

## **Socio-Economic situation during pandemic: Role of government in Pakistan**

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### **Abstract**

Pakistan has seen a huge rise in its cases reported from the initial two, identified on 26th February 2020. Pakistan is one of those countries whose economic system is highly dependent on manufacturing and service sectors, shutdown mechanisms and shortages in distribution networks have adversely affected the market and society, especially for the poor. Like in other countries, the pandemic has experienced increased ability of the healthcare system while resulting in losses of life. Extreme effects on livelihoods, particularly of the most susceptible, reliant on government support, are found. The lockdown initiatives have already affected smaller firms, small and medium businesses and daily wagers affiliated with different sectors of the economy. In Pakistan, the pandemic has hit a rise in unemployment and lack of food accompanied with effects on food production and relative human health. On the basis of statistics reports and measurements, this research is carried out to assess the effect of pandemic on Pakistani society along with the steps taken by the government. The government of Pakistan being concerned with the socio-economic consequences of COVID-19 designed a systematic social and economic approach and formulated evidence-based policies. With the help of UNDP, different measurements have been taken by the government to get assistance with medical supplies and equipment.

**Keywords:** Pakistan, Socio-economic, Healthcare, Pandemic.

### **Introduction**

The year 2020 is widely regarded as one of the world's toughest years. A new viral disease belonging to the SARS-2 (severe acute respiratory syndrome 2) family attacked Wuhan, China, since December 19. The virus had spread to the point of pandemonium in a matter of weeks. The World Health Organization (WHO) shocked the world with its dire findings. The virus spreads when a patient comes into contact with another human, and it spreads like wildfire across the world as a result of such a characteristic. Over 750,000 have been affected, and more than 16,000 people have died as a result of it. This pandemic has had a significant impact on the global economy, infrastructure, social environments, mode of living, and several other facets of life. The developing countries are the ones that are most affected. The epidemic has disproportionately affected the poor and disadvantaged over the last year, and it threatens to drive millions more into poverty. According to the World Bank Group, South Asia would have the major proportion of the "new poor," followed by Sub-Saharan Africa. A report was recently published that almost all of the new poor would work in informal sectors, building, or production – the industries where shutdowns and other mobility constraints have the greatest impact on economic activity.

## **Pakistan During Pandemic: Socio-Economic Situation**

The coronavirus pandemic of 2019 (COVID-19) hit a crucial impact on domestic and global economies. Several businesses have been facing numerous issues, a number of which cause more loss than others. Businesses are grappling with a slew of problems, including a cut in production and consumption delays, the suspension in manufactured exports, manufactured goods scarcity, and transportation issues.

Micro, small, and medium-sized enterprises (MSMEs) are taken as the most vulnerable to the COVID-19 epidemic because, in comparison to other major businesses, MSMEs characteristically do not have adequate resources, particularly economic and operative, and are unprepared for such shocks that are likely to last longer than anticipated (Bartik et al., 2020; Prasad et al., 2015). Furthermore, these businesses rely heavily on regular business transactions and a small volume of sales (Williams & Schaefer, 2013). As a result, several MSMEs are losing a lot of money, some may be barely surviving, and others will eventually run out of stock.

MSMEs are the foundation of so many markets around the world, generating revenue and jobs for a large majority of people. Likewise, in Pakistan, MSMEs are critical to the economy because they account for over 90% of the estimated 3.2 million businesses, generate 40% of GDP, and account for more than 40% of total exports (Shah & Seyd, 2018; SBP, 2016). These businesses can be found in both cities and suburbs of Pakistan, and they contribute significantly to the agriculture, production, wholesale, trading, transportation, and related industries. Lockdowns due to COVID-19 have had unprecedented negative effects for Pakistani businesses.

The first COVID-19 report was registered in Pakistan on February 26, 2020. Since then the number of reported cases started increasing due to the entrance of pilgrims in the country from Iran via the Taftan Border. Furthermore, the shutdown in the country was announced as well as enforced in less than a day, causing confusion since migrants returned to their hometowns, causing overcrowding and making social distance meaningless (World Bank, 2020). Furthermore, around March 15 and 25, 2020, the ratio of cases rose from 53 to 1078 (DAWN, 2020). After that, the reported cases in several parts of the country kept on increasing dramatically with each day. Just since July 20, 2020, there have been a maximum of 750,158 cases reported in Pakistan, with 16,094 people dying so far (COVID-PAK, 2020). According to the latest statistics, Sindh province has 271,524 cases reported (36.1 percent), preceded by Punjab province with 35.19 percent (264,010).

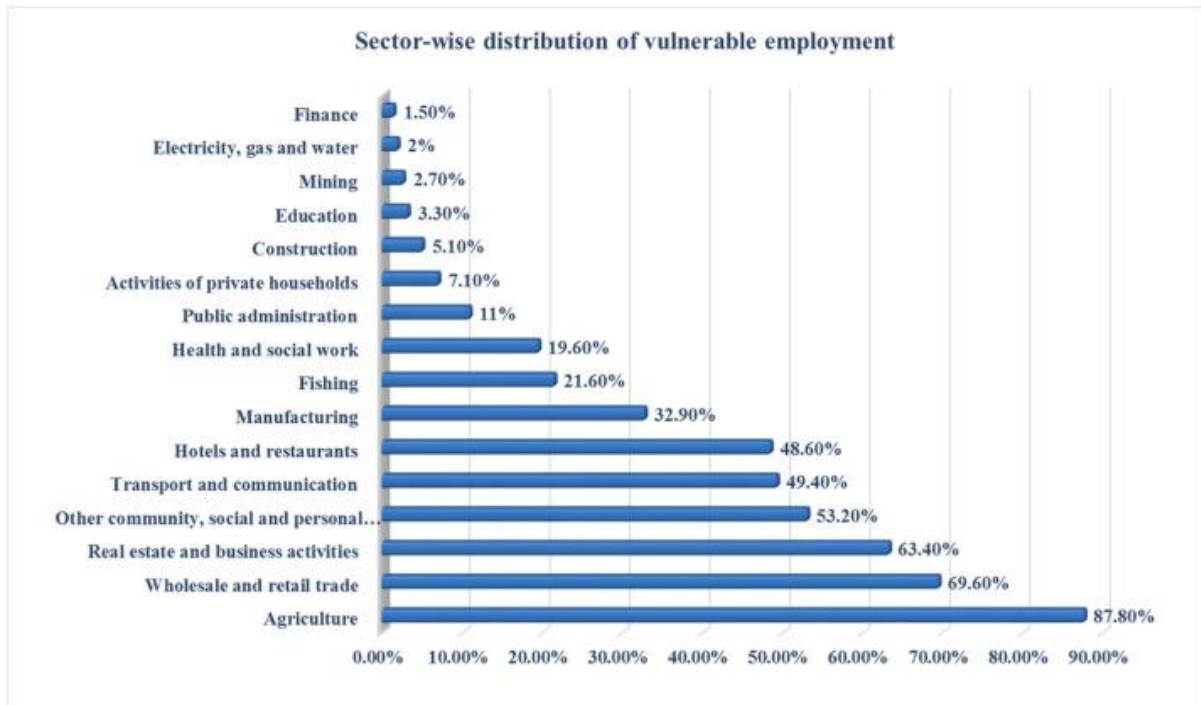
According to reports, the COVID-19 outbreak and lockdown cost Pakistan one-third of its cashflow and resulted in a 50% decrease in exports (Junaidi, 2020). In the midst of Pakistan's virus shutdowns, economists predicted a recession (Naqvi, 2020). Likewise, the World Bank also issued a warning that the country may enter a downturn. Pakistan's GDP growth rate was indeed expected to fall by 1.3 percent in Financial Year 2020 (FY20) as a result of the constant crisis triggered by the COVID-19 situation, since domestic and global fiscal activity reduces unexpectedly in the last days of the financial year (World Bank, 2020). Moreover, it was also predicted that if the COVID-19 epidemic gets worse and continues more than predicted, the country's GDP growth rate may decline by 2.2 percent, just to restore to 0.3 percent in FY21 (World Bank, 2020).

The most significant and direct effect of the shutdown is a break in company working. On March 23, 2020, Sindh province was the first to be placed under lockdown. Sindh's provincial capital, Karachi, is the Pakistan's greatest industrial hub, making 30% of export earnings. Only about half of Karachi's 2700 industries were open on the first business day due to the shutdown (Hussain, 2020). Furthermore, it has been reported that approximately five million population in the country survive at or under the minimum wage, despite the fact that there are a large number of unskilled and semi-skilled workers (such as laborers, scrap recyclers, maintenance workers, transportation workers, and factory helpers) who work in a variety of industries, utilities, and farmland and depend on daily earnings to fulfil their basic requirements. As stated by Hussain (2020), approximately four million individuals work on the basis of regular earning just in Karachi, with an additional four million employed in the province of Punjab. These regular wagers are severely vulnerable to the shutdowns.

Following them are micro-enterprises (also called self-employed people) that rely heavily on their micro business, such as small shopkeepers, household businesses, and street stalls, among many others. Members of the family typically run these businesses, which range from agriculture to education. Furthermore, these micro-businesses are classified as part of the informal economy, with the majority of their operations going unrecorded. As a result, the precise number of these businesses is unknown. According to the most recent data, micro-enterprises and self-employment accounted for 35.7 percent of total national jobs in 2017–18 (Sohail, 2019). Furthermore, 55.6 percent of these businesses are insecure (2017–18), with over 87 percent of jobs in agriculture, three-quarters of jobs in wholesale and retail trade, 50 percent of jobs in catering, three-fifths of jobs in property investment and industry, and more than two-fifths of jobs in transportation and communication being risky (Sohail, 2019). More information on the insecurity of micro-enterprises (self-employed people) by industry can be

found in Figure 1. Also, the figures give a good idea of the magnitude of the COVID-19 outbreak's impact on microbusinesses.

**Figure 1: Sector-wise distribution of vulnerable employment**



Source: Shafi, Liu, Ren (2020)

### Health Condition of Pakistan During Epidemic

COVID-19 has caused havoc in Pakistan's healthcare system. Nonetheless, even as the epidemic spreads, critical medical facilities must be maintained. This will necessitate hard choices in order to manage COVID-19 action, keep life-saving services operational, and reduce the likelihood of system failure. Government and private health services are both included in the healthcare sector. The private sector includes major hospitals, individual physicians and specialist doctors, NGOs and humanitarian organizations, and hakeems (homeopaths and traditional healers). Since the passage of the 18th Amendment in 2020, provincial governments have been in charge of public health, with some help and guidance from the federal government. In addition, Military and Cantonment Board hospitals are managed by the Ministry of Defence. Promotive, emergency, therapeutic, and rehabilitation services are also available in both public and private hospitals.

Outpatient departments (OPD) have been closed at the healthcare service level, and the emphasis was solely on emergency or COVID-19 patients. Necessary medicines may be in limited supply as a result of supply chain breakdowns Pakistan's already-scarce healthcare

staff is being strained to the breaking point, particularly when many employees are reassigned to the pandemic, restricting their ability to provide non-emergency treatment. Social distancing and shutdown initiatives have weakened the position of health care workers. Reduced support for immunization and basic medical care – specifically elective, maternity, and child medical facilities – as a result of shifting focus to the COVID-19 response, limiting patients' access to free or discounted services. This makes it important to include basic medical professionals, such as community health workers in determining and delivering vital information and services to vulnerable communities. Doctors, nurses, clinicians, pharmacy specialists, and lab techs from both the public and private sectors are at the frontline of the COVID-19 resolution. They are at a greater risk of becoming infected as a result of this. As of April 10, 2021, there had been over 10,000 reported cases of COVID-19 contamination among Pakistani healthcare professionals.

**The UN study suggests five modules for a response:**

- Making critical medical facilities accessible to those who need it and preserving the public medical systems.
- Providing social security and facilitating basic services and food security to assist people in coping.
- Using economic recovery programs to retain employment, help small and medium-sized businesses, and strengthen the most disadvantaged workforce.
- Supporting community stability and participating in community-led sustainability and response programs,
- Facilitating a much-needed boost in economic and monetary stimuli and reinforcing governmental and nongovernmental solutions.

UNDP formed a COVID-19 Secretariat at Pakistan's Planning Commission at the request of the government to assist the country's social and economic approach to the epidemic. In cooperation with other UN organizations, it also aided the creation of a socioeconomic system. The government's 2020-2021 budget and COVID-19 National Action Plan are being driven by this structure. UNDP is also assisting the Federal Ministry of Health in improving connectivity, management, and data collection, as well as the National Disaster Management Authority in implementing Pakistan's COVID-19 Response and Recovery Program. In the meantime, UNDP is collaborating with the Provincial Command and

Control Center of Khyber Pakhtunkhwa to improve the province's disaster management capabilities. This assistance includes the creation of a survey instrument for districts, research and monitoring to assist the Health Department in setting priorities, and risk management to provincial officials. UNDP is also funding a national youth awareness study, as well as Youth Innovation Challenges and online community events, in order to fully understand young people's perspectives and incorporate their experiences in the development of COVID-related initiatives.

### **Necessary steps taken by the Government**

To prevent the spread of COVID-19, the Pakistani government and provincial governments have adopted the required steps to save lives, including promoting social distance, restricting public interaction, and imposing a compulsory shutdown. Since March 13, 2020, all internal and overseas flights were suspended, land entrance points were blocked, and quarantine stations were established to track travelers coming from Iran. In the regions, extensive isolation centers have been built. All educational institutions were closed, government messages were being communicated, fiscal space was also created, and the State Bank of Pakistan had waived all fees for online financial transactions. The significance of these actions cannot be overstated. They have stopped the virus from spreading and averting a large amount of fatalities.

Now is the time to take additional steps to prevent COVID-19's social and economic effect. Businesses and private investment would be impacted by the lockdown, with informal jobs and daily wage laborers being especially hard hit. Incentives to stick to prevention steps, as well as monetary assistance to ensure access to medical care, are required, especially for disadvantaged households. In COVID-19's affected areas, strict travel restrictions must be accompanied by measures to ensure the continued development and accessibility of food stocks. To prevent school shutdowns from reversing academic progress, it is critical to care for vulnerable populations that lack access. It is also crucial to discuss the situation of girls and women, who are taking on more household and childcare roles as a result of closing schools, and are at higher risk of gender-based aggression as stress, lack of funds, and anger mount.

The government has issued a COVID-19 National Action Plan (NAP) to direct its policy. Its goals are to: (i) manage and take action to the epidemic in an efficient and accurate way (ii) allocate monetary resources and raise international and domestic disaster management

funding; and (iii) enforce disaster response measures at the regional level by improving inter-sectoral cooperation with government agencies, the corporate sector, and democratic institutions. The plan also includes strategies for preparation and management, lab assistance, food protection, infrastructure, communication, prevention services, control at points of entry and healthcare centers, primary healthcare training, management of human resources, quarantine contingency planning, isolation centers, monitoring, reducing community contact and control and reporting.

To track the output, a National Emergency Coordination Committee and Command and Control Centre have also been established, with provincial participation and involvement from a number of organisations. The Pakistan Army, the National Disaster Management Authority, and the Ministries of Health, Finance, Interior, Planning & Development, the National Institute of Health and Foreign Affairs are among them. The Prime Minister presided over a session of the National Assembly Security Council on the development of the policy response on March 13, 2020, and informed the country on March 17, 2020. The Planning Commission has established a COVID-19 Secretariat to facilitate a structured social and economic approach to the pandemic. The Federal Government unveiled a PKR 1.2 trillion economic stimulus package to alleviate COVID-19's rapid socioeconomic effects. Provincial governments have approved the following financial policies:

- (i) Disbursing a cash grant of PKR 158 billion to 3 million regular wage laborers in the formal sector (PKR 175,000 per worker, per month, for three months);
- (ii) Extending the scope of Ehsaas cash grants from 5.2 million to 12 million families and providing PKR 144 billion (PKR 12,000 for every family);
- (iii) Assigning PKR 50 billion to provide affordable food items from Utility Stores to Pakistan's lowest earners;
- (iv) Cutting the cost of all oil products;
- (v) Permitting utilities charges to be payable in three monthlies instalments;
- (vi) Improving the efficiency of government hospitals;
- (vii) Providing tax rebates to export markets; and
- (viii) Increasing wheat procurement quotas to provide a cash injection into the agriculture sector.

Relatively small monetary incentives for the poor and disadvantaged have also been launched by regional governments. The administration has taken steps to ensure economic security through the State Bank. These have lowered the interest rates to 11%, introduced new facilities to facilitate housing, construction, hospitals, and health clinics, and relaxed the terms of export repayment and long-term subsidized loans. Provisional policy steps taken by the government to keep the monetary sector and economic output afloat involve: (i) decreasing the capital investment reserve to 1.5 percent; (ii) raising the regulatory limit on the extending credit to small and medium enterprises by 44 percent to PKR 180 million; (iii) lowering the overall debt rate for consumer loans around 50% to 60%; (iv) authorizing banks to delay clients' principal loan payments by one year; and (v) softening regulatory requirements for loans outstanding for borrowers that need more than a one-year principal repayment duration. The IMF (US\$1.4 billion) and the World Bank (US\$200 million) have both provided additional grants to the government.

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