

## Concept Note

### **Economic Aspects of COVID-19 in Pakistan**

Pakistan is the fifth most populous country in the world, with densely populated cities where contagion spreads far and fast as indicated by 313,431 confirmed cases of COVID-19 since February<sup>[1]</sup>. In presence of mitigation measures, coronavirus still poses risks to lives and livelihood as it has severely damaged the economies all over the world and the situation in Pakistan is no different. Pakistan has observed a significant decline in the poverty rate over last two decades from 40% to 24.3% in 2015<sup>[2]</sup>. However, the International Monetary Fund (IMF) projects a sharp reversal, with up to 40% of Pakistanis living below the poverty line due to the economic impact of COVID-19. Real GDP growth is expected to slow down by 3 %, with major declines in services and manufacturing<sup>[2]</sup>. The unemployment rate has risen from 4.1% 2019 to 4.5% in 2020 and is expected to reach 5.1% by 2021<sup>[3]</sup>. Those most at-risk are already living below poverty line i.e. women, children, people with disabilities, the elderly, and other marginalized groups whose lives, livelihoods, nutrition, and access to basic services is least secured<sup>[4]</sup>.

The pandemic has affected myriad components of the economy. It has pushed the healthcare system to its limits with devastating impact on various services delivery. It has disturbed the existing healthcare financial allocations and human resources. Pakistan's pre-COVID-19 budgetary allocations were inadequate and health system was not well equipped to deal with an unprecedented public health threat of this scale. As a part of the national emergency response, immediate healthcare build-up was initiated to plug in the gaps, and reallocation of resources and personnel to manage the influx of COVID-19 patients. However, this shift caused a huge gap in delivery for routine health services such as immunization, maternal healthcare, elderly care, out-patient, and community-based healthcare programs<sup>[4]</sup>. The private sector was similarly affected which further widened the gap. This situation increased the burden of disease and triggered significant economic and productivity losses.

There is an immense need to revisit budgetary allocations for health and other financing mechanisms that become inevitable in such health emergencies. In COVID-19, various local and foreign funds were channelized to fulfil the essential needs, amid global supply chain crises of medical supplies. Philanthropy played a significant role in managing the crises but in a very unstructured way. A more organized and structured approach to finance health emergencies could be worked out to mitigate negative effects on health. The current pandemic revealed gaps in emergency response, weak health systems, unsustainable social protection strategies, poor index of

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universal healthcare coverage and insufficient data for fiscal analysis to reprioritize budget. The pandemic crises has channelized investments for emergency response, bringing certain improvements in the existing health infrastructure. There was an increased capacity of ventilators, diagnostics testing services, quarantine centres, disease surveillance system, public-private laboratories infrastructure and coordination. Above all, now the country has a baseline emergency response preparedness for future crisis.

The multi-dimensional economic burdens posed by COVID-19 triggered multiple challenges. To control the spread of the virus in the community, strict compliance to preventive measures of social distancing, standard operating procedures and lockdowns were inevitable. Once imposed, it immediately brought almost 90% of business activity to a stalemate, devastated the livelihood of millions of daily wagers, almost crippled small & medium-size industries and forced many overseas workers to return back to Pakistan. The government of Pakistan responded promptly with several initiatives to provide relief and assistance to its citizens. For instance, EHSAS Emergency Cash scheme (worth PKR 1.2 trillion) unveiled on March 24, 2020 to provide financial assistance to the economically deprived community (e.g. daily wagers, vendors, public transport, drivers etc.), subsidize utility bills, relieve on tax returns and provision of certain subsidies <sup>[5]</sup>.

The situation that has emerged as a result of COVID-19 requires switching to the emergency mode by ensuring efficient response plan to provide effective health and economic relief packages. This requires deliberation by stakeholders on the following strategic questions:

1. What are the alternative resource mobilization strategies and funding mechanisms to mitigate the economic impact of COVID-19?
2. In times of emergencies, how should Pakistan create a sustainable fiscal space for health?
3. What are the proposed economic revival steps to address unemployment, poverty and inequality due to COVID-19?

### References:

- [1] COVI-19 Situation. Pakistan Statistics. Retrieved on 2-10-2020 from: <https://covid.gov.pk/>
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- [3] International Monetary Fund(IMF) Country Data Mapper Pakistan, Indicator Unemployment. Retrieved on 30-9-2020 from: <https://www.imf.org/en/Countries/PAK#countrydata>
- [4] UNDP (May 2020). COVID-19 – Pakistan Socio-Economic Impact Assessment & Response Plan.
- [5] International Monetary Fund (Sep. 25, 2020). Policy Response to COVID 19. Country profile: Pakistan.