

Challenges to Economic Stability amid Global Epidemic of Covid-19: Apposite Policy Recommendations for Economic Revival in Pakistan

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Abstract

Akin to Spanish flue of the twentieth century, the Coronavirus disease 2019 (COVID-19) pandemic is an unprecedented global emergency of the 21st century, handing down a significant effect on lives. Coronavirus promptly multiplied all around the globe and folded world economies in a short span of fewer than 90 days. It's ahead of the imagination of one and all to welcome the year 2020 with such a dangerous infection that will drag the world to a shocking end a worldwide lockdown. This massive vulnerability complimented some basic measures by the state in public and private sectors regards to strategy plan, contextualisation, and execution in the viewpoint of an unmatched worldwide pandemic. This article widens upon the expansion situation of a pandemic in Pakistan with severe fighting measures by the Governments during initiation of pandemic, lockdown, and delicate lockdown circumstances. Multi-dimensional financial difficulties that arose out of extended shut-down are thought. This surprising situation encroaches upon legislatures to detail arrangements and changes for the prosperity and thriving of the country as a re-established common agreement between the residents and the state. Some pertinent strategy proposals are gone ahead for financial restoration with returning to wellbeing area, sacred turns of events, financial lift through monetary and money related approaches, exchange related systems, Islamic money, social security of weak sections and modern arrangement amid social removing. This study will specify information structure for future specialists to battle and standard pandemics for the prosperity of provincial and global nations.

Key words: Covid-19, Economy, Government, Lockdown, Policies

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1. Introduction

The COVID-19 outbreak that emerged in December 2019 from the city of Wuhan in China (Sohrabi et al., 2020) has spread to more than 208 countries across the globe and affecting more than nine million population. Wuhan is the central city of China, with a population exceeding 12 million. Most of the pneumonia patients with clinical symptoms of fever, dry cough, lungs infection, and dyspnoea, were linked to Wuhan Seafood Market (Lu, 2020). The Chinese Centre for Disease Control and Prevention (CCDC) analysed the respiratory samples on January 7, 2020, and subsequently declared the pneumonia name as Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2) (Zu et al., 2020). Later, February 11, 2020, the pneumonia named as Coronavirus disease-19 (COVID-19) by the World Health Organization (WHO) (Rodriguez-Morales et al., 2020).

The recent Coronavirus strain (COVID-19) has quickly spread across the world and melted down the world economies in less than 90 days. In the following year of 2019, it was beyond the estimation of people that the virus (COVID-19) will turn into a pandemic and carry the world to a halt as it is today. The pandemic ensued imposition of virtual lockdowns by the whole world and plunged the world economies into a recession of uncertain magnitude and span. It is expected to leave 2021 global GDP about 5 percentage points lower than in the pre-Covid-19 estimations of January 2020 (IDBs, 2020). The prevalent situation is comparable to the incredible slump that hit the world in 2007-8 (Kakali & Kriti, 2020). Nonetheless, the difference is the vulnerability encompassing the enduring effect and conceivable move to be made for sustaining the structural health of the economies in which almost all the segments are distressed. Such an emergency hasn't hit the world since the 1920s, yet the historic measures in the present situation give a little alleviation as the current economies are more advanced and complex. Still, the magnitude of the present outbreak is uncertain, which made it alarming for the global economies (Vasiljeva, 2020). Thus, the objective of this study is to provide some significant recommendations that are set forth for economic revival in respect of revisiting health sector, constitutional developments, economic boost through fiscal and monetary policies, trade-related strategies, Islamic finance, social protection of vulnerable segments and industrial policy amidst social distancing.

1. The pandemic behaviour in Pakistan

In Pakistan, the first official case of COVID-19 was announced by the health ministry on February 26, 2020, in Karachi, Sindh Province (Ary, 2020). The day after, an another case was reported in Islamabad the Federal territory of Pakistan (Rodriguez-Morales et al., 2020), and the first death of COVID-19 patient reported on March 20, 2020. The government set up a "Corona Virus Monitoring Group" to cope with the pandemic on January 22, 2020. After the regional and national outbreak, the Ministry of National Health Services, Regulation & Coordination Pakistan presented another "National Action Plan" in response to (Covid-19) in Pakistan (Waris, Khan,

Ali, Ali, & Baset, 2020). In the beginning, due to the precautionary measures, the pace of proliferation of COVID-19 was bit slow but later it intensified significantly. World Health Organization (WHO) inventoried Pakistan among ten high-risk Asian countries. Due to the increase in number of the people infected with the virus on March 27, 2020, the Prime Minister of Pakistan, His Excellency, Mr. Imran Khan established a 'Tiger Force' to curb the spread of the virus on April 12, 2020, and put the country under lockdown. To date, the Government of Pakistan has been taken several steps to cope the COVID-19, such as designated COVID centres in hospitals, quarantine centres, public awareness, testing facilities, income support programs, and provide specialised treatments to the local community (Waris et al., 2020).

According to the Ministry of Health, Government of Pakistan, there were a total of 165,269 individuals infected with serious, intense respiratory syndrome, and 3,229 individuals were died of this deadly virus. The report also revealed that 61,383 individuals were recovered till June 20, 2020. The highest cases were reported in the Sind province (62,269), followed by Punjab (61,678), KPK (20,182), Balochistan (8,992), Islamabad (9,941), Gilgit Baltistan (1,225), and Azad Jammu & Kashmir reported 769 confirmed cases. The report also showed that the highest number of mortalities occurred in Punjab (1,265), followed by Sindh (964), Khyber Pakhtunkhwa (773), Balochistan (99), Islamabad (95), Gilgit Baltistan (18), AJK (15). The highest numbers of infected people recovered in Sindh province (31,034), followed by Punjab (17,892), KPK (5,441), Balochistan (3,140), Islamabad (2,770), GB (794), AJK (312), as summarised in Table 1. The death rate due to Covid-19 in Pakistan recorded as 2.0%, and the recovery rate was 37.2% (MNHS, 2020).

Table 1: The current Covid-19 cases by region in Pakistan

Province	Confirmed Cases	Active cases	Mortalities	Recovered
AJK	769	442	15	312
Baluchistan	8,998	5,759	99	3,140
GB	1,225	413	18	794
Islamabad	9,941	7,076	95	2,770
KPK	20,182	13,968	773	5,441
Punjab	61,678	42,521	1,265	17,892
Sindh	62,269	30,271	964	31,034

Pakistan faces second a wave of Covid-19, 46,132 new cases were reported just in November and December of 2020, 9,816 individuals died, and total 430,305 cases reported to till date December 26, 2020. If the situation remains the same then it can have an adverse impact on low-income households are particularly acute, and significantly increase the poverty in the country.

To curb the burgeoning COVID-19, government suspended all national and international flights, halted all modes of transportation (buses and trains), sealed all

international borders, and imposed a ban on pillion riding and all types of mass gatherings (applied Section-144 under Criminal Procedure Code). Similarly, all the education and suspend all type of exams for an indefinite period and also shut down all the corporate sector and territory institutions. Moreover, religious activities (daily and congregational prayers) were also restricted up to 3 to 20 persons in mosques and most of the citizens were advised to worship at home. Whereas, the government only permitted supply of daily-use food items, medicines, and inter cum intra provincial transportation of patients under special surveillance.

2. Impact of the Pandemic on Pakistan's Economy

Pakistan is a low middle-income country, which is already facing several socio-economic challenges like poverty, energy crisis, corruption, high debt, terrorism, governance and political instability. Thus, the dawn of COVID-19 regime bequeathed enormous economic impact on the country. Almost all the sectors of the country encompassing agriculture, dairy farming, livestock, manufacturing, trade, logistic, real state, travel, and tourism were harshly influenced. On one hand, lockdown, affecting all economic activities, increased demand for foreign goods and services which disrupted balance of payment and raised the debt burden. On the other hand, credit risks surged sharply. As an outcome, the demand on the financial system's capital and liquidity escalated. The present circumstances resulted into unemployment (Job Loss) of around 18 million people of the country, 50 to 70 million people plummeted below the poverty line. For curtailing vulnerabilities of desperate disease, Pakistan will have to adopt such desperate measures to boost up Pakistan's growth potential for the wellbeing of the most vulnerable segments of Pakistan.

Mainstreaming and contextualization of precautionary measures for COVID-19 with all the public and private policies, will enable Pakistan to cope with the impending imperils and vulnerabilities of global pandemic on the one hand and provide the strong edifice for economic stability. Moreover, a new paradigm is required to resolve the crises and the pandemic-induced stagnation of the economy. In particular, institutionalized risk-sharing can help the economy to resiliently absorb shocks and stimulate stagnated demand.

3. Health Policies

Health is an economic engine that drives economic recovery (Scott, 2002). For reviving Pakistan's economy back on track, improvement in health system is indispensable to decelerate the spread of the COVID-19 disease. It can be achieved by curtailing the spread of infection by social distancing and disconnecting infected people in quarantine like Wuhan, USA, and Europe. Although the health system in Pakistan is not sophisticated enough to compete for the global standard yet prevention, diagnosis, and treatment, directly and indirectly, hampered proliferation of pandemic in the country. The dearth of medical and pharmaceutical facilities (Personal Protection Equipment, masks, sanitisers and medicines) coupled with laboratory equipment (testing Kits) has contributed to scaling up the number of patients and

casualties. Despite medical aid from China, WHO and other countries, the speed of the outbreak was not being retarded. Amid this crucial situation, Pakistan must need to extend the lockdown period to overcome the speed of the deadly virus.

In the words of Amartya Sen (Nobel Laureate), Health and Education are engines of development. Education was considered as a fundamental right under Article 25-A of the Constitution through 18th Constitutional Amendment-2010, but health still falls under Principals of Policy under Article 38-d of the Constitution of Pakistan. A priority of Economic revival impinges upon lawmakers for consideration of health as one of the fundamental rights of citizens of Pakistan amid an unprecedented epidemic of 21st Century. Hence, the Constitutional amendment is sine-quo-non in respect to social wellbeing of the citizens under new social contract in a welfare state.

4. Fiscal and Monetary Policy

Fiscal and Monetary policy are essential tools to rescue the economy from major shocks (Ramey & Zubairy, 2018). Although government has already taken prudent measures and announced relief package to the tune of 1.5% of the GDP to espouse household and firms. The measures include tax deferrals and reduction, debt repayment, income subsidies for affected workers, state loans to overcome the liquidity problem, and credit guarantee for the organisations. So far, the best monetary policy reactions help in minimising the risks of financial instability and assisting the gradual design of new normality in fixing the COVID damages (Curdia, 2020). Thus, the strategic undertaking of monetary policy is to stipulate liquidity to the economy where a supply stun, an unexpected blockage of production, brought by health safeguards and sicknesses, triggers serious demand stun interfering with cash flow and disrupted the payment system (Husted, Rogers, & Sun, 2019). Other than a proper specialised confining of the fiscal measures, including interest rate incentives for banks, the accomplishment of such tremendous credit support is crucial for the organisation survival (Vasiljeva et al., 2020). Besides, sudden capital outflow and foreign currency debt can cause "the financial destruction showing up before the pandemic itself". So, we propose that Pakistan government must advance the foundation of a multilateral swap line oversight by the International Monetary Fund (IMF) that could be reached by emerging market economies (EMEs) and least developed countries (LDCs), or an elective financing course of action like new special drawing rights (SDR), devoted to the COVID-related crises. Further, the government may purchase public and private bonds/Sukuk to coping the liquidity issue from the open market to avoid the financial meltdown of the economy.

5. Islamic Finance

Islamic financial system is a *Riba* (interest) free system which is professed to be dependable, moral, sustainable and stun preserving (Ahmad, Amjad, Aslam, 2018). As it is evident from the subprime crisis, Islamic financial system has recognized to be resilient because of the nature of its products and instruments which offers a

balanced solution for the channel the assets to end-clients however not to expand the level of debt (Aslam, Ijaz, & Iqbal, 2016; Aslam & Haron, 2020a). Principles of Islamic finance has a wide scope of items and instruments that can help the economy to avoid endogenously generated crises and give a solid wellbeing net against exogenously induced cycles, like the Covid-19 crisis (IDB, 2020). This in practice requires a range of well-functioning institutions to translate these principles into real-world impact. One of the major challenges created by Covid-19 pandemic is shortage of a liquidity that the largest component of the Islamic financial industry. To cope with these crises, Islamic financial institution can use several measures to support the liquidity issues in the industry. These incorporate (i) bringing down save prerequisites, (ii) bringing down of the administrative capital cradle, (iii) security/*Sukūk* purchasing projects, and (iv) accessibility of national bank credit lines (reverse repo). With regards to the pandemic, all the instruments of Islamic social money – *zakāt*, *Sadaqah*, waqf, *takāful ta'awuni*, and others – should be composed together and coordinated with the financial strategy of the administrations as security nets and supportive of helpless consumption (Abdul-Rahman & Gholami, 2020; Aslam, Azam, & Iqbal, 2020; Sherif, 2020). Governments may take a gander at giving *Sukūk* that relates to transitory money waqf to activate social and altruistic assets at beneath market rates for financing different wellbeing net measures. Money and corporate waqf assets may have a valuable job when the public authority starts loosening up its possessions of corporate resources in the recuperation stage.

6. Social Protection Policies

Social protection is basic wellbeing nets for helpless and marginalised segments of society to mitigate the devastating tremors of COVID-19 epidemic. Social protection policies entail social assistance, social insurance, and labour market policies to act as safety nets for the poor and vulnerable citizens (Shabbir et al., 2020). Lesson from the previous crises' divulged that social protection owned immense guarantee, but needed remarkable capacity, political will, and coordination at all levels to establish positive impact during distress (Alzúa & Gosis, 2020). The prevalent crisis revealed that government should promptly reach to their citizens timely to save their livestock, agriculture supply chain, health facility, and services sector.

7. Industrial Policies

Social distancing reduced commercial activity which ensued lower private spending that significantly reduced in demand, energy consumption, transport use, and real estate related commercial activities (Brewer, 2020). So, it rigorously affected the supply side because factories either closed or operating well below the capacity stemmed into less production (Anani, & Olubusoye, 2020). Production further hampered by the lack of intermediate supplies. In this alarming situation, several organisations endeavoured to illuminate the cash flow issue by reducing expenses and looking for debt alleviation and financial support from their governments. Besides, firms also engaged or hired their employees on a short-term basis or requested them

to take leave to reduce their wage burden. Thus, individual pay loss will bring down both utilisation and firm incomes. Meanwhile, the overall disruption will drastically impact on the international production chain and its networks that would necessitate being evaluated. So, we propose that the government should ensure liquidity for organisations to handle cash flow difficulties and strengthen business continuity. The government can do by subsidising the inputs, special debt relief programs, credit guarantees, deferral of financial obligations, returning to the conditions for firms to seek financial protection. Besides this, Governments may concede tax payments, duties, and other government charges.

8. Trade Policies

Virus has no boundaries and implicates global repercussions. Trade is essential to save both lives and livelihoods. It is very crucial to keep trade flowing during the COVID-19 pandemic, both to ensure the supply of necessary items and to impart a sign of certainty for the global economy (Baldwin & Tomiura, 2020). Trade-in both goods and services will play a key role in overcoming the pandemic and constraining its effects on society. But trade steadiness entails mutual assistance and trust – for instance, only that market will supply essential goods where host country won't enforce any export restrictions and that imports don't embroil any health risks (Farmer et al., 2020). This is one of the foremost challenges of time, where several countries expanded the number of new restrictions and distortions to save their local trade and economy. But in the context of the severe economic strain from COVID-19, Governments must preclude tensions through negotiations and avert unnecessary export restrictions, including trade barriers. Further Governments must recuperate transparency in the global market and allocate the trading of essential goods and services to cope with the pandemic (Choi, Rogers, & Vakil, 2020). By this way, Governments may espouse jobs and revive economic activity amidst a global recession.

9. Conclusion

The COVID-19 outbreak and associated lockdown melted down the global economy as well it adversely marred Pakistan's economy. Economic activities distressed by both demand and supply reductions. Comprehending the mammoth size of such effects, Governments need to formulate policy response to revive the economy. First of all, the Governments must improve health sector policies to cope with the spread of COVID-19 disease. Second, revise the fiscal policy to rescue the main shocks that are coming from the real economy by tax deferrals and reduction, debt repayment, income subsidies, and state loans to overcome the liquidity problem. Third, monetary policy reactions help in minimising the risks of financial instability by reducing the interest rate and money supply to overcome the cash flow and disrupted payment problems. Fourth, improved social protection policy provides safety nets for the poor, marginalised and vulnerable, citizens. Fifth, specialised industry package helps to cope with demand and supply issue in the country. Sixth,

the revised trade policy enhances transparency and boosts trade confidence. Last but not least, Constitutional amendment, for consideration of health as a fundamental right of citizens, is sine-quo-non in respect of social wellbeing of the citizens under new social contract in a welfare state. Thus, the pace of recovery would depend on public cooperation and the application of future government policies.

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