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Responding to the economic consequences of COVID 19 in Pakistan: lessons learnt

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ABSTRACT

This paper discusses the impact of COVID-19 on production and trade in Pakistan. The paper finds that Pakistan’s outbreak preparedness and response has been a success story, but there are still some gaps that need to be addressed in order to better prepare for future crises. We recommend that the policy makers: conduct frequent structured dialogues with small firms to better understand the type and magnitude of unanticipated costs that increase during health crises; regularly source information to determine if the design of fiscal support is benefiting the beneficiaries; convene dialogues with businesses (which should include labour groups) to address the stringency of temporary trade measures; support smaller firms for adoption of online technologies; expedite the implementation of e-commerce policy, information security policy, and personal data protection law; and cut down business and trade costs during crisis through a more liberal tariff policy and rationalization of regulatory burden on firms.

Background

The several waves of COVID-19 (C19) created multifarious challenges which ranged from health issues to a complete breakdown of supply chains. The total C19 cases in Pakistan surpassed 1.3 million at the start of January 2022, while total number of deaths reported were nearing 30,000. There were 5,778 total cases per million and 129 deaths per million. Then there were uncertainties regarding announced and often unannounced lockdowns which entailed social and economic costs for the society. Border closures resulted in shortages of food supplies and other essential consumer durables in turn leading to price hikes and erosion in purchasing power across all population segments (Suleri et al. 2022; Raihan et al. 2020).

In this section, we provide an overview of the economic consequences of C19 during and after 2020–21 (fiscal year-FY21). In view of the space limitations we will limit this discussion to impacts of the pandemic on production sectors – agriculture,
manufacturing industries, and services. We also touch upon challenges faced by domestic and foreign trade in these sectors.

Pakistan ended up embracing stringent measures to combat the threat posed by C19. These measures negatively impacted manufacturing industry and services sectors. Agriculture sector was also adversely impacted during the initial days of C19, however activities in this sector were allowed to open relatively earlier to ensure food security across the country. Even in this sector, mobility restrictions e.g. public transport closures, temporary shortages of labor, sudden jump in prices of inputs, and overall restricted access to the market locally and abroad, resulted in an increased uncertainty which ultimately impacted returns across the supply chain. Uncertainty regarding farmers’ cash flows also implied that their ability to procure next seasons inputs could get affected.

Pakistan’s trade sector was certainly not resilient to face this shock. C19 resulted in both exports and imports falling by almost a quarter. Half of the ready textile export shipments could not reach foreign countries due to trade and mobility restriction i.e. Europe. Agriculture and food exports were marred by new and varied “safe hygiene” procedures across the importing countries. The decline in consumer demand for durable goods was also a major factor due to which factories ended up shutting down production and preventing inventory pile ups.

While goods market was badly hit, labour market was also faced with similar uncertainty leading to insecurity in job market. IPSOS 2020 survey\textsuperscript{2} had indicated that around 51% of respondents during FY20 felt that they could lose employment in a 6-month period if incidence of C19 prolonged. FY20 also witnessed substantial reverse migration with Pakistani workers in semi and low skills categories returning from abroad and fears that skilled and highly skilled could also return. This was not good news for remittances which were an essential element in sustaining stability of Pakistan’s current account in balance of payments.

Crisis hit Pakistan when it had just entered in a macroeconomic stabilisation programme with help from development partners. It therefore lacked fiscal space to protect a) segments of population already poor (pre C19), b) new segments of population falling below the poverty line (post C19), and c) small and medium enterprise (SMEs) from going insolvent.

As indicated in Table 1, GDP growth turned negative with industry and services sectors both taking a hit. Given declining incomes, change in both private consumption and gross investment was also negative. A combination of fiscal and monetary policy measures were pursued which led to running high government expenditures (to support social protection) and fiscal deficit (Javed, Ahmed, and Cheema 2021). Passive labour market programmes and financial and credit support to SMEs sector was also initiated. The country was already in an extended fund facility (EFF) provided by International Monetary Fund (IMF) which implied that austerity-related policies were in place pre-C19. After the coming of pandemic not only such policies had to be shunned but IMF also allowed a Rapid Finance Instrument (RFI) which supported the country’s debt sustainability.

We now proceed to a discussion on Pakistan’s policy response to C19 crisis. This is followed by a brief assessment regarding effectiveness of fiscal and monetary policy and regulatory measures adopted during C19. We then offer lessons learnt from
employing various policy measures to mitigate the social and economic effects of C19 and how policy makers can better respond during future such crises.

Pakistan’s policy response to C19

In this section we aim to discuss briefly the various demand and supply-side policies that were deployed in response to C19. Pakistan’s GDP contracted by almost 1% during FY20 (Table 1). Initial estimates feared a greater contraction however a better-than-expected agriculture sector performance helped a relatively quicker recovery latter in FY21.

Pakistan’s response to C19 was praised globally for its effectiveness in curbing the virus’s spread and minimizing fatalities. Central to this success was the National Command and Operation Centre (NCOC), established in March 2020. The NCOC’s daily meetings and coordinated efforts across ministries, including health, finance, and interior, played a key role in formulating and executing a country-wide strategy. The strategy was grounded in principles which included early testing, targeted lockdowns, public awareness campaigns, and healthcare system expansion. This approach positioned the country as one of the first to adopt widespread testing and contact tracing, enabling the identification and isolation of infected individuals (Hippler and Ahmed 2022).

In terms of job losses, estimates in PIDE (2020) indicated that lockdown resulted in high levels of underemployment or temporary unemployment. Even under the limited restrictions scenario it was estimated that around 1.4 million jobs were adversely affected. Karandaaz (2020) had indicated that nearly half of the SMEs across the country had either laid off workers or reduced employee salaries. One-third had expressed fears of a complete shut down if supply chain disruptions were witnessed.

### Table 1. Key economic indicators (2021–25).

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<tr>
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<tbody>
<tr>
<td>GDP (current prices) US$ billion</td>
<td>300</td>
<td>346</td>
<td>373</td>
<td>380*</td>
<td>421</td>
<td>485</td>
</tr>
<tr>
<td>Change in GDP</td>
<td>−0.90</td>
<td>6.50</td>
<td>6.20</td>
<td>2.00</td>
<td>3.20</td>
<td>4.60</td>
</tr>
<tr>
<td>Change in agriculture</td>
<td>3.90</td>
<td>3.50</td>
<td>4.40</td>
<td>−1.80</td>
<td>3.00</td>
<td>4.31</td>
</tr>
<tr>
<td>Change in industry</td>
<td>−5.70</td>
<td>7.80</td>
<td>7.20</td>
<td>2.40</td>
<td>2.90</td>
<td>3.91</td>
</tr>
<tr>
<td>Change in services</td>
<td>−1.20</td>
<td>6.00</td>
<td>6.20</td>
<td>3.20</td>
<td>3.40</td>
<td>4.15</td>
</tr>
<tr>
<td>Change in private consumption</td>
<td>−2.80</td>
<td>9.30</td>
<td>10.00</td>
<td>3.10</td>
<td>3.30</td>
<td>3.50</td>
</tr>
<tr>
<td>Change in gross investment</td>
<td>−6.70</td>
<td>4.50</td>
<td>2.50</td>
<td>−9.70</td>
<td>2.90</td>
<td>3.80</td>
</tr>
<tr>
<td>Change in gross exports</td>
<td>1.50</td>
<td>6.50</td>
<td>8.40</td>
<td>1.50</td>
<td>3.10</td>
<td>3.80</td>
</tr>
<tr>
<td>Change in gross imports</td>
<td>−5.10</td>
<td>14.5</td>
<td>15.6</td>
<td>2.30</td>
<td>1.80</td>
<td>1.70</td>
</tr>
<tr>
<td>Current account balance</td>
<td>−1.5</td>
<td>−0.80</td>
<td>−4.60</td>
<td>−4.30</td>
<td>−3.30</td>
<td>−2.50</td>
</tr>
<tr>
<td>Gross revenue</td>
<td>12.0</td>
<td>12.50</td>
<td>13.30</td>
<td>12.40</td>
<td>12.80</td>
<td>12.90</td>
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<tr>
<td>Gross public expenditure</td>
<td>19.0</td>
<td>18.50</td>
<td>21.10</td>
<td>19.20</td>
<td>18.90</td>
<td>16.70</td>
</tr>
<tr>
<td>Public investment</td>
<td>2.50</td>
<td>2.20</td>
<td>2.00</td>
<td>2.30</td>
<td>2.30</td>
<td>2.40</td>
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<td>Recurrent expenditure (excl. interest)</td>
<td>16.4</td>
<td>16.30</td>
<td>19.10</td>
<td>16.90</td>
<td>16.60</td>
<td>14.30</td>
</tr>
<tr>
<td>Debt interest</td>
<td>4.01</td>
<td>4.60</td>
<td>4.90</td>
<td>4.60</td>
<td>4.40</td>
<td>4.10</td>
</tr>
<tr>
<td>Fiscal balance</td>
<td>−7.00</td>
<td>−6.00</td>
<td>−7.80</td>
<td>−6.80</td>
<td>−6.10</td>
<td>−3.80</td>
</tr>
<tr>
<td>Public debt</td>
<td>78.0</td>
<td>75.60</td>
<td>78.00</td>
<td>71.70</td>
<td>71.90</td>
<td>65.30</td>
</tr>
</tbody>
</table>

**Memo items**

International poverty rate (US$ 2.15 in 2017 purchasing power parity (PPP))

| 5.6 | 4.7 | 3.9 | 3.9 | 3.7 | 3.7 |

Sources and notes: World Bank’s Macro Poverty Outlook (October 2022), IMF’s staff reviews, government’s budget (Ministry of Finance), and authors’ calculations. *Reduced after flood loss estimates.
over a 6 month period. Similarly, SMEDA (2020) had reported that 95% of SMEs experienced reduction in primary activity; one-fourth reported hundred percent of export order loss. Half of the enterprises had laid off workers. It is however believed that up to 84% of these SMEs rehired employees within a quarter once the lockdowns were lifted. 

**Fiscal policy response**

A fiscal stimulus package of USD 8 billion was announced in the third quarter of FY20. Within the overall package, PKR 75 billion was dedicated for health sector and ensuring that medical supplies are available in the desired quantity. In addition, PKR 100 billion was allocated for an emergency fund as there were expectations of several rounds of C19.

Once financial allocations for medical needs were in place, it was decided to protect the jobs of daily-wage workers and ensure food supplies across the country. A PKR 50 billion Agriculture Stimulus Package (ASP) was launched. The above-mentioned support was also supplemented by measures for reopening of construction and food-processing sectors.

On the taxation side, waiver was allowed for medical items which were being imported and deemed necessary to combat C19. Likewise, custom duty and withholding taxes were waived on import of notified food items (Ahmed et al. 2022). Both types of levy was also reduced on items supplied through low cost retail facility for the poor - Utility Stores Corporation.

For regions and sectors where reopening from lockdown was not immediately possible (e.g. tourist areas had a prolonged lockdown), PKR 200 billion was allocated for daily wage workers and employees who were out of job. A sum of PKR 12000 was disbursed to 12 million households through the Ehsaas program. While majority of this was a cash grant, however, some amount was for shelter homes.

Pakistan is a net importer of various source of energy. As both oil and gas markets were marred with supply chain disruptions, government stepped in to provide temporary relief in petrol prices (for transport sector). Similarly, temporary reduction in electricity and gas bills (for residential consumers and small firms) was allowed. This was limited to those whose consumption was below a certain threshold during the pre-C19 period. To help improve working capital available with small scale farmers government was quick to set procurement price for wheat. In the export sector as well, working capital was constrained as importing countries were putting restrictions. To help this, duty drawback of taxes and drawback of local taxes and levies to exporters was expedited.

**Measures by Central Bank**

In the May 2020, policy rate was slashed to 8% with the expectations that this could ease short term borrowing. A “Temporary Economic Refinance Facility” (TERF) allowed a concessionary rate of 7% annually up to 10 years. Under this scheme,
financing could be availed for purchase of new imported and locally manufactured machinery with a maximum borrowing limit of PKR 5 billion per private sector unit.

A refinance facility for hospitals and medical centres was allowed in a bid to support their capacity for the treatment of C19 patients. All registered medical facilities were eligible for up to PKR 500 million loan. This facility had a concessionary rate of 3% per annum for 5 years. This facility was extensively used by private medical facilities to acquire imported and locally manufactured equipment and to create new premises e.g. isolation wards.

The central bank also launched a temporary refinance scheme for covering wages of the workers of the private SMEs. Concessional loans at 5% per annum were provided for 3 months of wages. This loan had to be returned in 2 years.

**Regulatory measures**

To reduce the need for physical contact and visits to financial institutions, use of Digital Payment Services such as internet banking, and mobile phone banking was encouraged through various measures (Javed and Ahmed 2022; UNESCAP 2021). These included: waiving charges for online fund transfers; online clearing of cheques; and strengthening cyber resilience of financial institutions.

Digital Innovation and Settlements Department (DI&SD) was created at the Central Bank to improve (online) payment systems policy and oversight. As more and more users were accessing online banking channels, fears of fraud considerably increased and required a meticulous check. This initiative helped increase flow of foreign currency denominated remittances from abroad through formal channels.

For the financial institutions, central bank slashed the capital conservation buffer to 1.5%. The regulatory limit on extension of credit to SMEs was increased by 44%. The debt burden ratio for consumer loans was relaxed from 50% to 60%. With this bank could defer borrower’s payment of principal by one year. The regulatory criteria for restructured loans for borrowers who required relief beyond the extension of principal repayment for one year was also available under certain conditions. Banks were also asked to defer any dividend distribution for two quarters to help increase resilience of overall financial sector (and to keep the credit supply steady).

**Effectiveness of Pakistan’s policy response**

Pakistan rolled out its C19 vaccination in February 2021 and started inoculating the healthcare workers on priority. Almost 160 million doses had been administered at the start of January 2022, which implied that 73 million individuals had been fully vaccinated. Approximately 33% of the total population was fully vaccinated by January 2022. Several measures were introduced by the government to incentivize vaccination including restrictions on routine activities such as schooling, inter-city travel, theatres, access to mobile phone services as well as access to government services and premises.

A multipronged strategy to combat the negative effects of pandemic which apart from participation in vaccine trials also included resumption of only select business activities aided by fiscal and monetary policy support helped in keeping the economic
contraction to much lesser levels vis-à-vis peer economies (MoF 2021). A strong rebound was witnessed in agriculture and construction sector in both FY20 and FY21. The latter received a tax amnesty which also helped in luring capital from abroad (for new investments in construction sector). Both these sectors then propelled buoyancy in manufacturing industries, and retail sector. The manufacturing industries supplying for construction sector were now operating at full capacity. Supply chain disruptions could not be fully overcome even in FY21. Hence, we note that transportation, storage and communication reported negative growth rate in both FY20 and FY21.

In the trade sector, while exports, imports and large-scale manufacturing reported a dip in FY20, however this was followed by a strong recovery. Trade activity only picked up once production was resumed, new capacity was also added on the back of central bank’s generous credit and refinance facilities.

We see strong uptake of instruments provided by the central bank. PKR 238 billion was made available for refinance scheme for wages to prevent layoffs and this was able to cover 1.7 million employees. PKR 657 billion in principal payments of loans were deferred up to 12 months and this benefitted 1.8 million borrowers. Furthermore, PKR 436 billion was accessed by 628 firms for balancing, modernization and replacement of machinery as well as setting up new units. A significant (temporary) reduction in cost of doing business was also provided. For example, central bank reduced the discount rate by 150 basis points and additional reduction in rates for concessional loans. The federal government reduced fuel prices and provided tax relief for the construction sector and SMEs.

On the back of the early recovery, encouraging growth was seen in exports and imports in FY21. Exports had positive growth (year-on-year) for all months after March 2021 until the end of FY21. The year-on-year imports also grew from October 2020 until end of FY21. The import growth in fact posed challenges as the rate of growth soon outstripped export growth increasing trade deficit to unsustainable levels in FY22 after which administrative measures were applied to halt imports.

In terms of both, production and exports, the largest growth was witnessed in textile and garment sector – receiving the greatest number of incentives during the pandemic. Food and leather sectors followed and were able to register growth in exports. As global supply chains remained disrupted for most parts of FY20 and FY21, hence most agriculture-based items reported negative growth in exports.

For the agriculture sector, SDPI (2020) has revealed that the agriculture stimulus package could have been better customized according to the needs of the farmers. Pakistan was quick to launch ASP of PKR 50 billion in FY20. Key objective was to provide timely subsidies to smallholder farmers on fertilizers, cottonseeds, cotton pesticides, agriculture loan markup, and sales tax subsidies on tractors. Priori expectation was that this package will contribute to food security besides benefitting marginalized farmers and women in farming sector.

This assessment has revealed certain weaknesses in design of ASP which in turn lead to its delayed rolling out and implementation. For example, only half of this PKR 50 billion (intended to be disbursed on a war footing) could be spent in two years and that also in a piecemeal manner. The sales tax subsidy on tractors could not even see the light of the day.
Other issues identified as part of this assessment include weak use of scientific evidence while designing ASP, disconnect between design team and implementation work force on-ground, lack of consultative process, weak targeting of beneficiaries, and neglecting the small farmers. During the interviews held in FY21 it was found that women farmers and marginalized groups having less than five-acre land and landless farm labourers did not benefit from ASP. The overall design of ASP was also not rooted in federal government’s overall Agricultural Transformation Plan. The linkages between ASP and structural issues in agriculture space such as yield gap, the role of the middleman, irrigation challenges, and storage and export of perishable items were also weak.

**Lessons for effectively coping with future crises?**

In view of the space constraints, we limit the discussion in this section to lessons for policy makers wishing to kickstart economic growth and trade activity in the aftermath of a crisis. A limitation of this section is that we are not offering lessons for improving social protection or related initiatives to address crisis induced poverty. These may be seen in our related work (Javed et al. 2021, Ahmed et al. 2022).

*C19 presented opportunities to reset the incentive structure in manufacturing industries*

A move away from traditional export items was possible if the fiscal response was more broad based and avoided cherry picking. In Pakistan’s case, textile sector once again remained the primary beneficiary of the support provided to industry. Support to textile firms could have been balanced with some support also targeted towards new and potential exporter sectors (e.g. C19 provided an opportunity for pharmaceutical industry which started exporting to EU and Africa). The export finance schemes at Federal Board of Revenue could have been made available for agriculture and services sub-sectors too (Ahmed et al. 2021).

*Tariff policy can help reduce trade costs for exporters and importers*

C19 posed threat to sustainability of foreign exchange reserves which were deemed necessary to afford the health sector supplies, equipment, and essential industries raw material. At the start of the pandemic end-date of the crisis was a big unknown, which also prompted austerity. However, in times when cost of protective supplies, medicines, vaccine and health equipment skyrocketed and these remained in short supply during the first 4 months of the pandemic (and even hoarding was witnessed in a few cities), it was the reduction in customs duties and sales tax on imports that were most useful in increasing supplies and bringing down the price for end-consumers.

Other elements in trade costs could also be studied for their effectiveness in easing supplies once crisis hits. For example, overall trade cost is closely linked to not only tariffs but also the tariff equivalents of trade restrictions - including exchange rate
regime. The regulations related to transport and logistics, border agencies and law enforcement, and intellectual property rights also add to such costs. Failure to trade with neighbouring India during the crisis also meant that raw material could not be sourced from the closest destinations.

According to the survey in Ahmed et al. (2021) trade costs in textiles, metals and ore, machinery, energy, electrical machinery, communication equipment, chemicals, automotive, apparel, agri-food, precision instruments, and office machinery increased the most in the days following C19 breakout. For firms in this survey transport accounted for up to 31% of overall trade costs. In agriculture sector, 12% firms informed that transport and logistics related costs had become unsustainable during the first wave of C19.

**Focus on helping firms recoup productivity losses**

C19 clearly led to productivity losses for firms. These losses were more acute for smaller businesses. Above discussion on trade costs is important as these too impact productivity. In the survey mentioned above 41% firms report productivity losses. This loss was measured in terms of output per unit of labor. This implies that apart from policies that help sustain production during crisis times, dynamics of factor markets may also have played a role. In some cases, the loss of labour either staying away from work due to sickness during C19 or not being able to come to work at all due to lockdows and quarantines, implied that the same or reduced output was expected from a lesser quantity or quality of labour and other factors of production.

Muzi et al. (2021) argued that C19 exhibited a Schumpeterian “cleansing” of less productive firms. The probability of permanent firm exit increased during the crisis and there was a negative relationship between firm exit and innovation and digital presence. This was especially true for small firms which implies that policies that help longer term ability to adapt to market conditions can help firm survival.

**Post-pandemic temporary trade measures, product standards and stringent sanitary and phytosanitary (SPS) measures are a new normal**

Several countries imposed barriers in agriculture trade. During FY21 China halted import of fish and beef from India, Brazil and Argentina due to the reports that consignments had traces of C19 virus. China wasn’t alone and Brazil also imposed ban on poultry and dairy imports from Mexico, Philippines, and Honduras. Ecuador imposed import barriers on grapes and onions from Peru.

A more conscious buyer will now demand improvements to safe production processes, labour standards, and workplace safety. For example, global sales of leather could be affected as the Leather Working Group (LWG) certification requirements are fast evolving. Bulk consumers are already demanding animal and process certification in leather sector. If back-end suppliers in this sector are operating in informal or unorganized segment of Pakistani market, they are bound to see dwindling sales.

These developments also opened up the debate on new and safe trade measures in agriculture space. WTO pointed out that SPS risks can have devastating effects on
low-income countries. Safe trade measures have cost implications too. Businesses in almost all sectors but particularly in perishable items trade have to pay attention to safe and hygienic standards at production facilities, during transportation and warehouse and then at ports. Adoption of these standards entail sunk costs which can only be reduced through public and private sector effort. The former could offer business associations capacity building in a training of trainers format so that latter can then continue to update and disseminate this information at a much larger scale.

Fast changing trade measures also imply that information costs faced by businesses are increasing which can be cut down if Trade Development Authority of Pakistan in liaison with foreign trade missions can help with more frequent information to Federation of Pakistan Chamber of Commerce and Industries.

**Targeted policies to help firms understand the fast-changing digital ecosystem can help their outreach**

Once C19 struck, physical trade exhibitions were not possible. Many SMEs had virtually no online presence or were not represented at platforms such as Amazon. Going forward, the ability to conduct virtual textile exhibitions\(^\text{11}\), increasing presence at available online platforms (most notably Ali Express or Daraz in Pakistan), and having more vendors registered with Amazon can help digital trade integration.

**Sustaining learning capabilities of firms amid crisis times is essential**

Firm budgets for accessing new knowledge and network are the first to be cut during any crisis. This is where governments can help through sharing, for example, foreign certification costs, and laboratory testing required by buyers abroad. During the third wave of C19, the production of personal protective equipment in Pakistan was more than demand, local firms started looking for outside buyers, however, they needed to first get necessary approvals which entailed heavy costs. Also, laboratories which provided such approvals were not in Pakistan and this required potential exporting firms to go abroad which meant additional costs. Some such costs can be shared through export development fund (Ahmed et al. 2020).

**National or localized disasters could lead to increase in incidence of informal trade**

This could be a temporary increase but as formal supply chain disruptions are experienced, food and consumer goods could find their way through informal trade across the borders. A continuation of these activities poses unfair competition to firms operating formally. The customs authorities have to see this carefully and if food supplies through informal channels are necessary to prevent shortages and price hikes then it is important to negotiate ways with the trading community regarding how the process could transition towards more formal and safe practices. Otherwise, unchecked food supplies during C19 or similar health crises could pose life-threatening risks.
Pay attention to smaller firms in trade space

During C19 several public private dialogues (PPDs) were held to understand the immediate and medium term needs of businesses. Ahmed et al. (2021) had argued that during these dialogues large exporting firms had better bargaining and lobbying power, but smaller firms were not in picture. Industry associations are easily dominated by large firms which may or may not share information regarding new rules and opportunities with smaller members of the association. Women business associations were the worst affected and lacked necessary information on how to access various support measures announced for SMEs. Governments could prevent this from happening for example, fiscal, monetary, and trade policy proposals could be invited online immediately after such crises. Even PPDs could be held online and participation of smaller firms and firms from distant regions may be ensured through digital means.

Make trade finance available for startup exporters

Startups in digital space performed well during C19 however couldn’t access conventional trade finance as for most banks, this business model was too novel. Formal funding and finance for scaleup of export operations was not available and only limited firms could access through own sources or personal relations. Even the due diligence by banks either took too long or the loan application was outrightly declined. This calls for an immediate increase in capacities and knowledge of lending institutions. Central bank could work on this closely in collaboration with Pakistan Banks Association. Retail banking officials need to be aware of the financial needs of startups and particularly those in the digital space. Regulatory bodies could also think of allowing crowd financing of such startups who have secure export orders.

For agricultural stimulus packages, disconnect between the design and implementation must be avoided

This is possible through better and more frequent communication with the implementing work force and farmer associations. Before the next crisis hits it important to put in place a structured and inclusive mechanism at Ministry of National Food Security & Research (MNFSR) which is responsible for consultation during crisis times and otherwise. In fact, a calendar for such consultations should be available online. Improvements to data systems could also result in improved beneficiary targeting by MNFSR. Having innovative IT solutions such as the food security dashboard introduced by MNFSR after C19 helped in early information regarding supply shortages and localized price hikes (Suleri et al. 2022).

Conclusion

This paper provides a discussion around production and trade impacts of C19, how they were mitigated through policy response and what are the lessons for policy makers in the event of a future similar crisis. Pakistan’s outbreak preparedness and response has been termed as a success story on several counts (Noreen et al. 2021).
Despite of a lesser contraction in GDP vis-à-vis peer economies and robust growth in FY21, some gaps still remain which could serve as a lesson for future such crises.

A deeper understanding is required in to type and magnitude of production and trade costs which increase amid health crises. This could be possible through frequent structured PPDs. Once policy response is in place, it is important for policy makers to regularly source information which informs if the design of fiscal support is benefiting the beneficiaries or not. If uptake is not encouraging, remedial measures should be put in place. To deal with the stringency in SPS measures and other temporary trade measures in times of crisis, a tripartite dialogue should be convened without delay and Ministry of Commerce, trade officers in Pakistani embassies abroad, and local business associations could collectively find out solutions.

Support to smaller firms for adoption of online technologies is important and helps their outreach when physical contact between buyers and sellers is not possible. In this regard, the government also needs to expedite the implementation of e-commerce policy, information security policy, personal data protection law, and cloud computing policy. Business and trade costs could be cut down during crisis through a more liberal tariff policy and ensuring that regulatory burden on firms is rationalized.

South-South and North-South sharing of experiences is important. It is necessary for policy makers to source advice which is a combination of local and external best practices (Mabugu et al. 2022). We note from C19 experience that donor agencies play a key role in policymaking and in pushing the governments to demonstrate the results that are being generated from their resources (Ahmed et al. 2021). This results in donors driving a considerable part of the evidence generation and use, which has a mixed influence on the development of a locally led effort.

Notes
1. This section also draws from authors work on impact of C19 on SMEs conducted for IDRC.
3. For impact on SMEs, see also Javed and Umer (2020).
5. However this subject has been studied in Asif Javed, Vaqar Ahmed, and Bakhrul Khair Amal. (2021).
6. Also see Ahmed et al. 2020 and Naqvi et al. 2019.
7. For further information on trade cost see: https://fmwww.bc.edu/ec-p/wp593.pdf.
9. Some of the sectors mentioned here were mentioned during PPDs.
11. ‘TDAP launches Pakistan’s first international virtual textile exhibition’ Express Tribune, 30 January f.

Disclosure statement
No potential conflict of interest was reported by the author(s).
Notes on contributor

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