

COVID-19 and challenges for South Asian economies

South Asia, the world's most populous region, remains vulnerable to COVID-19. The necessary protection measures are severely impacting economic activity and millions face poverty. Effective Policies are essential to forestall the possibility of worse outcomes, and the necessary measures to reduce contagion and protect lives are an important investment in long-term and economic health. Working together offers the best hope for the region to succeed. This webinar aims to discuss how South Asia can ramp up its response to tackle the pandemic and economic crisis.



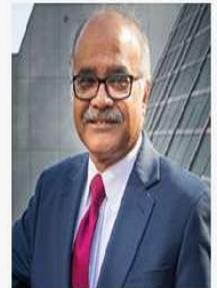
Dr Nadeem Ul Haque

Vice-Chancellor of Pakistan Institute of
Development Economics

- COVID-19 has impacted the whole world, the South Asian region is just not an exception. It has created panic and uncertainties not just in Pakistan but across the world. Despite the surprisingly low rate of infections as well as deaths in Pakistan as compared to the USA and rest of the world, the impact has been significant on the economy.
- Pakistan underwent complete lockdown which was later scaled down to partial lockdown by the Prime Minister of Pakistan, in the wake of the harsh burden on the poor. Following the relaxation in lockdown, cases of infections rose but at a manageable rate, from about 400-2000. Still not posing any serious threat.
- The unprecedented negative economic growth of the country attributable to the badly impacted services sector as well the locked down manufacturing sector. Manufacturing sector remained shut down leading to a massive shortfall in exports. The informal sector- the daily labor, small and medium industry and restaurants are badly suffering. As per the projections, poverty has gone up by 20-30% and if this state of affairs continues, poverty is expected to be doubled.

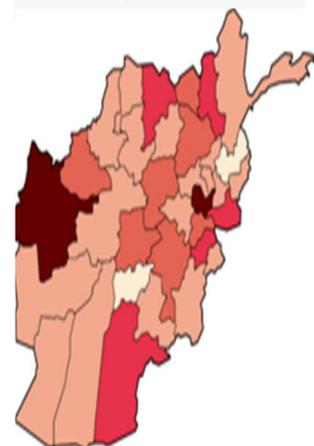
- Pakistan is going through an IMF program even before the pandemic due to a shortfall of reserves, growth crunch and a ballooning fiscal deficit. But the terms of the program need to be renegotiated taking into account the post COVID-19 scenarios.
- “COVID-19 virus is deadly to elderly people with comorbidities”. Dr. Nadeem emphasized the term comorbidity as the ultimate problem of the South Asian region. The region has a comorbidity of never solving its problems, being least integrated and passive for international coordination. One can blame COVID-19 for a lot but we can't blame it for the fact that we are still one of the slowest growing regions in the world. COVID-19 will expose our comorbidities of failures in tackling our economic problems and will force us to engage in reform.
- Biggest problem of South Asia is not COVID-19 but the incapability of developing our economies for the 21st century. COVID-19 has shown that we couldn't impose lockdown like the rest of the world has done because we lack the systems to do so.
- COVID-19 is not the ultimate problem of Pakistan, it is just the tip of the iceberg compared to the deep rooted structural problems that we are just not ready to face.

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- COVID-19 situation has two aspects in context of Bangladesh economy. One is medical or public health aspect while the other is socio economic aspect of the challenges posed by the Covid19.
 - Garments industry is directly hit by the COVID-19 around 2 million workers of the garment industry lost their jobs. It can have socioeconomic implications in the short run.
 - Declining remittances is another issue of concern as a result of layoffs in Middle Eastern countries. Absorbing those migrant returnees would be a challenge for the government.
 - If the COVID situation prolongs there could be food shortage in the long run as there are apprehensions of agricultural production coming to a halt.
 - About the controversial nature of lockdown, instead of indulging into the unproductive debate of whether to save lives or to save the economy we should prudently focus on finding ways to save lives as well as the economy.



Dr Selim Jahan

*Director of UNDP's Human Development
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- The prime challenge for Bangladesh economy is to deal with poverty especially in a post COVID-19 world. Esurience of food security and cash endowments remains a difficult challenge for the government despite coordination from NGOs and humanitarian groups.
- There is a need to rethink and revisit planning at the national level. The Annual budget of Bangladesh needs to have a fresh and dynamic approach to address the challenges posed by COVID.

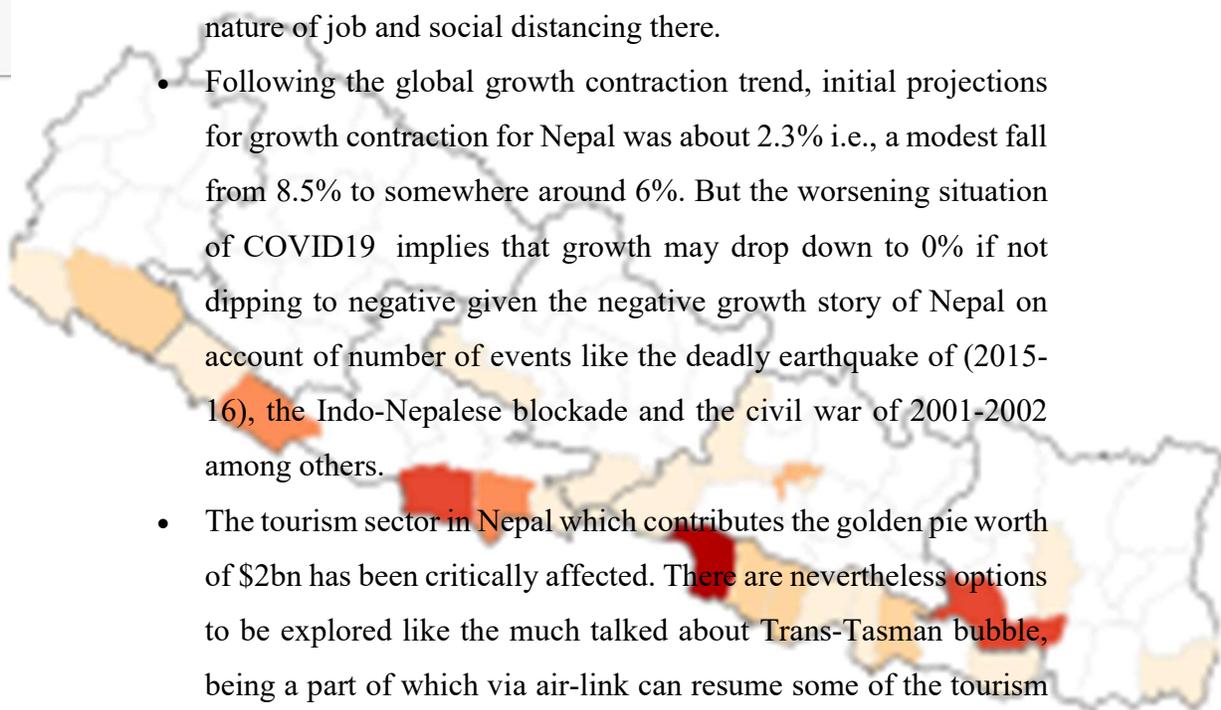
Extending the debate to Nepal, Dr. Swarnim Wagle asserted that the situation in Nepal is no different than the rest of the region. Initially the number of cases were minimal. The surge in cases is attributed majorly to scale up testing and partly to infiltration through porous borders.



Dr Swarnim Wagle

*Chairman of the Institute for Integrated
Development Studies*

- The main avenues of impact of COVID phenomenon in Nepal are remittances, tourism and merchandise trade. The shocks from these avenues flew down to the mainstream economy, hitting the services sector which is about 60% of the GDP. Almost every sector of the economy bore the brunt of the COVID 19 crisis with the exception of agriculture which is kind of shielded given the nature of job and social distancing there.
- Following the global growth contraction trend, initial projections for growth contraction for Nepal was about 2.3% i.e., a modest fall from 8.5% to somewhere around 6%. But the worsening situation of COVID19 implies that growth may drop down to 0% if not dipping to negative given the negative growth story of Nepal on account of number of events like the deadly earthquake of (2015-16), the Indo-Nepalese blockade and the civil war of 2001-2002 among others.
- The tourism sector in Nepal which contributes the golden pie worth of \$2bn has been critically affected. There are nevertheless options to be explored like the much talked about Trans-Tasman bubble, being a part of which via air-link can resume some of the tourism traffic in Nepal.



- Remittances are a major source of foreign exchange for financing Nepalese import bill as well as a dependable means of poverty reduction. But remittance will sharply decline conditional on the host country's economic outlook. The problem can get worse when a large number of migrant returnees from Middle Eastern economies reach back home.
- COVID-19 hit the informal sector very badly, the government should come up with an economic package of cash handouts and utility reliefs. Proposing the needful Dr. Swarnim suggested that brutal reallocation of resources from low priority areas to high priority areas is needed. Managing the fiscal gap exhausting all available options will remain an uphill task for the government.
- Dr. Swarnim wrapped up his session with the fact that there is going to be life after COVID, so we should prepare the seeds for planting in the next season. New and more dynamic sources of economic growth will be needed in the post COVID-19 world.



- The health response to COVID19 in Sri-Lanka has been fairly good. There have been 52 cases per million and the mortality rate is below 1%. This management and containment of the outbreak can be ascribed to the overall good health care system of Sri Lanka and better management of quarantine centers with the joint efforts of civilian and military institutions. However, it is a well maintained argument that there is a dire need to scale up testing capacity in Sri Lanka, otherwise the figures of active cases are misleading.
- Effectiveness of lockdown was really limited. An expedient and more effective communication strategy needs to be in place for the lockdowns.
- Economic growth numbers vary largely between commentators as the central bank is expecting a plus 1.5% growth this year the IMF estimated -0.5%. On average the number is one percent for this year.
- Challenges that Sri-Lankan economy faces posed by COVID-19 are multifarious. Exports have gone down 42% year-on-year which has served a blow to an already ailing economy. COVID-19 has rendered business investment in a bad shape and investor confidence is low. There have been capital outflows resulting in risks to poverty and unemployment.

- The debt overhang and twin deficits have rendered small fiscal space thus policy options for government are limited. Hambantota port in southern Sri-Lanka and the industrial zone could be of some help. The fiscal stimulus part has been muted in Sri Lanka. Probably all the measures taken together amount to less than 1% of GDP so far because of the debt overhang. In India it is 10% of GDP and in case of Bangladesh it is 5-6% of GDP. Furthermore the stimulus has been on the monetary policy side and on the financial sector. Sri Lanka obviously needs to adjust economically in the future to become much more flexible and agile in the post COVID-19 world.

The debate concluded with the suggestion that there must be increased testing for COVID19 because the number of infections reported are not reflective of true extent. It is noted that all the south Asian countries imposed lock-downs but the scope and effectiveness of these lock-downs varied greatly. What should be done to make these extreme measures more effective remains to be figured out? However, governments must look into the factors affecting scope and effectiveness of such measures and must brace themselves to face the realities of the post COVID-19 world and there must be some sort of mitigation and preparedness to counteract the challenges posed by the COVID-19.



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