

# Policy Review

**Spread of COVID -19: What Pakistan  
needs to do to tackle this “Black Swan  
Event”**

March 2020

*Dr. Abid Qaiyum Suleri*

**What may be a black swan surprise for a turkey is not a black swan surprise to its butcher; It's time to act and see how far and how quickly Pakistan can reduce its vulnerabilities to turn the Black Swan of Coronavirus into a White Swan of Safety.**

## Table of Contents

Introduction.....	1
Initial outbreak from China and Iran .....	1
What Iran and Italy could have done better? .....	<b>Error! Bookmark not defined.</b>
Intensive care .....	3
Chinese measures to cope with COVID-19 .....	3
Pakistan’s Initial Response? .....	3
What needs to be done? .....	4
Medical preparedness.....	4
Getting benefits from funding windows .....	4
Economic Aspect .....	4
On our external and domestic fronts .....	5
Conclusion .....	5

## **Introduction**

In Roman literature, the word ‘black swan’ was used as metaphor to express impossibility as it was perceived that swans were always white. Later, with the discovery of black swans in Australia in 1697, the metaphor remained in use to express an impossibility that was later disproven. Nassim Nicholas Taleb, a Lebanese-American writer and Statistician, used the phrase ‘black swan events’ in 2007 to describe the events which were extremely rare, undirected, unpredictable and carrying an extreme negative or positive impact. The third characteristic of a black swan event, in Taleb’s words, is that after the first recorded instance of the event, it is rationalized by hindsight, as if it could have been expected. Taleb regards almost all major scientific discoveries, historical events and artistic accomplishments as ‘black swans’.

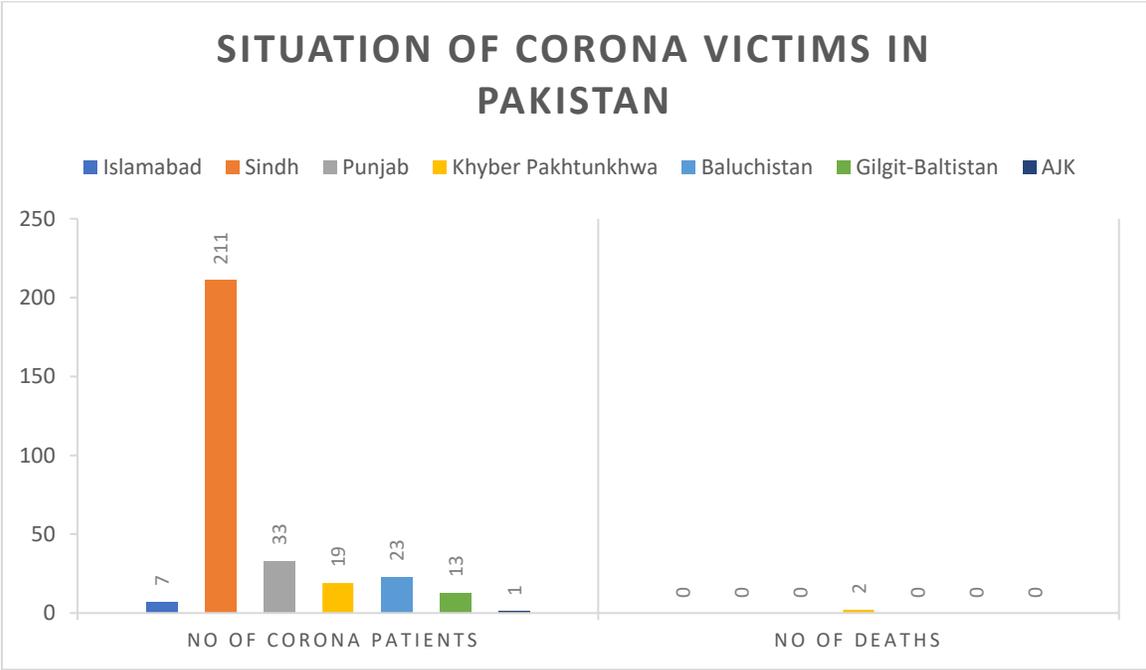
Spread of COVID-19 or corona virus is yet another black swan event. This rare virus turned into a pandemic within few weeks of the first reported case in China. One may argue that China got caught flatfooted. However, rest of the world, and especially the developed world had time to prepare for this outbreak. Yet they failed to slow down early spread of the disease which left to itself, doubles every 5-6 days.

## **Initial outbreak from China and Iran**

Pakistan borders two of the initial hubs of Coronavirus outbreak, i.e. Wuhan (China) and Qom (Iran). In the beginning, all eyes were on China, that’s why the focus of screening in Pakistan remained on passengers returning from China. The Chinese government’s decision not to evacuate Pakistani students from its land and let its medical system take care of them helped in containing the early spread of disease. However, the disease did enter Pakistan through passengers returning from Iran and then from the US and Europe.

As of 19th March 2020, the number of Coronavirus patients in Pakistan is 307 while two deaths due to the disease in Pakistan were reported on March 18 in KP. The deceased were returned from Saudi Arabia and Abu Dhabi. Latest situation of Corona victims compiled across the country from various sources including the government released data as on 19<sup>th</sup> March is as under:

	Islamabad	Sindh	Punjab	Khyber Pakhtunkhwa	Baluchistan	Gilgit-Baltistan	AJK
No of Corona patients	7	211	33	19	23	13	1
No of Deaths	-	-	-	2	-	-	-



One may argue that the sample size of population screened for Coronavirus in a country of 220 million inhabitants is too little and there may be potentially more undetected cases which may exponentially multiply and appear in next few weeks after their incubation period completes.

**What Iran and Italy could have done better?**

Italy and Iran made the mistake of not enforcing an early contingency plan of social distancing. By the time they acted, it was already too late. In that context, recent measures by the government of Pakistan for social distancing (including closure of educational institutes; ban on public gatherings in cinemas, wedding halls, sports grounds, conferences; closure of its western borders and diversion of all international flights to only three airports) would be helpful in containing the

spread of the disease. However, social distancing and self-isolation in a country like Pakistan where majority of population is not entitled to a sick leave-pay or is not covered by any universal social safety net, is extremely difficult. Even social distancing on its own is not enough to cope with the pandemic.

### **Intensive care**

A recent study of Covid-19 in China finds that 5% of patients needed to be admitted to an intensive care unit (ICU), with many needing intensive ventilation or use of a more sophisticated machine that oxygenates blood externally. Till last week, the Italian hospitals that offer world-class health care, were quite confident of coping with the disease. However, they underestimated the demand of ventilators and oxygen for the virus infected patients and that resulted in highest number of fatalities by Coronavirus outside China.

### **Chinese measures to cope with COVID-19**

With the hope that there is no second wave of virus outbreak in China, let us see what China did so far to cope with COVID-19. It put its Wuhan city residents under strict quarantine and make sure that no one was deprived of basic food commodities. Secondly, it went for mass testing and screening. It also started an intensive contact tracing to disrupt transmission chain and provided ample human and financial resources to its hospitals. Realizing that COVID-19 was not only a medical emergency, it also directed the banks and revenue collecting agencies to go soft on their borrowers/clients.

### **What Pakistan did so far?**

Pakistan is neither an authoritarian nor a welfare state. It can neither confine its citizens to their homes nor can provide them with free food and other utilities. This implies that strict precautionary measures such as keeping people in quarantine may not work here. Voluntary isolation of those having mild symptoms is not possible either, as majority of people cannot miss their daily earnings. This is where federal and provincial governments would have to join heads and hands to devise a mechanism for providing relief to lower income segments of the society who may face further destitution as a result of social distancing and voluntary isolation. Advance payments of stipend to BISP beneficiaries may be one of the ways to reduce people's hardships if some parts of the country have to be locked down.

## **What needs to do more?**

Screening of potential Corona patients at mass level should be another priority to fight against this pandemic, especially when outbreak is small and it is possible to contain the disease. The government has announced a helpline “1166”, where any suspected patient of Coronavirus may contact for screening and treatment. However, instead of waiting for patients to come forward for testing, health authorities need to be more proactive and do random screening in the potential hotspots of this disease.

## **Medical preparedness**

After identifying the patients through screening, the next step would be to treat them. We have limited number of hospitals in each province with rare “isolation facilities” and those hospitals too are understaffed and under resourced. In KP, the total number of ventilators in public and private hospitals is reportedly 150, while in Baluchistan, the total number of ventilators in public sector hospitals is 49. Hence, there is a supply-demand gap analysis not only of human resources but also of supplies such as externally-blood-oxygenating machines is crucial.

## **Getting benefits from funding vehicles**

Timely bridging the gap through diverting public sector development funds, through engaging private sector in a public-private partnership mode, inviting individual philanthropists, and getting benefit from special funding vehicles devised by multilateral funding agencies (such as World Bank’s \$12 billion fund, and IMF’s \$850 million fund established for this purpose) is need of the hour. Remember, well-resourced health care system of Italy failed to provide too many ventilators in a short period of time. Hence, the aim here is not just to raise funds but to ensure that ventilators and other medical supplies are available in isolation centers.

## **Economy Aspect**

Going beyond the medical aspects, there was a valid demand for reduction in interest rate to increase our economic resilience in the context of coronavirus. The State Bank of Pakistan has reduced the interest rate from 13.25 to 12.50 per cent. Many say that more reduction is needed. However, bearish performance of stock markets in UK, Europe and USA (where the interest rate is extremely low) after the outbreak of pandemics) implies that mere lowering of interest rates

would not rescue economies. Businesses and employers would require temporary relief on tax and wage costs too.

It is argued that Pakistan neither has the fiscal cushion to provide tax cuts and wage costs, nor a policy space to significantly reduce interest rate in an IMF program. However, these are unusual times and IMF programs show flexibility to exclude from the assessment of fiscal performance those events that are not derived from policy slippage. This would mean that extra spending on health and logistics to combat the Coronavirus will not be part of Pakistan's budget deficit.

### **On our external and domestic fronts**

On external front, we need to keep in mind that merely the word "pandemic" signifies its global nature. No single country/nation can deal with it separately. Countries need to work together on treatment protocols, therapeutics, what worked, what did not work (and why) to cope with COVID-19. In this context, SAARC meeting on Coronavirus was an important beginning. Besides it's time for the UN and WHO to come out for a generous financial assistance of the poor economies.

On domestic front, facemasks and hand sanitizers are either not available in the markets, or available at very high prices. Prime Minister's advisor on health also indicated possible shortages of food supplies in the weeks to come. To keep the supplies normal, consumers would have to resist panic buying, while the governments (at all levels) would have to control hoarding of essential commodities. Smooth supplies of essential commodities would lessen the pain of troubled times.

### **Conclusion**

While hinting upon how to cope with black swan events, Taleb says that what may be a black swan surprise for a turkey is not a black swan surprise to its butcher; hence the objective should be to "avoid being the turkey" by identifying areas of vulnerability in order to "turn the Black Swans white". It is time to act and see how far and how quickly Pakistan can reduce its vulnerabilities to turn the Black Swan of Coronavirus into a White Swan of Safety.