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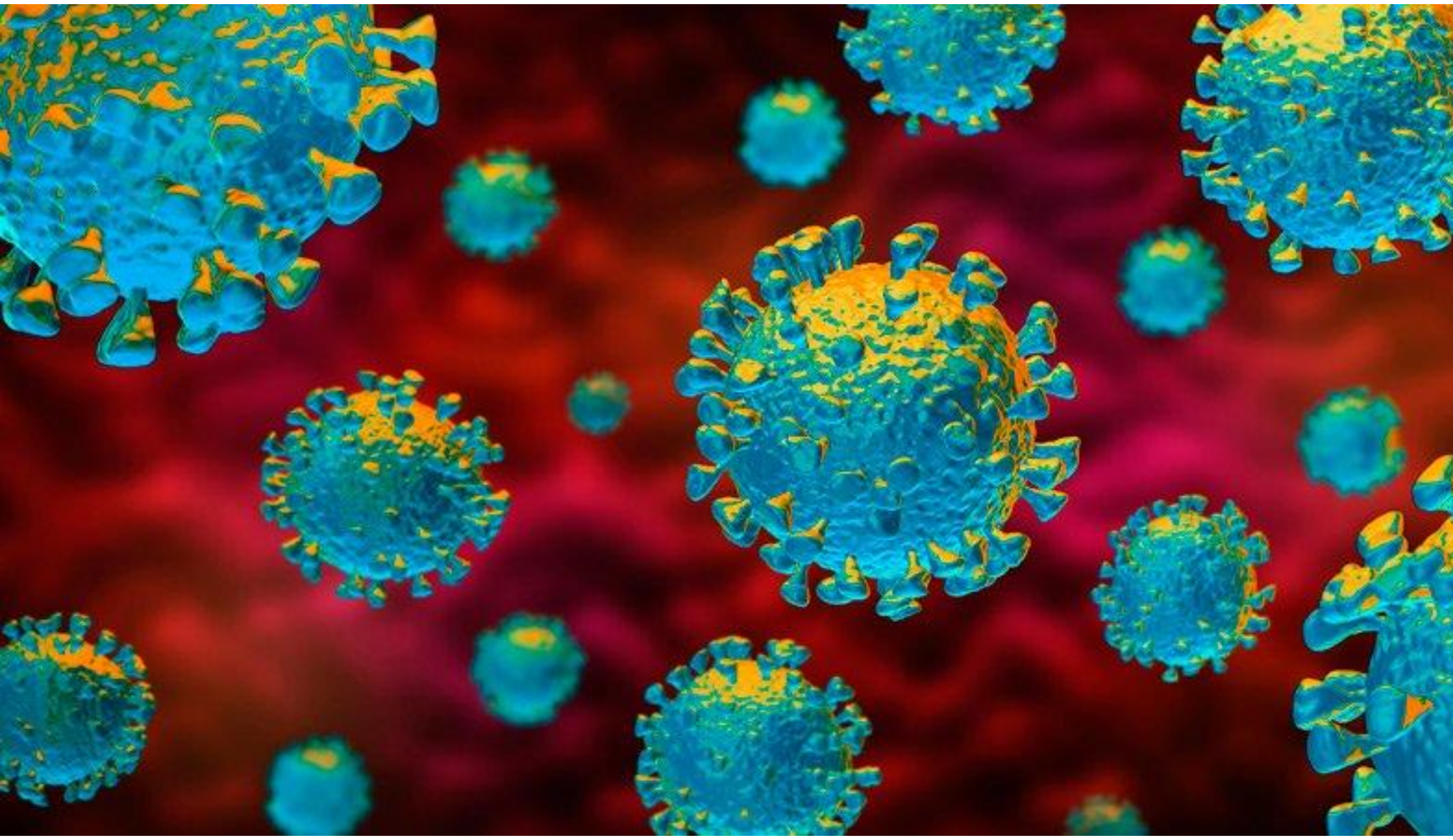
SHORT NOTES ON THE ECONOMY DURING THE COVID-19 CRISIS



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Asma Hyder

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 The editor would like to acknowledge the important and timely contribution from all the authors.

COVID-19 AND PAKISTAN'S TRADE PROSPECTS

DR. ZAFAR MAHMOOD[1]

The Covid-19 is such a public-health crisis that it has increasingly become an economic threat to every economy of the world, as both production and consumption levels are simultaneously scaled back. Concomitantly, interruption in global supply chains and transportation, after major lockdowns, has resulted into a sharp decline in international trade of goods and services. It has pushed the global economy into a deep recession. IMF's World Economic Outlook has decelerated its earlier global annual economic growth forecast for 2020 from of 3.3% to below zero in 2020 due to coronavirus effect. This will result into a decline of global income by about a trillion-dollar and even beyond if crisis prolongs. The ultimate effect would thus depend on: how far and fast the virus spreads and how effective policies will be in controlling the damage to economic and social well-being.

If the virus outbreak is short-lived then a standard mix of monetary policies (e.g., a cut in the policy discount rate) and automatic fiscal stabilizers (e.g., adjustment in tax rates and transfer payments to smooth incomes, consumption, and business spending) should be sufficient to reduce adverse impacts on the economy. But if the crisis prolongs, that now appears to be the likely case due to supply disruptions owing to malfunctioning of production and supply networks, then the economic recovery will depend more on sustained liquidity injections to industries by the central bank, and pro-active fiscal, trade and investment policies.

In addition, the loss of consumer and investor confidence is the most important factor affecting the business sentiments; whereas assets price deflation, weak aggregate demand, increased debt distress, and rising poverty and income inequality would pose even bigger policy challenges.

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In view of the above perspectives, an effective response from the government in coordination with the private sector requires a proactive and targeted approach.

State of the External Economy:

In the second half of 2019, just before the outbreak of the Covid-19 crisis, Pakistan saw some signs of economic recovery especially in its external part of the economy. The country rose 28 places on the World Bank's Ease of Doing Business index compared with 2018, graduated to among the world's top-10 countries with the most improved business climate, volatility in exchange rate became minimum as overvaluation of the rupee was reduced, and China-Pakistan Free Trade Agreement became operational from 1st December 2019, which granted similar access to Chinese market as China has accorded to ASEAN countries. There was also evidence of increased FDI particularly from Chinese textiles companies. This created a confidence among different stakeholders that economy might further improve in 2020 on both internal and external fronts. But no one predicted by the end of 2019 that COVID-19 will bring wide-spread lockdowns, transport restrictions and social distancing will halt supply chains, all of which will create devastating consequences for business activities. Both demand and supply side disruption have started adversely affecting the external sector and a currency crisis is looming.

By now it is well known that the Calendar Year (CY) 2018 was an extraordinary year for Pakistan's current account balance when it faced a deficit of $19.482 billion (see, figure below). The present Government decided to curtail it drastically by introducing import restrictions across the board. It was successful in reducing the current account deficit to $7.315 billion in CY2019 but only by reducing imports by 19% (all groups of imported items witnessed a decline except petroleum and chemicals groups) and attracting 5.3% additional remittances than a year earlier (i.e., remittances was $22.20 billion in CY2019). On the other hand, exports instead of rising declined by 0.24% in CY2019. There was a minimal increase in the exports of textile and petroleum groups but these were offset by a decline in exports from food and other manufactured groups. This was because no concerted policy effort was made by the government to promote exports. Since the fourth quarter of 2019, however, there have been some positive signs of export growth and a further decline in imports. During the first two months of 2020 both exports and imports increased from the previous year's levels but current account deficit declined more sharply in February 2020. We don't have data at this time for March 2020 to assess the COVID-19 impact on Pakistan's trade. All that we know about the current situation is some information obtained from industry sources and exports firms.

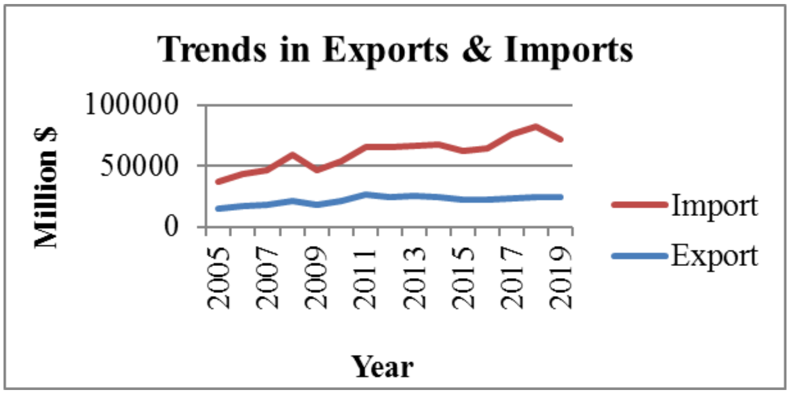

Figure 1

Pakistan's textile sector was working at full-capacity production after the government withdrew duties and taxes on import of the raw cotton in January 2020. Besides, Pakistan started getting higher exports orders mostly for textiles when China was fighting against the coronavirus. The world textile buyers then diverted their purchasing orders to Pakistan from China whose 70-80% production was disrupted.

It was then predicted that Pakistan would comfortably achieve its export target of $24-25 billion for the FY2020. Pakistani industry started claiming that it does not have the extra production capacity to take and meet additional export orders. But this euphoria turned out to be short-lived. China is back on its feet; with that Pakistani export firms have started losing export orders.

Pakistan is among the countries most affected by the global effects of China's slowdown through disruption of global supply chains. The slowdown in manufacturing in China has created a ripple effect on its economic activities. The textile sector, which accounts for 55% of total exports, is currently facing a fall in imports of the majority of the raw material –dyes & chemicals– that are required to produce textiles and are mostly imported from China.

In view of the situation, All Pakistan Textile Mills Association (APTMA) has started demanding from the government to take immediate steps to address major issues faced by the industry especially its liquidity problem. It demands to release the backlog of sales tax refunds. APTMA has also demanded additional lines of working capital and freezing of utility bills for at least two months to duck the closure of industry. Sudden cancellation and postponement of exports orders means increase in output inventories that will impose enormous cost on industry. Importers have delayed more than 50% of ready-to-shipment export orders. Consequently, industries have started lay-off of their daily-wage and temporary workers. Industry is increasingly unable to pay their workers due to liquidity crunch amidst non-payment of sales tax refunds. If crisis prolongs then industry foresee much more lay-offs.

As soon as this crisis started, Pakistan lost most of the Hot money that flowed into its reserves to make high profits from the deliberately kept high interest rates. With foreign currency reserves depleting sharply the rupee has lost about 7% of its value.

All of the above developments will likely hurt exports. Debt burden has so far increased by Rs.600 billion. FDI is declining too. There is a possibility that Pakistan seeks postponement of debt payment and perhaps new loans to meet the balance of payments obligations.

Relief Package of the Federal Government & SBP:

In view of the hardship faced by the industry and export firms, the Government has announced the following economic package for the benefit of industries:

1. A package of Rs.100 billion ($63 million) will be provided to support small industries and the agriculture sector.
2. All ports and customs services will be kept operational.

Keeping in view the current evolving situation the State Bank of Pakistan (SBP) has decided to cut the policy rate to 11% in order to cushion the growth slowdown. SBP is also taking necessary regulatory measures in coordination with commercial banks to address pressures on cash flows of borrowers affected by Coronavirus related disruptions through facilitating deferment and restructuring of their loans.

To support exports for sustained improvement in Pakistan's balance of payments, SBP provides refinance to banks, to provide concessional credit at interest rates that vary between 3 to 6 percent to exporters for working capital and new projects under Export Finance Schemes (EFS) and Long Term Financing Facility (LTFF) schemes. The total concessional credit to exporters outstanding under both these schemes is currently approximately Rs.660 billion.

Due to the COVID-19 pandemic, the Pakistani exporters are currently facing declining demand in foreign markets and problems in executing existing export orders. To support exporters in these circumstances and to prevent current liquidity problems from turning into solvency problems amongst exporters, SBP has announced some proactive measures on March 20, 2020. These include the following:

1. **Relaxation in matching amount.** Availing cheaper credit under EFS is linked with the export performance. Earlier, exporters are required to export twice the amount of borrowed funds. In case of failure in meeting the requirement penalties were imposed with reduction in the credit limit for the next year. SBP has reduced the performance requirement from twice to 1.5 times that will be effective for the current year as well as for FY21.
2. **Extension in time period to meet performance requirements.** Exporters were required to show performance under the EFS schemes by end-June 2020. This period has been extended by 6 months to end December 2020. Since the additional period will also be counted towards setting new limits, this will help the exporters in availing higher limits for the fiscal year 2021.
3. **Extension in time period to ship goods.** Exporters availing the concessional credit schemes are required to ship their goods within 6 months of availing credit under EFS. In case of failure, penalties are imposed. This period has now been extended from 6 to 12 months. Therefore, exporters will not be liable to pay penalties due to breach of this condition during January to June 2020.
4. **Relaxation in conditions for Long Term Financing Facility.** Exporters who want to avail credit under LTFF are required to have exports worth 50%, or USD 5 million, of the total sales to become eligible. This limit has been reduced to 40% or USD4 million for all the borrowings under LTTF during the period January 01, 2020 to September 30, 2020. Moreover, under the requirement of annual projected exports performance for four years to avail LTFF for new or BMR projects has been extended by another one year. Now the projected exports performance will be measured in 5 years.
5. **Other relaxations.** Another major relaxation has been provided to the exporters on foreign exchange side. Keeping in view the difficulties faced by the exporters, SBP has also allowed banks to enhance the time period for realization of exports proceeds from existing requirement of 180 days to 270 days on a case by case basis provided the delay is related to COVID-19. This would help exporters to provide extended time to their buyers in making payment due to COVID pandemic. Likewise, to facilitate importers, SBP has extended the time period for import of goods into Pakistan against advance payment from existing requirement of 120 days to 210 days.

The above measures are expected to facilitate exports. The SBP has assured that it will take additional measures as the situation related to COVID-19 and its impact on the economy evolves.

SOME ADDITIONAL SUGGESTIONS:

Pakistan can easily manage this crisis if supply chains are opened and industrial workers move rather freely to their work. Evidently, clients from east Europe are asking for fast delivery of textiles and garments. Government, therefore, needs to make all efforts to keep intact the supply chains and availability of transportation for in time cargo handling.

One of the most effective measures to address this crisis is by obtaining timely and correct information. Local industry association and trade bodies as well as trade missions abroad need to play their active roles effectively to capitalize different opportunities coming up globally by collecting information and forwarding it to the right quarters.

Increase social spending, further lower interest rates, stabilize exchange rate, provide credit lines for the timely payment of company payrolls and seek international and regional cooperation in all aspects of the economy.

Pakistan should immediately arrange and avail IMF-World Bank facility to postponement of debt payment. Government has reportedly reached IMF for $1.4 billion new loan.

Focus more on trading with China as it has started its rehabilitating phase more vigorously, income loss in China should provide an opportunity for Pakistani exporters to sell their low quality products that will be more in demand in China.

China is now back to business and has taken certain policy measures. For instance, it has increased export tax rebates for its exporters that have started putting out Pakistan's export orders at risk, some have already been cancelled. Our government needs to take new and effective measures to counter such moves by China and others.

European Union has relaxed certification rules for the import of fruits, vegetables and other food items to ensure good supplies of such items in their domestic markets. Pakistani exporters of food items, vegetables and fruits need to benefit from this rules relaxation and rising prices in EU.

Pakistani exporters should also capitalize the opportunity that is coming from increased demand for medical instruments, health clothing, pharmaceutical products, bed linen, towels, and simple garments and clothing. All of these are normally produced by the Pakistan industry. But all of these require that supply chains domestically and globally be kept intact.

Government announced to keep ports open and customs service operational. But clearance of imported cargoes has been interrupted as customs agents are not exempted from traveling restrictions. So clearance agents need to be fully facilitated if port operations are to be fully functional without any congestion and hindrance for trade expansion.

All in all, the effective implementations of the government announced policies and above suggestions would help the country to minimize the deleterious effects of Coronavirus on the external economy of Pakistan.

AVOIDING THE UPCOMING COVID-19 GREAT RECESSION: *BRIEF ANALYSIS OF SITUATION AND POLICY ADVICES*

WALI ULLAH[2]

The outbreak of the coronavirus (Covid-19) pandemic is still spiraling out of control and hasspread in 201 countries. The virus has infected more than 740,235 people worldwide, and the number of deaths is around 35,035. The Covid-19 has affected the world economies and financial market brutally. The outcome that anyone can hope for is a recession deeper than that following the 2008 financial crisis. The clouds of a severe recession across the world are becoming clearer and clearer with the passage of time. During the last two months the world has witnessed a sharp decline in the world trade and foreign investment. It had halted the global supply chains, trade and investment flows. But given the flailing policy response so far by the world, the probability of a far worse outcome is increasing with the passage of time.

Various financial and economic indicators show that the Covid-19 shock impact on the world economy is faster and deeper than the shocks the world had ever witnessed. Certainly, the impact of the 2008 shock had everlasting impact on the world economy. The world stock markets seen a collapse of more than 50%, the credit markets frozen up and massive bankruptcies were followed. The world GDP crunched and unemployment rate soared by more than 10% per annum. But all this took the period of about three years or more. However, currently the world has witnessed a major breakdown in global supplies chain, trade, financial crunch and dire macroeconomic situation in just three weeks. In the current crisis we are very close just in three weeks to the situation we have seen in 2008 crisis in the period of about three years. It is evident in figure 1 in terms of stock market indices.

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Eelier this month, all major stock market around the world went into their bear territory just in few days. It just took 20 days for the US stock market to plummet into bear territory (a 40% decline from its value in early March 2020) – the fastest such decline ever (figure 1 and 3). The decline in world index, UK and Pakistan has a similar pattern. Now, the world markets are down 41%, credit markets have seized up, and credit spreads (like those for junk bonds) have spiked to 2008 levels. Even mainstream financial firms such as Goldman Sachs, JP Morgan and Morgan Stanley expect US GDP to fall by an annualized rate of 6% in the first quarter, and by 24% to 30% in the second. US Treasury Secretary Steve Mnuchin has warned that the unemployment rate could skyrocket to above 20% (twice the peak level during the 2008 crisis). Bloomberg is anticipating that the Covid-19 could cost the Global Economy $2.7 Trillion.

Keeping in view the situation around the world and the integration of Pakistan's markets with the world largest market in Figure 1 and Figure 2, the Pakistan's economy seems in extreme trouble.

The Covid-19 curve in Pakistan is steepening with every passing day even under the partial lockdown. Businesses are operating at less than half of their normal capacities. The stock market has experienced a plunge of about 40% just in three weeks. A sell-off will leave companies short of liquidity. Insufficient cash flow as a result of slowing demand and with the policy rate at 11% will make it hard for businesses to breathe normally.

The data shows that aggregate demand and all its components consumption, investment and exports has a sharp decline that is never seen before even in 2008 crisis around the world. It is clear that we have entered a recession that seems to be worse than in 2008 following the global financial crisis. The economists and market experts are anticipating that the downturn will have a V-shape– with output falling sharply for one quarter and then rapidly recovering the next – however, it seems that it the COVID-19 crisis will be something entirely different. At the moment, the contraction that Pakistan is experiencing seems to be neither V- nor U- nor L-shaped, but has a mirror image of J shape - a vertical downward line but stabilizing.

In Pakistan the bulk of economic activity are the brink of sinking as we have observed in China during last two months and now in USA and Europe. Almost 60% of Pakistan's exports are textiles that contributes significantly to the foreign reserves. The problem with this sector is that the majority of the raw materials are coming from China. Due to the closure of Chinese industry and lockdown like situation in the export destinations this sector is hardly to survive. Furthermore, due to the huge fiscal stimulus packages in the USA and Europe markets are becoming safe havens for the investors. Since, the last quarter of the 2019-20 fiscal year and the following 2 quarters of fiscal years 2020-21 will bring unprecedented levels of economic problems as investors have started moving into safe-haven stocks, gold and dollars. The rise in gold and dollar price in the market are pointing towards this consequence.

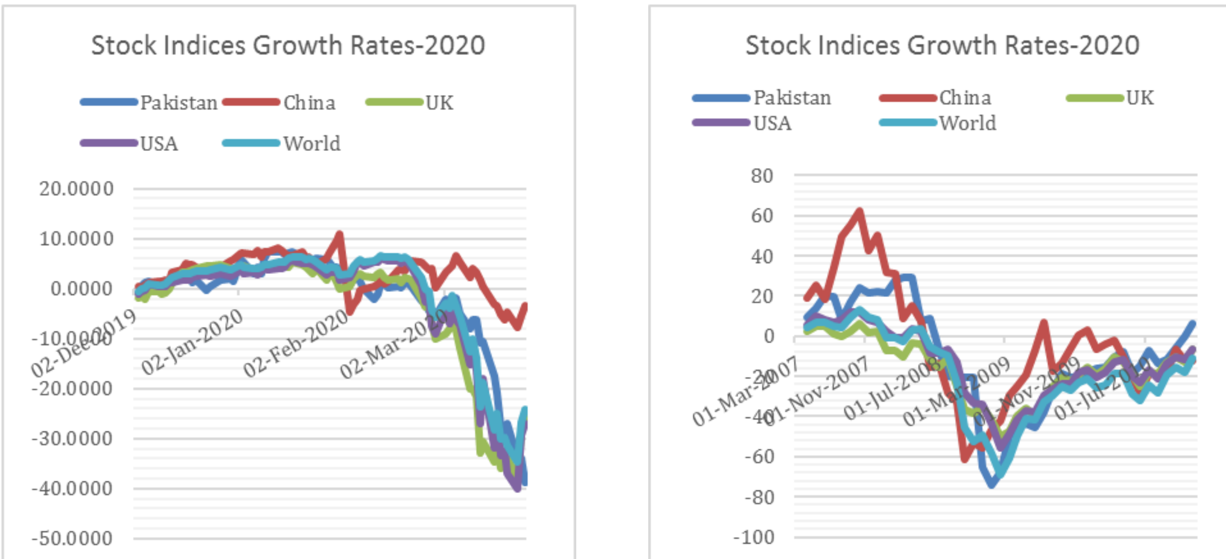

Figure 1: Growth Rate of Stock Markets Indices: Continuous compounded growth rate computed as $\log P_t - \log P_s$, where P_s is set equal to index value on December 02, 1999 for 2020 crisis and March 01, 2007 in case of 2008 crisis.

CASE I:

The best-case scenario would be a V or U shape downturn but more sever that the crisis of 2008. It will be a rapid downturn but shorter-lived. In this case the markets would start recovering when the clouds of COVID-19 become clear. But the best-case scenario assumes several conditions.

First, monetary policy authorities – who have already done in two weeks is very small. A 225-basis-point reduction in the policy rate at a time when at least a 500-600-point reduction is necessary to induce consumption and investment demand is nothing. The US Federal Reserve practices during the last two weeks to enhance dollar liquidity shortage in global markets set an example for the rest of world central banks. The policy rate should be further reduced to enhance liquidity and encourage banks to lend to illiquid small and medium-size enterprises in order to enhance the economic activity.

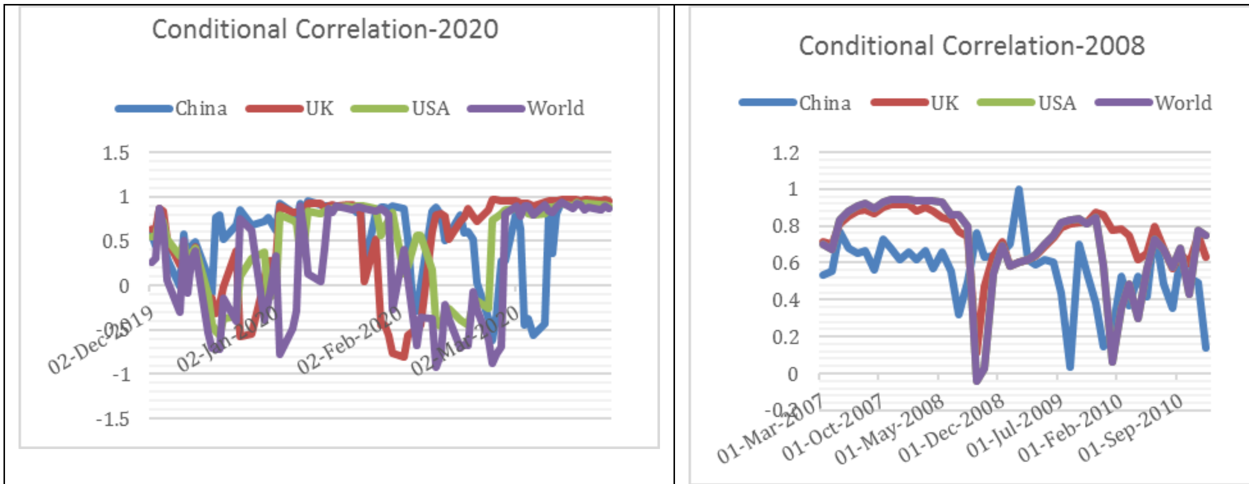

Figure2: Dynamic Conditional Correlation of Pakistan's Stock Market with other Markets: DCC-GARCH based conditional correlation of PSX is computed with Chinese, USA, UK and world index using daily data during 2008 crisis and Covid-19 crisis. The figures show the integration of PSX with other large markets. It should be interpreted as spell over effect of other markets on Pakistan's economy.

Second, the governments need to deploy massive fiscal stimulus. The central government should intervene to prevent the private sector collapse. Given the size of the shock, gap between revenue and expenditure should be widened, but this gap should be fully monetized. It should not be financed through bond or bank loan, because the use of standard government debt tools will rise interest rate sharply and the recovery path will disappear in the darkening skies of crisis. Particularly, the measures proposed by the Modern Monetary school should be implemented in full spirit to achieve the objectives of fiscal stimulus. A strong fiscal stimulus of $8 to $ 10 billion is the need of the hour. Assuming $4 per day as the basic requirement for a household of 7, with 10 million deserving households, this means $40 million per day, or $1.2 billion per month. Businesses and financial sector losses are even larger than this. Health sector also need huge financial support to fight with the deadly covid-19. However, this fiscal stimulus could also lead to a high inflation level if the massive deficits are monetized, particularly, if the attack of virus shock prevailed for the longer time period.

Third, the government should roll out widespread Covid-19 testing, tracing, and treatment measures, enforced quarantines, and a full-scale lockdown of the type that China has implemented. They should tighten social distance rules to combat coronavirus.

Fourth, the international financial institutions should play its role and take fast and bold steps to reduce the severity of the upcoming Covid-19 recession. Particularly, it requires to provide massive funding to developing nations to save the humans suffering from corona virus, lack of food, lack of health facilities and psychological pressures. The intervention by the global financial institutions should be fast and more otherwise the developing world will suffer a lot before we have a vaccine for Covid-19.

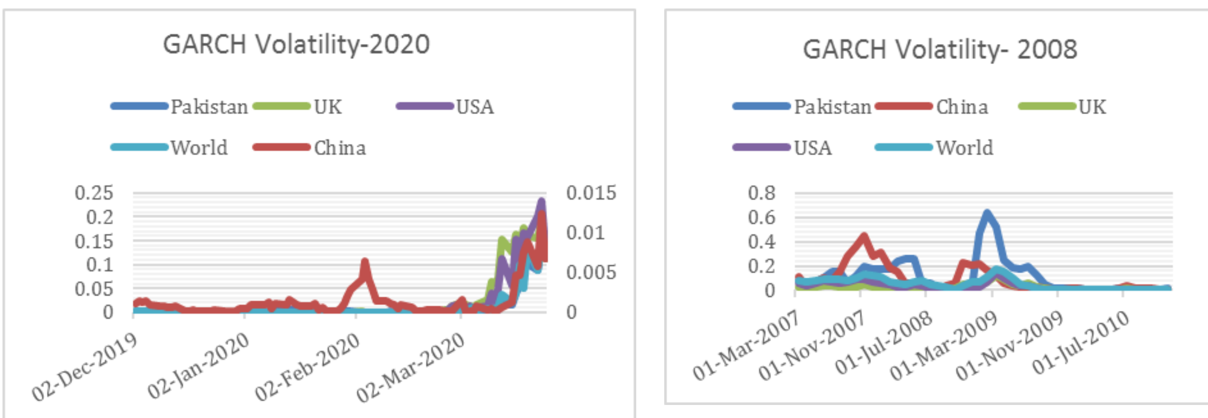

Figure 3: GARCH Volatility of Stock Markets Indices: GARCH (1,1) based conditional volatility of stock market indices during 2008 crisis and 2020 crisis periods

CASE II:

The second scenario would be to have a mirror image J or L shape downturn. It will be a rapid downturn but prolonged lived. In this case the markets would start recovering when the pandemic and lockdowns prevails for long term. Besides the demand it will hurt the supply side of economy.

CASE III:

The worst-case scenario would be an I shape downturn but more sever that the crisis of 2008 and even the great depression of 1929.

To avoid the last two scenarios some hard steps must be taken. China gives us a lesson that success comes at the price. Containing the virus comes at the price of slowing social and economic activity as it is evident in figure 4. Social distancing and reduced mobility will be enforced in order to have V or U shaped economic slowdown. Policymakers should implement strict mobility constraints, both at the national and local level—for example, at the height of the outbreak, many cities in China enforced strict curfews on their citizens. Despite much help from the rest of China, Hubei province suffered heavily while helping to slow down the spread of the disease across the nation.

Mitigating the impact of this severe shock requires providing support to the most vulnerable. Policymakers should target the most vulnerable households and look for new ways to reach smaller firms—for example, by waiving utility bills, and tax reliefs and channeling credit. The authorities should quickly arrange subsidized credit to support scaling up the production of health equipment and other critical activities involved in the outbreak response.

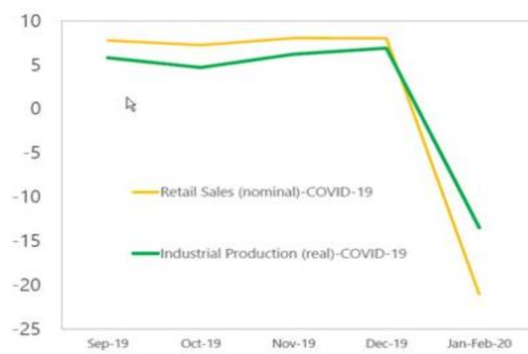

Figure 4: Sudden Halt: Industrial Production and Retail Sales Suffered Historic Drops

Industrial production and retail sales in Mainland China, in percent change from the year ago

Source: Haver and IMF staff calculation

EMOTIONAL BURDEN & PSYCHOLOGICAL CAPITAL IN THE TIMES OF COVID-19: A STUDY IN THE ACADEMIC CONTEXT OF PAKISTAN

GULNAZ ANJUM[3]

Spring 2019 started with usual teaching and learning passion among academics, students, administration and support staff at various academic institutions. This was the case with everyone else in their own professions, duties, and engagements. We were barely transferring from winter into the much-anticipated spring that the COVID-19 crisis had started forcing all of us across the globe to halt our normal routines.

While some are thinking that professionals across the globe have gotten the opportunity to take a break, however, that is not the case with most of us. Many of us are worried about the uncertainty and anxiety these times hold for us despite actively planning and attending online lessons and making administrative arrangements from our homes. Others are uncertain about the future of their jobs, livelihoods and how to support themselves and their loved ones if COVID-19 crises continue to linger on. This stress, emotional burden and anxiety of unknown can cost us emotional wellbeing and emotional capital and the impacts can last for much longer than financial and somatic losses.

In the pandemic like COVID-19, people in the developed countries are more resilient to stress and can survive stressful events with psychologically unharmed (Shultz et al., 2008; Taylor, 2017). However, in developing countries like our own the fear of pandemic can be felt strongly due to lack of emotional support systems. Hence, the psychological footprint is expected to be larger than the medical footprint (Shultz et al., 2008). We have already witnessed such outcomes in the recent Ebola outbreak in West Africa in 2014 and 2015 where according to psychologists the fear of epidemic was

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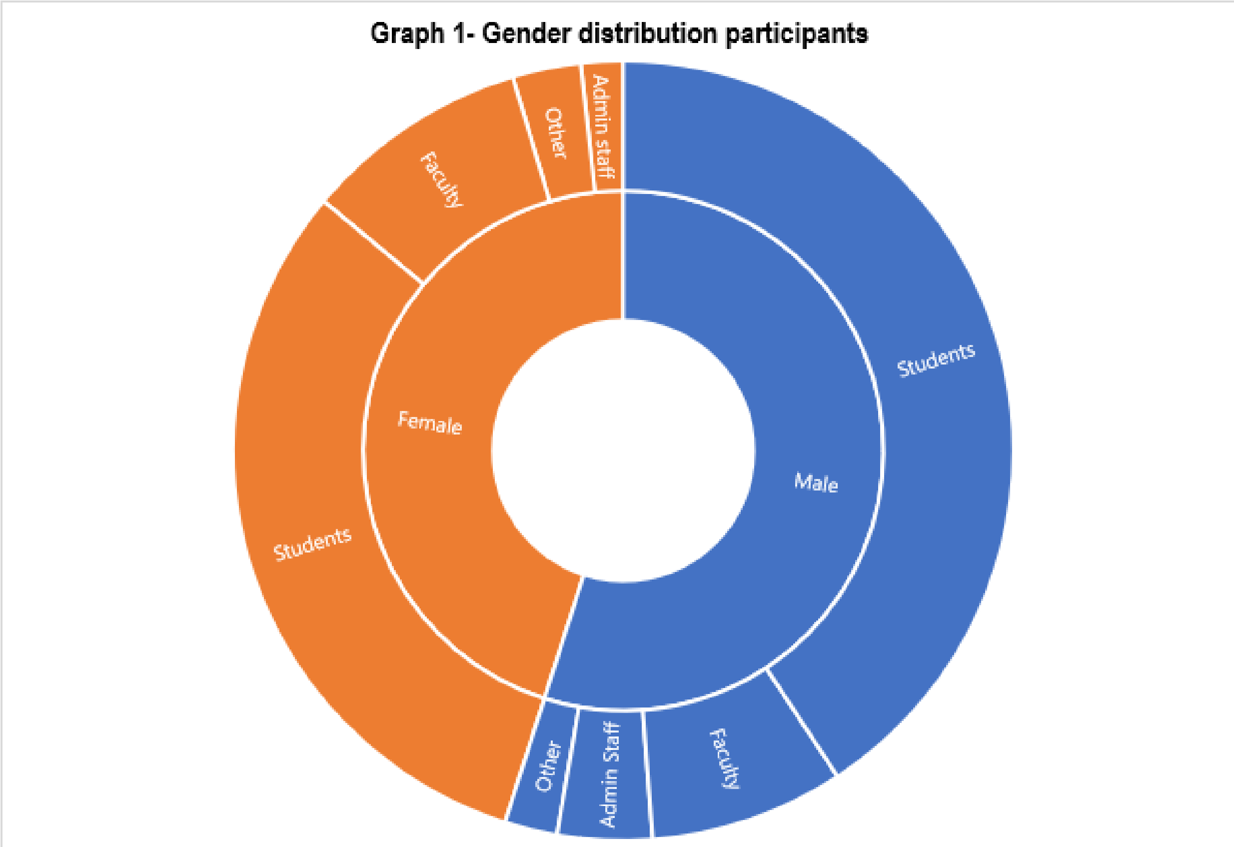
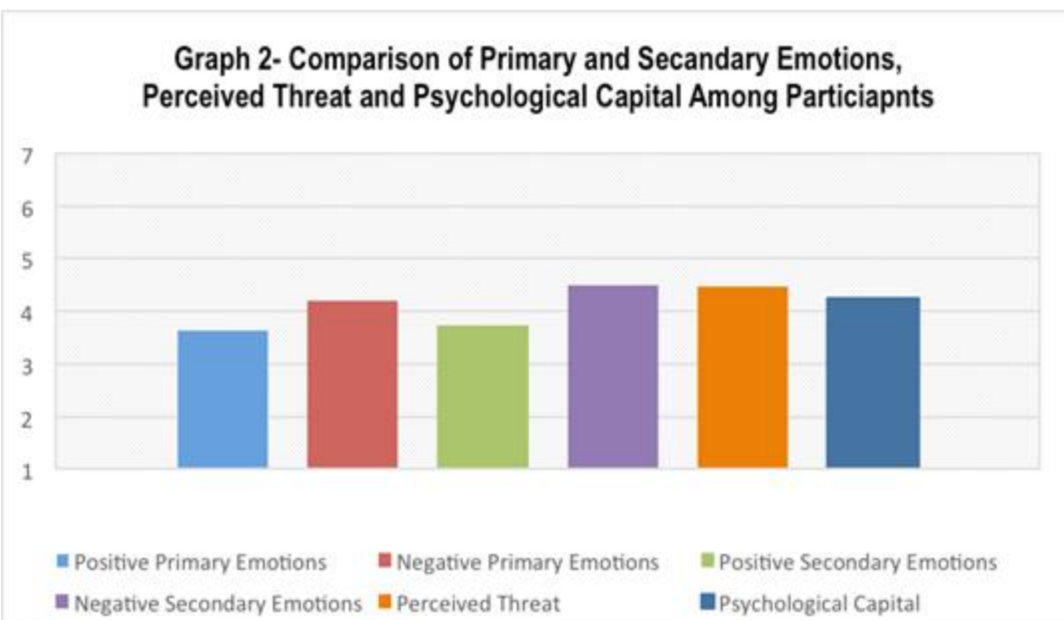
worse than the epidemic itself (Desclaux, Diop, & Doyon, 2017; Kilgo, Yoo, & Johnson, 2018; Parmet & Sinha, 2017).

In Pakistan, we are medically and financially least prepared for the outbreak of Coronavirus and in the academic and other professional domains people have been expressing concerns of anxiety and deteriorating psychological immune system. We refer to this outcome as reduced Psychological Capital. It is therefore vital to explore the psychological costs of COVID-19. To this end a study was conducted to explore how different types of emotions and perceived threat in the times of COVID-19 is impacting psychological capital of our people.

A survey was conducted among 330 participants who were directly or indirectly related to IBA community (Students, Faculty, Administrative and Support Staff, and Others). Participants were asked to fill an online questionnaire consisting of various demographics and three key scales. These scales included Primary Emotions Scale (basic positive and negative emotions that are common among primates i.e. Anger, Fear, Sadness, Love, Joy); Secondary Emotions Scales (advanced positive and negative emotions that determine higher order emotions that are unique to humans, i.e. Guilt, Depression, Vulnerability, Regret, Anxiety, Disappointment, Frustration, Confusion, Loneliness, Shame, Optimism, Peace, Satisfaction, Trust, Hope, Happiness, Contentment, and Enthusiasm); Threat perceptions Scale (measures the perceived threat and vulnerability in the context of COVID-19 i.e.), and Psychological Capital Scale (measures psychological immunity of people). The key research question was to explore how Primary and Secondary emotions and Threat Perceptions effect psychological immune system of our community. Our findings are based on preliminary analysis of our data from three categories of our participants and there were more males than females in this sample. See Chart 1.



It was interesting to note that our participants indicated that their variability of emotions, threat perceptions and psychological capital was around the midpoint of our Likert scales. See Graph 2.



It was interesting to note that the our regressions based models pridict that negative emotions strongly and significantly predict Threat Perception. This makes them more prone to use basic brain mechanisms such as fight and flight reponses rather than using secandary emotions and mechanisms. More specifically, higher Percieved Threat in the times of COVID 19 has a significant negative impact on the psychological immune system of people i.e. they experience lower Psychological Capital.

More importantly, the two types of emotions, Primary and Secandary have unique impacts on Psychological Capital of people. Primary Emotions, for example do not contribute significantly to our Psychological Capital, however, Secondary Emotions impact our Psychological Capital in unprecedented ways. To be specific, higher experience of Secondary Negaive emotions negatively impacts our psychological capital, however, Secondary Positive Emotions predict Psychological Capital. See Table 1.

Table 1 - Antecedents of Psychological Capital

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.820	.243		23.986	.000
	Perceived Threat	-.349	.053	-.254	-6.636	.000
2	(Constant)	3.951	.355		11.135	.000
	Perceived Threat	-.193	.046	-.140	-4.190	.000
	Primary Positive Emotions	-.081	.049	-.073	-1.648	.100
	Primary Negative Emotions	-.026	.061	-.022	-.423	.672
	Secondary Negative Emotions	-.163	.054	-.156	-3.010	.003
	Secondary Positive Emotions	.602	.052	.535	11.570	.000

a. Dependent Variable: Psychological Capital

These findings suggest that mental health is sensitive to Primary and Secondary Emotions and there is a heightened need of focusing on the same to help us buffer the negative consequences of current pandamic. Psychological Capital, that is contrued as psychological immune system in literature can most likely be the biggest concern, as it might be the principal protective factor in times where there is dearth of real psychological health facilites available. Furthermore, when we refer to emotions, we need to be mindful of which emotions we express, utilize, or emphasize in our professional, teaching and learning domains. It is vital to highlight the significance of Secandary positive emotions in order to biuild our Psychological Capital. Results reveal that percieved threat is the strongest predictor of psychological immune system but we have also seen that even accounting for percieved threat, secondary positive emotions emerged as the most strongest predictor. It can be argued that anyone involved in interacting with or improving mental health can focus on working with Secondary Positive Emotions to build our pyshcological immune system.

It is expected that our anxiety and fear will become even more prevalent when the pandemic will spread wider in Pakistan. In the coming days, many of us may develop excessive fears of death and pain while others may express fears of being shunned by others due to social distancing. Therefore, it is important to keep ourselves more focused on Secondary Positive Emotions so that we can build immunity against becoming so anxious to clinically significant levels of COVID-19 distress, avoidance, and functional impairment. We need higher levels of psychological immunity because we do not have many medical and clinical resources required for treatment of emotional disorder (Wheaton et al., 2012; McDonnell, Nelson, & Schunk, 2012).

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PAKISTAN'S TRADE IN COVID-19 RELATED MEDICAL PRODUCTS

AADIL NAKHODA[4]

INTRODUCTION

Pakistan exported $1.05 billion worth of medical products to its trading partners in 2018 and imported $996 million from its trading partners in 2018. The medical products are defined according to seven categories as classified in "Tackling COVID-19 Together: The Trade Policy Dimension" by Global Trade Alert[5]. Pakistan reported a trade surplus in medical products, as its exports were heavily concentrated in two products, indentured ethyl alcohol and medical and surgical instrument. The total value of exports of the two products from Pakistan is $800 million. The analysis in this paper focuses on the trade in critical COVID-19 related medical products (henceforth stated only as medical products) by Pakistan as well as by other countries.

The aim of this article is to compare trading patterns of Pakistan with that of other countries also struggling with the pandemic such as China, Italy and the US. Although, the US and China trade significantly more than Pakistan in medical products, the perspective on the relative market share indicates the intensity of challenges that are likely to be faced by Pakistan as all major countries scamper for supplies. Export restrictions applied by several major exporters of medical products as they cater to their own markets is likely to exacerbate the current situation. The analysis further includes a discussion on the comparison of the tariffs imposed by Pakistan and regional counterparts such as China, India and Bangladesh. Additionally, a comparison is included on the frequency and coverage ratios of non-tariff measures adopted by Pakistan, indicating the potential proliferation of poor quality and substandard medical equipment.

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[5] The seven categories are (i) COVID-19 test kits and related apparatus, (ii) Disinfectants and sterilization products (iii) Thermometers, (iv) Protective garments, (v) Other medical devices, (vi) Medical consumables, (vii) Soap. All categories, except soap, appear in World Customs Organization's classification of COVID-19 medical supplies.

The data on trade patterns is extracted from UN COMTRADE, the data on trade-weighted average tariff rates is extracted from World Bank's World Integrated Trade Solution and the data on non-tariff measures is extracted from United Nations' NTM Hub[6]. The products are categorized into medical products as according to the study, "Tackling COVID-19 Together: The Trade Policy Dimension", prepared by Global Trade Alert. The list of HS codes classified according to different medical products is presented in the mentioned research study.

PAKISTAN'S TRADE

Pakistan reported more than $100 million worth of exports of disinfectants and sterilization products, other medical devices and protective garments in 2018. The exports of COVID-19 testing kits and related products, soap and thermometers were negligible. Two major items exported from Pakistan exports belonging to the medical product categories are un-denatured ethyl alcohol (80% volume or more) and medical and surgical instruments. Pakistan also exported knitted or crocheted gloves as well as medicaments (such as hydrogen peroxide) used as disinfectants and for sterilization. On the other hand, Pakistan imported significant amount of COVID-19 test kits (reagents for diagnostics and testing purposes), disinfectants and sterilization products (such as hydrogen peroxide), medical consumables (such as needles, catheters, cannulae) and other medical devices (such as patient monitoring devices etc.).

The following pie chart in Figure 1 shows the decomposition of exports and imports based on the categories of medical products. Disinfectants and sterilization products and other medical products constitute the largest proportion of both exports from (83%) and imports into (63%). Although, the imports into Pakistan of un-denatured ethyl alcohol is significantly lower relative to the exports from it, Pakistan reports more than $50 million in both exports and imports for medicaments. Imports of soap, protective garments and thermometers is cumulatively around 6 percent[7].

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[6] Data on NTMs for China, European Union and Pakistan was collected in 2016. Data on NTMs for United States was collected in 2014. A small proportion of the NTMs have a start date post 2014 and this share is trivial for more developed regions such as the European Union. A small percentage of all NTMs that have a start date as well as end date post 2018 is dropped from this analysis. We assume that data collected on NTMs in either 2014 or in 2016 is not likely to significantly change in 2018.

[7] According to the aforementioned report published by Global Trade Alert, disinfectants and sterilization products reported by the far the largest value for global exports at $308.6 billion, followed by COVID-19 test

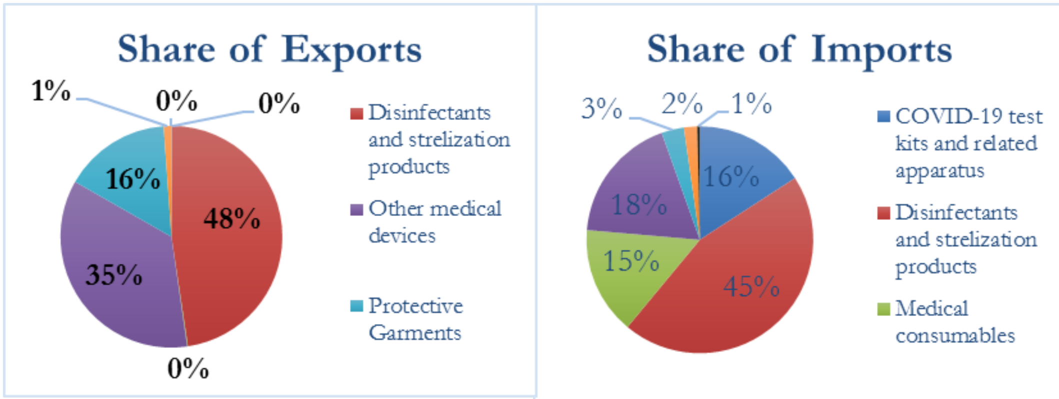

Figure 2: Share of Exports into Pakistan and Imports from Pakistan of Each Medical Product Category as a Percentage of all COVID-19 Related Medical Products in 2018

An International Perspective

The three countries that have suffered significantly from the Coronavirus pandemic at the time of writing are China, Italy and the United States. Figure 2 presents their share in demand for global supplies and their contribution to total global exports. These countries, in particular China and the US, can significantly alter the patterns of global trade as a surge in domestic demand increases the need to cater their domestic markets and divert the flow of global imports from other countries. The US has significant shares in the exports of COVID-19 test kits and related apparatus, medical consumables, other medical devices and thermometers. China dominates global exports of protective garments. On the other hand, the US has a significant share in the imports of all medical products. Pakistan's share is negligible in global trade for both imports and exports across all medical products, emphasizing the fact that it is likely to struggle in finding foreign sellers of critical medical products. Local entities in Pakistan will compete against buyers located in other larger markets as they struggle to meet their own domestic demand. Italy's share in both exports and imports is less than that of the US but does exceed China in some cases. With an increase in demand for medical products likely, particularly as several countries report severe shortages, pre-existing trade linkages between countries will play an important role to ensure that medical products reach the health facilities. Interestingly, China is not a major exporter of COVID-19 test kits and related apparatus. However, China has been proactively donating testing kits and other medical

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kits and related apparatus at $185.3 billion. Protective garments, thermometers and soap, with a cumulative value of $57.8 billion reported the least value of global exports.

equipment to countries desperately in need. The question is whether donations from China will be enough to meet the ever-increasing shortages as the pandemic spreads across countries.

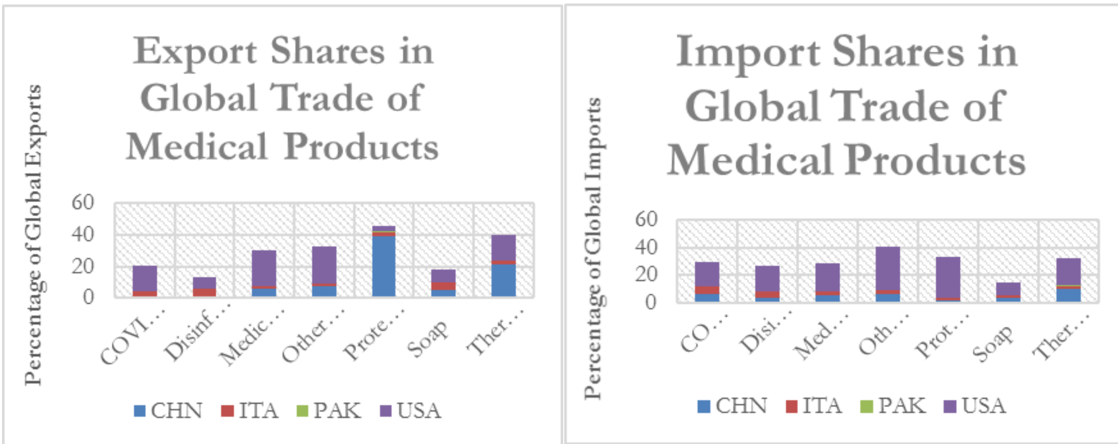

Figure 3:Export Shares and Import Shares in Trade of Medical Products of Selected Countries in 2018

THE ROLE OF TARIFFS

The trade-weighted average import tariff rates are reported for Pakistan and selected regional countries. The trade-weighted average is calculated by multiplying the individual tariffs on each product to its import share within the categories. Figure 3 reports higher tariff rates for Pakistan relative to its neighbors on the imports of COVID-19 testing kits and related apparatus, medical consumables and soap[8],[9]. India reports higher tariffs for disinfectants and sterilization products, while Bangladesh reports higher levels for protective garments. Pakistan has comparatively lower levels of tariffs on other medical devices, making access relatively easier compared to other goods. These include ventilators and patient monitors. However, overall relatively higher rates of tariffs persist on imports of medical products. The import tariffs are often a result of distortionary trade policies that not only protect domestic producers against foreign competition but can also generate government revenue. The cost on the society is often substantial if investments in health sector are discouraged due to such rates. Unfortunately, at the time of national emergency, such policies prior

[8] Although, the trade-weighted average tariff rates are likely to be biased by the import values of the goods, lower tariff rates are preferred more than higher tariff rates due to the nature of the medical products imported.

[9] Although not reported, the pattern for simple average tariff rates on medical products is consistent with that of trade-weighted average tariff rates. Pakistani importers are likely to face reports tariff rates on several products.

to the crisis may have hurt the ability of health sector to build capacity and purchase necessary equipment during normal times.

Role of Non-Tariff Measures

Non-tariff measures (NTMs) include measures other than tariff rates and tariff-rate quotas that may influence trading patterns. They may affect the price, the quantity or both of imported goods. Non-tariff measures can also play an important role to address market failures and strengthen consumer confidence as they may signal the quality of a product.

Table 1 presents the frequency index of non-tariff measures applied by selected countries. Pakistan does not impose NTMs to the extent reported by China, Italy and USA on any of the medical products[10]. China imposes NTMs on all products within each product classification except protective garments. Italy imposes NTMs on all products within each product classification except COVID-19 test kits and related apparatus. Although, US is relatively relaxed with its NTMs on a few products, it does impose regulations on all imports of COVID-19 test kits and related apparatus, other medical devices, soap and thermometers. Pakistan only imposes NTMs on 1/3rd of products categorized as COVID-19 test kits and related apparatus, disinfectants and sterilization products, medical consumables and other medical devices while does not have NTMs imposed on the imports of protective garments, soap and thermometers.

Table 1: Frequency Index of Non-Tariff Measures Applied by Selected Countries

	CHN	ITA	PAK	USA
COVID-19 test kits and related apparatus	1.00	0.67	0.33	1.00
Disinfectants and sterilization products	1.00	1.00	0.33	0.83
Medical consumables	1.00	1.00	0.33	0.83
Other medical devices	1.00	1.00	0.33	1.00

[10] Although not reported earlier, USA and Italy have almost negligible trade-weighted average tariff rates on the imports of all medical products, except protective garments reporting approximately at 5 percent.

Protective Garments	0.86	1.00	0.00	0.86
Soap	1.00	1.00	0.00	1.00
Thermometers	1.00	1.00	0.00	1.00

Considering the coverage ratio of NTMs, Table 2 reports that Pakistan imposes NTMs on 97 percent of the imports in disinfectants and sterilization products. Pakistan protects its imports of disinfectants and sterilization products through use of both high tariff rates and non-tariff measures. The NTMs imposed on other products are limited. With only 0.2 percent of the imports of COVID-19 kits and related apparatus reporting NTMs, the regulatory enforcement on the quality of kits is likely to be low. Also, protective garments do not report any NTMs. This should raise questions regarding the proliferation of low quality kits into the country. It is imperative that policymakers review the set of NTMs imposed on the imports of medical products as their demand surges.

Table 2: Coverage Ratio of Non-Tariff Measures Applied by Selected Countries

	CHN	ITA	PAK	USA
COVID-19 test kits and related apparatus	1.00	0.15	0.002	1.00
Disinfectants and sterilization products	1.00	1.00	0.97	1.00
Medical consumables	1.00	1.00	0.38	0.98
Other medical devices	1.00	1.00	0.18	1.00
Protective Garments	0.63	1.00	0.00	0.57
Soap	1.00	1.00	0.00	1.00
Thermometers	1.00	1.00	0.00	1.00

KEY POINTS AND CONCLUSION:

- Un-denatured ethyl alcohol (disinfectant and sterilization products) and medical and surgical instruments account for majority of the exports from Pakistan of COVID-19 medical products.

- Needles, catheters, cannulae, medicaments (such as hydrogen peroxide), and reagents for diagnostic and testing purposes (such as instruments for in vitro diagnostics) each report more than $100 million in terms of import value into Pakistan in 2018.
- Pakistan constitutes a negligible proportion in total value of both global exports and global imports. Both US and China account for a significant share of trade in both directions in several products. Given their own struggle to fight the pandemic, pre-existing global supply links between the larger markets may influence the distribution of medical products to different countries.
- The trade-weighted average tariff rate on COVID-19 test kits (14.3%) and related apparatus and on soap (19.7%) is the highest for Pakistan relative to that imposed by India, Bangladesh and China. A tariff on disinfectants and sterilization products and protective garments exceeds 13%.
- NTMs imposed by Pakistan on COVID-19 medical products are negligible. Both the frequency index and the coverage ratio suggest that NTMs are not a preferred choice of a trade policy instrument. NTMs are prominent for the imports into US, China and Italy. Unfortunately, the lack of NTMs may result in poor regulation on quality and standards of the medical products imported into Pakistan as it fights COVID-19.

PAKISTANI PHARMACEUTICAL PLIGHT DURING COVID-19

SHAGUFTA SHABBAR[11]

COVID-19 seems to have engulfed whole economies like a giant whale. Everyone is affected, if not physically then economically and financially. The industries of various sectors have started to enter a gloomy phase. The pharmaceutical companies too are badly affected.

INTRODUCTION

Pakistan has around 759 units for manufacturing pharmaceutical products and meets almost 70% of the demand for finished medicines in the country (Pakistan Pharmaceutical Manufacturers Association, PPMA). Inclusive in this total are 25 multinationals, which together hold an equal share with domestic manufacturers in the Pakistani market. In Sindh there are approximately 183 firms (PPMA).

Their current problems already include lack of technology, power shortages, dearth in trained personnel, export red tapism, poor law and order situation, inconsistent political and economic policies, lack of local raw material availability, frequent devaluation of currency and fixed prices by DRAP causing shrinkage in profit margins, and poor infrastructure. The industry had already witnessed in FY19 a negative growth of 8.4% (State Bank of Pakistan).

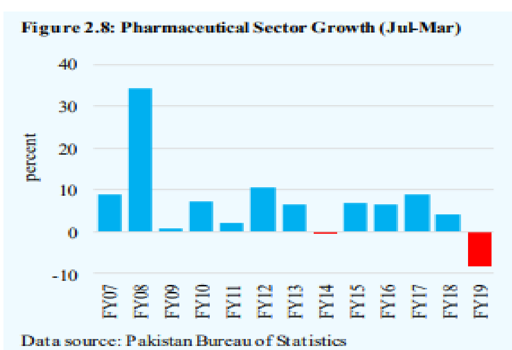

Figure 4

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ISSUES DUE TO PANDEMIC

The main raw material used in the manufacture of medicines is API (Active Pharmaceutical ingredient), which is mostly imported from China (around 80%). Wuhan is the chief hub of API manufacturing and China is the world's largest API producer. Since China was fighting its war with the unseen, it had closed all its exports of this material. And now that China has started to open up, we have decreased ours. APIs cannot be transported via sea as the salty air spoils it. Normally the companies, depending on their size, keep a 3 to 6-month stock of the raw material but now some of the small companies are running low on the stock. A few small manufacturers, in Sindh have already closed operation or will soon be doing so if the situation persists. A small local firm based in Islamabad expressed their fear that they don't have stock, which will last longer than a month. However, this scenario is not a source of major concern for the big companies. A representative of Getz Pharma shared that they are not worried about a reduction in their production capacity. However, their current apprehension is a sharp surge in the raw material prices due to scarce supply. This may be crippling for the small manufacturers.

Another important concern is regarding the quality of API, post crisis in China. Most international regulatory authorities are unable to monitor the quality due to the pandemic and due to a lack of any Chinese regulatory body, low quality product may be supplied to a raw material hungry world and in particular Pakistan. Previously there have been numerous incidents worldwide where low quality Chinese API has caused serious health concerns. In 2018, USA imported 250,000 DPT vaccine from China which were later found to be substandard. More recently, Spain was supplied COVID-19 testing kits by Shenzhen Bioeasy Biotechnology, of which 58,000 were found faulty. Czech Republic imported 150,000 out of which 80% were faulty. Netherlands was imported substandard masks and the government had to recall the distributed masks. Thus DRAP needs to become wary in this regard that the hospitals, and pharmaceutical industry is not getting low graded material.

Raw material is not the only present issue of the Pakistani pharmaceutical industry. The packaging that they use which includes glass/ plastic bottles or the cardboard boxes are running short of supply since the glass, plastic and paper industries are shut down. To add to this, simple things like the rubber used in the packaging or the stoppers have mostly been imported from China and thus running short too. The local manufactured ones are not FDA (Federal Drug Authority) approved and of the right quality to be used by most of the big pharmaceuticals. The ampule used for medicines is imported too. We lack good quality producing industries for such basic things and now we are heading towards a catastrophe. The "personal protective equipment" which includes surgical masks, gloves, and gowns is predominantly made in China. COVID-19 has not only crippled Chinese economy and has caused severe supply havocs for Pakistan.

The drug Hydroxychloroquine, due to the popularity created by President Trump, has become short in supply in Pakistan too. People have taken it for precautionary purposes. However, it has many side effects. Last week, social media was reeling with its benefits and people had even posted dosage too but incorrect dosage may cause other issues. Although DRAP issued a notification on 20th March regarding sale of this salt on only prescription basis by licensed pharmacies, it came a bit late. People were way swifter in buying it. Relevant awareness for the masses is essential.

Discussing about incorrect dosage, it is the case for vitamin C intake for enhancement of immunity against COVID-19. Excess intake may have side effects. There is a need to raise awareness regarding it too. Vitamin C has become short in supply too along with other medications such as Azithromycin, Loratadine, Flurbiprofen and Levofloxacin.

People have hoarded common medicines causing emerging of a black market for medicine where the same medicine, which was costing Rs. 45 is being sold for Rs. 100. Some medicines that are being sold in black include Cefixime, Panadol CF and Panadol Extra. An old medical store staff, in North Nazimabad, Karachi, said that the "god-fearing" owner is ensuring that medicines are not being sold at a preposterous rate at their shop but they are running short of many medicines now and supply is dwindling. This scarcity in vital medicines may be problematic, if not detrimental, for the public.

Pharmaceuticals work hand in hand with specific distributors. Distributors may be having big "zillas" for distributions. However, the message is not being communicated down the chain properly especially to the policemen guarding the roads. The notifications vary from area to area. Different areas have different rules to tackle the pandemic. Thus distribution trucks are not being allowed inside certain areas even though government has placed no such restriction on them. Last Wednesday, a distribution truck of a local pharmaceutical firm was barred entrance in Mingora. On Friday it was in AJK that the same company faced issues. Although the matter is then taken up with the local authority and resolved eventually but it is causing unnecessary delays, wastage of energy in resolving, and needless use of human resource to sort out matters. On top of this fake cards of being pharma employees are being made by people for free movement within the city. These cards are especially helpful for the pharmaceutical 'booking' staff that goes to areas to take orders and communicates to the relevant department for supply. If booking is not made timely and correctly, supply cannot be effectively made. Another notification by government is that distributors cannot supply outside their "zillas". This is creating unnecessary logistics issues.

There are many quacks in the country, who often resort to giving injections to patients as medication for quick relief. They prefer injections instead of pills. Injections give rapid relief as compared to pills but are more harmful for patients. These fake doctors prefer injections so that they are able to satisfy the patient quickly. If the price of pills rises further, these quacks will resort to cheaper injections even more, further aggravating the side effects on the patients.

Counterfeit medicines are common in Pakistan and may be damaging for patients. COVID-19 has caused supply of various counterfeit medicines. A recent example was a surge in the availability in the market of counterfeit vaccine Prevenar Vial by Wyeth Pakistan Ltd to protect against pneumococcal caused by the bacterium Streptococcus pneumonia. This was controlled through a notification issued on 16th March 2020, by DRAP, but only after the company itself launched a complain.

Due to continuous devaluation, profit margins of the pharmaceutical firms will decrease. A representative at Getz Pharma expressed concern that along with devaluation of the rupee, many API and packaging manufacturers have already notified that they will be increasing their prices. However, since the prices in Pakistan are set by DRAP, the firms are in a crunch. If the firms don't find it profitable to produce, they may stop production of many medicines altogether. Thus pharma price fixing needs to be revised as soon as possible.

CHINESE SURVEY APPLICABILITY ON PAKISTAN

To better understand the issues in China and get an idea of the issues that the Pakistani pharma may be facing we take a look at a survey. The survey conducted in mid-February 2020, by Deloitte China shows that due to COVID-19, 37% of the pharma firms find it extremely hard for the logistic and warehousing to deliver medicines to the markets. 23% of the firms responded that they couldn't meet the sales target. While 43% responded that due to volatile market it is difficult to assess the correct level of demand. Research and development activities have come to a standstill, clinical trials are no longer possible and employee productivity is a major concern. The survey also analyzed that 59% of the firms are having severe supply chain management issues and 51% are having excessive financing pressure. Although a survey such as this has not been conducted in Pakistan, the results may be very much applicable on our industry too. The academia can look into this as a possible research venture.

Pakistani Data

Looking at some data, the percentage change in CPI for the health group was 0.58 % from Dec 2019 to Jan 2020 (Pakistan Bureau of Statistics). There was a 1.32% increase in doctor's fees. From Jan 2020 to Feb 2020 the CPI percentage change was 0.72. It was 11.79 % from Jan 2019 to Jan 2020. And 12.43 % from Feb 2019 to Feb 2020. There was a year on year increase of 15.31% in drugs and medicines. This shows an increase in demand for health related products.

Conclusion

Although the demand for medicines surged before the announcement of the lockdown as people started hoarding medicines out of fear, but now there is a slump in the market. People are scared to go to hospitals for minor illnesses in fear of contracting COVID-19. Another reason could be that people are generally falling less sick due to fewer interactions. For example, less chances to get influenza, conjunctivitis, mumps, chicken pox and similar infectious diseases. Due to the lockdown there is less traffic and fewer road accidents. Again a reason for lower demand for medicines needed to treat such mishaps. The lower demand may just equate the lower supply and dampen the initial increase in prices.

However, the government needs to take quick actions. Agreements with the relevant governments of trading partners need to be made to ensure smooth trade in order to have adequate supply of raw material and packaging material. If we are successful in getting these supplies, DRAP needs to administer strict quality control. The prices of medicines need to be revised. Also DRAP must be more vigilant in the present pandemic for crack down on retailers selling medicines at higher rates or without proper prescription. Further there is a need for increased surveillance of supply chains for counterfeit medicines including wholesalers, clinics especially in rural areas, drug dealers and medical retailers, and hospitals.

Acknowledgements

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COVID-19: SOCIAL PROTECTION AND CARING FOR THE POOR

NASIR IQBAL & SHEHRIYAR KHALID[12]

Pakistan is highly vulnerable to covid-19 as it continues to wreak havoc on its economic and social conditions. By this date, around 1700 people have been confirmed infected in Pakistan resulting in 18 deaths. The countrywide lockdown has forced millions to stay indoors, and halt economic activity in the country. Due to COVID-19, It is projected that poverty will increase from 75 million to 125 million people country wide due to lockdown and recession in the economy.

Social protection is considered an effective strategy to help poor segments of the society to mitigate economic shock due to Covid-19 Crisis. Over 80 countries are expanding or introducing social protection programs as a response to Covid-19 Crisis as of March 27, 2020. The most widely used measures include cash transfers, followed by wage subsidies, subsidized sick leave, and various forms of subsidized social security contributions and unemployment insurance (Figure 1).

Social assistance programs	**N. of programs**
Cash transfers (conditional and unconditional)	97
Universal one-off cash	2
Childcare support	6
Cash for Work	3
in-kind food/voucher schemes	18
Social pensions	2
School feeding	4
Utility and financial obligation support (waiver/postponement)	18
Total	**150**

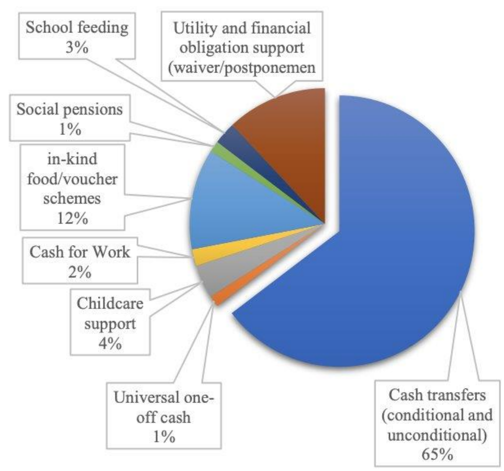

Figure 5:Social Protection Reponses

Source: Gentilini et al (2020)[13]

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[12] Dr Nasir Iqbal is associate professor and Shehriyar Khalid is graduate student at Pakistan Institute of Development Economics, Islamabad.

[13] http://www.ugogentilini.net/wp-content/uploads/2020/03/Social-protection-responses-to-COVID19_March27.pdf

Many countries provide cash benefits to crisis-affected self-employed workers (e.g., Ireland, Portugal, New Zealand) and those in the informal sector (India). Some countries are providing innovative design solutions, such as school feeding programs delivering food directly to children's homes or nearby centers (Jamaica and India's Kerala state) or adapting their financing (Japan). A number of countries has modified the existing social protection programs by increasing coverage (Brazil), increasing benefit level (China), making payment in advance (Indonesia), reducing administrative requirements (UK) and adding additional schemes related to COVID response (Jordan)[14].

In order to cope with covid-19 crisis Pakistan announced a 1.24 trillion-rupee economic package, which is divided into three broad categories, including Rs190 billion emergency response, Rs570 billion relief for people and Rs480 billion support to business and economy. This package includes 200 billion rupees ($1.25 billion) for low-income groups, particularly laborers'; 5 million people will be provided a monthly stipend of 3,000 rupees ($20) for the next four months and 280 billion rupees ($1.76 billion) for wheat procurement. Also, a package of 100 billion rupees ($63 million) was also provided to support small industries and the agriculture sector.

But Pakistan still need more rigorous efforts to alleviate its people from the economic crisis and it can learn through the examples of various policies currently implemented by the countries in the region in response to the covid-19. Like many countries adopting social protecting measures program, which includes (social assistance, social insurance or security and labour market intervention).

Pakistan also needs to improve its policies in the following direction.

1. Social Assistance

1.1. Access to affordable health care: Pakistan can improve its health care policies to limit preventable loss. This implies providing immediate and significant additional financial and material resources to the health sector. Geographical access of care is also essential, particularly for those in rural areas. COVID patient should be allowed to seek treatment at their nearest private or state hospitals free of charge. The hospitals bill of quarantine, tests and medicine should be paid by the Government.

1.2. Old age, Survivor and Disability Benefits: Older persons and persons with disabilities or chronic diseases who are at particular risk during this crisis should be given a priority as they are more prone to diseases, Government specific program can play a role in ensuring income security for those affected by the crisis.

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[14] http://www.ugogentilini.net/wp-content/uploads/2020/03/Social-protection-responses-to-COVID19_March27.pdf

1.3. Income support: Cash disbursements to low income groups is an effective response to ensure continued consumption, as these households have a high propensity to use a large portion of transfers on goods and basic necessities, and this has an income multiplier effect. Price control of staple goods and services to prevent speculation and thereby maintain the purchasing power of low-income households is also required.

2. SOCIAL SECURITY ASSISTANCE

2.1. Sickness benefits: ensuring income security during sick leave: In countries with a large informal sector, most workers are not covered by statutory social protection. These workers need to be at the centre of policy efforts. Government should take measures to publicly finance sickness benefits to workers who are not otherwise entitled to paid sick leave and stop the suspected sick workers from passing on virus to colleagues and clients on workplace. Government should also reduce the administrative time required for sick-leave payments and unemployment benefit process.

2.**2. Family leaves and cares policies:** Due to school and university closure workers have to stay home and provide care to their children. In addition, many other workers have to provide care to infected family members. As a result, Government should expand sickness benefits or other benefits to provide support to workers who have to take care of sick family members or self-isolate.

The Government should announce a subsidy to compensate enterprises that introduce family leave for workers affected by school closures to ensure the continued payment of salaries

3. LABOR MARKET INTERVENTIONS

3.1. Unemployment protection: In responding to the COVID-19 crisis, Government should utilize its unemployment protection schemes to ensure income security for workers. It should expend partial or full unemployment benefits to compensate for crisis-induced job layoffs.

3.2. Temporarily modifying the payment of social security contributions and tax payments for enterprises: In order to alleviate liquidity constraints on enterprises, The Government should allow enterprises to postpone the payment of social insurance contributions and taxes.

3.**3. Adapting administrative procedures and delivery mechanisms:** A range of low tech and straightforward administrative responses can be used to speed up the processing of claims benefits disbursement. Requirements for in-person visits (e.g. unemployment benefit) should be waived. Government should increase the use of online platforms for social security services (e.g. for unemployment benefits) to avoid physical contact for claim approval, payment and related services.