



TAKSHASHILA
INSTITUTION

Takshashila Strategic Assessment

The Economics and Politics of Pakistan's COVID-19 Response

V1.0, 27 March 2020

By Sarthak Pradhan | Sakshi Arora | Pranay Kotasthane

Executive Summary

As of March 27th, Pakistan had the largest number of COVID-19 cases in the subcontinent. This outbreak is likely to slow down Pakistan's economy and increase its dependence on China in the short-term. Domestically, this has the potential to tilt the balance of power in favour of the army and increase the likelihood of sectarian conflicts.

What is the Current situation in Pakistan?

As of March 26th, 2020 there have been 1057 [confirmed](#) positive cases of COVID-19 in Pakistan, making it the worst-affected country in the subcontinent as of now.

Majority of the cases have been from the Sindh province (413) while the 8 fatalities have been in the Khyber Pakhtunkhwa(3),

Punjab(2), Sindh(1), Balochistan(1), Gilgit Baltistan(1) provinces. National Institute of Health (NIH), the coordinating body for diagnosis of all cases in Pakistan classifies the current impact on Pakistan as “high risk”.

Two factors make Pakistan particularly vulnerable. One, it shares a border with both China and Iran - both hotspots of COVID-19. Through the winter months, the land border with China remained closed due to heavy snowfall. International flights to and from China were initially [suspended](#) on January 29th but were resumed 3 days later with greater scrutiny. But it is the border with Iran that is of greater threat to Pakistan. A large chunk of COVID-19 cases [reported](#) in Pakistan are pilgrims who returned from Iran. 2000 more people are [expected to return](#) from Iran to Pakistan in the next few days.

This document is prepared for discussion and debate by the authors. It does not necessarily constitute Takshashila's policy recommendations. For any feedback, please email research@takshashila.org.in

The second factor is Pakistan's low state capacity exacerbated by poor economic performance leaving it with very little cushion to absorb the demand shock. Even before the coronavirus outbreak, an [economic downturn was expected](#). The performance of agriculture and manufacturing sectors has been dismal for 2 years in a row. There has been a [revenue shortfall](#) and an increased expenditure on pensions, subsidies and security. The federal government has [reduced the GDP growth](#) target to 2.4% for the fiscal year 2019-20.

In his televised address on 22nd March, Prime Minister Imran Khan [reiterated](#) that Pakistan cannot afford a complete lockdown unlike the US or the European countries. He emphasised that the poverty in Pakistan makes the situation different and complete lockdowns would lead to massive unrest. He rather urged people to self-quarantine to control the spread of the virus.

Despite this, different provinces have announced lockdowns. The provinces

[have sought the army's help](#) to battle coronavirus. The army spokesperson has [assured assistance](#) to the provincial governments.

But there have been [instances](#) of [people violating](#) the partial lockdowns in the provinces. According to some reports, almost 100 patients and suspects under quarantine [tried to break out](#) from the Sukkur Quarantine facility as they were not provided basic amenities by the administration. The healthcare infrastructure is insufficient - Pakistan had conducted only [6449](#) tests by 26th of March. Recent media reports point out that the first COVID-19 fatality in Pakistan might have [infected thousands](#).

Given this situation, Pakistan needs a close watch. Figure 1 shows the growth in confirmed cases.

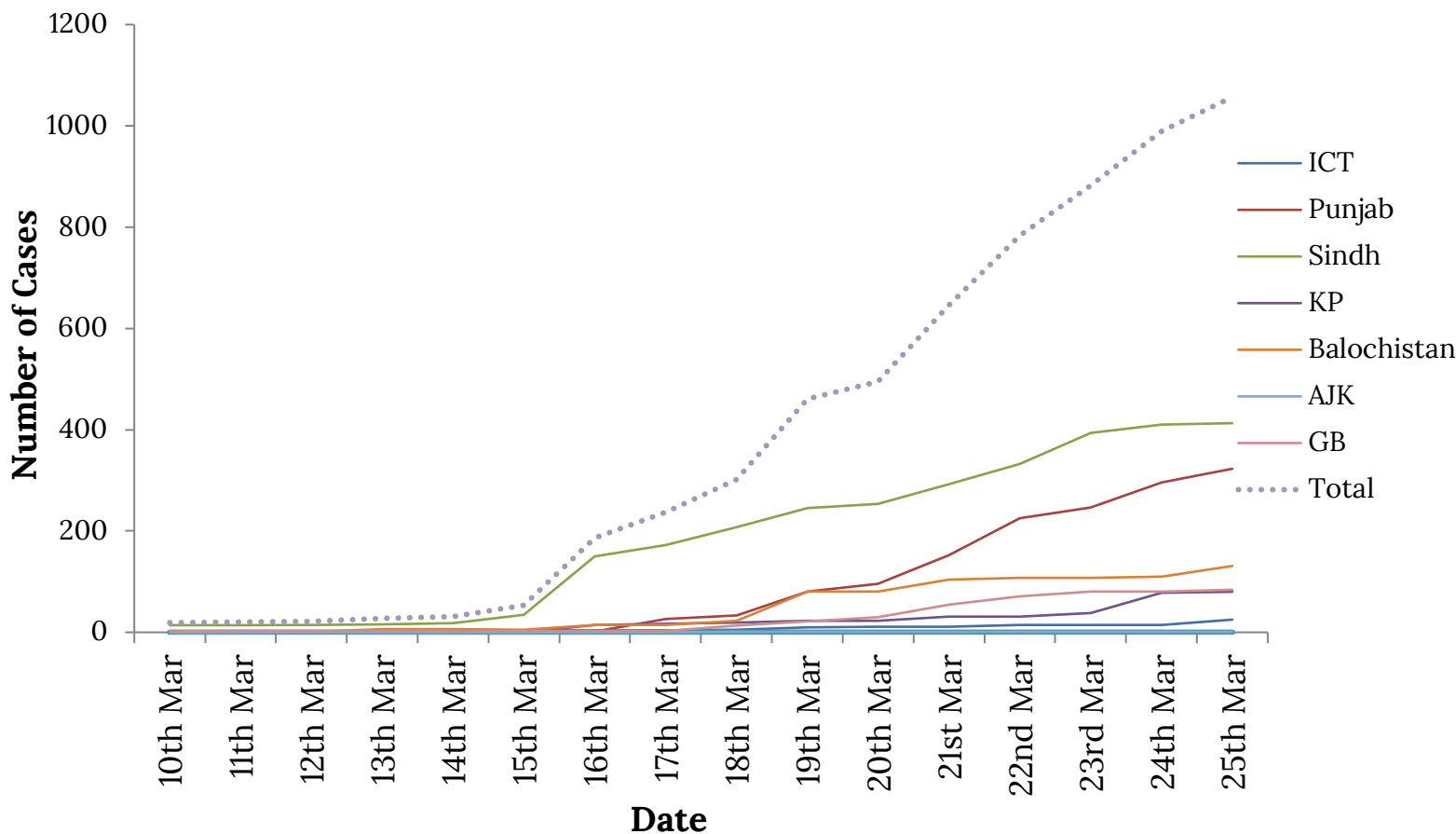


Figure 1: Positive cases of COVID-19 in Pakistan. Data Source [NIH](#)

When Did the Outbreak Begin?

The first two COVID-19 cases were confirmed on 26th February. Both patients [recently returned](#) from Iran. The pilgrims who have returned from Iran constitute a bulk of the reported cases. The first local transmission was [reported](#) on 13th of March.

Pakistan shares a 960 km border with Iran (which has the [sixth-largest](#) number of COVID-19 cases in the world) with Taftan being a major crossing point. Taftan serves

as a quarantine facility for Pakistani Shi'ite pilgrims returning from religious sites of Iran. News reports point out that the [ineffective quarantine procedures](#) - shortage of space, water, bathroom facilities - at Taftan might have been the main reason for the spike in cases.

Imran Khan, in his meeting with Parliamentary leaders, said that there has been limited homegrown transmission. Majority of the cases have been from the people entering the country from abroad. He also [categorically stated](#) that Pakistan did not witness even a single case of Coronavirus being imported from China.

How is Pakistan responding to the situation?

The Federal Government - Domestic Efforts

An emergency core committee for nCoV has been set up and a [national action plan](#) for coronavirus disease has been laid out. The national action plan has a short-term objective of ensuring effective preparedness, efficient response to the disease outbreak and financial mobilisation. The long-term objective is creation of a robust national health security agenda for all pandemics and reorganisation of health security establishment at all levels.

Measures have been taken to improve health information management systems at hospitals to pinpoint cases in the initial stages of an outbreak. [35 special hospitals/isolation](#) wards have been identified across 7 regions to deal with the pandemic. Hospitals have been designated at all three levels to diagnose and treat patients. Emergency Response Teams have been formed and equipped with appropriate training and uninterrupted medical supplies. Risk communication steps are being initiated, with warnings and preventive measures being aired to the public while Standard Operating Procedures for referrals and follow ups of suspected cases are being put in place.

The National disaster management authority is [coordinating](#) with the provincial governments. Prime Minister Imran Khan [announced](#) on 19th March that a Joint Parliamentary Committee will be set up to seek the support of opposition members in the fight against COVID-19. An “economic emergency bailout package” worth Rs 1.25 trillion was introduced by the Prime Minister on 25th March. It [covers compensation](#) for job losses, tax refunds, lowered petrol and diesel prices, financial stimulus to boost agricultural and other small businesses, a relaxed window for gas and electricity payments, wheat procurement by the government, increased spending on equipment, uniforms and protection for healthcare workers, and more. It is not yet clear how the additional revenues for this economic package would be mobilised.

National Institute of Health [has designed](#) the protocols related to prevention, transmission and defection of COVID-19. It has launched public awareness campaigns and is helping Pakistani provinces in establishing surveillance units

The Pakistan civil aviation authority has [suspended](#) all international flights till April 4th. All domestic and chartered flights have been [suspended](#) from March 26th to April 2nd. The Railway Minister has [ordered the reduction](#) in the frequency of trains till the middle of the holy month of Ramzaan.

A compilation of the various schemes announced as part of the package looks as follows:

Expenditures proposed under the Economic Package announced on 24th March, 2020	Cost (in billion Pakistani rupees)
Wheat procurement from farmers	280
Compensation to labourers for unemployment	200
Income support transfer increased from Rs 2000 to Rs 3000 for 4 months	150
Payment of electricity/gas bills over three months	100
Tax refunds from exports	100
Emergency Relief	100
Reduction in taxes on petroleum products	75
Procurement of medical equipment	50
Utility stores Corporation	50
National Disaster Management Authority	25
Total (as against the reported 1250 billion Rs package)	1130

The Federal Government - International Efforts

Pakistani President Alvi became the first head of a state to visit Beijing post the COVID-19 outbreak. During the official visit, Chinese premier Xi reiterated that China [will continue to provide support](#) and assistance to Pakistan. Following the Border Protocol Agreement of 1985, the China Pakistan border at Khunjerab remains closed from November to April

every year, after which it reopens to mark the end of winter. However, as tweeted by the Chinese embassy in Pakistan, the Khunjerab border was opened for a day on March 27th allowing China to supply [medical equipment](#) including 200,000 ordinary face masks, 2,000 N-95 face masks, five ventilators, 2,000 testing kits and 2,000 medical protective clothes to Pakistan.

Pakistan had [reached out](#) to the World Bank for a \$200 million loan. The ADB has agreed to [provide a \\$ 50 million](#) loan to procure essential medical equipment. The US has [announced \\$ 1 Million](#) assistance to Pakistan to strengthen monitoring and rapid response. China has provided aid worth \$ 4 Million.

Huawei Pakistan [donated](#) a video conference system to the Ministry of National Health Services to be used for remote consultation and remote monitoring. Jack Ma and Ali Baba Foundation [are providing](#) medical equipment: the first batch of the supplies arrived in Pakistan on 25th March. Foreign Minister Shah Mehmood Qureshi, while talking with his German counterpart Heiko Mass, [sought debt relief](#) from the international community so that they can focus on dealing with the pandemic.

The Pakistan Army

Army Chief Gen Bajwa has directed army commanders to assist the civil administration in dealing with the coronavirus outbreak. As per the statement of Inter-Services Public Relations (ISPR), medical facilities belonging to the armed forces are [being readied](#) for an “extreme emergency” situation. COVID-19 testing facilities have been established at major army hospitals. The [Central testing lab](#) is at the Armed Forces Institute of Pathology, Rawalpindi. Army scientists are [researching and manufacturing](#) PPE like face masks and hand sanitisers. The Surgeon General of Pakistan has supervised the preparation of a “medical plan of action”. On the request of the Sindh Government, the army has [established](#) a 10000-bed field hospital at Karachi Expo Center. According to some other [media reports](#), the capacity of the hospital is 1100. Punjab, Sindh and Balochistan governments have [requested](#) the [deployment](#) of armed forces to deal with the situation.

The Provincial Governments

In the face of the global pandemic, Pakistan’s provincial governments have taken a lead and stepped up measures. At the forefront of this effort is the Pakistan Peoples Party’s Sindh government, a political opponent of Prime Minister Imran Khan’s party.

There have been partial lockdowns in Punjab, Sindh, Khyber Pakhtunkhwa.

Sindh has announced setting up of a [Rs. 3 billion fund](#). Punjab has banned Interprovincial transport headed towards [Sindh](#). Balochistan has suspended inter-city bus services and public transport for [15 days](#). Punjab has announced donation of [Rs. 1 billion](#) to Balochistan for the Taftan facilities.

Health Infrastructure

The responsibility for healthcare (primary, secondary, tertiary) in Pakistan lies with the provincial governments after the [18th constitutional amendment](#). The federal government is responsible for national public health. Research institutes, vertical programs, and some hospitals lie under the ambit of the [Federal Government](#). As per a recent [NDMA report](#), Pakistan has 15 testing facilities, 8718 quarantine beds, and 35 designated tertiary care hospitals. But the healthcare infrastructure remains dismal – e.g. Sindh Province had sufficient testing kits but not enough [microbiologists](#). There is also a lack of isolation wards in majority of the hospitals and a [lack of protective equipments](#), The Taftan quarantine facility [ran out of space](#). At present, the federal government [has exempted](#) 61 diagnostic support and PPE from all import duties and taxes.

Religious Institutions

The Sindh Government on March 26th issued a [notification](#) to suspend congregational prayers till April 5th. Earlier the Pakistan Ulema Council had issued a [fatwa](#) to postpone political and religious gatherings but had not prevented Friday congregations. The [Minister](#) for Religious Affairs and Interfaith Harmony, and the [President](#) Alvi have however urged Muslims to avoid large gatherings, and pray at home. But there seems to be a strong resistance. Not praying in a mosque is equated with [leaving the Allah](#). An incident was [reported](#) in Islamabad wherein 2 COVID-19 patients went missing for two hours, offered Friday prayers in a local mosque and returned. Religion and tradition continue to be a major challenge in the fight against the pandemic.

Political & Economic Impact Assessment

According to [ADB's](#) preliminary assessment, Pakistan's economy will suffer \$5 billion (at least [\\$10 billion](#) according to some estimates) in losses due to the impact of coronavirus.

Through all three stages of the pandemic, i.e. limited restrictions, moderate restrictions, and complete restrictions, Pakistan is expecting 12.3 million to 18.53 million layoffs - of which the hardest hit industries are likely to be agriculture, manufacturing, transport, hospitality and

trade (wholesale and retail). Since a majority of the employed are daily wage workers, they are expected to be the most heavily impacted. According to [economists](#) at the Pakistan Institute of Development Economics [PIDE], up to 60% of the vulnerably employed could be laid off if Pakistan opts for a complete lockdown.

[Moody's](#) expected the Pakistan economy to decelerate from 3.3% to 2.5%. This will lead to higher debt burden and weaker fiscal balances. The budget deficit, provincial surpluses targets have been [revised](#) to more conservative figures. 50% of the development spending tends to happen in the last quarter of the fiscal year but due to the pandemic outbreak, this spending [will get diverted](#) impacting construction and other related activities.

Due to the central bank's interest rate cut by 1.5 percent in the latest [policy change](#) on March 17th, investors are withdrawing their money from Pakistan, leading to the USD reaching an all-time high of Rs 167.5 against the Pakistani Rupee.

This disruption has also hit Pakistan's textile industry which makes up for more than 50% of Pakistan's export revenues.

China is the second largest destination of Pakistan's [exports](#). The COVID-19 outbreak in China will have an impact on Pakistan exports depending on [China's handling](#) of coronavirus. The Ministry of Commerce fears overall \$2-4bn [export loss](#) to Pakistan.

In such a scenario, who are the allies Pakistan can rely on? Saudi Arabia is itself preparing for an economic slump. The finance minister [announced](#) a likely 5% budget cut to account for the losses due to the COVID-19 outbreak and the crashing oil prices. But the Chinese premier's statement of "deepening the ironclad China-Pakistan friendship" during Alvi's official visit shows that China will continue with the [CPEC](#). Pakistan's ability to garner assistance from International institutions will depend on the fiscal space available with these institutions. Since more than 170 countries are impacted by the pandemic, [international financial support](#) will be limited.

The initial cases and majority of the COVID-19 cases in Pakistan have been Shia pilgrims who visited Iran. This has the potential to exacerbate the Shia-Sunni tensions in Pakistan. There have already been some attempts to politicise the [situation](#).

The Pakistani armed forces are playing a significant role in providing medical facilities, relief, etc. The most-affected provinces are depending on the army to enforce lockdowns. All these are likely to provide greater legitimacy to the army. This could impact the power dynamics between the civilian and military government.

Thus the COVID19 outbreak is likely to make a large dent into Pakistan's economy making it more dependent on China in the short-term. Despite the reluctance of the Prime Minister, Provincial Governments have imposed lockdowns with the help of the army. The increased role of the army in all spheres from imposing lockdowns, to providing medical facilities has the potential to further strain the civilian-military dynamics. Also, there is a great likelihood of the health crisis turning into a Shia-Sunni sectarian conflict as most of the initial cases have been Shia pilgrims who visited Iran.
