



# PIDE

# COVID-19 BULLETIN

No. 2

## Slowdown or Shutdown *Pakistan's Dilemma*

Pakistan is now facing what has come to be known as the 'Lockdown Paradox'- the paradox to save economy by shutting it down fast. The relation between the pandemic and the measures meant to mitigate it present this painful paradox. A prolonged period of fighting the outbreak would delay an economic rebound in the long run, with an increased health cost as well.

### *The Dilemma*

*Quicker the normal life shuts down, the faster the health crisis could be resolved.*

*but*

*How would the poor and the vulnerable cope with a complete shutdown?*

PIDE COVID-19 Bulletin (PIDE CB) No. 1 has already noted the likely unemployment in various given scenarios. Layoffs are inevitable, especially in industries like travel, retail stores, food outlets and the informal sector.

For when we try to learn from international experiences, then the most effective example that comes out is of China. The quarantine experiment in China that is now being termed as a lockdown/shutdown, seemed very hard at the start and a compromise on individual rights. But it has paid off and now is being widely appreciated and also replicated. Countries which had initially followed a policy of only closing borders are now moving to the position of shutdown, for example UK, Australia and New Zealand.

So, what are the options for Pakistan in this context?

### **Social Distance and Limiting Mobility**

Yes, restricting mobility and minimising human to human contact is extremely crucial to control an epidemic. This is what China did by limiting human interaction within its affected Wuhan Province; they effectively broke the transmission process of the Covid-19 virus and hence were able to reduce both death toll and decrease its spread.

Further, the policy path adopted by China also had historical grounds. If we analyse the case of the 1918 Spanish flu or the 1884 cholera, or the 1347-48 plague even before that, the most effective way has been through isolation of the affected patients. Hence, the success of quarantine policy followed within China validates that the

relevance of such ancient practice even today, especially since there is no vaccine for the current Covid-19 outbreak.

Finally, looking into the transmission mechanism of this deadly disease, one finds, as, in the case of measles, it also spreads through droplets that fall out of infected persons when they sneeze or cough. Further, as per research, just like measles, the respiratory transmission for COVID-19 also requires close contact and a large population size. Hence, restricting the mobility of everyone can serve as an effective way to control its spread.

## **The Complex Challenge for Pakistan**

First, poverty levels are high, and in case of a shutdown, the government will have to find means to support the poor. As the PM has noted, the real issue with the complete lockdown is the plight of the daily-wage earners and other informal sector workers.

Second, there are concerns regarding the ability of the people to abide by an imposed shutdown. Therefore, strategizing for a shutdown, which may be avoided for now but would eventually be required, in case of the spread of an epidemic needs to be seriously thought through.

Let us quickly look into the various factors, of both economic and healthcare nature, that influence this very important decision.

<b>Factors Affecting the Shutdown Decision</b>	
<b>Economic</b>	<b>Health</b>
1. Providing livelihood, especially food, to the daily-wagers and the vulnerably employed people	1. Exponential increase in the number of infected people
2. Impact on the national economy	2. Increased probability of mortality
	3. Poor healthcare provisions, for instance: <ul style="list-style-type: none"><li><i>i. Approximately 1700 ventilators, with unknown efficiency, for a population of 220 million people</i></li><li><i>ii. Non-availability of N-95 masks even for the health professionals</i></li><li><i>iii. Non-availability of protective gear, including clothing and goggles</i></li><li><i>iv. Hardly any private sector hospital having a proper ICU facility needed in such circumstance</i></li><li><i>v. An average expenditure of Rs. 0.8 million for a 14 days stay in the ICU</i></li></ul>

Keeping all the factors into account, including the state of the economy, both in the short and long run; employment structure of the country; prevailing poverty levels; and

the state of healthcare delivery and available expertise, **we believe that a complete shutdown would be more effective than a slowdown.**

A slowdown would not be able to contain the spread of the disease and our health system does not have the ability to cope with any nation level health disaster (as can be seen from the factors given above). Its consequences on the economy would also be unbearable in the long run. Containment is the key here!

**“We must protect the vulnerable”- PM Imran Khan**

### **What to Do**

The biggest issue that has to be faced in this regard is how the poor especially the informal workers, that also the PM talks, about can be protected. We are reviewing the situation in this regard and will have further ideas in the coming bulletins. Here are some of our initial thoughts.

- Making use of the Benazir Income Support Program (BISP), as elaborated in the PIDE CB No.1. That is a good base to start with by expanding the cut-off line of the BISP sample and targeting a wider set with a higher stipend. As noted there, BISP has adequate unutilized funds to not require additional funding. This could be the foundation of the government effort in a lockdown.
- Beyond BISP, local government structures, which go down to the Union Council level, can be used. They work at the grassroots levels and can identify the poor in their communities. This may, invariably, result in some leakages, so monitoring mechanisms through our strong district level bureaucracy can be utilised.
- In some cases, especially to the most vulnerable and also to minimize mobility, food and basic necessities may need to be distributed through the local government system.
- To manage this well it would be wise to maintain full transparency and disclosure as well as high level monitoring. In such times, it is vital to maintain trust. This is all the more important, given the past erosion of trust in government and society.

Providing at least a minimum level of protection to the vulnerably employed is not an easy, but an unavoidable, task. PIDE CB No. 1 showed that 56% of the employed in Pakistan are vulnerable. These are huge numbers to cater to, so there is a need to categorise them into bands.

- Big businesses, of any nature falling in this category, should be compelled by law to continue paying their workers. They should be explained that the shorter this outbreak is the better it is for their businesses, so they need to pitch in at this time. No lay-offs allowed during the shutdown by law.
- Even those at the borderline of formality such as large and growing businesses such as retail, education, and leisure businesses can be instructed to bear some of the burden.

- In both cases, there can be negotiated positions like future tax credits, and other similar advantages.

Those employed in the informal sector, fall in the most vulnerable band, and probably have no resources to manage a shutdown. They must be taken care of by the government. Apart from food and other distributions, there could be targeted utility subsidies. The BISP registry accompanied by information on baseline users of utilities, which can be easily gauged from the already computerised billing system, can be provided relief by the government. It would have a huge fiscal impact<sup>1</sup>, but the impact would only become bigger if the epidemic lasts longer. We will look into the fiscal dimension in coming days but for the time being finances could be found through redirection from some projects that can be delayed.

### Short Pain or Prolonged Suffering?

For the effects on the national economy in case of a shutdown, we need to understand that the longer this outbreak lasts the more adverse and long-lasting impact it would have on the economy. We can gain comfort from the words of Gregory Daco, chief U.S. economist at the Oxford Economics, when he says,

*“The more rapidly you want to contain the virus, then the more severe the lockdown has to be and the more severe the disruption to economic activity is....”, and that, “The hope is, the more severe the lockdown, the sharper the rebound will be.”*

It is like a trade-off between the immediate and the long-term economic and health costs. We premise that both the costs would multiply in the long run if we try to keep the normal life going. These are not normal times, and as they say, desperate times need desperate measures.

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PIDE COVID-19 Bulletin is an initiative by the Institute in response to the current pandemic, which is bound to have serious consequences for the country, specifically for its economy. The Bulletin would carry research that would aid in an informed policymaking to tackle the issue.

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<sup>1</sup> Due to sketchy data on many COVID-19 related issues in the country, and the evolving nature of the extent of the outbreak, we are not giving any numbers right now, but PIDE is working on estimating the health and economic/fiscal cost of the epidemic in Pakistan.