**PNA STUDY GUIDE COMUN’20**

**“Effects of Covid’19 on current situation in different sectors, especially on economy and budget”**

**Pakistan National Assembly:**

Pakistan National Assembly is the lower house of the parliament of Pakistan. Its members are elected by the people of Pakistan through voting. PNA is responsible to look over the important decisions to be made on behalf of the country, to ensure that the executives are working properly and that none of the rights of Pakistani citizens are being violated. This committee discusses options and possible ventures for the progress of Pakistan, passes or debates on bills, laws etc.

**Introduction:**

Pakistan is estimated to have faced an economic loss of up to Rs2.5 trillion because of the Covid-19 pandemic in the current fiscal year and government figures project that around three million jobs are expected to be lost in the "initial round" of the novel coronavirus outbreak.

Those Pakistanis who have suffered the most from the economic impact of the outbreak on lives and livelihoods are primarily the country's daily wage workers and urban slum dwellers.

The government in Pakistan is considering the imposition of another countrywide lockdown if the COVID-19 situation continues to get worse. For Pakistan, flattening the curve and containing the virus’ spread by imposing a lockdown may have already become irrelevant. The utility of the lockdown was highest when the crisis was at an early stage and limited to Pakistan’s urban areas. With the virus’ spread now hitting all corners of the country and transmission patterns developing in rural areas, it is unclear if another lockdown is the solution or if it can be implemented at all.

Pakistan faces a serious crisis when it comes to tracking the pandemic’s spread, and monitoring the severity of the situation. The actual story of the crisis is far worse than being reported. The cases emerging in the major urban areas are the key focus for the health officials. Arguably, it’s one of the reasons that cities like Karachi, Lahore, Peshawar, and Islamabad have recorded more cases than other places. Smaller cities and adjacent towns across Pakistan, which are not the focus of the public health officials, neither have the capacity nor infrastructure in place to handle COVID-19 cases or record them correctly for the national or international audience. According to the World Health Organization (WHO), the current toll of fatalities from the COVID-19 cannot be gauged accurately in low or middle-income countries where only 30 percent of deaths take place in hospitals with known causes. This scenario is actually true for Pakistan as a growing number of people potentially dying from the virus only leave trails of breathing problems among their relatives and friends. On the other hand, in the country’s rural areas, no effort whatsoever is being made to either educate people of the virus’s threat or to test, track, and record cases.

The government has never communicated its policy firmly or with a clear-headed approach. Talk of another lockdown will not ease Pakistan’s troubles. In fact, it’s unlikely that people are going to follow the announcement of another lockdown as economic pressures reach boiling point. The best and perhaps the only time to effectively impose a strict lockdown was when the crisis was at the early stages and the government had a narrative to sell.

**Background of the study:**

Coronavirus disease also called COVID-19 is spread vigorously in China, Italy and Iran. Pakistan, being as a neighbor country of China and Iran was vulnerable most to COVID-19. Pakistan was not expecting such a speedy outbreak of COVID-19 and has got no such prior plan/measures to cope with COVID-19 on time. As soon a case appeared, Pakistan reacted toward the pandemic spontaneously through arrangement and management of two types of quarantine facilities. One was for the incoming Pakistani from various countries, such as Iran, China, Afghanistan and India. The other was arranged inside various hospitals for COVID-19 positive cases. As hundreds and thousands of Pakistani were in Iran for religious purposes, they were. Most of the students and businessmen, inside China were not allowed to come back. Handling of large scale influx from Iran was the main problem. Out of the total COVID-19 cases 78 percent cases were reported from visitors coning from Iran. As no instant testing facilities were available, therefore, all incoming visitors were sent to quarantine. Simultaneously, Pakistan announced closure of all schools, colleges and universities with a partial lockdown across the country for major cities. It was concluded that the conditions of quarantines were not satisfactory, but was helpful to a big extant. The lockdown damaged daily wage labor financially. To cope with such pandemic situations in future, it was recommended to have modern quarantine house at the exit and entrance points on border as well as in major hospitals. It was also suggested to create databases for daily wage labor for on time support in future.

The outbreak of coronavirus was not new to the world. It was discovered in 1960. Coronavirus caused upper and lower respiratory problems in human and was termed as severe acute respiratory syndrome (SARS). The first outbreak of corona related infection was documented in 2002-03. That affected 29 countries of Asia, Europe, North and South America. About eight thousand cases were identified with 9.5% fatalities. Studies conducted in 2010-15 revealed that coronavirus was found in both, animals and humans being. Although it was lethal, but till now no vaccine was available. Therefore, preventative strategy was recommended against the outbreak of corona virus, such as change in eating habits, monitoring and surveillances a detail study was conducted about infectious viral diseases in Pakistan. It was suggested that Pakistan is facing various problems, such as flood, earth quake, epidemic of various viral diseases (Polio, dengue, and hepatitis). Therefore, Pakistan government is required to go for a comprehensive health policy of preventative nature.

Quarantine is one historical preventative measures and has a key role in prevention of epidemic and pandemic. It is simply isolation of suspected patient for a particular time period. During this isolation, if a person develops symptoms of a particular disease, s/he is transferred to hospital for further treatment. If s/he developed no such symptoms, s/he is set free. Quarantine period is different for differ diseases. Incubation period of corona virus is 14 days, and was suggested as quarantine period for coronavirus virus.

**Key Terms:**

* **Opportunities during Lockdown Period:**

For many, the current lockdown presents us with a slower and more considered way of working. We might view things with a deeper sense of what’s critical to our business, or take an overall look at things we have simply never had time to consider. This time allows some the opportunity to address operational or cultural issues within our organizations, and to search for improvements or solutions.

If you’re a good communicator, have strong digital skills, and excellent organizational skills, you could work as a virtual assistant. You will need to accurately type at a speed of 80-100 wpm, work well remotely, and adjust to the needs of the business or person that you are assisting, but this is one of the more long-term and reliable options to make additional money during lockdown.

* **Hurdles During Lockdown:**
* One of the hardest-hit segments of Pakistani society are the daily workers and self-employed who have not only lost their daily earnings to feed their families but also cannot pay rents, utility bills, school fees, or medical expenses. And daily staples such as sugar and flour have seen huge price increases due to hoarding as well as bans or prohibitive costs on inter district and inter province transport.
* **Closure of education institution:** to avoid quick spread of coronavirus, all school, colleges and universities were closed on 13th March, 2020 throughout the country. Initially this act of government was criticized for the reasons that no alternate arrangements were made to save time of the students. Such as online classes, quiz program, reading materials, assignment etc. Later on, with the passage of time, the infection was spread out rapidly across the globe as well as Pakistan. It was proved that this closure was justified and was a good decision. According to first announcements, all educational institutions were closed till 31st March. Later on, it was extended till 31st May, 2020, with a mentioning that this break will be counted as summer vacation. In most parts of Pakistan, due to hot summer, education institutes observed summer vacation during Jun and August. This year all the students will attend classes in hot most months of the year. For some people this may be a simple matter, but technically it is not that sound. All the schools, colleges and universities are not equipped to handle temperature above 40 C and will be a real problem, especially for the small kids. Besides, there is usually outbreak of summer diseases like diarrhea, and Pakistan may need to arrange a separate session of vaccinating for seasonal disease along with a separate program to beat high temperature.
* **Daily wage labor**: Daily wage labor is the most vulnerable segment of our population. At present, Pakistan has a labor force of 72.5 million. 9.5 million are above 50 years’ age and 63 million are above 15 years age working in different sectors. Out of this total, 7 million are daily wage worker and 3.6 million are unemployed. Being as a developing country, it was not possible for the government of Pakistan to reach every daily wage labor for appropriate support for their daily needs. Initially there was partial lockdown in Pakistan. The aim of partial lockdown was to avoid unnecessary interaction and mobility. Partial lockdown was good for daily wage labor. They could go to their work place.

**Effect ofCovid’19 on Pakistan’s Economy:**

The rapid spread of the COVID-19 virus since February 2020 has brought economic activity to a near-halt. Most of the country has been placed under a partial lockdown.  The closure of non-essential businesses and domestic supply chain disruptions are having a significant impact on wholesale and retail trade and transport, storage and communication, the largest sub-sectors of the services sector. The drop in domestic and global demand is also compounding the strains on the industrial sector, which is hit by both supply and demand shocks. In addition, the country’s main industrial sector – textiles and apparel – is highly exposed to COVID-19-related disruptions due to its labor-intensity.

Average inflation increased to 11.8 percent during Jul-Mar FY20 (from 6.8 percent in Jul-Mar FY19) reflecting upward adjustments in administrated prices and exchange rate depreciation pass-through. The State Bank of Pakistan (SBP) maintained a tight monetary stance during this period, keeping the policy rate at 13.25 percent to dampen inflationary expectations. However, as the COVID-19 pandemic spread, it reduced the policy rate to 11.0 percent in March 2020.

The Current Account Deficit (CAD) narrowed to 1.0 percent of GDP in Jul-Feb FY20, from 3.5 percent in the same period in FY19, thanks to a 17.5 percent decline in goods imports. This, together with large multilateral disbursements and higher foreign investment flows, helped shore up gross international reserves to US$13.2 billion (as of March 27th, 2020) or equivalent to 3.5 months of imports. However, due to global developments, foreign investors have offloaded more than half of their position in domestic securities since February 2020. The exchange rate, which had remained relatively stable through June-February FY20, depreciated by 7.3 percent in March.

**A. Economic impact:**

* Fitch Ratings has announced that the economic fallout associated with Covid-19 will challenge Pakistan`s ability to narrow the fiscal deficit to 7% in the 2021. Fitch expects a deficit of 9.5% of GDP in 2020 and 8.2% in 2021, pushing the public debt-to-GDP ratio up to 89% of the GDP.
* FDI fell for the 3rd consecutive month in May to $120 million, from $133m in April and $278m in March, mainly due to investors’ hesitation for emerging markets in the wake of Covid-19 pandemic. However, the total inflows in the 11 months of current FY still showed an increase of over 90.6 % compared to the last FY. The country received $2.401 billion during July-May FY20 compared to $1.260 billion in the same period of last FY.

**B. Trade barriers:**

The government has approved exports of locally manufactured Personal Protective Equipent (PPE).

Import duties have been waived on 16 medical products for 3 months (20/3 to 20/6). Exports of anti-malaria medicines and personal protection equipment are banned, exports of masks (except N95 & PPE) and sanitizers are authorised.

The Ministry of Commerce is considering special tariff measures in the upcoming budget to reduce customs and regulatory duties on more than 1600 raw materials and semi-finished products that are currently subjected to custom duties of more than 5%.

**C. Measures for economic relaunch:**

* In the recently announced budgetary proposals for the FY 2020-21, the government has announced economic relaunch incentives for various sectors (Note: These are budgetary proposals subject to ratification by the Parliament). The proposed regulatory duty exemptions, reductions or incentives apply to hot rolled coils, scrap, raw materials for beverage can manufacturing, life-saving drugs, inputs for ready-to-use supplementary foods, diagnostic kits for cancer and COVID19, raw materials for packaging industry, palm stearin for soap industry, cement, edible oils / oilseeds, accessories for textile industry, imported coal.
* Ministry of Commerce has shared names of 38 exporters (surgical, sports goods and home textiles) with global e-commerce platform Amazon for registration to promote trade and explore new markets for Pakistani exporters. More names will be added soon.

**D. Economic outlook:**

The Asian Development Bank (ADB) and the government have signed two loan agreements amounting to $359 million relating to the bus rapid transit (BRT Red Line) project in Karachi ($284 million) and the Sindh secondary education improvement project ($75 million).

#### **A major economic downturn:**

The economic ramifications of the crisis are also significant in Pakistan. A downturn in Pakistan’s GDP growth was anticipated even before the epidemic reached the country. The State Bank had already revised downwards the GDP growth rate to 3% from an earlier estimate of 3.5% for the 2020 fiscal year. The Asian Development Bank also lowered its [projected growth rate to 2.6%](https://tribune.com.pk/story/2190445/2-pakistans-economy-grow-2-6-year-adb/) from an estimated 2.9% while the [World Bank has revised its downward to 1.1%.](https://www.brecorder.com/2020/04/04/586454/wb-revises-real-gdp-growth-projection-downward-to-11-percent/) Official assessments estimate an initial loss of PKR 2.5 trillion (around $15 billion)

**Effect of Covid’19 on budget:**

The government's efforts to bring the economy back on track which had arguably seen considerable progress in the first nine months of the year were undone by the outbreak and the unavoidable lockdown subsequently imposed. Nearly all industries and businesses were impacted. A loss of nearly Rs3.3 trillion to the gross domestic product was experienced, which resulted in a 0.4% contraction in the GDP. Meanwhile, the budget deficit ballooned from 7.1% of the GDP to 9.1%. The Federal Board of Revenue (FBR), which had an ambitious (revised) target of around Rs4,900bn lost Rs900bn in potential revenues due to the coronavirus shutdown. The government's non-tax revenues also experienced losses of Rs102bn. Likewise, exports and remittances also suffered a decline, and unemployment along with poverty rose sharply.

<http://www.finance.gov.pk/press_releases.html>

**Establishment Quarantine House**:

Government of Pakistan has set quarantine house at borders as well as in various cities. Simultaneously, the government has decided to lockdown major cities for more than one-month duration. In this way, the whole country was put into self-quarantine. But the government has offered no facility to keep the citizen inside their houses. For basic needs and daily requirements, such as food and medicines, they were allowed to go outside of their houses. This is how; some shops were allowed to keep open. These include vegetables, general store, and medicine shops. Some business and shops were completely closed, such as hotels, weeding hall, barber shops. Pilgrims from Iran was one big problem for Pakistan. In the first week of March more than 3000 pilgrimage were received and were kept limited to Taftan. When the number of pilgrims’ exceeded 6000, it became difficult to be accommodated in quarantine house at Taftan. Pakistan was not expecting such huge number and was not prepared for this. Initially it was decided to place them at Taftan for 14 days’ quarantine. But the pilgrims were not cooperating, and were with attempts to escape from the quarantine center. On 26 March it was decided to hand over the pilgrims to their respective provinces from where they belonged. In this way 4596 were handed over to provincial administration. They were placed in various quarantine centers as given in table 3. In most newspapers and electronic media this this handing over and distribution of Pilgrims was highlighted as a reason for cultivation and spread out of COVID-19 in Pakistan, Taftan was the center of epidemic in Pakistan. By reviewing various videos clips uploaded by different people, the following problems were identified.

1. unhygienic conditions

2. non availability of doctors

3. Non availability of medicine

4. Capacity

5. Availability of water and food

**A fractured health system:**

Outbreaks of such scale expose gaps and fractures in the underlying healthcare system. This can be related to the timely detection of disease, availability of basic healthcare, tracing contacts, quarantine and isolation procedures, and preparedness beyond the health sector. All of these issues are especially prominent in resource-constrained settings.

Pakistan spends [2% of its GDP on healthcare](https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS), against a [global average of 10%](https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS). It also fares much worse than its neighbors, Iran and India, in terms of health-related indicators. The latest data from the World Bank, presented in figure 1 below, show that in 2016 Pakistan spent around $40 per citizen on healthcare. By contrast, the comparative figure in India was $62, and Iran $415. With the growing crisis in Iran despite this higher spending on healthcare per capita, it is clear why policymakers in Pakistan are deeply concerned. Moreover, disease prevention is not just about a sound health system, but also concerns confronting factors that create conditions for poor health outcomes. For example, certain segments of the population (such as the poor or those with underlying health issues) remain disproportionately at risk of the disease. Low income is associated with higher rates of chronic health conditions such as diabetes and heart disease, and lower uptake of precautionary health measures.

**Implications for Pakistan:**

Economic activities are crippled. The virus has killed off the stock market gains. The Federal Commerce Secretary commerce said that exports orders had got cancelled and due to this export loss can be in the range of $2 billion to $4 billion. The FBR is already facing a massive revenue shortfall. The estimated collection of revenue till June 2020 is just Rs 4.4 trillion as compared to the FBR’s annual target of 5.555 trillion. Former Finance Minister Dr Hafiz Pasha indicated that unemployment rate of 5.8 percent reported by the Labor Force Survey 2017-18 may surge to 8.1 percent in fiscal year 2020-21. Not only this, inflation and poverty level will also rise after the industrial shutdown. A drop in international tourism and a reduction in remittances are other pieces of bad news. The Asian Development Bank reported that Pakistan economy may face losses of $5 billion or may even more than that.

Currently, in order to tackle the situation, an economic relief package of Rs 900 billion ($5.6 billion) was approved by the Prime Minister on March 24. Out of this, Rs 200 billion ($1.25 billion) are assigned for low income groups, particularly for laborers, along with Rs 280 billion ($1.76 billion) for wheat procurement. Whereas, a package of Rs 100 billion is to support the agriculture sector and small industries. Furthermore, the PM stated said that over five million people will be provided a monthly stipend of Rs 3,000 ($20) for next four months.

Now there is serious requirement to do a cost-benefit analysis. The cost includes the aforementioned economic downfall through the nationwide lockdown whereas the benefit will be in terms of reduction in COVID-19 positive cases and a lower number of fatalities. Another unintended benefit is the reduction in the pollution level in the cities due to the closure of factories, public transport and reduced human activity. Environmental experts have identified the improvement in the Air Quality Index (AQI) of Karachi under the lockdown in Sindh due to coronavirus. The AQI in Khyber-Pakhtunkhwa has also dropped, showing healthy air quality. This improvement is also expected in other major air polluting cities, specifically, Lahore.

The government has to manage the situation efficiently and competently by implementing new economic priorities; precise planning to protect jobs companies and employers, compensation on payable interest amount to energy service providers, relief on income tax to companies producing products related to life necessities and health protection and to announce some back support for exporters. Along with all this, it is a major responsibility of citizens to self-quarantine and provide government a free hand to gear up some economic activities in a proper manner under the war of COVID-19.

**Conclusion:**

Due to limited resources, Pakistan was not in a position to handles such fast growing pandemic effectively. No one was expecting Pakistan to handle this pandemic efficiently. The various developments revealed that the over results were promising. Therefore, the various acts of Pakistan were appreciable and got control over the spread of VOVID-19 to a big extent. COVID-19 is/was new to the world; it affected poor and rich countries equally. Developing world seems more vulnerable as compared to developed world due to the following reasons.

1. Arrangement and management of quality quarantine facility

2. Occupational safety measures for doctors and other health workers

3. Awareness and education of common persons

4. Handling of daily wage labor and other poor segments of a society

5. Availability of preventive measures in terms of sanitizer and good personal hygiene

6. On time availability of first aid

7. Special transport facility for COVID-19 patients and dead bodies.

8. Availability of treatment in hospitals. On the basis of the above factors, poor countries, like Pakistan are/were more vulnerable and affected the negatively.

**The following are few recommendations required for Pakistan**.

1. Pakistan must construct quarantine facilities on all exist and entrance with Iran, China, Afghanistan, and India.

2. Pakistan should establish quarantine facilities at provincial level in all provincial capital cities, Karachi, Quetta, Lahore and Peshawar.

3. Pakistan should initiate online classes as future strategy to avoid break in academic session during epidemic.

4. Pakistan must keep a database for all sort of labor. In this way the government of Pakistan can reach to poor labor on time for support.

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