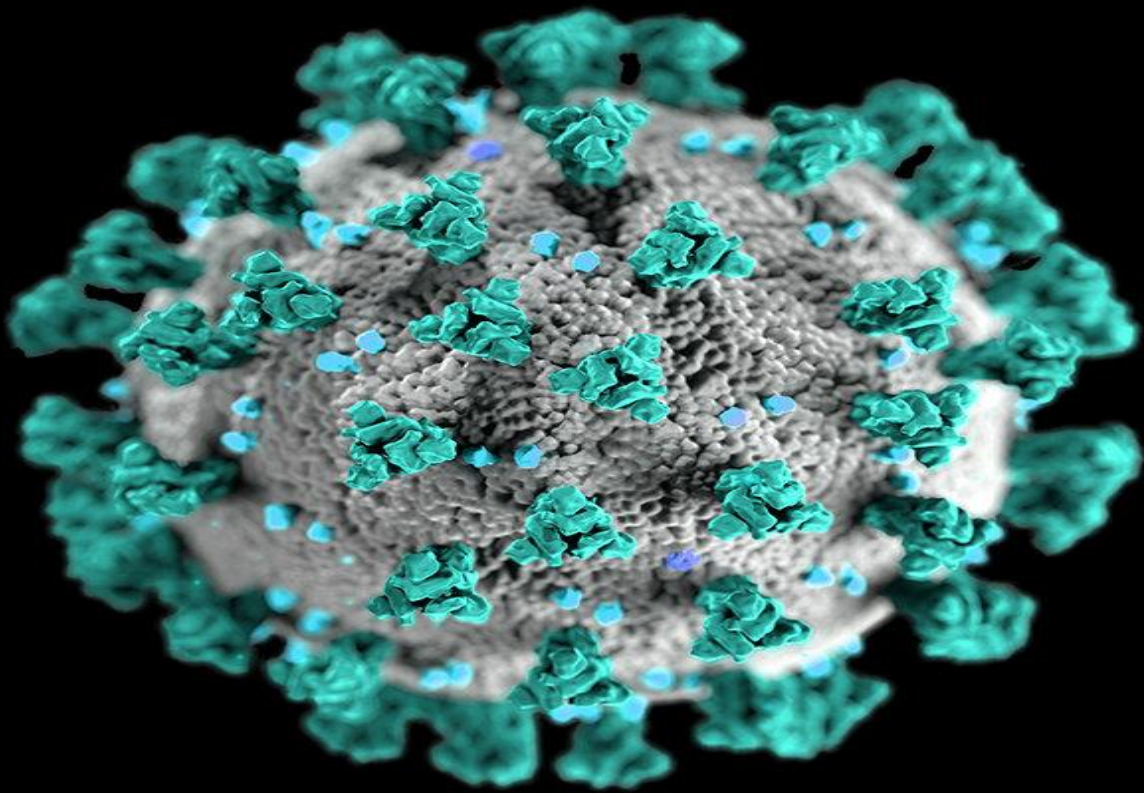


eBook

# SHORT NOTES ON THE ECONOMY DURING THE COVID-19 CRISIS



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# THE ROLE OF INDUSTRY AND INNOVATION IN COUNTERING COVID- 19: THE CASE OF VENTILATOR SHORTAGE IN PAKISTAN

*ATHAR OSAMA<sup>1</sup>*

The time of keeping the Corona Virus out and debate around the right or wrong policy for that is now over. Corona virus is now here and all signs now confirm that Pakistan is or will be in the midst of a major epidemic that could last for well over a year and test our resolve and commitment as never before. This will require a warlike mobilisation and commitment from the entire nation - the government, law enforcement, and health responders, first and foremost, but also business leaders, philanthropists, and ordinary people like many of us. We have never fought a major war that lasted for 12-18 months so we've never experienced the kind war effort that many advanced countries had to put together during the 1st and 2nd World Wars. For the next 6-18 months, we will have to change our production and consumption patterns as a society.

This will require mobilisation and leadership from business and industry leaders. I want to address 3 important pillars of mobilisation that will be expected of them, namely: Industry, philanthropy, and lobbying with the Government.

**First, Industrial Mobilisation.** Currently we're bracing for a couple of orders of magnitude increase in COVID-19 caseload every month (perhaps 10,000+ by mid-April and as many as 100,000+ by mid-May) and that too if we're able to contain the disease. If not, we're looking at outcomes much worse than Italy or even probably Iran where hundreds are dying on a daily basis. God forbid, should the latter happen, it could lead to the collapse of our healthcare system and the society as a whole.

Which is why need to do everything in our power contain and suppress the epidemic but doing so will require following items on a war-footing basis and we need to produce them in as much quantities as possible at home.

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- a) Masks and Personal Protection Equipment (PPE) for Healthcare Workers (most critical)
- b) Sanitizers and Hospital Disinfectants (most critical)
- c) Ventilators (very critical)
- d) Low Cost Rapid Use COVID-19 Detection Kits (critical)

The Government will not be able to mobilise rapidly to produce these in large enough quantities and we may need a group of private sector leaders to come forward in an effort to mobilise private sector enterprise on a war-like footing.

**Textile and Garment Plants** can be quickly converted to produce masks, hospital gowns, and personal protection equipment (this is the most critical need) as unprotected doctors and hospitals would very rapidly lead to the collapse of the healthcare system.

**Pharmaceutical and Cosmetics Plants** can be quickly converted, atleast partially, to making sanitizers and hospital disinfectants (this is very important). We need these things in millions of liters a day and provide them to people so that we can arrest the spread of the disease. It is a simple retrofit of existing plant and machinery and doesn't require any rocket science - just vision and commitment, and perhaps a bit of profit motivation to top it all. Government needs to enable this by opening up licenses to produce these chemicals and hand sanitizers (particularly use of alcohol in doing so) by the industry in bulk.

**Automotive Parts Manufactures and Light Engineering Industry** can be repurposed to create ventilators that are very critical in the medium to long-run. These are a bit trickier to set up and will require some new investment and retrofit of in the auto and parts industry in Lahore and Karachi as well as Light Engineering Industry in Sialkot and Gujrat. The country currently has less than 2500 (+/-) Ventilators and there is some talk of China donating or giving us a few thousand more but the estimated need could be 25,000-50,000 units in 3-4 months. I have also heard demand numbers as high as 150,000-200,000 Ventilators over the span of 12-18 months. When efforts to contain the disease fail, we'll be putting as much as 5-10% of our total caseload on Ventilators to save lives. We will also need to train doctors and technicians to run these Ventilators.

**Low Cost Detection COVID-19 Kits** are critical but we may be able to procure in significantly large numbers through international donors and partners such as WHO and China. News is that we're expecting 100,000 kits (good for a million tests) from China very soon and that should be able to meet the immediate needs and more could follow. Again, some industrial capacity in the medium run will be good to have here.

In addition to industrial mobilization, we also need business leadership for important action on two other fronts that require our immediate attention:

**Second, Philanthropy needs to be channeled towards these strategic uses**, initially, so we arrest the spread of the virus and enable the health system to respond rather than meeting the more day to day need of food and rations. I am not saying the latter is not important, but no amount of philanthropy will be able to meet the basic needs of 200 million people - 80% of whom live in significant poverty.

**Third, Government policy requires serious business input and lobbying.** Apart from Healthcare provision, the most important Government policy would have to be law and order and economic regime, most notably, income redistribution and poverty alleviation. Addressing poverty and hunger at the scale that we're looking at is the Government's job. No amount of philanthropy will be able to make a dent in this. If we need to lock down the country for a couple of months to get a handle on this epidemic, the government would have to take over the job of providing food and rations, at the doorstep, for at least 20-25 million households who won't be able to work or will lose their jobs.

If there was a time for the BISP or Ehsas Programmes to rise to the challenge of keeping the society from collapse, this is it. Government may be able to do this by transferring money to philanthropic organizations or use Ehsas' network but this will require efficiently channeling Rs 60-80 billion a month into this activity alone.

**Fourth, Supporting Bottom-up Innovators to produce open source ventilators, masks and PPE gear**

Over the last couple of weeks, COVID-19 has inspired, energized, and produced a groundswell of creativity and innovation in a manner that has never been experienced by this country before. Keeping this going will require making sure that a level playing field is created and maintained for these citizen innovators and will determine where it goes from here and what will ultimately be able to achieve.

Alongside traditional efforts, there has also been a tremendous flowering of *Do It Yourself* (DIY) and Open Source (OS) innovation in the ventilator realm in Pakistan. The open source movement is particularly of relevance to developing countries since these largely focus on low-cost ‘no-frills’ alternatives of high cost and high specs versions in the west. Once published, these designs are available for all and sundry DIY enthusiasts to produce, test, and use under somewhat limited conditions.

Efforts to replicate well-established designs such as MIT or OpenLung design sprang up across the country in Makerspaces, University Labs, and common rooms. However, right from the beginning, these efforts faced significant challenges including a lockdown started from Sindh and then gradually included other provinces including Punjab. This made movement of individuals challenging. Another major challenge right from the beginning has been the procurement of sensors and important components such as Ambubags, etc.

Many quick fixes had to be made to overcome these initial challenges. For communications purposes, many teams began working through Facebook groups and WhatsApp chatrooms as well as using other tools such as Zoom and Teams for online meetings, etc. A number of WhatsApp groups focusing on Ventilator designs and prototyping suddenly sprung up with tens of members from across the country. Online repositories of data and knowledge sharing protocols have been developed almost overnight. The effort has since been joined by 3D printing enthusiasts, medical professionals, medical technicians, and others to further the development of an indigenously designed low cost ventilator.

An informal coalition calling itself [Pakistan Against COVID19-Volunteers \(PAC-V\)](https://tribune.com.pk/story/2181993/1-pakistani-volunteers-3d-print-ventilators-join-war-covid-19/)<sup>2</sup> has come into being with its own informal structure of multiple technical teams, sourcing of components, public relations and media, and investor communications. The effort of the PAC-V has been to focus on a broader range of medical supplies required to meet the COVID-19 challenge including face masks, face shields, and PPE equipment for frontline medical professionals as well as ventilators.

There is an important, though often controversial, role of the Government in all of this.

The most challenging task, before any of the above, is the regulatory approval and a formal mechanism for procurement of these systems. The Drug Regulatory Authority of

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<sup>2</sup> <https://tribune.com.pk/story/2181993/1-pakistani-volunteers-3d-print-ventilators-join-war-covid-19/>

Pakistan (DRAP) did not have any independent standards (or tests) to approve the use of ventilators in the country. The usual practice has been to grant approvals to those devices already approved by well-established regulatory agencies like the FDA, EU, or UK MDRC. This is where government support and oversight can play a significant role. A Committee has been set up under Pakistan Engineering Council (PEC) and authorized by the Ministry of Science and Technology to help support, vet, and approve ventilator designs for DRAP's scrutiny and approval.

Preparations are also being made to develop test benches and carry out clinical trials on at least four ventilator designs that have been approved by the PEC Committee for the next stage of review by DRAP and a multi-sectoral technical committee comprising medical doctors, emergency room technicians, engineers, and DRAP representatives. This has never happened in the history of this country before yet extraordinary times require extraordinary efforts. There is still a long way to go before the local ventilator design effort could bear fruit but steps are being taken at COVID-19 speed!

While the vast majority of the efforts at creating a local ventilator may not lead anywhere. But it has created an inspiring and constructive dynamic for the future. At least one design, OpenVentPK is breaking new grounds in developing and adapting already existing open source models to local conditions and seeks to create Pakistan's own Open Source local ventilator that uses easily sourced components and spares. Other designs including those using different approaches are also in the works.

This approach of citizen-led bottom up innovation has been successful in other domains of the COVID-19 response as well. One respiratory technologist has developed a 3D printed splitter value to enable one ventilator to be used by multiple patients. Since then a whole movement has sprung up to use spare capacity of 3d printers across the country – which are legally banned from being imported – to develop these 1 into 2 or 1 into 4 1 splitter values. These designs need to be tested before they could be used on live patients in critical care scenarios but if successful these could have a significant impact on life and death calculus of COVID-19 through the expansion of ventilator capacity.

Other efforts have included building of low cost DIY face shields to protect frontline healthcare professionals from exposure. These are now being produced, rather costlessly, in significant numbers (thousands) at makerspaces and small industrial set up across the country. A similar dynamic is beginning to take hold among fabric producers and designers for the production of masks, PPE suits, and hospital gowns, sheets, and others.

Here too, like ventilators, the lack of standardization, local testing, and quality assurance has thus far been a hindrance.

In order for the bottom up innovation activity to be successful, the circle must complete from idea to invention to innovation which includes the most critical step of production and commercialization. This is where the industry comes in. Most of these rapidly put together innovations will require production at scale for a considerable period of time. This is where a major disconnect of skills happen. Those who can invent do not necessarily produce. It is, therefore, critical that business and industry leaders come together to support and nurture this bottom up innovation across the country.

What an inventor can visualize, prototype, and validate, a manufacturing engineer and a shop floor machinist can produce in no amount of time. Once prototyped, it will definitely require very precise production planning, sourcing of the supply chain, and the actual act of producing itself. This is where our idea to market continuum is at its weakest and requires much support and handholding. The Association of automotive parts manufactures (PAPAM) has offered to manufacture ventilators to meet the projected national demand and this partnership of knowledge and manufacturing must succeed if this effort is to deliver.

A Steering Group of Business and Industry Leaders can help lobby for the right government policy AND coordinate industrial mobilization. Indeed many of our business leaders and captains of industry are personally in a position to make decisions that can save hundreds and thousands of lives and but working together they could create an impact that is 100x more.



# THE IMPACT OF COVID-19 ON THE MENTAL WELL-BEING OF INDIVIDUALS

HAARIS AFZAL CHEEMA AND ZAINAB RIAZ<sup>3</sup>

Several months have passed since COVID-19 has continued to wreak havoc globally. While the pandemic has had a major impact on the physical health of individuals, it has also had a considerable effect on their mental well-being. With lockdowns of different extents being imposed throughout the world, this effect is becoming increasingly visible on social media platforms.

Recent tweets regarding the epidemic indicate a polarity of sentiment amongst individuals. There are a lot of tweets spreading positivity and hope, but many others which are exhibiting panic and chaos. The graph below shows the most frequent terms occurring in tweets relating to the pandemic.

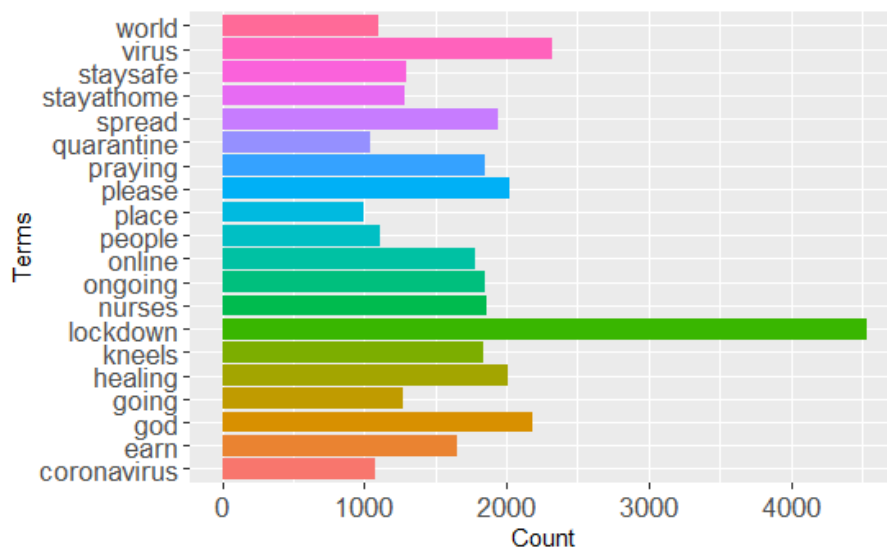


Figure 1: Frequency Plots

Based on the frequency plot shown above, there is a common set of terms which aim to cautioning others and spreading awareness. Examples of such terms include ‘stayathome’, ‘quarantine’ and so on. Another set of terms tends to revolve around a

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central theme, religion. Words like ‘god’, ‘praying’ and ‘kneels’ tend to show how these tweets are filled with elements of religiosity.

Similarly, a *WordCloud* (see Figure 2) generated from these tweets tends to show the same trends. Again, these words are indicating a sense of concern as well as caution. The word ‘please’ has recurred a lot of times in these tweets, emphasizing the seriousness and risk associated with the spread of the virus.

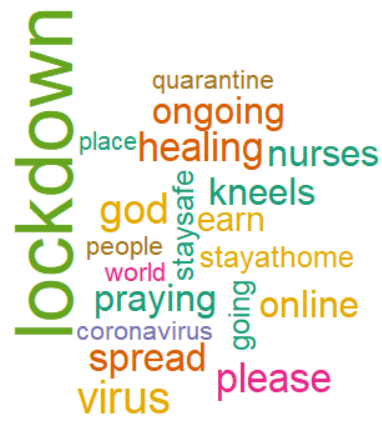


Figure 2: Word Cloud

SENTIMENT ANALYSIS

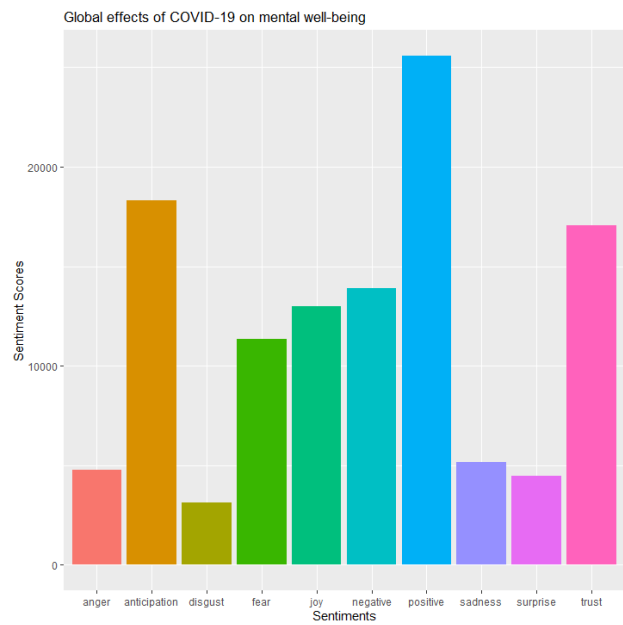


Figure 3: Sentiment Analysis

Figure 3 shows results of sentiment analysis which classifies tweets on the given parameters or expressed sentiments. It shows that the proportion of positive tweets is significantly higher than the proportion of negative tweets. Secondly, there are very few tweets containing sadness, thereby indicating a somewhat healthy state of mind as far as

the majority is concerned. Lastly, while anticipation and fear were expected to be commonly exhibited sentiments in these uncertain times, surprisingly there was a very high proportion of tweets with the element of trust in them. It is likely that this sense of trust is attributed to the religiosity associated with these tweets.

## THE IMPACT OF COVID-19 ON THE MENTAL WELL-BEING IN PAKISTAN

Pakistan is in its early stages in dealing with the pandemic. A week has passed since a lockdown was imposed in the country. As millions of people are now required to stay indoors, they have resorted to social media platforms to voice their opinions. To understand the impact of COVID-19, tweets with the hashtag, #CoronaVirusPakistan were extracted and analyzed.

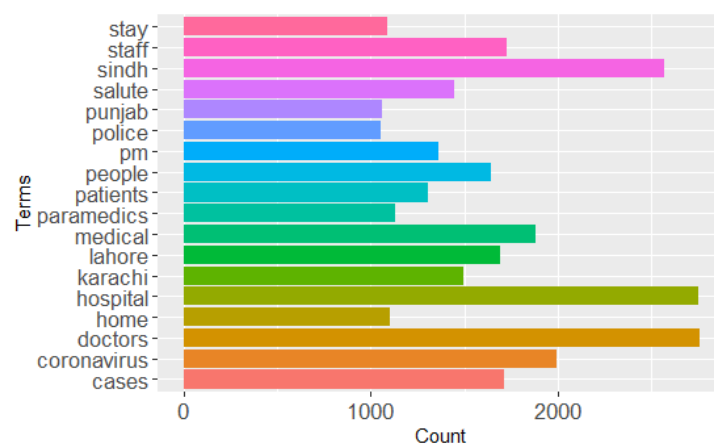


Figure 4: Frequency Chart (Pakistan)

Figure 4 shows some of the frequently occurring terms in the tweets. COVID-19 began to spread initially in Sindh. The growth in daily cases seemed exponential at first and therefore it created panic amongst a lot of individuals. Consequently, ‘Sindh’ has shown up repeatedly in tweets. Moreover, most of the positive content in these tweets was related to ‘medical’ professionals and ‘hospitals’ such as ‘doctors’, ‘staff’, ‘paramedics’ since they are the ones who are risking their lives to contain the spread of virus. The term ‘PM’ also frequently featured in the tweets. Initially, this was because not much directive was being given by the Prime Minister of Pakistan. Subsequent tweets talked about the PM’s address to the nation.



Figure 5: WordCloud – Pakistani Tweets

Figure 5 shows a *WordCloud* where the central theme in tweets by Pakistani users tends to revolve around how the spread of the virus seems to be concentrated in two regions i.e. Punjab and Sindh. It is interesting to note how the content and theme of this wordcloud is different from the global one. Firstly, there is a lot less cautioning about the awareness and the spread of the virus. Secondly, the element of religiosity, based on the visualizations produced, seems to be much lesser than the global trend. This, however, will be further probed into and investigated in a latter part of the paper.

#### SENTIMENT ANALYSIS:

To gauge the state of mental wellbeing in Pakistan at this point in time, a sentiment analysis was performed. Firstly, the tweets were classified into different sentiment dictionaries and consequently assigned with a positive or negative sentiment score. Figure 6 shows sentiment analysis which was done by classifying the tweets based on specific sentiments. This visualization shows that the proportion of positive tweets is significantly higher than the proportion of negative tweets. In sync with the global trend, very few tweets contained elements sadness, indicating a generally healthy state of mind as far as twitter users are concerned. Also, as seen globally, elements of anticipation are fairly high in these tweets. Similarly, the element of trust is again very high. At this point however, it is unclear as to why this level of trust exists. It could possibly be due to the very gradual spread of the virus, or other factors such as religiosity could also be at play, which at this point is not very apparent.

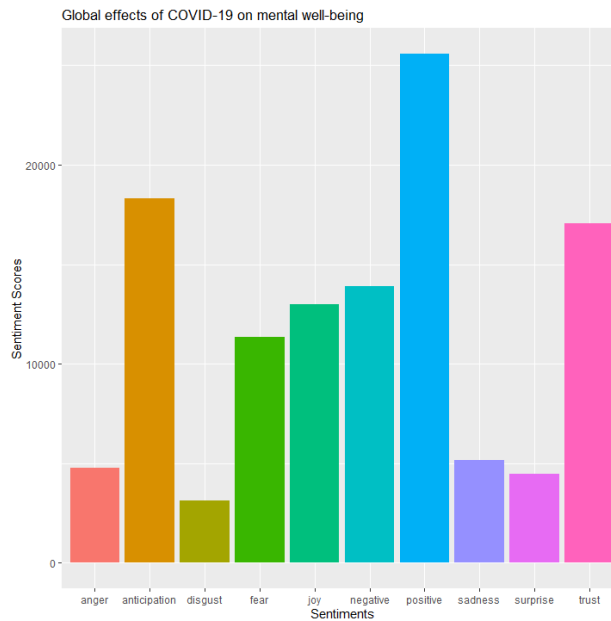


Figure 6: Sentiment Analysis – Pakistani Tweets

#### RELIGION AS A COPING MECHANISM IN TIMES OF HARDSHIP

As previously stated, a relationship between the spread of the virus and an increase in religiosity was unclear at this point. Therefore, additional data was analyzed to understand what relationship exists between the two, if any at all. To analyze the impact of COVID-19 on religiosity, a separate set of tweets with ‘#prayer’ was analyzed. Analysis was done based on the location metric and the results are summarized below.

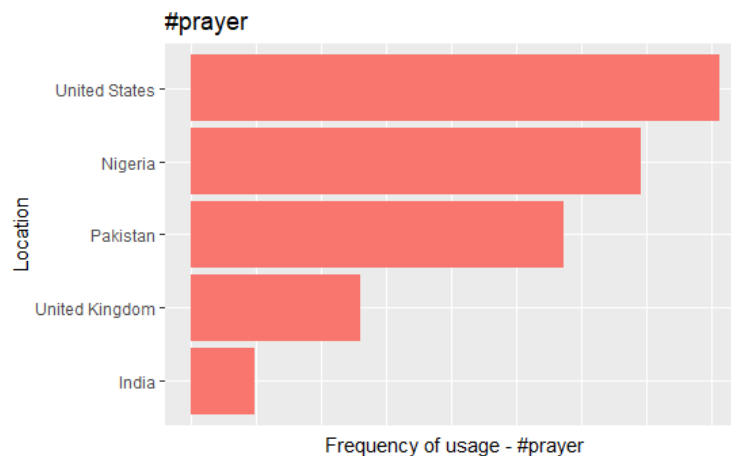


Figure 7: Religion as a Coping Mechanism

Upon analysis, it was found most of these tweets were being generated from countries like Nigeria, USA and Pakistan. While USA had been the most adversely affected country from this virus, Nigeria had become one of the first African countries to witness positive COVID-19 tests. Pakistan, however, had positive cases for quite some time and the

increase in the number of daily cases had been somewhat linear as opposed to the global trend of an exponential increase in daily cases.

It is established that religious coping results lesser anxiety and with the passage of time, people have used religion to cope with times of strain and uncertainty<sup>4</sup>. This proposition also helps us to understand a similar pattern of behavior being exhibited via these tweets. The skyrocketing increase in the use of word ‘#prayer’ and also the previously mentioned terms associated with prayer and religion reflect how once again, religion is being used as a coping mechanism in times of hardship.

## CONCLUSION

Analysis of the data has shown that at this point in time, while the global twitter population does seem to exhibit characters such as anticipation and fear, judging by the sentiment analysis, overall, the state of mental wellbeing has not been too adversely affected. Current behavior pertaining to an increased religiosity in uncertain times is in harmony with the existing literature on this matter. While this trend was not very apparent from the sentiment analysis performed on tweets from Pakistani users, when further probed, similar results of religious coping were found to be true for these users as well. It is likely that this increased religiosity has prevented COVID-19 from having a deeper impact on the mental wellbeing of individuals.

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<sup>4</sup> Ano, Gene G., and Erin B. Vasconcelles. “Religious Coping and Psychological Adjustment to Stress: A Meta-Analysis.” *Journal of Clinical Psychology*, vol. 61, no. 4, 2005, pp. 461–480., doi:10.1002/jclp.20049

# COVID-19 AND THE PAST FLU VIRUS OUTBREAKS: AN EPIDEMIOLOGICAL AND ECONOMIC COMPARISON

*MUHAMMAD MASOOD AHMED SIDDIQUI<sup>1</sup>*

While drawing parallels between different pandemics that humankind has seen has never been easy and accurate it always provide a guide to judge the severity and assess the efficacy of public policy responses to such outbreaks. Corona virus, declared a pandemic by the world health organization on March 11, 2020, has its precursors in SARS (severe acute respiratory syndrome) outbreak of 2003, MERS (Middle East Respiratory syndrome coronavirus) outbreak of 2012 and SPANISH FLU of 1918-19: all involving some related strains of influenza viruses that cause death due to Pneumonia. While all of these outbreaks brought significant catastrophes in terms of losses to life and economy, none of them except the Spanish Flu of 1918 was truly a pandemic of the scale and severity of COVID-19. This article, therefore, draws some parallels between the epidemiology and economic impacts of these two pandemics in order to better understand the severity of COVID-19 and informs policy response based on the lessons from the past. I attempt to draw heavily from the literature review of past pandemics, mainly the Spanish flu, and use the current data regarding COVID-19 cases from various data sources like that of John Hopkins University database , European Center of Disease prevention and control (ECDC) and World Health Organization (WHO) to analyze the patterns, make some inferences and reach some conclusions regarding epidemiological severity and short term economic impacts of COVID-19 as the disease now has speeded to 202 countries with 719758 confirmed cases and 33673 deaths as on March 31, 2020 (WHO).

The Flu virus of 1918, commonly called the Spanish Flu, that killed around one third of the population, is still a rich subject of research in terms of its extent of spread and long term impacts upon those born decades after. The viral flu, reported for the first time by a Spanish newspaper, spread exponentially as World War I soldiers returned back to their homes and soon became a global pandemic involving more than 72 countries globally. Researchers continue to grapple with the rich data of 1918 that is now available to understand the factors that influenced mortality of such a scale (Taubenberger &

Morens, 2006). Despite so much data, researchers' understanding of the emergence of a pandemic due to a strain of a flu virus is still far from perfect (Colvin, McLaughlin 2020). Though having a closest parallel in Spanish Flu of 1918, the spread of a disease like COVID-19 is unprecedented in the modern world.

The Pandemic of 1918 (and also other epidemics involving closely related viral strains like SARS of 2003 and MERS of 2012) has many lesson to be learnt and epidemiological parallels with COVID-19 can be drawn given the exponential growth of the latter in a similar manner. Such inferences, however, may not predict the actual trajectory of the disease owing to the fact that data of infected patients may be highly underreported (Fetzer et al, 2020). Figure 1 shows the number of deaths due to 1918 flu that peaked in just 3 months with a death rate of nearly 2%: Figure 2 and 3 present the picture of the reported cases and number of deaths from COVID-19.

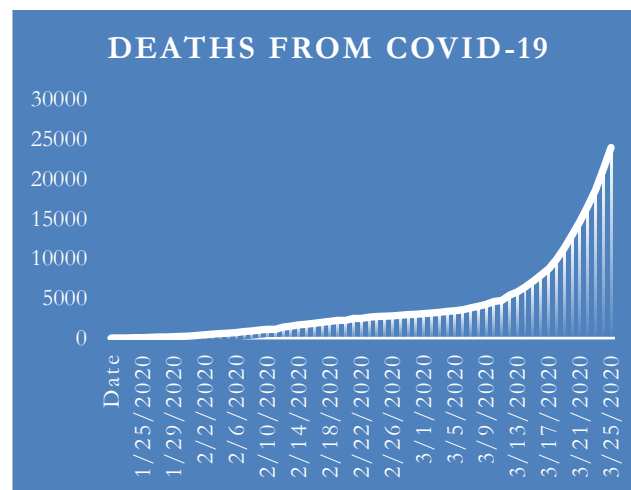


Figure 8: COVID-19 Deaths, January 25<sup>th</sup> to March 25<sup>TH</sup>, 2020

Source: Author's calculation using John Hopkins University CSSE database



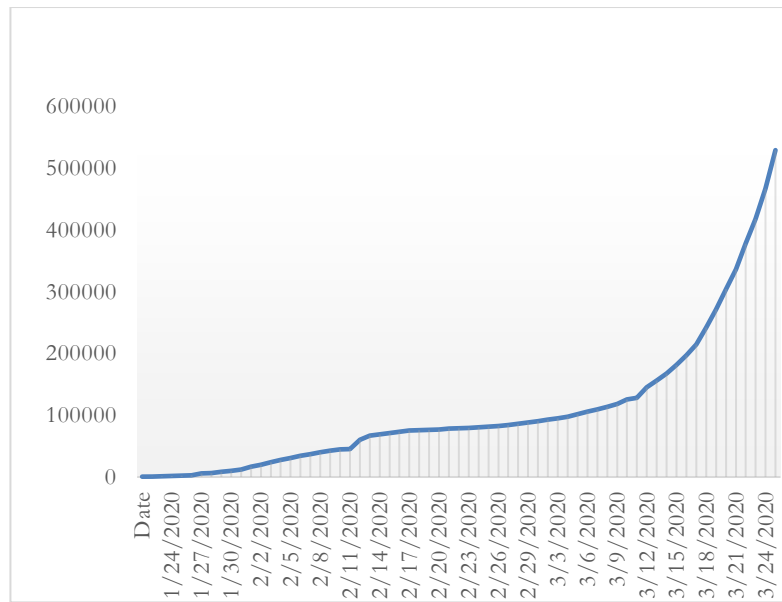


Figure 9: COVID -19 Confirmed Cases, January 25<sup>th</sup> to March 25<sup>th</sup>, 2020

Source: Author's calculation using John Hopkins University CSSE database

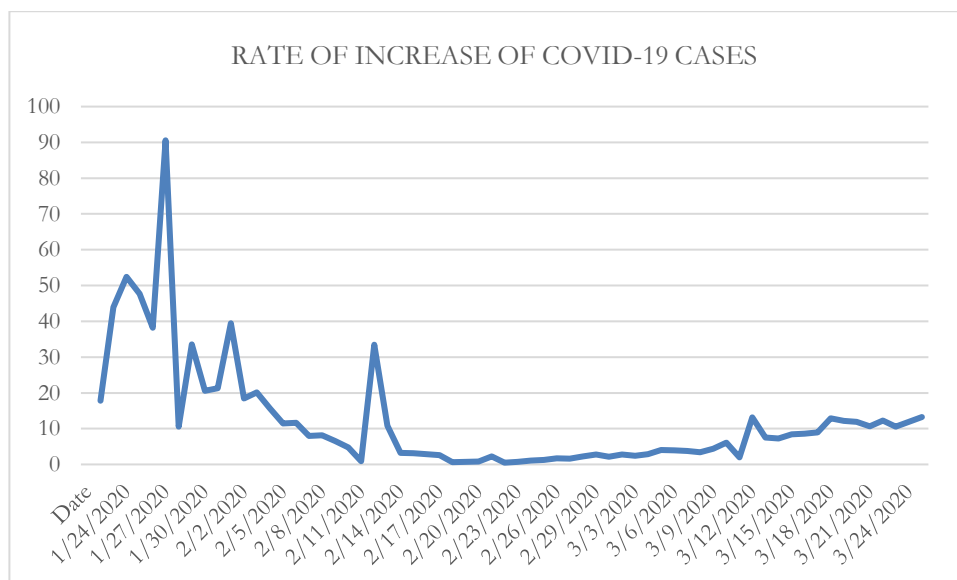


Figure 10: Rate of Increase of New Corona Infected Cases

Source: Author's calculation using John Hopkins University CSSE database

The COVID 19 that was first reported in December 2019 in Wuhan district of China's Hubei province has so far infected nearly 719758 persons (as on March 31<sup>st</sup>, 2020) people killing nearly 33673 of those infected with a global death rate close to that of 1918 pandemic. Data gathered by John Hopkins university of the global spread of the virus and resultant deaths showed that the spread of the virus (a phenomenon called virulence) of COVID-19 is much more explosive than any of the earlier influenza outbreaks (Fig 3 & 4).

The sharp peak in the death rates (the peak occurring in September 1918; Fig 1) from the Spanish Flu can be attributed to lack of early containment of the disease owing to the return of the soldiers from war carrying the disease. Deaths by Corona virus, in contrast, are spread over time (Figure 2) but are at a much higher level. As researchers of past epidemics have warned that a virus, similar to the one that caused the 1918 pandemic, can even with the available antibacterial and antiviral drugs and all the modern preventive measures may result in deaths of around 100million people (Taubenberger and Morens 2006, Fan, Janison 2016). One of the clear lessons from past pandemics and epidemics is, therefore, that early containment of viral spread is the key to prevent deaths at such a scale. The aim is to lower the infection rate (and resultantly the death rate) in a manner that the infection is not peaked but spread over time and health care system is available so that a large number of people do not fall sick at the same time (WHO 2020).

Two other areas where epidemiological comparisons between COVID-19 and other similar outbreaks can be informative are “Viral Velocity” (the speed of spread) and Case Fatality Rate. Data shows that although the case fatality rate for COVID 19 is much lower than both SARS (10%) and MERS (35%), the speed of spread of the Corona virus is nearly 20 times more than that of MERS and 3 times more than of SARS.

*Table 1: Case Fatality Rates’ Comparison of the Global Flu Outbreaks*

OUTBREAK	YEAR	NO OF REPORTED CASES	NO OF DEATHS	FATALITY RATE
Spanish FLU	1918	500 million	39million	2%
SARS	2003	8098	774	10%
MERS	2012	2494	858	35%
COVID 19	2020	800,000 (till March 31, 2020)	35000(till March 31, 2020)	2.2%

#### COMPARISON OF THE ECONOMIC IMPACTS:

What were the economic lessons from the past epidemics like SARS & MERS and pandemic like Spanish Flu? A broad literature confirms that these outbreaks resulted in slow down of demand, disruption of supply chains, shortages of labor and drop in wages. Though in case of SARS of 2003 the demand re bounced with great vengeance once the spread of the virus is controlled. In case of COVID-19, the same could happen later this year as soon as the viral spread is under control (Emerson, 2020). However, some analysts consider it too early to predict the economic consequences of the COVID-19 as the data is too noisy and sample size very limited (Larson 2020).

According to Kally, forecast analyst at the JP Morgan chase, the flow of data on employment, retails and sales and output is unreliable to tell what will happen next. In this situation drawing careful comparisons from the past become more relevant to have an idea of the short term and long term economic consequences as the disease pattern unfolds.

Researchers have found that more people died in the past FLU outbreaks in the polluted urban areas (Colvin, 2020: Clay & Lewis ,2018) a trend that can be seen in COVID-19 as more and more deaths in China, Italy, the US, the UK and Spain are reported from urban areas. Immediate socioeconomic impacts were labor shortages and sharp decline in wages and also impairment in the cognitive abilities among those born out of FLU-affected cohorts (Colvin, Mclaughlin 2020).

From the macro perspective the great influenza pandemic resulted in a cumulative decline in per capita GDP to a disastrous level of 10% (Baro, Ursua, 2008) however it is difficult to disentangle the overall impact of war ravages from the pure effect of the 1918 Pandemic upon the decline in GDP.

As the macroeconomic data regarding the impacts of COVID-19 and the consequent lockdown of the economic activity pours in, economists around the world hold back to make any predictions about the level of impact it will have on global economic indicators. However, some indicators are clear enough to predict an economic downturn, though not a recession of 2008, in the days to come. Table 2 suggests that GDP has fallen considerably, though not to degree of financial crisis of 2008-9, all major stock markets are down and unemployment is rising sharply.

**Table 2: Impact of Covid-19 Upon Major Economic Indicators**

<b>Economic indicators</b>	<b>Current Estimates, March 2020</b>
Loss to major economies in percent value of their GDP	2.4
Percent change in GDP growth rate of China	-0.7
Revised global GDP growth forecast	2.2
Trade deficit	-\$48.8bn
Industrial production	-0.3%
Average change in value of 7 major stock markets*	-17.5
Projected no of unemployed **	\$5.3 million
Estimated income loss due to unemployment**	\$860 bn - \$3.3 trillions

Source: different sources

\* Stock markets of China, NASDAQ, Hong Kong, Singapore, South Korea, Japan& Europe

\*\* ILO figures

Though the novel COVID 19 Corona virus does not seem to be as deadly as that of SARS and MERS, it has now truly become a Pandemic with more virulence and mortality than that of the Pandemic of 1918 Spanish FLU. How much the disease will spread before its curve flattens is any body's guess right now. As with all other pandemics the disease will no doubt result in global decline in economic growth, widespread unemployment, potential economic wars and absolutely unforeseen and unpredictable long term Socio Economic and Political consequences. The drop in global oil prices due to a slowdown in demand from China has already fueled tension between the US and Saudi Arabia that may lead to an open price war. Researchers believe that President Wilson's (one of the effected persons of Spanish FLU virus in 1918) impairment due to the virus had impacted negatively the negotiations of the Treaty of Versailles resulting in harsher conditions imposed on Germany that latter become one of the main reasons of the world war II. Though such horrific consequences of the Corona Pandemic seems remote and hard to be predicted, these are the historical lessons that need to be considered

# MONETARY POLICY - POST COVID-19 REGIME

*QAZI MASOOD AHMED<sup>5</sup>*

With the implementation of the IMF program, last year, the government of Pakistan initiated stabilization program using contractionary monetary policy. Was the IMF program essential for Pakistan economy or not is now not a relevant issue. More appropriate would be to ask whether with the widespread coronavirus epidemic, whether the process of stabilization of economy is sustainable or not? And what type of changes in the monetary policy is required to mitigate the adverse consequences of impending recession caused by the coronavirus epidemic.

Since the inception of current IMF program 2019, the SBP (State Bank of Pakistan), has sharply increased its policy rate in several meetings perhaps more than the required impetus in one year. In the normal circumstances the SBP would have had a longer time to see the impact of its policy rate and make necessary adjustments as required. However, this coronavirus epidemic has made life difficult for all policy makers around the world specially those dealing monetary and fiscal policies. This burden is more on Pakistani policy makers who are committed to follow IMF commitments and have to avoid the detrimental impacts of 2020 recession which is much stronger than the 2007 recession.

In a small span of time, from June 2018 to March 2020, the SBP has increased policy rate from 6.50% to 13.25%, which brought many positive and negative changes in the financial structure of Pakistan economy. On the positive side these includes, first the private investors shifted their investment to the long term government bond from the short term government bonds as desired by SBP; and second several foreign investors brought hot money in Pakistan and purchased government treasury bills. On negative side these includes; first, since the government was single largest borrower the increase in interest rate sharply increased its debt profile; second, the increase in interest rate has increased cost of borrowing for the private investors as well, which is reflected in the sharp decline in credit in-take by the private sectors; and third, though government was able to generate money through long term bonds left very little money for private

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<sup>5</sup> Dr Qazi Masood Ahmed is professor of Economics at Institute of Business Administration, Karachi.

investors known as crowding-out investment effects and this process is not likely to end in near future because of government's unsatiated borrowing appetite.

In December 2019 coronavirus spread in China and then in the first quarter of 2020 it spread in geometric progression through-out the world. Unlike many other and definitely more dangerous diseases like Cancer, TB, AIDS and heart diseases it had much more impact on world daily economic and social activities. It had compelled almost whole world to lock-down their social and economic life. This had serious economic, social and political consequences throughout the world and because of its negative economic externalities the economy in each country is getting worse day-by-day. Pakistan economy which is heavily depended on its international trade and remittances also got affected by the adverse consequences of this coronavirus.

Like other countries, Pakistan government also announced generous economic package despite very ill health of the economy. It also appears that the reforms process which was already very slow will be further slowdown. The SBP following the federal government's instruction made changes in the monetary reform process. It reduced the policy rate twice almost in a week, from 13.25% to 11% to ease out the economy. What will be its effects on investment requires some time to judge - usually 6-8 months' time lag between the SBP's decision to change policy rate and its impact on real sector investment. Given the lockdown situation, lack of domestic demand and unavailability of the raw materials the profitability rates for investors have declined sharply which may cause delay in their response to such interest rate decline. However, some unintended negative effects can occur more quickly, in fact has already been seen. It can reduce the purchases of long term government bond by the investor and short term portfolio investment may again rise which is not congenial for the long-term investment. The impact of this fall in policy rate on debt servicing is ambiguous and already reflected in the balance sheet of the SBP. On the one hand, it may reduce debt servicing especially on the domestic debt but at the same may increase outflows of funds from the economy which depreciate the currency and can increase debt servicing on foreign debt. Almost 2 billion dollars hot money already drifted back.

Now the final comment on what the SBP can do to assist the government to mitigate recessionary effects caused by coronavirus. To answer this question, we must assess what were the channels of monetary transmission that were available to the SBP and how many of those are closed or near to close due to this crisis. This mechanism means how

the effects of Bank's policy rate transmit to other variables. The transmission mechanism works through five channels 1) Policy rate/interest rate 2) Assets Price 3) Exchange Rate and 4) Expectations, 5) Credit Control. The Policy rate channel works through influencing the retail interest rates that banks charge on loans to businesses or offer on deposits to households. With the increase in policy rate the demand for credit falls as it becomes expensive for investors and general public to borrow from commercial banks. As a result, economic activity slows down and results in a fall in the demand for goods and services, fall in output and increase in unemployment. On the other side, the fall in interest rate will have converse effects but as the economic activity is already stagnant due to lockdown and the rate of profit for the producer is very low the interest rate channel will not work. In this scenario the reduction in policy rate will have very minimum desired results but will have more unintended negative effects. Therefore, instead of reducing policy rate directly, it should be reduced through the use of Income tax Schedule II which allow interest to be deductible for the calculation of tax liability. Under this catastrophe situation the rate of interest deductibility may be increased which effectively reduces interest rates for domestic producers but the interest rates for the savers and foreigner investors will remains unaffected. The second channel the exchange rate channel links domestic economy with international economies. An increase in the domestic interest rates makes the local currency financial assets and bonds more attractive for the investors and vice-versa. The appreciation and depreciation may decrease or increase exports respectively. However, in the present scenario because income and domestic demand of our trading partners have decreased so consequently our exports have fallen. Therefore, this coronavirus have also broken this channel for the time being. The asset price channel works through the returns on bank deposits as compared to returns on investing in other assets. The returns on financial assets are determined in the capital market, as the capital market is in shaky state and everyday market index decline sharply therefore, this channel is also not at work. The expectations channel deals with the expectations of general public and investors mainly about the future interest rates and inflation in the economy. As expectation changes it also affects the actual values of the interest rates and so on. In the current scenario both the current and future expectations are bleak and due to lockdown consumers and investors are not in better position to reveal their expectations properly and therefore, this channel of transmission is also not working properly. The Credit channel of SBP works through the credit portfolio of the economic agents which is affected by the decision of the SBP of

setting targets for allocation of credit in each sector and their respective interest rate. This is only channel which is fully available during current economic situation and should be used effectively. Through this channel the SBP has already announced reduction in interest rate for few sectors and initiatives.

Finally, the most important suggestion to the SBP is to bring few major changes in the way it operates the policy. First, the use of credit channel must increase and so the coverage. To ascertain this objective the SBP must adjust maximum limit of commercial banks investment in government treasury bills to compel the banks to reach out real sectors of the economy. In the onset coronavirus pandemic, there is a need to support SMEs sector and housing for middle class particularly, so this imposition on commercial banks maximum investment in treasury bills will reduce crowding out and the banks can finance this needy investment. However, this has important implication for the expenditures policy of the federal government, the federal government will then have to cut down their expenditures significantly or have to find other sources of financing of their expenditures.

Another important suggestion for the SBP is to look into its policy rate/interest rate mechanism. There is a need for easing out monetary policy which should simultaneously cater the need for saver, foreign investors and domestic investors. This needs out-of-box thinking and exploring the ways the SBP can use policy rate/ interest rate effectively. This option can't and should not be performed in isolation but in combination of other monetary policy options like credit allocation etc. and with combination and coordination of the tools of fiscal policy. They may review thoroughly the clauses of Second Schedule of Income tax that facilitates the production and businesses in Pakistan like the interest deductibility, exports rebates and many others; and develop a full package for easing out the economy under this stressed conditions.



# CREATING FISCAL SPACES IN PAKISTAN DURING COVID-19 CRISIS

*ASMA HYDER<sup>6</sup>*

With the spread of pandemic COVID-19 all countries are moving towards lockdown to maintain social distancing. In order to lessen the speedy movement of economy toward depression, creating fiscal spaces is very challenging especially for developing countries. The developing countries face difficulty in creating fiscal space to finance development projects even during routine days. For instance, the present PTI government in the beginning faced extreme difficulty before an agreement with IMF. During that time government tried many options including austerity, but none of them worked. Now with this pandemic crisis, with huge diversion of resources toward health, creating fiscal space is extremely challenging for all developing countries.

In recent past we have witnessed many shocks with huge negative impact on work economies; including, 9/11, SARS and 2008 financial crisis, but the impact of COVID-19 pandemic crisis on world economy will be much bigger than any earlier crisis. During 2008 crisis, the major issue was creating aggregate demand, production was not that much affected and inventories were built. However, the situation is very different now, this is broadly a supply shock. Workers cannot go to their workplaces and thus shortage is unavoidable. Many countries face such situation during country-wide unions' lockdown, which affect the aggregate supply, but in that situation, there is window of bargain along with expected timelines. However, in present situation there is no window of bargain and no expected timeline. At the same time, present shock is also a demand shock as well due to sudden unemployment, especially those in informal sector, working on piece rate and daily wages. However, we can expect that these spending and high aggregate demand will back once the pandemic is over—though without any guarantee when and how much.

## 1. Liquidity Management

To maintain fiscal space during and after the crisis is liquidity management. State Bank needs to continuously monitor the stress testing. I suggest that there should be clear plan for market participants, institutions, and investors

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<sup>6</sup> Asma Hyder is Associate Professor at Institute of Business Administration, Karachi.

for liquidity risk management strategies. The government should have a very clear picture of available cash and its management and must ensure the liquidity required to mitigate COVID-19 operations. Similarly, the federal and provincial planning and finance departments/ministries need to carefully evaluate (re-evaluate) the payments and ensure the liquidity of credit. These departments should also need to find out how much cash they will need and for how long (with some approximations).

Last but not least the audit and procurement offices need to opt different protocols and payment and procurement. They will have to think about optimizing time, procedure, may be needed to rely on old dealers with high confidence.

State Bank of Pakistan's stance on COVID-19 aimed to targets both supply and demand side. Nevertheless, their scheme "Facilitating New Investment" announced on 24<sup>th</sup> March 2020 worth of PKR 100 billion, seems irrelevant at this point in time. These resources may be diverted to support the selected businesses with high potential, to prevent them from bankruptcies. During this crisis seeking new investment is very difficult and out of context.

## 2. Federal and Provincial PSDP Projects

Both federal and provincial government need to reprioritize their development budgets. The projects, not of urgent nature, not started yet and with 10% of spending of their respective total budget should be diverted toward COVID-19 mitigation operations. For instance, in Federal PSDP the projects related to 'Defence Production Division', 'Communication Division', 'Board of Investment', 'Housing and Works Division' etc. and the projects in other ministries approved but not started yet, their funds should be redirected. Same exercise should be carried out at provincial level.

## 3. Austerity

In late 2019, the PTI government immediately after coming into power initiated a campaign to take austerity measure. This campaign was a very good start but unfortunately the present government failed to take austerity measures in true spirit. Many federal institutions in post devolution scenario, which are huge burden on economy; including board of investment, ministry of technical training and professional education, ministry of health services

and coordination, planning commission, and many other such departments should be completely abolished. These departments are totally irrelevant in present devolved scenario and their subsidiary departments can easily handle their small operations for Islamabad, GB and AJK. During present COVID-19 crisis these initiatives are difficult but after the epidemic crisis the economic crisis will continue for a longer period of time and probably at that time the government will need to take the serious austerity measures.

#### 4. Support from International Financial Institutions

It is very difficult to flatten the curve in developing countries. With high level of poverty, nature of wage settlements in informal sector if the government leaves it to workers to choose between work and disease, even with chances of catching the disease the workers will choose to work. To mitigate the economic impact of COVID-19 especially in developing countries, a collaborative international effort is required to maintain the necessary supply chain and to support the poor and vulnerable households. G8/G20 countries are the major policy-making forums for internal financial design but due to lack of representation of developing countries, most of their decisions are in favor of its rich partners. But now they should consider the situation differently. Although IMF and other multilateral lending and aid agencies already announced support for developing countries including Pakistan but efficient and timely utilization and distribution is still a challenge.

Even all these measure do not guarantee that damaging effects of the lockdown and the extent to which it may help the households and businesses from variety of indispensable losses. The government needs to be innovative in management, resource allocation and should be ready for making many tough and unusual decisions.

# A SOCIOLOGICAL PERSPECTIVE ON THE COVID-19 CRISIS IN PAKISTAN

*FAIZA MUSHTAQ<sup>7</sup>*

Like other countries, Pakistan is also dealing with the global Coronavirus pandemic as both a public health emergency and a crippling economic crisis which will have long-term social impacts. This is not like any natural disaster, terrorist attack or economic shock we have ever experienced before, and governments around the world are scrambling to devise appropriate responses that will save both lives and livelihoods. The unprecedented challenge forces us to re-think what relationships exist between the individual and collective, what is private and what is public, and what vulnerability and resilience look like.

A fundamental insight of Sociology is that economic activity, like public health and any other facet of social life, is shaped by institutional arrangements, norms, beliefs, and structured inequalities that shape access to power and resources. As the federal and provincial authorities in Pakistan make decisions about lockdowns, quarantines, industrial shutdowns and social protection measures, there is a lot of guidance that social science research has to offer.

## THE LOGIC OF SOCIAL DISTANCING

The lockdown first implemented in Sindh and then extended to the rest of the country is based on scientific models of how the virus is transmitted and backed by China's experience in controlling the epidemic in Wuhan. The theory of "flattening the curve" has been widely disseminated in international and national media outlets. Yet reports indicate that the lockdown and accompanying social distancing measures are proving difficult to implement across Pakistan. It is easy to shut down schools, universities and businesses but harder to regulate other public spaces and social behavior in private settings. We hear of continued gatherings in mosques for Friday prayers, of families and friends getting together for routine meetings, of crowded marketplaces in non-elite urban neighborhoods, of desperate congregations where food rations are being distributed.

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<sup>7</sup> Faiza Mushtaq is an Assistant of Sociology at IBA, Karachi and Chairperson of Department of Social Sciences & Liberal Arts

It is not enough to simply label this behavior as irrational, reckless or stemming from a lack of education and civic sense that we so easily attribute to poorer segments of the population. Flattening the curve means limiting the number of deaths and avoiding an overburdening of healthcare systems, based more on projections than on ample data. The extreme measures necessary to achieve these outcomes have very real consequences for social life, economic activity, and mental health, and these trade-offs are often frustratingly hard to calculate.

In order to voluntarily and comprehensively practice social distancing, you need to believe that concrete, immediate individual-level sacrifices in your day-to-day life will result in intangible benefits for collective health and well-being in some indeterminate future. You need to have faith that not visiting your elderly parents or not fulfilling your religious obligations by praying with your congregation is ultimately for their benefit. Above all, you need to trust that the state is acting for the common good and that the lives of all citizens are valued equally.

In Pakistan, citizens' perceptions about the state and the efficacy of service delivery by state institutions are largely based on distrust and negative experiences. A population fragmented across class, ethnic, religious, sectarian, and other bitterly-fought divisions does not find it easy to practice social cohesion and solidarity, or to imagine how the actions of one group are inter-connected to the security and health of another. Systematic neglect of the healthcare and education infrastructure, and the undermining of scientific research and enquiry over decades, mean a diminished public appetite for reasoned debate and a skepticism towards scientific expertise. On top of that, those living in dense informal urban settlements in Karachi and other cities simply do not have the space or facilities required for self-isolating<sup>8</sup>.

However, a protracted and effective lockdown might become vital in the coming weeks and months if the number of confirmed cases and deaths in Pakistan begins to climb. Revamping the healthcare system and putting in place policies that prioritize citizens' welfare will yield results in the long-term. More immediately, the government needs a clear and coordinated public messaging campaign that spells out the risks of widespread transmission of the Coronavirus and why staying at home is a necessary public health strategy. Accurate reporting of numbers matters, while confused and conflicting

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<sup>8</sup> Karachi Urban Lab, *Why the COVID-19 Crisis is an Urban Crisis*  
<https://www.dawn.com/news/1544933>

statements by the political leadership further undermine public trust and need to stop. Enlisting the support of community networks and local-level leadership and rendering the message legible to different linguistic and ethnic groups are also important. It is urgent to provide a guaranteed basic income and enhanced social safety net for vulnerable social groups who are facing lost or diminished earnings, before we ask them to make more sacrifices for the common good.

### THE STRENGTH OF COMMUNITY TIES

There is a good amount of sociological research available on disaster preparedness, management and recovery, drawing lessons from cases as diverse as the Indian Ocean Tsunami of 2004, Hurricane Katrina in 2005, the SARS and Ebola epidemics, and recent earthquakes in many countries including Pakistan<sup>9</sup>. Whether the roots of a disaster are natural, technological or economic, it is inevitably the social and political arrangements that shape who bears the brunt of the damage, how quickly the crisis is contained or exacerbated, and what the aftermath looks like.

A key finding of this literature is that community resources and networks can make all the difference in how robust the response and recovery efforts in a disaster are. Whether it is for delivering essential supplies or information, helping in safe and reliable evacuation efforts, or providing extra attention and care to the most vulnerable members, it is those with local ties and knowledge who can move fast and effectively to assist external organizations. Similarly, public health services also rely on community participation and support as in the case of basic healthcare delivery through the Lady Health Workers program or community-supported vaccination drives for the polio eradication campaign in Pakistan.

In the current COVID-19 crisis in Pakistan, this means that we would do well to enlist the support of existing organizations that have a history of working on the ground with specific communities. This would be important for successful awareness campaigns but also for the door-to-door delivery of food rations, screening and medical aid, and other forms of targeted relief. The government needs to partner with credible and vetted community groups, NGOs, charity services, religious organizations and others for this purpose. Creating a new organizational network from scratch, such as the Prime

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<sup>9</sup> For instance, see Kathleen Tierney, *The Social Roots of Risk: Producing Disasters, Promoting Resilience*, Stanford University Press, 2014; Eric Klinenberg, *Heatwave: A Social Autopsy of Disaster in Chicago*, University of Chicago Press, 2002; and the Social Science Research Council, *Understanding Katrina* <https://items.ssrc.org/category/understanding-katrina/>

Minister's Corona Relief Tiger Force consisting of volunteers, is an experiment that we cannot afford during a time of crisis.

## GENDERED DISPARITIES

It is often women who are disproportionately affected by adverse events or a deterioration in collective well-being, and we are finding similar patterns emerging during this pandemic. The loss of jobs in the informal economy is one mechanism through which this is happening. An inability to meet daily subsistence needs of families is a source of stress for any individual in low-income groups, but for women this can also translate into reduced autonomy, respect and decision-making roles within the household. The gendered division of household labor means that, across all income groups, the additional burden of care-giving, cooking and cleaning, securing clean water, and looking after children who are no longer going to school falls mostly upon women even when they have the luxury of being able to carry out paid work from home. Familial and community support networks for assisting with childcare or emotional sustenance are also not available.

The increased risk of domestic abuse and violence is another consequence, already being reported from the United Kingdom, China, France and other countries<sup>10</sup>. Being socially isolated and forced to stay within the confines of home means women, children, young people and elderly dependents are even likelier to face emotional, verbal and physical abuse from family members who wield authority over them. Patterns of gendered relations persist even during periods of great social uncertainty and anxiety. We can catch a glimpse of this in reported incidents of harassment that Pakistani female doctors are facing while they work through this emergency<sup>11</sup>.

Policymakers, governmental and non-governmental organizations, and community groups all need to recognize the unevenly distributed impacts of the current public health and economic crisis, and to build adequate protections. This is especially true because many crises in the coming future are going to take on similar contours and we need to be prepared to deal with them, whether it is catastrophic climate changes or new diseases and threats that easily travel across borders.

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<sup>10</sup> World Health Organization, *COVID-19 and violence against women: What the health sector/system can do* <https://www.who.int/reproductivehealth/publications/emergencies/COVID-19-VAW-full-text.pdf>

<sup>11</sup> Sonia Ashraf, *Even during a pandemic, female doctors are facing harassment* <https://images.dawn.com/news/1184941>

# POLICING IN UNCERTAIN TIMES: SOME GLOBAL EXAMPLES AND LESSONS FOR PAKISTAN

*HINA KALYAL<sup>12</sup>*

On October 18, 2019, the Johns Hopkins Center for Health Security in partnership with the World Economic Forum and the Bill and Melinda Gates Foundation held a high-level exercise in New York to evaluate the global impact of a major pandemic. The results of the exercise, Event 201, were quite revealing as they highlighted the lack of global preparedness in the face of such a catastrophe. Experts were of the view that it would require the cooperation, support and creative problem solving by every country on the planet to resolve the issue. By sheer coincidence, the COVID-19 pandemic brought our lives to a grinding halt within a few months of the exercise. Unfortunately, just as the results of Event 201 had predicted, the world was indeed unprepared for such an eventuality and governments of even in the most developed nations are struggling to contain the spread of the virus.

As countries across the globe continue to declare national emergencies in the wake of COVID-19, law enforcement agencies are shifting priorities and resources in order to respond to the unprecedented and fluid state of affairs. Police agencies are now being tasked with implementing government imposed lockdowns, sometimes with the help of the military in countries like the United States, Canada, Italy, China and the United Kingdom. For the safety of their members, some police departments in US and Canada are only responding to essential calls for service and have limited their response to what they categorize as less serious incidents such as petty thefts and minor traffic violations etc. Such measures are expected to protect the officers from being exposed to the virus while preventing overcrowding of jails. However, there is a growing concern among the public and some law enforcement officials regarding the message being sent to the public about lack of oversight by the police and the potential rise in crime. To address public concerns, some police departments in the US are engaging in high-visibility patrols to alleviate public concerns regarding lack of security. Others have resorted to more

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<sup>12</sup> Dr Hina Kalyal is a faculty member at King's University College, University of Western Ontario, Canada.



creative solutions such as in Mallorca (Spain), where police have taken upon themselves the additional task of providing the much needed musical entertainment to the public during lockdown patrols.

Besides operational issues, police use of surveillance technology in dealing with the pandemic has also been a much debated topic in the past few weeks. In China, drones are being used to monitor the lockdown and to deliver live voice warnings to violators. In Chengdu city, police are using smart helmets to measure the temperature of passersby from a five-meter range, which sets off an alarm upon the detection of a fever. The use of such technology is drawing criticism from western countries over concerns regarding constant monitoring of citizens which is intrusive and a violation of privacy. Yet despite the criticism, China has received praise by the World Health Organization for its effective measures in containing the spread of the virus, which may prompt other countries to follow suit. Western nations are already reminding their citizens to brace themselves for extraordinary measures during uncertain times and under the current rapidly changing scenario, the possible use of controversial surveillance technologies like Clearview AI remains to be seen. Clearview AI matches uploaded pictures of individuals with a database of pictures extracted from social media without consent and could be utilized to identify a person who has been in contact with an infected individual.

For Pakistan the pandemic is a further addition to the woes of our poverty stricken, terror-ravaged nation. For our police in particular, which is already stretched thin in terms of resources, dealing with COVID-19 will be an uphill battle to say the least. With an alarming number of individuals testing positive on a daily basis, the government has imposed Section 144 in various regions to prevent the unnecessary movement of citizens in an effort to control the spread of the virus. As our law enforcement personnel impose lockdowns and take action against the violators, the government must recognize that long term strategic planning is required in ensuring that the police agencies are provided with the necessary resources to perform their duty more effectively. It is imperative that our law enforcement officials be provided special training and personal protective equipment and supplies such as masks, face shields, gloves and hand sanitizers etc., to prevent the likelihood of contracting the virus. In order to deal with the issue of short-staffing, police training academies in Pakistan could accelerate their courses to provide the required reinforcements. Initiatives such as the use of an application to track the movement of individuals by Sind Police is a good example of employing home-grown technology and could be emulated by other provinces.

Being a police researcher, I hold our Pakistani law enforcement officials in high regard for their service to the nation in the meager financial and human resources available to them. The government must mobilize state machinery and divert the necessary resources to support our police in their efforts to contain the virus. In China, while police agencies imposed lockdowns, teams of epidemiologists worked round the clock to test and isolate those who required medical attention. While our resources may not permit such extensive support, we must try to work effectively with what is available. The police could be instrumental in raising public awareness regarding COVID-19 instead of using heavy handed measures like beating and humiliating those violating lockdowns. Such behavior would further erode public confidence in police at a time when the entire nation must make a concerted effort to face a grim situation which has no clear end in sight.

# COVID-19 AND POSSIBLE REPERCUSSIONS FOR DROPOUT RATES

ZEHRA AFTAB<sup>13</sup>

As we are all aware, Pakistan is a fragmented society with fissures running across class, ethnicity, and gender. Amid this stratification, social mobility is hard to achieve and the poor and quasi-poor remain vulnerable to external shocks. These schisms are also reflected in a fractured educational culture, separated along class lines: there are four distinct *schooling* streams, with the higher income classes occupying the elite English medium schools, the middle and lower middle class students attend public schools or the non-elite private schools, while the poorest of the poor end up in madrassas. Some critics feel that this hierarchical education system rather than acting as a facilitator for social mobility further perpetuates this inequality.

While the COVID-19 virus itself does not distinguish between color, caste, creed, or even gender, the response to the virus reflects these fault lines. Although at the moment policy-makers, doctors, and economists are trying to come to grips with emerging cases and are preoccupied with taking immediate actions to contain this pandemic, I want to step back and consider its potential impact on Pakistani students.

In the wake of the lockdown, all schools are closed until further notice, and Board examinations (Matric, Intermediate, GCSE) postponed. While elite English-medium schools are preparing for virtual school and some of them are also handing out Chrome-books to their students, public sector and low-income private sector schools have no plans in place for virtual home-schooling. Higher Education Commission (HEC) has instructed public sector universities to prepare online lectures to mitigate any disruption in the provision of education while schools/colleges have no policies in place as yet. Even if in the near future low-income public/private schools are able to mobilize their teachers to introduce online lectures, students are expected to have access to Internet connectivity and a computer to be able to retrieve the information. One option might be cellular phones: Although according to the 2018-19 Economic Survey, 89 percent of the total population have access to cellular mobile services, Data connectivity remains a problem for many and furthermore, all households may not own a smartphone.

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<sup>13</sup> Zehra Aftab is affiliated with American University, Washington DC, USA.

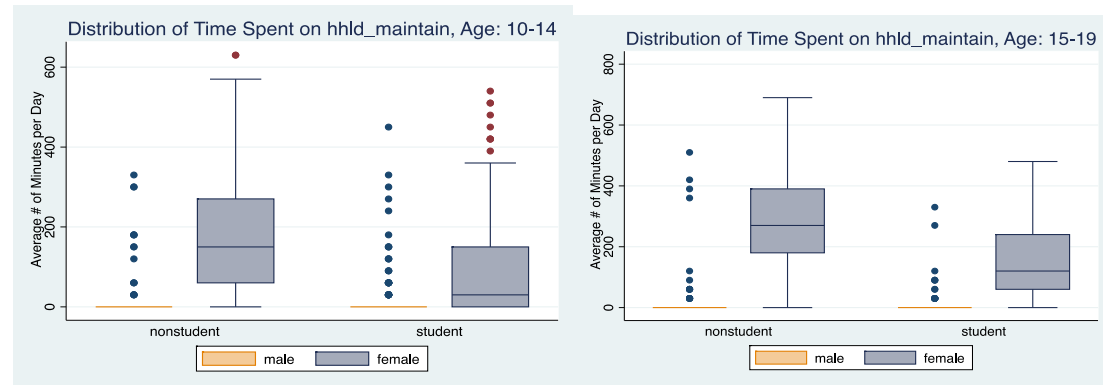
Moreover, virtual schooling may be a viable option for older children, who can follow slideshows and online lectures, though how much they assimilate, is a separate pedagogical question. Younger primary/middle-school students require monitoring and guidance from parents while they follow virtual school and try to complete the tasks assigned by their teachers; but many of these are first-generation students and for them guidance at home may not be readily available: these students may require extra hand-holding which the State may be able to provide through public service educational broadcast on Radio and Television (TV). Perhaps the government should instruct PEMRA to assign at least one (if not a few) TV channels to air educational material for students and for older students, request distinguished lecturers to record key-note lectures and make them available publicly

Pakistan has made significant improvements in its gross enrollment ratio (from GER of 86% for primary education (classes 1 to 5) in 2013 as compared to 97% GER for primary level schooling in 2017), retention rate at 67 percent is still low and strong disparities in terms of gender, class, and location exist (Pakistan Education Statistics, 2017). There are currently 5 million children of primary school age out of school. At the middle, high and higher secondary level, the out of school children are 6.5 million, 5 million and 6.3 million respectively (Pakistan Education Survey, 2017). Once a child drops out of school she hardly ever goes back to formal education. And I fear that as students sit at home in the wake of the pandemic their momentum to study and the structure that schooling offers to their daily routine will be severed; especially our girls might fall back into their gendered roles of household maintenance, and other care work and may never be able to go back to the gender neutral task of learning.

Initial investigation of time-use data shows that school enrollment makes the lives of girls and boys more similar than if they never make it to school or drop out. For Pakistan there exists strong evidence of gender differentiated patterns of time use, with associated gender asymmetry in work burdens (PTUS 2007 survey report). School enrollment attenuates this gender asymmetry. School not only provides an important site of socialization away from one's own dwelling, and provides an opportunity for children to become more autonomous it also changes the composition of activities performed by boys and girls at home even on weekends when the structure of the school itself is not present, with female students spending less time on household maintenance activities than their counterparts not enrolled in school (see figure 1). However, time spent on household maintenance increases with age for both female students and nonstudents. We

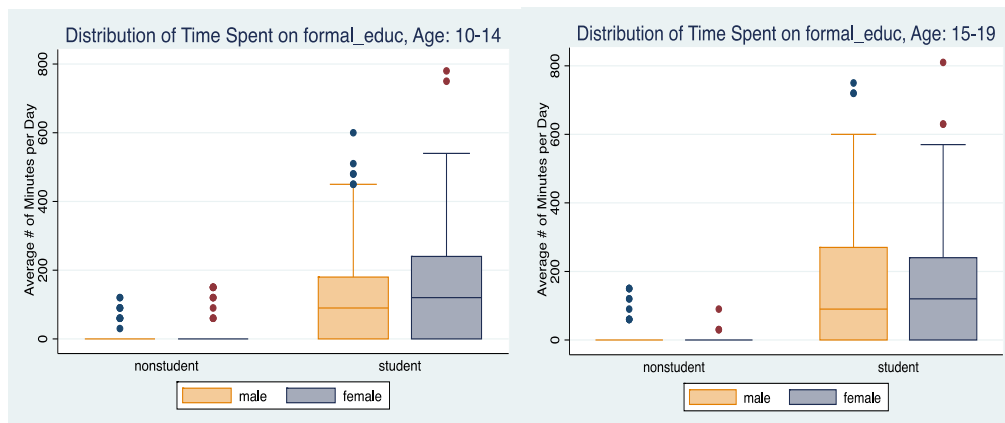
observe that in a patriarchal society like Pakistan only girls do housework and boys, irrespective of their enrollment status, do not contribute to this task. In contrast, boys spend more time in the labor market than girls.

**Figure 1: Time Spent by Boys and Girls on Household Maintenance by Enrollment Status**



Source: Pakistan Time Use Survey 2007. Author's estimates

**Figure 2: Time Spent by Boys and Girls on Formal Education**



Source: Pakistan Time Use Survey 2007. Author's estimates

Moreover, even on weekends students spend time on learning. Female students belonging to age-group 10 to 14 years, spend a higher number of hours on learning on weekends than boys do, however, for the next age group (15 to 19 years) this relationship is reversed.<sup>14</sup> It is this age-group of adolescent girls that remains particularly vulnerable to

<sup>14</sup> We specifically use boxplots, which take outliers into account. The shaded area of the respective boxplots contains the interquartile range (IQR); about 50% of girls of both age-groups spend between 0 to 3 and a half hours studying per day, with a median of 1.75 hours. In contrast, the IQR for the boys shows that for the age-group 10-14 years, 50% boys spend 0 to 3 hours per day studying, while for the age group 15-19, the IQR is 0 to 4 hours per day, but note that the median is much lower at 1 and a half hours.

external shocks. As we can see, with age the tradeoff between care-work and learning is diminishing, and as schools close down and these girls are cooped up in their own dwellings they might get preoccupied with their traditional role of care-giver and in the long-run may not be able to return to school/college. This group remains the most at risk to drop out of school. We can of course hope that the opposite occurs in a lockdown situation with boys spending more time in their own dwelling, and other helpers (such as extended family or domestic-care workers) unable to visit, the males of the household start performing more unpaid care-work. How the intrahousehold division of labor actually unfolds in the coming weeks is a moot point, but we want the government to remain cognizant of the risk this poses in terms of retention rate and devise policies to ease our children's journey back to school.

Of course, as a precautionary measure the government has no choice but to close schools and enforce lockdown, however, it is pertinent to pause and reflect on possible repercussions of this action as it is not easy to turn back the clock. To be in the physical presence of the teacher in a classroom environment is a different experience than attending online lectures at home. We need to address pedagogical issues in terms of the quality of knowledge transferred and should look at existing models such Khan Academy and other educational apps for guidance. A lot of material is available online, and teachers do not have to reinvent the wheel. Again, as mentioned above, in terms of accessing online resources, first-generation students may require extra support. I, finally, want to conclude on a positive note, by emphasizing that in this chaos lies opportunity: and as long as we are cognizant of the risks and stand together to ensure that the provision of education continues uninterrupted despite lockdown, we can emerge out of this pandemic a stronger and better informed nation.

# COVID-19 AND COMMERCIAL CONTRACTS: A PRIMER FOR PAKISTANI BUSINESSES

MORIAL SHAH, ESQ.<sup>15</sup>

## INTRODUCTION

Globally, the spread of COVID-19 is causing shutdowns and delays. With several countries and nearly all Pakistani provinces under virtual lockdown, businesses may be concerned about COVID-19's impact on their commercial contracts. Contracts generally create obligations that must be performed. But in times of COVID-19, contract parties may find it hard to perform their obligations. Contracts related to the shipping, transportation, construction, tourism, textiles, chemicals, automobiles, energy, as well as those in other industrial sectors may be impacted. Certain regular rent contracts may also be adversely affected.<sup>16</sup> Some international law firms are also raising concerns about the performance of Belt and Road Projects.<sup>17</sup> In the midst of general uncertainty about COVID-19's impact on business, it is important to examine options available to contract parties.

This note is a shorter version of an academic paper. It briefly provides a broad overview of options in light of general contractual principles. Generally, parties concerned about affected contracts should develop coherent strategies for risk management with their legal teams. Specifically, they may want to explore whether they can rely on a ***force majeure*** clause or impossibility and frustration. In doing so, they should account for dispute resolution considerations. For current and future contractual negotiations, they may wish to draft specific clauses responding to COVID-19 disruptions. Separately, they may analyze insurance implications for their business interruptions. Insurance matters are

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<sup>15</sup> Morial Shah is an Assistant Professor at IBA Karachi. She is also a licensed attorney in New York State. This article was prepared for IBA's e-book on COVID-19's impact. It includes academic commentary on available business strategies. This note does not constitute legal advice.

<sup>16</sup> April F. Condon et al, *COVID-19 Impact on Commercial Real Estate*, DAY PITNEY ADVISORY, (March 26, 2020), <https://www.daypitney.com/insights/publications/2020/03/26-covid19-impact-on-commercial-real-estate>

<sup>17</sup> Mun Yeow and Jon Howes, *COVID-19 Projects & Construction: Belt & Road Legal Issues*, CLYDE & CO, (Feb. 2020), <https://www.clydeco.com/insight/article/the-legal-ramifications-of-the-novel-coronavirus-and-their-effect-on-chinas>

beyond the scope of this note. The rest of this primer explores issues relevant to contract parties.

#### *(A) HAS COVID-19 IMPACTED YOUR CONTRACT?*

Parties should determine whether their contracts are adversely affected by COVID-19 and associated lockdowns. Specifically, they should examine whether performance has become (i) harder and more expensive or (ii) impossible or unlawful to perform because of COVID-19 or associated curfews and lockdowns.

Contract law generally helps with (ii). Parties may rely on contractual *force majeure* (supervening force) clauses to the extent applicable. These clauses shield parties from liability for non-performance. They typically suspend parties' obligation to perform for some time. In some cases, they may also provide options for terminating contracts. For contracts governed under Pakistani law, parties whose contracts have no *force majeure* clauses or inadequate ones may also rely on Section 56 impossibility (and frustration) under Pakistan's Contract Act of 1872.<sup>18</sup>

For (i), broader options available to parties may be more limited. Some contracts may have price renegotiation, time extension or other change in circumstances clauses. These clauses are relatively rare in common law jurisdictions since agreements to agree are generally frowned upon.<sup>19</sup> Where they exist, parties may rely on them to the extent applicable.

#### *(B) CAN YOU RELY ON A FORCE MAJEURE CLAUSE?*

Parties should carefully consider whether they have, at minimum, a (i) a *force majeure* event as defined by the *force majeure* clause in their contract and (ii) causation, that is, a causal link between the *force majeure* event and their inability to perform. *Force majeure* clauses may require that parties mitigate the impact of the *force majeure* event to the degree possible.

Whether COVID-19 counts as a *force majeure* event depends on the drafting of the *force majeure* clause in question. Some contracts exhaustively list out *force majeure* events. Other contracts are non-exhaustive. Generally, some reference to an epidemic, pandemic, disease, or quarantine, would improve a party's prospects of relying on a *force majeure* clause. More broadly, reference to general terms such as "act of God" or "emergency" in *force majeure* clauses may also help to some degree, depending on context.

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<sup>18</sup> Section 56, Contract Act of 1872

<sup>19</sup> *Covid-19 Crisis: Force Majeure and Impact on Contracts From an English Law Perspective*, WINSTON & STRAWN LLP, March 25, 2020, <https://www.winston.com/en/thought-leadership/covid-19-crisis-force-majeure-and-impact-on-contracts-from-an-english-law-perspective.html>



For instance, COVID-19 would probably count as an “act of God,” but government measures causing lockdowns or curfews may not.<sup>20</sup>

In performing their assessment, parties should consider procedural requirements associated with their *force majeure* clause. Many *force majeure* clauses have a notice requirement. Parties relying on *force majeure* clauses should comply with notice requirements.

Parties should also consider whether their *force majeure* clause requires resumption of contractual obligations once the *force majeure* event ends.<sup>21</sup> Some clauses also provide parties the chance to renegotiate some terms or the option to terminate the contract if the *force majeure* event persists for a certain period.<sup>22</sup> Accordingly, depending on the language of their contracts, parties should plan to resume their contractual obligations or prepare for their contract’s termination.

#### *(B) WHAT IS THE GOVERNING LAW OF YOUR CONTRACT?*

Many commercial contracts have a governing law clause that determines which country or state’s law applies. It is uncommon for commercial parties to omit such clauses. Where such clauses are omitted, complex rules for determining governing law apply.<sup>23</sup>

Generally, contract parties prefer consistency between their governing law and jurisdiction clauses. So, where they want English Courts to resolve disputes under their jurisdiction clauses, they also choose English Law as the governing law. Arbitration clauses are special kinds of jurisdiction clauses.<sup>24</sup> Many Pakistani business parties may be engaged in contracts governed under the laws of New York State or England and Wales. Determining governing law helps establish redress options for COVID-19 affected

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<sup>20</sup> Peter Mulligan et al, *Managing Contractual Obligations and Negotiations during Covid-19 Pandemic*, NORTON ROSE FULBRIGHT, (March 2020), <https://www.nortonrosefulbright.com/en/knowledge/publications/7e52b826/managing-contractual-obligations-and-negotiations-during-the-covid-19-pandemic#autofootnote5>

<sup>21</sup> Kshama Loya Modani & Vyapak Desai, *Impact of COVID-19 on Contracts: Indian Law Essentials*, NISHITH DESAI & ASSOCIATES, (March 23, 2020), <http://www.nishithdesai.com/information/news-storage/news-details/article/impact-of-covid-2019-on-contracts-indian-law-essentials-1.html>

<sup>22</sup> *Id.*

<sup>23</sup> *Governing Law Clauses*, ASHURST LLP, (Feb. 12, 2020), <https://www.ashurst.com/en/news-and-insights/legal-updates/governing-law-clauses/>

<sup>24</sup> David Waldron, Timothy Cooke and David Levy, *Drafting Effective Jurisdiction Clauses*, MORGAN, LEWIS & BOCKIUS LLP, April 21, 2016, <https://www.morganlewis.com/-/media/files/publication/presentation/webinar/ma-academy-drafting-effective-jurisdiction-clauses-21april16.ashx?la=en&hash=4D18A81549F7907747E4812196EB8C83789CB7D4>

contracts, particularly where those contracts lack *force majeure* clauses and parties wish to rely on statutory law or common law principles.

*(C) SHOULD YOU RELY ON IMPOSSIBILITY OR FRUSTRATION?*

For contracts governed by Pakistani law, Section 56 of Pakistan's Contract Act of 1872 operates to render impossible contracts void. Where contracts lack *force majeure* clauses or where those clauses do not cover diseases, epidemics, pandemics or related government measures, Section 56 impossibility or frustration may help.

But what is impossibility? Our law generally operates within the broader context of the common law's doctrine on frustration. In their assessment of impossibility under Section 56, our courts may construe impossibility not as physical impossibility, but as impracticability.<sup>25</sup> Frustration features as a component within the larger doctrine of supervening impossibility.<sup>26</sup> English case law on frustration is persuasive, but not binding. Unlike *force majeure* clauses that parties may invoke to temporarily excuse performance, Section 56 operates to make contracts void. Under Section 56, an agreement to do an impossible act is void.<sup>27</sup> Further, a contract to do an act that becomes impossible or unlawful after parties enter into the contract is also void.<sup>28</sup>

To illustrate: In a case concerning the transportation of oilseeds, a defendant had contracted to deliver oilseeds to the plaintiff.<sup>29</sup> But the defendant was unable to deliver oilseeds because a District Magistrate in Tharparkar passed an order, under Section 144 of the Code of Criminal Procedure of 1898, outlawing the transportation of oilseeds out of Tharparkar for one month. Pakistan's Supreme Court found that the defendant was no longer obliged to deliver the oilseeds.<sup>30</sup> It was impossible and unlawful for the defendant to perform that contract per Section 56. Accordingly, the plaintiff received no compensatory damages for the defendant's failure to deliver oilseeds.<sup>31</sup> In the context of COVID-19, similar orders may hinder the performance of several Pakistani contracts.

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<sup>25</sup> *Samina Iltifat & Others v. Pakistan, through Ministry of Health & Others* 1989 MLD 3429, Karachi-High Court Sindh

<sup>26</sup> *Messrs. Mansukhdas Bodrum v. Hussain Brothers Ltd.* PLD 1980 SC 122 at 132, *Messrs. Jaffer Brothers v. Islamic Republic of Pakistan* PLD 1978 Karachi 585 at 590, where Supreme Court of Pakistan and Sindh High Court interpreted Section 56, propounding on the doctrine of frustration

<sup>27</sup> Section 56, Contract Act of 1872

<sup>28</sup> *Id.*

<sup>29</sup> *Dada Ltd v. Abdul Sattar & Co* 1968 PLD Karachi 136

<sup>30</sup> 1984 SCMR 77 Supreme Court. TAYMOOR SOOMRO, *THE CONTRACT LAW OF PAKISTAN*, 226 (2014)

<sup>31</sup> *Id.*

Would impacted contracts be considered void under Section 56? Possibly. Parties and their legal teams would have to perform a case-by-case analysis.

For performance that has become harder or more expensive, parties may find it difficult to show impossibility or frustration under Section 56. We assume that contract parties take general risks associated with changes in price and market conditions so impossibility and frustration may also be of limited general help. For instance, in *Kadir Bakhsb & Sons v. Province of Sindh*, a Sindh High Court case concerning a lease of toll tax collection, the plaintiff, a lessee, claimed that his lease contract with the defendant was partially frustrated.<sup>32</sup> The plaintiff collected toll tax between Karachi and Hyderabad on lease from the defendant. For some time, traffic was suspended on that route because of civil unrest. The plaintiff sued for the partial frustration of the lease contract, demanding a refund of lease money for that period. The court held that there was no frustration since their lease contract specifically anticipated fluctuations in traffic, stating that frustration applies only when “something which is unanticipated happens.”<sup>33</sup> What of toll tax collection leases in times of COVID-19, when highway traffic is minimal? Courts’ findings would depend on the drafting of the contracts and construction of any relevant government orders, among other factors.

*(D) INCORRECTLY CLAIMING FORCE MAJEURE OR IMPOSSIBILITY:*

Claiming *force majeure* incorrectly or failing in a suit for impossibility carries its own set of risks. Incorrectly invoking a *force majeure* clause and not performing contractual obligations may afford a counterparty the ability to successfully claim for breach and damages. Doing so may also carry reputational costs and damage commercial relationships. For regulated sectors, *force majeure* declarations or their absence may impact regulators’ risk assessments.<sup>34</sup>

Parties with unfavorable contracts may use COVID-19 as an excuse to avoid their obligations. Reputational and legal costs associated with frivolous or bad faith use of *force majeure* or Section 56 may deter them. Nonetheless, if parties fear unscrupulous behavior from counterparties in this context, they should seek specific legal advice.

*(E) POTENTIAL REMEDIES:*

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<sup>32</sup>1988 CLC 171 Karachi. See also Taymoor Soomro, *supra* note 22, 225

<sup>33</sup> *Id.*

<sup>34</sup> Peter Mulligan et al, *supra* note 6

*Force majeure* clauses typically allow suspension of contractual obligations for the duration of the *force majeure* event. Some such clauses may also provide for the discharge or termination of contracts under certain conditions.

Where Section 56 impossibility or frustration is engaged, Section 65 of Pakistan's Contract Act of 1872 governs relief. Where performance becomes impossible, parties must restore or compensate for any advantage received under the contract.<sup>35</sup> Depending on the construction of the contract, parties may have to return any advance sum received, but not a security deposit which parties were meant to forfeit.<sup>36</sup> Interest may be payable on money returned.<sup>37</sup> The application of Section 65 restitution is context sensitive.

#### *(F) CONSIDERATIONS FOR INTERNATIONAL CONTRACTS*

Separately, Pakistani businesses should be alert to the possibility of North American, European, Middle Eastern, Chinese, South East Asian or other contract counterparties claiming *force majeure*. Since many businesses in China closed before their counterparts in Europe and North America, available literature focuses on the effects of that closure. Although China has returned to business, the China Council for the Promotion of International Trade (CCPIT) has issued *force majeure* certificates to many Chinese companies. By early March, CCPIT had issued 4811 *force majeure* certificates to Chinese companies in over 30 sectors, covering contracts worth over US \$ 53.79 billion.<sup>38</sup> The precise effect of these certificates is moot. For contracts governed under Chinese law and resolved before courts in China, such certificates may prove helpful, but parties relying on them will also have to satisfy other *force majeure* requirements including those related to notice.

Internationally, the impact of these certificates may be more limited.<sup>39</sup> Many international business contracts involving Chinese and other foreign contract parties are governed by

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<sup>35</sup> Section 65, Contract Act of 1872

<sup>36</sup> Taymoor Soomro, *supra* note 22, 290

<sup>37</sup> *Id.*, 291

<sup>38</sup> Hueleng Tang, *China Invokes Force Majeure to Protect Businesses But Companies May Be in for a Rude Awakening*, CNBC, (March 6, 2020), <https://www.cnbc.com/2020/03/06/coronavirus-impact-china-invokes-force-majeure-to-protect-businesses.html>

<sup>39</sup> Hueleng Tang, *supra* note 24

English Law.<sup>40</sup> For *force majeure* claims determined according to English Law, parties will have to satisfy usual requirements related to triggering events and causality.<sup>41</sup>

In some sectors, the effect of *force majeure* declarations is already apparent. In the liquefied natural gas (LNG) sector, the China National Offshore Oil Corporation that operates several LNG import terminals in China, has invoked *force majeure* clauses in multiple long-term contracts with overseas suppliers.<sup>42</sup> With lockdowns taking place globally, we may witness disruptions in production, delivery and payment for this sector as well as others. Pakistani companies may also either declare *force majeure* or suffer its consequences. Accordingly, Pakistani contract parties, especially those involved in international business transactions, should assess and plan for contingencies related to *force majeure* clauses.

#### *(G) RENEGOTIATION AND DISPUTE RESOLUTION*

For contracts that have *force majeure* clauses, a party's refusal to accept another party's invocation of a *force majeure* clause would usually be the formal starting point for dispute resolution. Initially, parties should seek to negotiate their dispute. Failing that, they should attempt mediation or arbitration before proceeding to court. Depending on the contract, arbitration or mediation may be required in some cases.

Since Pakistani courts are closed for non-essential cases and are expected to have a backlog on reopening, parties should first seek to amicably resolve disputes through alternate dispute resolution methods to save time and costs.

Independent of a dispute, parties should attempt to communicate with their counter-parties if they anticipate difficulties in performing their contractual obligations. Some *force majeure* clauses may open doors for renegotiation related to the resumption of contractual obligations. If a contract leaves that door open, parties may want to attempt good faith renegotiations.

#### *(H) NEGOTIATING NEW CONTRACTS IN TIMES OF COVID-19:*

Parties entering into new contracts at this time may find it harder to rely on statutory impossibility and frustration for upcoming COVID-19 related disruptions. Section 56 generally applies to unanticipated events. For parties entering into contracts over the

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<sup>40</sup> *Id.*

<sup>41</sup> *Id.*

<sup>42</sup>Jan Wolfe, *Explainer: Companies consider force majeure as coronavirus spreads*, REUTERS (Feb. 10, 2020), available at <https://www.reuters.com/article/us-china-health-legal-explainer-idUSKBN205059>. Wade Coriell et al, *Coronavirus and Force Majeure Declarations*, LEXOLOGY, (March 13, 2020), <https://www.lexology.com/library/detail.aspx?g=fdd68e43-f688-47b7-b63e-129bf428abd6>

coming weeks and months, COVID-19 disruptions may no longer be unanticipated or unforeseen.

Similarly, while negotiating *force majeure* clauses for upcoming contracts, parties should remember that a clause requiring an ‘unforeseen’ *force majeure* event may not help with upcoming COVID-19 disruptions. Since parties already know about COVID-19 and its effects on business, continued COVID-19 disruptions, particularly those related to resumption of lockdown measures already in force, may not be entirely ‘unforeseen.’

While it is difficult to make general *force majeure* clause drafting recommendations, parties should consider some risk reduction and allocation options. Current data suggests that only 14 percent of international commercial contracts involving a Chinese commercial party have *force majeure* definitions that include pandemic, flu, epidemic, plagues, diseases or emergencies.<sup>43</sup> At minimum, those engaging in negotiations now should include those terms in their *force majeure* clauses.

Parties should also consider including a few clauses to carefully assume and allocate risk for continued and future disruptions. Their options include using flexible switch-on, switch off clauses that switch on when COVID-19 conditions improve, but switch off when COVID-19 resurges.<sup>44</sup> Mainly, parties should expressly allocate risks for closures and delays. Agreeing on obligations and loss allocation in advance can help prevent costly dispute resolution in the future.<sup>45</sup>

## CONCLUSION

Commenting on implied terms, uncertain events and frustration of contracts, Lord Sands observed,

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<sup>43</sup> *Growing Concern: What We Learned From Looking At What Chinese Contracts Say About Force Majeure*, KIRA SYSTEMS (2020), <https://kirasystems.com/files/guides-studies/KiraSystems-Deal-Points-Force-Majeure-Coronavirus.pdf>, overall sample data included 130 commercial contracts involving at least one Chinese entity, filed on EDGAR between February 2018 and February 2020, analyzed by Kira. Of 130 contracts, 94 had *force majeure* clauses. US SEC runs EDGAR. Certain foreign and domestic companies are required file certain documents on EDGAR.

<sup>44</sup> Peter Mulligan et al, *Managing Contractual Obligations and Negotiations during Covid-19 Pandemic*, NORTON ROSE FULBRIGHT (March 2020), <https://www.nortonrosefulbright.com/en/knowledge/publications/7e52b826/managing-contractual-obligations-and-negotiations-during-the-covid-19-pandemic#autofootnote5>

<sup>45</sup> Laura A. Stoll et al, *The Implications of Corona Virus (COVID-19) on Contractual Performance and Negotiations*, GOODWIN LAW, (March 16, 2020), [https://www.goodwinlaw.com/publications/2020/03/03\\_16-implications-of-covid19-on-negotiations](https://www.goodwinlaw.com/publications/2020/03/03_16-implications-of-covid19-on-negotiations)

“A tiger has escaped from a travelling menagerie. The milkgirl fails to deliver the milk. Possibly the milkman may be exonerated from any breach of contract; but, even so, it would seem hardly reasonable to base that exoneration on the ground that ‘tiger days excepted’ must be held as if written into the milk contract.”<sup>46</sup>

COVID-19 is causing far more damage than Lord Sands’ tiger on the loose. It has introduced general commercial uncertainty. Contract law is not exempt from that uncertainty.

Upcoming challenges for courts and dispute resolution bodies will involve determining the balance between requiring parties to perform their contractual obligations and allowing them to avoid those obligations. In the context of frustration and impossibility, the age-old contest between *pacta sunt servanda* (promises must be kept) and *non haec in foedera veni* (it was not this that I promised to do) is likely to persist.

Generally, parties should review their existing contracts, evaluate their options and seek specialized legal advice. They should also factor constraints related to COVID-19 in their current and future contract negotiations.

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<sup>46</sup> *James Scott & Sons v. McNeil Del Sel* 1922 SC 592 (IH) 596.

# COVID-19 THROUGH THE GENDER LENS

*SIDRAT ASIM<sup>47</sup>*

While COVID-19 continues to ravage through the globe without discrimination, policymakers in Pakistan have yet to address the gendered nature of the pandemic. Governments need to be cognizant of how the global pandemic is expected to disproportionately affect certain groups more than others such as women and girls, especially in the developing world. By looking at the pandemic through the gender lens, this article highlights the specific risks and vulnerabilities girls and women in Pakistan face because of deep-rooted inequalities and traditional gender roles.

Emerging evidence suggests more men than women have contracted the disease in Pakistan. The infected population is comprised of 64 percent men and 36 percent women. However, secondary effects of the pandemic may be much more pronounced for women than men, especially in a developing country like Pakistan. Even though there is limited gender disaggregated data available, this article will attempt to draw attention to how women may be more vulnerable to the measures taken to contain the spread of COVID-19.

It is feared that social distancing, quarantines, and the closure of businesses will have enormous socio-economic consequences for women, some of which are highlighted below.

**Female domestic workers:** According to International Labor Organization (ILO) estimates, there are 8.5 million domestic workers in Pakistan and one of the biggest sources of employment in the informal economy, a majority of whom are women and children. Many domestic workers will be laid off as lockdowns are extended across the country. Compared with men, women are more likely to be casual workers without sick leave/isolation leave work entitlements. If the social distancing measures are extended, these domestic workers may not be paid for the coming months.

**The burden of care and household tasks:** Women and girls already do most of the world's unpaid care work. Women who depend on domestic help will also find

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themselves bearing much of the burden of housework too. Women are also at a greater risk of exposure to COVID-19 due to their traditional role as caregivers for sick family members. At an individual and household level, men and women need to share the caring work involved in surviving the Covid-19 pandemic. This could be facilitated with improved government communications and risk mitigation strategies which actively target this issue.

**Loss of income for home-based female entrepreneurs:** With social distancing measures shutting down businesses, home-based women entrepreneurs at risk of losing their livelihoods may go unnoticed. For example, a number of women supplemented the household income by providing home cooked food to businesses and offices. With businesses closed and delivery services halted, these women are struggling to meet their household needs.

**Female Health-workers:** Women comprise the majority of health care workers are on the front lines of the fight against COVID-19. 67% of the global health workforce is female, according to a 2019 study<sup>48</sup>. According to Pakistan Bureau of Statistics, there were 108,474 nurses, 40,272 midwives and 19,910 lady health visitors in Pakistan in 2018<sup>49</sup>. While gender disaggregation is not available, it is assumed that these are predominantly women.

**School closures:** Even before social distancing was introduced, women, especially working women, found themselves in a dire situation as schools across the province of Sindh closed down. As responsibility for childcare also fall on women, many had to stay at home from work to care for out of school children. Women in essential jobs, especially those in healthcare, still have to choose between staying at home to care for young children or serve the sick. Looking after children also makes it difficult to continue to be productive on their work from home jobs.

**Risk of increase in domestic violence:** Women and children in self-isolation or in quarantine are also vulnerable to domestic violence. Not all homes are safe, and enforced periods of isolation in the home will put many women at risk. Domestic violence is an indirect impact of coronavirus and more likely in stressed and at risk households.

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<sup>48</sup> <https://apps.who.int/iris/bitstream/handle/10665/311314/WHO-HIS-HWF-Gender-WP1-2019.1-eng.pdf?sequence=1&isAllowed=y>

<sup>49</sup> <http://www.pbs.gov.pk/sites/default/files//tables/Health%20Institutions%2C%20Beds%20and%20Personnel%20%28Progressive%29.pdf>

To ensure that measures taken to mitigate the COVID-19 outbreak do not perpetuate gender and health inequities, it is important that it is recognized that there is a difference of how each gender is impacted, both directly and indirectly, and gender sensitive measures incorporated in the policy rhetoric. To mitigate disproportionate gendered impacts, it is also important that economic incentives during and post-crisis are not focused only on some sectors of the economy – for instance, construction, which largely employ men compared with the informal sector, which largely employ women. There is also a need to collect gender- and age-disaggregated data for the pandemic to improve our understanding of the gender specific risks and improve our preparedness for other national disasters.

# MULTI-SECTORAL IMPACTS OF COVID-19 OUTBREAK IN PAKISTAN

*HAMID HUSSAIN<sup>50</sup>*

The proliferation in superbugs infections have catalyzed developments in global health protection (UNDG,2020). Like other part of the world, Pakistan public health sector seeks to reinforce national structures to deter the transmission of disease globally, regulatory bodies gradually understand that biological risks not only have environmental health implications but have wide-ranging socio-economic disruptions. This calls for a more detailed economic analyses which should include a multi-sector translational view of disease costs beyond conventional human health-centric frameworks that only address instances of illness, direct care spending, and activities and services in public health.

Health is the foundation of a healthy, prosperous community, while anxiety and disease will disrupt development, consumption, leisure, travel and general well-being. Although non-health industries are frequently seen in the light of negative externalities in causing disease events, the possible impacts they experience from disease events support their contribution to seeking multi-sectoral approaches to reduce and mitigate disease risks.

The growth in Pakistan's Gross Domestic Product (GDP) is expected to drop from 3.2% to 2.4% due to COVID-19 outbreak, and growth in World's GDP drop expected to around 3.1% to 2.8%. Likewise, G20 developed and emerging countries 's GDP growth in 2020, was projected at 1.9% and 4.8% respectively, however after the COVID-19 break it will expected to drop to 1.3% and 3.7% (OECD economic outlook, 2020)<sup>51</sup>.

As result of all this, government revenues in all countries are also expected to decrease across the board, including direct income taxation, VAT collections, and indirect taxes; in addition, decreasing trust among private and international investors contributed to increase in the gap of funding deficits.

These impacts spread through all industries and will have long-term repercussions, including ramifications for wellbeing and life, as well as general industry stability due to a loss of worker capability during illness, and markets are developing to insure against the threat of losses due to the pandemic. Both private sector participation, as well as public

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<sup>51</sup> OECD Economic Outlook database.

agencies outside the health sector, remain constrained in overall preparation and response to the pandemic crisis.

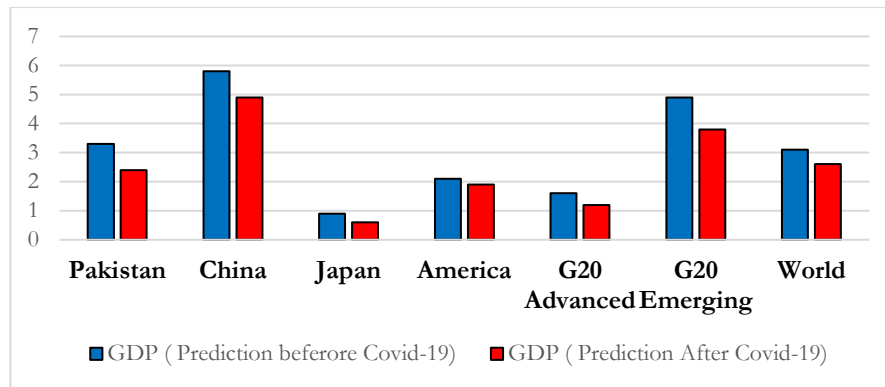


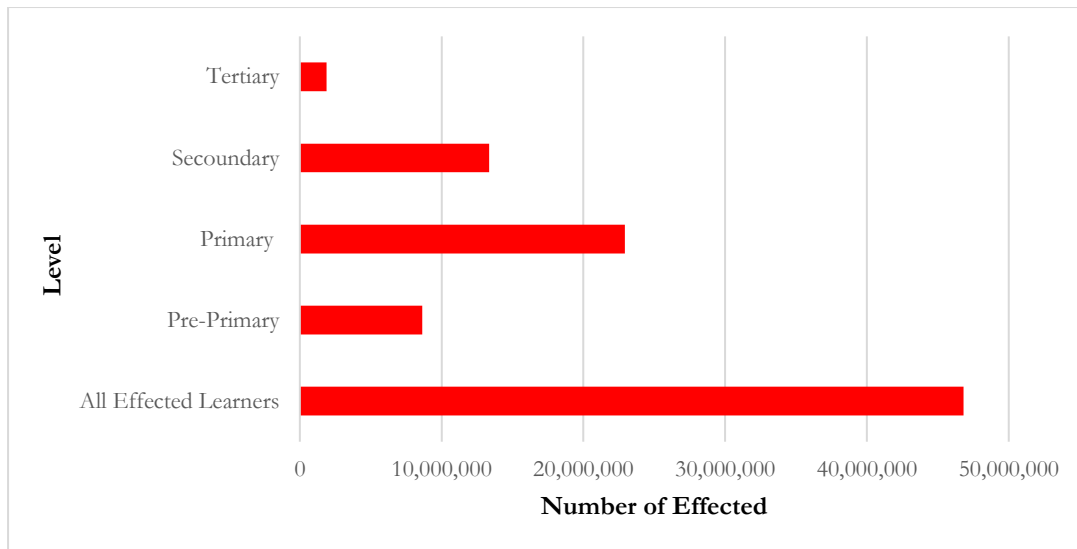
Figure 11: Effects of COVID-19 on Global GDP Growth

### Health Sector:

The effects of viral disease incidents on the health system are also the simplest for retroactive assessment. Nonetheless, projections may be elusive with new or re-emerging viral diseases with unexpected clinical effects, so expense forecasts are still restricted to short-term treatment costs, environmental risk, or mortality. For example, COVID-19 infections are unlikely to result in substantial stress, the presence of disease in all age segment of the society especially which are more severe in older ages may have comprehensive impacts. Not only are direct medical expenditures anticipated to escalate during viral diseases, but also post direct and indirect costs-particularly in view of the long-term comprehensive treatment implied for such patient will be significant. The direct treatment expenses associated with Covid-19 hospitalization could be ranged from under 20,000 to over 50,000. So far, the 2019–2020 COVID-19 crisis in Pakistan resulted suspected cases in thousands, 2670 confirmed cases and 40 deaths (Dawn).

### Education Sector:

Government of Pakistan has temporarily closed educational institutions in an attempt to contain the spread of the pandemic. Million of learners are out of schools, college or universities. Drop-out levels are expected to increase as a consequence of this major change because it will force a number of low-cost schools to shut down permanently. As a result of this many of the students to get enrolled at public educational institutions, which are already overcrowded and lack basic facilities to serve the pupils already there.



*Figure 12: COVID-19 Impact on Education*

### **TOURISM AND TRAVEL:**

Coronavirus sparked a chaos throughout the world, which is expected to affect Pakistan's travel industry as well. Travel trends have dropped by 60-70% in Pakistan due to the fear of coronavirus (Pakistan tourism development,2020). According to Asian Development Bank report 2020, in worst case scenario of COVID-19 virus, Pakistan tourism industry face a US\$ 5.8 million losses. Concerns and security alerts give quick visibility into impacted regions of the planet.

### **TRADE AND RETAIL INDUSTRY:**

After recovery from coronavirus, the world is likely to reconsider the global supply chains to avoid concentration of industries in one country, China, which will create opportunities of relocation of some industries to Pakistan. After killing more than 19000 people and infecting more than 15 lac people, the total global economic loss due to COVID-19 will be forecasted near to 10 to 15 percent of the world gross domestic product (GDP) (IMF,2020). Much of this impact was due to consumer fears given the ease of transmissibility of the virus in public settings.

During the COVID-19 outbreak, the public's contagion fear and Pakistan government overreaction closed down many public events and stifled daily activities. As a result of all these safety measures the accommodation and food sectors experienced a 10% drop in production; the entertainment and recreation sector production likewise dropped 60%, and publishing, communication and information sectors expected to drop 20.3%. Transportation and storage drop to 70%, wholesale and retail dropped 28.6%, and electricity and air conditioning 60.9%. Meanwhile, the industries with high proportions

of temporary jobs (e.g. restaurant, accommodation, and recreation sectors), who are also typically disproportionately affected by outbreaks, were significantly impacted, leading to labor losses.

#### **ENVIRONMENTAL IMPACT:**

Since environmental products and services are usually deemed non-market commodities and their consumer price may not represent their true value, disruption to important natural products, destruction of animal habitats, and environmental pollution are sometimes ignored in economic analyses of disease incidents. Regional demand for natural resources can increase during political and security crises, contributing to increased wildlife harvests and the illicit usage of protected land, implementation of environmental protection policies can diminish when the government becomes overwhelmed by other burdens like the quarantine and travel restriction measures.

#### **OTHER IMPACTS**

The exceptionally high effected patients and death toll during the COVID-19 outbreak has resulted not only in extended social and household economic impacts, but also in stifled growth levels, loss of production and incomes due to unwillingness to avoid work or contagion, heightened hunger and food scarcity, lost employment and lost education. Military forces were pulled from routine roles in public protection to conduct quarantine facilities, a role they were not equipped for. These provide only modest samples of the individual and household-level ripple effects that can have a multitude short- and long-term bearing on the public and private sectors.

The effects of viral disease outbreaks on public safety are important but monitoring is ad hoc and possibly incomplete. Public and private actors at the state, regional and foreign levels need to work together more closely to maintain responsive policies and risk and effect analysis, and to promote cost-sharing approaches for mitigation and preparedness when appropriate, and to determine effective solutions for action where necessary. Viral disease outbreaks in today's globalized environment would need nothing less than these strong public-private collaborations and optimum safety and economic protection obligations.

# OUTBREAK OF COVID-19: ITS IMPACT ON BRAND HEALTH AND MARKETING COMMUNICATIONS

NIDA ASLAM KHAN<sup>52</sup>

COVID-19 is expected to plunge around 11m people in Asia to live into poverty, and it is deduced that the governments in this region are to face issues of rising crime, political instability and social unrest (World Bank). In Southeast Asia, it is estimated that 1 in 3 workers earn US\$2 per day for an informal work, the sheer volume of these workers is massive in this region spread and clustered in small towns and at the border of big cities including Pakistan (International Labor organization)

The aftermath of COVID 19 has already been witnessed by the ‘socio economic classes’, however, the footprint of COVID-19 of propels us to use simple standard of upper, middle and lower economic class in order to facilitate the marketers in making blunders in the existing pandemic situation. In the given region, the lowest class is at risk, however, many brands can facilitate the middle income class by not just virtue signaling but providing fruitful advices. Telcos can provide appropriate packages to small businesses, typically supporting bricks and mortar retailers to provide omni-channel presence, even tech brands can buckle up provide solutions to the economy.

The influence of COVID-19 on number of industries and sectors operating in Pakistan is yet to be explored, however, based on understanding of consumer behavior and behavioral science theories the marketers *need to dilute fear*. The sales loss is colossal, industries such as travel, dining (restaurants) and entertainment are directly affected; however, the overall effect is there for all products and brands as consumers stay at home and are locked down from their routine (Sethi, 2020)

The brand team needs to warrant positive communication with consumer, building and framing the message with the aim on safety and trust they offer. Nonetheless, because of the fear of what is ahead the actions and behavior of the consumers is swayed typically by social herding.

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## ACTION ORIENTED COMMUNICATIONS

Reem Rice (Pvt) Ltd launched branded commodity in Pakistan, selling high quality rice variants using ‘Reem Ka Steam’ as its slogan (Khan, Moiz, & Effendi, 2018). According to MarTech Advisor (March 2020), a brand should indulge in action oriented communications and avoid speculation and unverified updates; that is exactly what RKS has done, refer to Exhibit 1, 2, 3 and 4.



Exhibit 1 (Left): RKS first digital media poster RKS second digital media poster  
Source: Company records



Exhibit 3 (Left): RKS third digital media poster (Right): RKS fourth digital media poster  
Source: Company records

## COMMUNICATING WITH ALL THE STAKEHOLDERS

It is imperative that the brand should be sure that its communication is articulate for all the concerned audiences which includes its employees, consumers and investors (PWC,



March 2020). Hence, the brand should be able to transverse during this pandemic confidently (Jugenhimer, Kelley, Hudson, & Bradley, 2014).

English Biscuits Manufacturers (Pvt.) Ltd Pakistan or EBM has been operating since 1966. The variety of biscuits manufactured by EBM and the brand loyalty of its various brands continues to be strong due to the company's consistent ability to deliver on its promise be it 'Sooper', 'Rio', 'Gluco' or 'Jam Delight'. According to Public Relations Crisis Playbook (ANA) the brands must manage crisis by being prepared and focusing on recovery and that is what is exactly EBM had done in its communication with its stakeholders and public (Exhibit 5).

McDonald's Pakistan recognizing the potential and volume of Gen Z in Pakistan acknowledged the efforts and dedication of the medical experts, staff, and doctors at the frontlines of the war against COVID-19. Using #HealthCareHeroes the announcement went viral and created positive WOM for the brand (Exhibit 6). There were brands who sound desperate during these and this is exactly which should be shunned by the brand's communication team (Ray, 2020). The brands should not focus on their own self-interest which is evident in their marketing communication. Response of Pepsi Pakistan was similar which lacked instantaneity with its communication as compared to McDonald's and it felt more forced rather than responsive, refer to Exhibit 7.



Exhibit 5 (Left): EBM communication with all its stakeholders about its initiative

Exhibit 6 (Middle): McDonalds Pakistan using hashtag #HealthCareHeroes

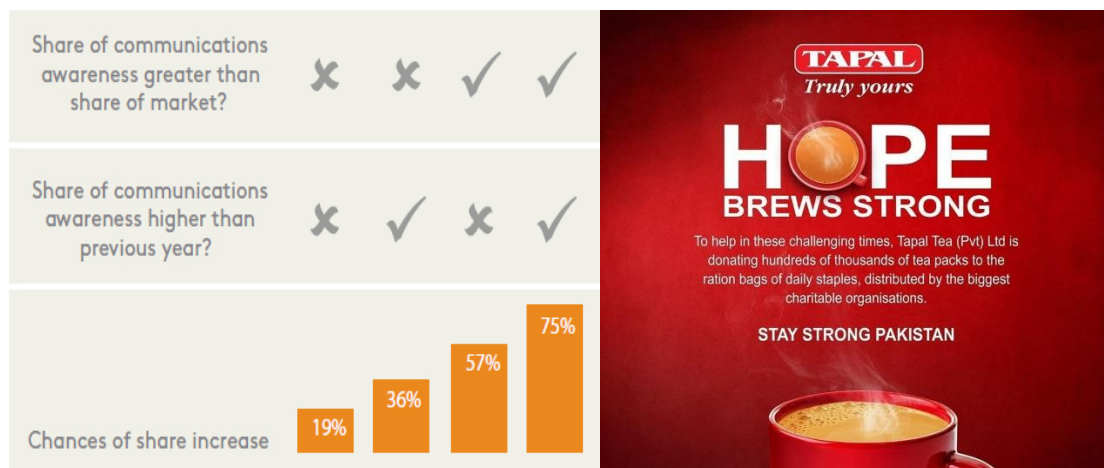
Exhibit 7 (Right): Pepsi Pakistan communication

Source: Company records

## MARKETING COMMUNICATION IN CRISIS

Brands can also take a strategic decision to suspend its TV advertising. The study by Kantar Millward Brown indicates **that brand health weakens when there is lack of**

**communication about the brand** in a long run. And, when this happens it is nearly impossible to strengthen the brand health. To ensure that the brand health can be maintained if the levels of spend on communication by the brand managers is consistent. (Millward Brown, 2008). **The brand is to improve on its brand health when its share of communication increases and soars the market share, refer to Exhibit 8. And, if the budget is being cut by the competitors then the long term impact of maintaining the investments in communicating with the consumers will reap benefit** (Field, 2008).



**Exhibit 8 (Left): Probability of share growth/decline. Source: Millward Brown, 2008.**

**Exhibit 9 (Right): Tapal's communication during the crisis**

**Source: Company records**

Tapal Tea (Pvt) limited a tea company based in Pakistan, which started its operation in 1947 from one of the oldest wholesale market in Asia, Jodia Bazaar Karachi. The company's and its brands are a signal of innovation and a market leader. Tapal continues to make Lipton, a Unilever Pakistan tea brand, a challenger brand taking much of its market share due to its consistent creative marketing communication. It has done the same being consistent in its communication where the other brands remain indifferent to the current situation, refer to Exhibit 9.

**Implications for brands:** Those brands which have maintained their communication will probably have advantage over their competitors, who are slashing their advertising expenditures in these times. Focusing on the sales on a short-term via promotions will weaken brand health and it is imperative that even in the time of pandemic the communications should be relevant and not just virtue signaling.

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