

PREAMBLE

The coronavirus – COVID-19 – pandemic has had a huge, catastrophic, impact on the global economy and on economies of almost all countries. Even those countries which were posting record-breaking profits just four weeks ago, such as the US and Germany, are now faced with a substantial fall in incomes, earning, employment and profits. From record low unemployment levels, these countries are already projecting a huge spike in unemployment, and all indicators suggest that a global recession is now imminent.

Unlike economies which were doing well, Pakistan's economy had been showing slowing signs since mid-2018. Estimates for the current fiscal year FY20 GDP growth rate before the coronavirus struck were a mere 1.8 to 2.2 percent and in January and February 2020 the inflation rate was in the range of 14 percent with food inflation around 23 percent, perhaps even higher in rural areas. Calculations by economists over the last twenty months since July 2018 suggested that as many as 2.2 million people had been added to the unemployed and those under the poverty level may have risen by as many as 10 million. Even before the coronavirus struck, Pakistan's economy was in a shamble. Things have been made far worse in a matter of four weeks. Expectations of significantly higher unemployment and poverty and considerably lower GDP growth and per capita income for FY20 are now certain.

Despite the government's Rs 1.2 trillion relief package announced on 24 March, there are many concerns about targeting and its efficacy. How will the non-waged, daily workers, of the informal sector who make up most of Pakistan's work force benefit? Not having effective distributional systems, there are fears of elite capture and government failure in all government initiatives. Even the Benazir Income Support Programme (BISP), which targets 5.5 million women and is going to be a key mechanism to distribute these new government funds, has been seen to have many leakages. Nevertheless, the BISP might have to be the most effective conduit for delivering enhanced transfers.

Perhaps the COVID-19 crisis will allow the government to rethink its strategies and interventions. Strangled by an IMF programme, perhaps the government needs to loosen this strangelhold and considerably increase spending, particularly that which focuses on job creation, especially of the low-

income, low-skill workers. This is also a good moment to reconsider and increase funding for the social sectors, particularly health and education, where it has been made amply clear that Pakistan's health delivery mechanism is utterly incapable of dealing with even a small challenge, leave alone one on the impending scale of the COVID-19. This might also be an opportunity to launch a Universal Basic Income programme, a guaranteed minimum income scheme for all citizens regardless of the nature of work.

An unprecedented crisis requires unprecedented and exceptional leadership and responses. Will this be its undoing, or will Pakistan's government come up to these high expectations?

S Akbar Zaidi

Executive Director

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