During 2020-21 (up to February 26, 2021), RBI's Net OMO purchases amounted to Rs. 3,04,7540 million consisting of both central and state government securities (Talwar et al., 2020). In order to reduce the steepness of the yield curve and compress the term premium, the RBI conducted simultaneous buying of long-term securities and sale of short-term securities. During 2020-21, the Reserve Bank of India conducted 19 such auctions of operations twists. This combination of OMOs and operation twists (OTs) softened yields and reduced the cost of borrowing for the Government of India. The RBI acted as the lender of last resort for all Indian financial institutions which were unable to raise resources during the weak financial conditions. The RBI started a special refinance facility worth Rs. 75,000 crore for financial institutions. In April 2020, the RBI also started a special liquidity facility worth Rs. 50,000 cores for mutual funds facing redemption pressures. With respect to regulatory policies, substantial adjustments were made to take the stress off the small and mid-sized companies while keeping in mind the financial stability implications of the policies. All regulated lending institutions were permitted to grant a moratorium of six months on payment of all installments falling due between March 1, 2020, and August 31, 2020. Existing loans to small and medium industries not exceeding Rs. Two hundred fifty million were permitted to be restructured without a downgrade in asset classification. The LTV ratio for loans against gold and jewelry was increased from 75 percent to 90 percent. The date of implementation of the last tranche of capital conservation buffer was deferred until October 2021. The implementation of the net stable funding ratio was also deferred till October 2021.

Overall, the total policy stimulus package, including the liquidity and other measures undertaken by the Reserve Bank of India, amounted to 15.7 percent of GDP during 2020-21. Amongst the recent measures, in order to provide liquidity support to the market, the RBI launched government securities acquisition program called G-SAP 1.0 and G-SAP 2.0. Under G-SAP 1.0, the RBI is committed to purchasing Rs. 1 lakh crore of bonds in the first quarter ending June 2021 in the secondary market. In the June 2021 bi-monthly statement, the RBI announced that it would conduct secondary market purchase operations worth Rs. 1.2 lakh crore. Further, the RBI announced a term liquidity facility of Rs. 50,000 crore with tenure of up to 3 years, at repo rate, for ramping up COVID-19-related health infrastructure services.

To mitigate the adverse impact of the second wave of the pandemic on certain contact-intensive sectors, the RBI, in June 2021, announced an on-tap liquidity window aggregating Rs. 15,000 crore, which will be open till March 31, 2022. In the wake of COVID-19 pandemic related disruptions, RBI permitted lending institutions to (i) extend the moratorium on term loan installments and interest on working capital facilities for six months from March 1, 2020, to August 31, 2020, in case of qualifying borrowers, without any impact on their 'standard' status; and (ii) restructure credit facilities meeting the prescribed criteria, without any consequent downgrade in asset classification. In September 2020, RBI notified the financial parameters and the sector-specific thresholds to be considered while finalizing resolution plans for exposures other than personal loans under the resolution framework (recommended by an expert committee). Two 6-month US dollar/INR sell/buy swap auctions were conducted on March 16 and March 23, 2020, cumulatively providing dollar liquidity amounting to US$ 2.7 billion.

Impact of Policies: India started showing signs of recovery from the Q2: 2020-21. By Q3: 2020-21, all sectors except trade, hotels, transport and communication exhibited positive growth rates. However, the contraction in trade, hotels, transport and communication sector had moderated significantly. Signs of nascent recovery were also visible on the demand side. Real GDP increased by 0.5 percent during Q3: 2020-21 and 1.6 percent during Q4: 2020-21 on the back of 2.7 percent growth in private consumption. Evidence from data is substantiated by several empirical studies that have measured the effectiveness of policies during COVID-19.

Results: RBI finds a clear distinction of the fiscal multipliers across economic uncertainty regimes. Contrary to the theoretical assertion, RBI finds that spending multipliers are higher during increasing uncertainty phases for India. The positive fiscal shock persists for only one year under increasing uncertainty. Accommodative monetary policy under increasing uncertainty has a significant impact on GDP. GDP dropped on impact and then moved into positive territory on average by quarter 3 and rose permanently thereafter. The response of inflation is muted until the second quarter, peaks by quarter 3 and then peter out by quarter 4 in the case of India under increasing uncertainty and negative interest shock; however, it does not seem to be much effective. Accommodative monetary policy under decreasing uncertainty, on the other hand, has a permanent positive impact on inflation with some price puzzles. With respect to other SAARC economies, the response of output to a fiscal shock is muted in the short run but rises significantly in the medium term. Under decreasing uncertainty, however, output peaks by the first year and then gradually diminish in impact. With respect to an accommodative monetary policy shock, under decreasing uncertainty, GDP remains muted for one year and then picks up and attains a peak by the third year in SAARC economies. On the other hand, RBI observes the price puzzle with respect to the response of inflation until the first year, irrespective of the uncertainty regime. Inflation attains a peak by the second year under decreasing uncertainty. Under increasing uncertainty, the inflation response is erratic and volatile.

However, both fiscal and monetary policy has contributed significantly to the process of recovery so far under extreme uncertainty. The government's foresightedness in maintaining the productive capacity to meet pent-up demand upon unlocking of the economy coupled with central banks' commitment to maintaining liquidity and financial conditions in the economy in line with the accommodative stance is expected to bolster long term economic growth. Finally, with domestic vaccinations likely to speed up this year, the economy may get back on track particularly the contact intensive sectors like trade, hotels and transport, which provide employment to large sections of the population.

2.5. Maldives

The COVID-19 pandemic has been by far the worst crisis faced by the Maldives in a very long time. The economy of Maldives is highly dependent on the tourism sector that contributes to over a quarter of the GDP. Due to unprecedented hits to the tourism sector, the Maldives faced the worst economic downturn, with GDP contracting by 32.0 percent in 2020.

COVID-19 and its impact:

In the Maldives, the first cases of COVID-19 were recorded on March 7, 2020. As the very first measure, the Maldives established thermal screening, local testing facilities, travel advisories, and designated quarantine centers. With the increase in cases, the health authorities announced several restrictive measures. A State of Public Health Emergency was declared on March 12 2020. The first case of local transmission was recorded on April 15 2020. As a result of the lockdown, the tourism industry faced huge losses and many individuals lost their source of income generation and had to face a lot of hardship.

Immediate Consequences:

The Maldives Monetary Authority, along with the Ministry of Finance, revised down the economic outlook. A decrement of 59.6 percent was recorded in the revenue collection in April 2020, while it further declined by 81 percent in May 2020 when compared to 2019. As a result of the border, the overall tourism industry with February 2020 registering a decline of 11 percent and in March 2020 marked decline of 63 percent. As the real GDP of Maldives is mainly driven by the developments in the tourism industry, any decline in arrivals will significantly dampen overall growth. Accordingly, five scenarios were computed to forecast the arrivals as well as bednights for the year 2020.

Taking these into consideration, new forecasts were generated where the real GDP ranged between -7.7 percent and -29.7 percent. Tourism 2020 initial est. 9.6 percent due to COVID-19 ranged between -30.6 percent to -74.8 percent; wholesale, retail initial trade est. 9.3 percent due to COVID-19 ranged between -6 percent to -23.4 percent, Construction and real estate initial est. 9.3 percent due to COVID-19 ranged between -1 percent to -33.7 percent, Transport and communications est. 7.6 percent due to COVID-19 ranged between -7.4 percent to -11.8 percent.

Post re-opening:

After almost four months of border closure, the tourism industry re-opened on July 15 2020, with enhanced precautionary measures against COVID-19. But the pace of recovery was slow from July to September 2020. In September, the recovery pace slightly increased mainly due to the start of the Russian flight and new charter flights. In the subsequent months until November 2020, the sector slowly started recovering and during December 2020, the Maldives reached its new target of achieving 100,000 tourists post reopening, ahead of the projections. The pace of recovery boosted during December 2020 with the peak season. Post the re-opening, the dynamics of the tourism sector also changed. Before the pandemic, the average stay was recorded at around 6.5 days. The average stays post re-opening had increased to around 9 days. By the end of 2020, the average stay recorded in the Maldives was 7.2 days. The top 5 markets post the reopenings include India, Russia, Ukraine, Kazakhstan, and Germany. However, the real GDP declined by 5.1 percent in quarter 1 compared to the corresponding quarter of 2019; the decline was much larger in Q2 and Q3, registering at -52 percent and -44.2 percent, respectively. This decline stemmed mainly from the decline in the performance of the tourism and transport and communication sector.

Revised outlook for 2020 and 2021:

With the better than expected performance in GDP and the tourism industry, the forecasts were revisited in October 2020. In the moderate case, the GDP was expected to decline by 29.3 percent in 2020, while it was expected to rebound by 13.5 percent in 2021. Although the arrivals and bednights were forecasted to decline by 73 percent and 67 percent, respectively, the actual arrivals and bednights registered at -67 percent and -63 percent, respectively. By the end of 2020, total arrivals registered at 555,494, of which 172,568 were recorded during July-December 2020. Overall, the country was able to achieve only 32 percent of the 2019 levels in terms of arrivals. Total bed nights registered at 3,984,712 in 2020 with 1,243,435 post reopening. The tourism forecast for the year 2020 surpassed the optimistic case while the bed nights registered between the moderate and optimistic case. The revenue received via the Maldives Inland Revenue Authority in the first quarter of 2021 is also better than expected, boosting the foreign currency reserves as well. As of May 24 2021, total tourist arrivals to the country registered at 444,085, with an average of 3,084 tourists per day. The actual revenue received by MIRA also started surpassing the forecasts.

Measures to stabilize the situation:

The Maldives Monetary Authority has been mandated to maintain the price stability in the economy. In this regard, the MMA manages the liquidity in the banking system through monetary instruments in order to reduce the pressure on the exchange rate. As such, the authority had increased the amount of foreign exchange provided to the market from April 2020 onwards to address the difficulties in the foreign exchange market due to the COVID-19. This increase was mainly targeted towards the imports of necessities such as medical and food. Moreover, to help mitigate the pressures faced by the commercial banks, the MMA reduced the minimum reserve requirement (MRR) from 10 percent to 7.5 percent during April 2020. In addition, during July 2020, the MRR for foreign currency was further reduced to 5 percent. Several regulatory measures were also taken in March 2020 to facilitate a moratorium on loan repayments for a minimum of 6 months for those affected by the COVID-19 situation. The regulatory leeway was in effect until March 31 2021. In addition, short-term fixed deposit investments were made available to financial institutions as and when required. As the MMA utilizes the reserves assets to cater to the foreign exchange requirements, further measures were taken to boost the reserves. As such, the repayment of the USD150 million swap repayment extended USD250 that was availed in December 2020.

The government also initiated several fiscal policy responses. As such, the government had announced an economic relief package that consisted of some of the following measures.

a) Provision of working capital loans to businesses and individuals at a low interest.

b) Discounts on electricity and water bills up to 40 percent and 30 percent respectively for two months.

c) A debt moratorium of 6 months for individuals, businesses, and students abroad.

d) Income support allowances for those unemployed due to COVID-19.

In addition, the 'COVID-19 front line allowance' was introduced to incentivize the frontline workers. The government also received donor financing from several institutions such as the Asian Development Bank, the International Monetary Fund, the World Bank, the Government of India, etc.

To reduce the strain on the economy, several other measures were adopted. The government planned several measures to cut back expenditure. Some of the areas where expenditure cuts were proposed are: i) Reduce travel and training; ii) Temporarily stop recruitment of new civil servants; iii) Cut back salaries of parliament members and political appointees above the deputy minister level by 20 percent; iv) Reduction in construction and repair work; v) To halt the PSIP projects scheduled for 2020 that had not passed the tendering stage; vi) Reduce grants provided to local councils

Recovery of the industry– Domestic Factors:

The Maldives was promoted as a haven for tourists because of its long-standing one-island one-resort concept. The industry put a remarkable amount of effort in order to revive the industry. Major highlights include-

a) The Maldives introduced a three-tier loyalty program under the name "Maldives Border Miles" for international tourists visiting the country.
b) High-end resorts provided added layers of safety and security for tourists.
c) Full-year stays and high-speed internet and wellness activities to "Workcation" packages were introduced by resorts.
d) New direct connections to European countries assisted the pent-up demand created by the Pandemic.
e) To ensure the safety of tourists, Ministry, in collaboration with Allied Insurance, introduced First Travel Insurance Covering COVID-19 in the Maldives. The insurance package includes two plans; "Allied Inbound" and "Allied Inbound Plus." The packages cover for 7 or more days and are to be purchased before arriving in the Maldives

This effort received a further boost and Maldives achieved the Safe Travels Stamp on September 15, 2020, which is endorsed by the World Tourism Organization.

Recovery of the industry– Global factors:

Global factors also contributed to the more than average rebound of the industry. Since destinations in Asia pacific were more cautious about opening their borders relative to Europe and America, tourists from these regions had fewer options in the Asian-pacific region. Similar destinations such as Bali, Tahiti, and Phuket have been closed since the pandemic began. Seychelles opened its borders in August 2020 with PCR certification and quarantine requirements. Sri Lanka opened its borders in December 2020 with tight control of tourist movement. Recovery in the Maldives outpaced the recovery in Seychelles in October 2020 and has since reached 65 percent of pre-crisis arrivals. However, the recovery has been met with setbacks as major source markets tighten outbound travel restrictions in order to break the chain of transmission within their borders.

On its journey to recovery, Maldives was able to achieve over 100,000 visitors in a span of a month in 2021. As of March 10 2021, the Central/Eastern Europe and South Asia region both surpassed pre-COVID-19 levels, posing above-average growth rates. By the end of the first quarter, total arrivals registered at 298,570, reaching around 62 percent of 2019 levels. However, the country is aware of the downside risks that may occur with the uncertainty around the fluid situation and the emergence of the new variants. For the economy to recover, it is important to have effective containment measures for COVID-19 and the successful implementation of the planned vaccination schedule. The authorities shall continue strict monitoring of all the indicators and the macroeconomic situation to ensure that the economy bears the least level of the downturn in the event of a further worsening.

2.6. Nepal

Like the rest of the world economy, the impact of COVID-19 on Nepal's economy is widespread and profound. Until June 21, 2021, 649,948 people tested COVID-19 positive, and the deaths toll reached 8,772 in Nepal. The real GDP growth of Nepal turned negative (-2.1 percent) in the last fiscal year owing to the COVID-19 pandemic. The second wave of COVID-19 adding downside risks to economic growth (preliminary estimates of 3.9 percent for 2020/21). The lower saving-GDP ratio is indicating a wider resource gap. Despite the COVID-19 pandemic, CPI inflation is contained. Demand deficiency, supply measures, sluggish activities, along with base effect, contributed to lower inflation. The wholesale price index is showing upward movement, which is 8.1 percent in 2021/21. The overall average salary and wage index decelerated 1.5 percent in 2020/21.

In the external sector, both exports and imports gradually recovered in recent months. But uncertainty persists after the second wave of COVID-19. The trade deficit is around 30 percent of GDP. A surplus in Balance of Payments (BoP) is accompanied mainly by workers' remittances. Forex reserves are sufficient to cover the prospective imports of goods and services for 10.3 months. Budgetary operations are affected by the COVID-19 pandemic. Sluggish growth of total expenditure compared to resource mobilization. The public debt-GDP ratio increased to 36.3 percent—gradual pick-up of credit growth. Short-term interest rates are around 4 percent. The base rate is in a declining trend. Upward movement of the stock market is shown, indicated by mcap-GDP ratio.

COVID-19 Pandemic and Policy Responses:

The government of Nepal and the Central Bank has taken a number of effective policy measures to curb the COVID-19 pandemic. These policy measures are highlighted below:

A. Containment Measures: Domestic and international flight suspension started on March 22, 2020). Nationwide lockdown and closure off and boarder started on March 24, 2020. Mandatory requirement of PCR negative report and 14-day quarantines for suspected COVID-19 cases. Series of lockdown and activity resumption orders imposed based on a number of COVID-19 cases (from 1st to 2nd wave).

B. Fiscal/Budgetary Measures: Increments in health sectors pending for medical supplies, equipment, insurance coverage, quarantines, etc. Exemption of import duty on specified medical supplies imposed. Food distribution for the vulnerable group in coordination with local municipalities was started. Tax-filing deadlines extended. Business continuation scheme (fund) for COVID-19 affected business: credit facility through BFIs at 5 percent interest rate.

C. Monetary Financial Measures: Nepal Rastra Bank (NRB) reduced policy rates in response to the pandemic. CRR reduced from 4 percent to 3 percent. Bank rate re-fixed from 6 percent to 5 percent. Repo rate cut off from 4.5 percent to 3.5 percent. The provision of counter cyclical Buffer was suspended. The interest and principal of the borrowers due were facilitated in mid-April deferred to mid-July 2020. BFIs required to provide 10 percent discount on interest due in mid-April 2020 if the payment is made in the same month. The repayment period of short-term loans such as working capital loans due was provided in mid-April 2020 extended for 60 days. Credit extended to private health in situations for expanding-19 patients classified as Priority Sector Lending. Moreover, BFIs (Bank and Financial institutions) are required to lower interest rates by 2 percentage points from the interest rate level of mid-April 2020 in specified sectors. The interest and principal of the borrowers deferred to mid-July 2020. On July 17 2020, after the monetary policy announcement, repo rate further decreased from 3.5 percent to 3 percent. Loan-to-value (LTV) ratio increased from 65 to 70 percent on margin nature loans against the collateral of shares.

D. Refinance Facilities: NRB extended refinances fund (5 times of existing). Special refinance facility fixed at 1 percent. BFIs allowed restructuring MSMEs refinance at 2 percent and other refinance at 3 percent. Borrowers to pay 3 percent 5 percent and 5 percent, respectively.

E. Moratorium, Loan Restructuring and Rescheduling: NRB Provided deferment of the installment and interest payment of loans extended to COVID-19 affected professions/ businesses from and rescheduling loans after collecting 10 percent of interest. Credit to Deposit Cum Core Capital (CCD) Ratio increased from 80 percent to 85 percent until July 2021 to increase resource availability. Relaxation in the computation of capital adequacy has been initiated. Countercyclical buffer suspended until mid-July 2021. Loans classified underpass category in mid-January 2020 could be classified in the same category in mid-July 2020. The Upward revision of the digital transaction limit was initiated. NRB also rescheduled loans further upon the request of borrowers' plans. Moreover, ease of forex transactions for the imports of COVID-19 related medicines and medical equipment has been initiated. BFIs were instructed to provide loans at a base rate to the health service providers, hospitals and oxygen industries for installing oxygen/liquid oxygen plants. Special refinance facility of up to Rs. 500 million was allotted for oxygen plants. BFIs are also directed not to issue debt recovery notice and any kind of penalty and extra charge from the borrower during the lockdown. BFIs encouraged to provide digital banking services and interest discounts. Further, BFIs are directed to allocate CSR funds in COVID-19 related health sector.

COVID-19 Impact:

The NRB conducted an online survey to assess the preliminary impact of COVID-19 on businesses. The initial survey was conducted in June 2020, followed by the first and second follow-up survey in Nov 2020 and April 2021, respectively. The major findings of the survey are: i) 81.2 percent of businesses were in full operation in April 2021 compared to 54 percent in Nov 2020 and 4.1 percent only in July 2020; ii) Compared to the pre-COVID-19 level, the average employment in the businesses reached 93.8 percent, while such figure was 87.5 percent in Nov 2020 and 77.5 percent in July 2020. Compared to the pre-COVID-19 level, production of all types of business reached 61.4 percent in April 2021, which was 50.5 percent in Nov. 2020 and 28.8 percent in July 2020; ii) Despite the improvements in business operations, employment and production as shown by the latest survey, the present situation is worse than before due to 2nd wave of COVID-19 and the containment measures undertaken since April 29 2021.

COVID-19 had an impact on asset quality (NPL) of the banking sector of Nepal. High Capital Adequacy Ratio (CAR) decreased to 13.64 percent in mid-April 2021 from 14.16 percent in mid-July 2020. There was downward pressure on the profitability of the banking sector. The gradual change in traditional banking habits was due to the increased use of digital banking-Fintech.

The recommendations are: i) To implement the close monitoring of the situation (COVID-19 impact on the economy) and formulating fiscal-monetary policy responses; ii) To increase the financial and macroeconomic ability to be placed at the center while making policy relaxations and providing relief; iii) To emphasize on proper coordination between government, central bank and the public at large and necessary to have international (bilateral, regional, multilateral) coordination and support.

2.7. Pakistan

The Government of Pakistan and the State Bank of Pakistan (SBP) implemented supportive fiscal and monetary policy measures from the onset of the shock, including cash grants to low-income households, tax relief, and additional health spending (including a salary increase for healthcare workers). The FY2021 provincial budgets also provided tax relaxations and sizeable increases in expenditure allocations, especially on health services. On the other hand, the SBP introduces new refinance schemes and incentivizes SMEs and manufacturing industries to ensure a smooth banking system and sustainable economic activity.

Countering COVID-19: Measures by State Bank of Pakistan

1. COVID-19 Monetary Policy: SBP reduces policy rate by a cumulative 625 bps
2. COVID-19 Investment: Facilitating New Investment - Temporary Economic Refinance Facility (TERF)
3. COVID-19 Loans: Loan Extension and Restructuring Package
4. COVID-19 Health: Supporting the Health Sector to Combat the Virus – Refinance Facility for Combating COVID-19 (RFCC)
5. COVID-19 Employments: SBP Rozgar Scheme

Other Measures:

a) As of November 13 2020: Rs. 238 billion Loans Approved for Wages
b) As of April 16, 2021: Rs. 27.632 billion Approved for SME
c) As of April 16, 2021: Rs. 11.574 billion Approved for Agriculture Financing
d) As of April 16, 2021: Rs. 121.280 billion Approved for Microfinancing
e) As of May 17 2021: 97 percent of ATMs available

SBP schemes are playing an important role in improving cash flows of businesses and households, preventing unemployment and facilitating investments.

SBP's Economic Policy Support Measures (billion rupees and as a percent of est. GDP, as of March 24 2021	
Interest rate benefit	Rs. 470 billion (1.1 percent of GDP)
Loan deferment	Rs. 657 billion (1.6 percent of GDP)
Loan rescheduling	Rs. 246 billion (0.6 percent of GDP)
Rozgar scheme	Rs. 238 billion (0.6 percent of GDP)
Support for hospitals & new investment/BMR	Rs. 548 billion (1.3 percent of GDP)
Total	Rs. 2159 billion (5.2 percent of GDP)

COVID-19 Monetary Policy: SBP reduces policy rate by a cumulative 625 bps

In response to falling inflation and domestic demand, SBP has proactively eased monetary policy to support growth and employment. Also, Pakistan has undertaken one of the fastest and largest policy rate cut among some selected emerging markets.

COVID-19 Investment: Facilitating New Investment - Temporary Economic Refinance Facility (TERF)

To facilitate new investment, SBP announced Temporary Economic Refinance Facility. The requested amount has increased from Rs. 51.4 billion for 49 applicants in May'20 to Rs. 690 billion for 674 applicants in Mar'21 while over this period approved amount have increased to 435.7 billion for 628 applicants from Rs. 2.7 billion for 5 applicants.

COVID-19: Loans (Extension and Restructuring package)

SBP provided relief for loan restructuring to borrowers to combat economic disruptions and introduced a loan deferment policy to ease cash constraints of borrowers.

Debt Relief Scheme (as of April 16, 2021):

Loan Category	No. of Applications Received	Particulars of Approved Applications		
		No. of Applications Accepted	Percent of Accepted Applications	Amount Approved
Corporate/Commercial	3,172	2,878	90.73	717.853
SME	10,835	10,406	96.04	27.632
Consumer Finance	100,519	65,161	64.82	22.359
Housing Finance	2,959	2,140	72.32	10.082
Agriculture Financing	29,954	27,216	90.86	11.574
Microfinancing	1,736,113	1,717,665	98.94	121.280

COVID-19 Health: Supporting the Health Sector to Combat the Virus – RFCC

SBP introduced time-bound refinance facility for hospitals and new investments. As of May 20 2021, Rs. 12.4 billion loans have been approved for hospitals and Rs. 436 billion loans have been approved for investment. Under the Refinance Facility for Combating COVID-19, the requested amount has increased from Rs. 5699 million in April' 20 to Rs. 17418 million in April 2020. On the other hand, the approved amount has been increased from Rs. 3730 million to Rs. 12568 million in the same time period.

COVID-19 Employments: SBP Rozgar Scheme

SBP introduced a Rozgar scheme to prevent layoffs by financing wages and salaries of employees. Since the introduction of Risk Sharing Facility (RSF) in Rozgar Scheme in May 2020 to November 13, 2020, 2603 SMEs and Small corporates with sales turnover up to Rs. 69.4 billion against which Rs. 56.2 billion have been approved. Significant growth in SBP Rozgar Scheme is reflected through an increase in amount under all three categories i.e., requested amount, approved amount and disbursed amount. The requested amount has increased from less than Rs. 1 billion by the end of April, 2020 to more than Rs. 276 billion by November 13, 2020, while over this period approved amount and disbursed amount have increased to Rs. 238.2 billion and Rs. 212.4 billion from Rs. 24 million and Rs. 23 million, respectively.

2.8. Sri Lanka

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. Despite the limited fiscal scope, extraordinary fiscal stimulus measures were implemented by the Government of Sri Lanka under faltered growth. The Central Bank also 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.

Sri Lanka is a middle-income country with a Gross Domestic Production (GDP) of around USD 80 billion. 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 percent in real terms in 2020. During the second quarter of 2020, where the total lockdown was in place, the economy contracted by 16.4 percent. In nominal terms, the Sri Lankan economy contracted by 0.3 percent in 2020, compared to the expansion of 5.1 percent 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 percent in 2020 from 4.8 percent in the previous year. With the mobility restrictions imposed to curtail the spread of the COVID-19 outbreak, the labor force participation rate (LFPR) declined to 50.6 percent in 2020 from 52.3 percent recorded in the preceding year.

Policy Measures adopted since the COVID-19 Outbreak.

Fiscal policy measures in response to COVID-19

a) Establishment of a COVID-19 Healthcare and Social Security Fund
b) Granting tax exemptions on importation and supply of pharmaceutical machinery, medical instruments and drugs required for the provision of the COVID-19 pandemic
c) Cash allowance for lower-income families living in locked-down areas across the nation
d) Introduction of the one-month grace period to the general public for the payments of utility bills
e) Extending the payment deadlines for Value Added Tax for the months of February and March until April 30, 2020
f) 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 filing tax returns

Monetary and Financial policy measures in response to COVID-19

a) 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 percent and 5.50 percent, respectively, during 2020, with a view to enhancing credit flows by lowering real interest rates.

b) 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 percent during 2020, thereby increasing liquidity in the domestic money market. 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.

c) 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 percent during 2020 while allowing it to be determined automatically with a margin of 300 basis points above the SLFR.

d) 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, which helped reduce yields on government securities by around 2-3 percentage points.

e) Total funds provided by the Central Bank under refinance schemes including debt moratorium and a working capital loan for eligible customers amounted to around Rs. 180 billion, at a concessional rate of 4 percent, thereby providing direct relief to businesses, particularly to Micro, Small and Medium-scale Enterprises (MSMEs), to continue operating through times of great difficulty.

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 on most of the fronts. Although the Sri Lankan economy contracted during 2020, the economy rebounded during the second half of 2020, registering a real growth of 1.3 percent, year-on-year, in spite of the disruptions caused during October-November with the second wave of the pandemic.

All the average weighted lending rates which hovered above 13 percent in 2019 are now below 10 percent levels, while all average weighted deposit rates are hovering around 5 percent 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 percent, year-on-year, by the end of 2020.

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 percent, year-on-year, by the end of 2020, compared to the growth of 7.0 percent, year-on-year, at the end of 2019. The 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 percent, year-on-year, by the end of 2020.

Targeted credit programs 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 are 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 a 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 this fiscal stimulus package could be very challenging. 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.

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 macro-prudential concerns on banking sector operations.

The help provided via fiscal and monetary stimuli has been vital for 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 destabilizing inflation expectations and generating high and undesired inflation over the medium term. 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 normalize, 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.

3. Conclusion

The COVID-19 pandemic has already had immense, diverse effects around the world. The consequences of the COVID-19 pandemic are far-reaching on the economy. This pandemic is affecting the economy not only by spreading the virus but also by affording to cope with it. This paper analyzes the policy responses by the central banks and the impact of COVID-19 among the countries in the SAARC region. There are many challenges before the SAARC nations implement those policies in their respective countries. The ongoing COVID-19 pandemic has been increasing the global crisis that continuously forces to pursue and implement effective policies to combat the COVID-19. Policymakers of these regions identified several strategic policies and priorities in order to address the challenges and hindrances and integrate the sustainable development goals achievement in South Asia.

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