Fiscal Policy Response to COVID-19 Pandemic in Pakistan.

Authors Saira Ahmed, Vaqar Ahmed

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Abstract

This study aims to explain the macroeconomic and welfare impacts of changes in indirect taxes brought about in response to COVID-19. We study whether the tax relief provided for in the federal budget for fiscal year 2020-21 was effective in providing relief to private enterprises and the trade sector. We also study whether production subsidies granted during the first wave of COVID-19 were effectively able to support firms in the agricultural sector. This assessment allows us to draw lessons that may be useful for designing tax benefit policies amid future waves of the pandemic or during other emergency times.

As the pandemic continues and post-pandemic recovery is delayed, the sustainability of tax relief or subsidies is becoming uncertain – this is an additional area of interest that we focus on in this research. We worked closely with relevant policy makers at the Ministry of Planning & Development, the Ministry of Commerce, and the Federal Board of Revenue in Pakistan when pursuing this last area of interest and designing our simulations.

We used a PEP Single Country Recursive Dynamic Computable General Equilibrium Model (CGE) model to simulate the impact of changes in tax codes and production subsidies and explain five major results. First, of all the fiscal policy changes simulated, those targeting the manufacturing sector resulted in the greatest gains in real GDP and reductions in consumer prices (and therefore increases in consumer welfare). Second, the tax relief offered to firms in the services sector lead to the greatest investment gains. Third, while all simulations depicting changes in fiscal policy led to increased exports, this was accompanied by an even greater increase in import demand. Fourth, we see that consumption inequalities may have increased as a result of the pandemic and fiscal policy responses. Finally, our qualitative assessment reveals how COVID-19 led to the widening of gender gaps.

We offer policy recommendations that are based on a structured public-private dialogue series (in which the results of this study were also presented) and could help mitigate pandemic-related challenges for both households and firms.

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Authors

Saira Ahmed
Director & Associate Professor
Directorate of Sustainability & Environment
Capital University of Science & Technology
Islamabad, Pakistan
dr.saira@cust.edu.pk

Vaqar Ahmed
Joint Executive Director
Sustainable Development Policy Institute
Islamabad, Pakistan
vaqar@sdpi.org

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I. Introduction

1.1 Context of the study

In the wake of COVID-19, the delivery of public sector services came under severe pressure in Pakistan. A more immediate concern was the livelihood of individuals associated with various economic activities. The lockdowns resulted in –0.5 percent real GDP growth in fiscal year 2019-20 (FY20) (see Table 1), putting jobs in both formal and informal segments of the economy at risk. Because medical solutions and vaccination drives were delayed, the second and third waves of COVID-19 further exacerbated these challenges.

Amid low economic growth and a resultant decline in collections from taxes, the sustainability of social protection offered by the government became a concern. While some tax relief was provided to micro, small, and medium-sized enterprises (MSMEs) in FY20, it was felt that this relief may continue well into the future given the continued incidence of the pandemic. To continue providing tax relief and subsidies, the government's borrowing requirements were bound to increase.

In view of this, the government aimed to better target its tax relief so that exemptions and subsidies are provided only to those most in need. Furthermore, as taxes are reduced for MSMEs, another concern for the government is finding compensatory sources of taxes. These are difficult to find in crisis times; however, some sectors that have pivoted well have also seen increased turnover in local and foreign markets. For example, the textile sector was able to provide personal protective equipment abroad and has seen an increase in their exports compared to the initial days of COVID-19. Likewise, higher trade in digital services trade-in-digital-services seems to have benefited those who were already part of the ecosystem prior to the pandemic and well positioned to continue working during the pandemic.

Table 1: Pakistan Macroeconomic Profile

Indicators	2019-20	2019-20	2020-21
	Pre-COVID-19 Estimate	Actual	Provisional*
Real GDP growth (%)	2.4	-0.5	3.94
Fixed investment (% of GDP)	13.2	13.8	11.4
Public investment (% of GDP)	3.3	3.8	2.7
Inflation (CPI, average, % growth)	11.8	11.2	6.5
Government revenues (% of GDP)	16.0	15.0	15.9
Govt. expenditures (% of GDP)	23.2	23.1	22.9
Budget deficit (% of GDP)	7.2	8.1	7.0

Government debt (% of GDP)	80.4	-	83.3
Exports Balance of Payments (billion USD)	25.5	22.5	24.8
Imports Balance of Payments (billion USD)	48.3	42.4	45.8
Remittances (billion USD)	22.6	23.1	20.5
Current account deficit (% of GDP)	2.2	1.1	2.4
Gross reserves (billion USD)	12.6	13.7	15.0
Gross reserves (months of imports)	2.5	2.7	3.3

Source: Pakistan Economic Survey & Finance Division
* As at June 30, 2021

The federal government was also keen to study how tax administration at the federal and provincial levels could be a catalyst for post-pandemic recovery. Its development partners aimed to design a three-pronged approach that included changes to tax policy, administration, and audit systems (IMF 2020). Additionally, provincial governments were under pressure at the time to improve sub-national revenue collection from agriculture, transport, and property-related sources of local incomes and wealth. This approach was informed by examples from other countries that were actively looking to build taxation structures that responded more rapidly in times of crisis.

During the pandemic, MSMEs also complained they were unable to bear high overhead (fixed) costs because they had less working capital available in the short term. The government came forward with a time-bound energy subsidy that streamlined electricity rates for MSMEs. There are voices within the government, including the Ministry of Commerce, that have suggested recently that this subsidy may have been misused by some firms. This has again led to a debate about finding ways to better target firms with such subsidies. Also, there were concerns that the exemptions allowed under these subsidies were not progressive – this is an area we wish to analyse in this study.

In view of the above, the overarching objective of our study is to simulate the impact of tax relief for commodity-producing sectors and production subsidies in the agriculture sector that were provided in response to COVID-19 during the first wave of the pandemic.

1.2 Objectives and research questions

Based on the overarching objective set out in the previous section, our main research questions are:

1. What were the macroeconomic and welfare impacts of changes made to the structure and rates of indirect taxes in the federal and provincial budgets for 2019-20? How have these changes provided relief to firms and households?

2. How were changes in tariff policy designed, and to what extent did these measures rescue firms in the trade sector?
3. What was the incidence of production subsidies? To what extent did these measures support firms in the agriculture sector?

While responding to the above-mentioned research questions, we also studied how COVID affected women and vulnerable groups. We analyse how policy response to the pandemic may have influenced various forms of inequality.

II. Literature Review

2.1 Evidence for the need to assess economic damage

Ballard et al. (1985) first explained an applied general equilibrium model, in which prices simultaneously clear all markets, as a new development in the economic modeling literature. Large-scale models of entire national economies have proved helpful in evaluating fiscal policy. This is because they account for complex interrelationships among several components and segments of an economy and thus measure the widespread impacts of a government's major economic decisions. We have thus used the same methodology to assess the evidence for the need to assess economic damage to Pakistan's economy.

The impact of the lockdown that was imposed in Pakistan to curb the spread of the COVID-19 pandemic is still unfolding.[1] The emerging literature indicates that Pakistan's MSMEs segment was largely ill-equipped to adapt to the crisis, which resulted in reduced operations, disruptions in supply chains, liquidity crunches, and an inability to fulfill orders.

The extended lockdown and its impact on MSMEs also contributed to job insecurity and unemployment in sectors that are largely undocumented and offer informal employment without healthcare and other benefits, such as enrolment in social services programs like the Employees' Old-Age Benefits Institution (EOBI). This not only frustrated official efforts to mitigate the health impacts of COVID-19, but also resulted in public resentment towards disease mitigation measures such as the lockdown of trade and commerce.

Initial estimates suggested 1.3 percent GDP contraction.[2] This was later revised to 0.4 percent contraction due to the better-than-expected performance of the agriculture sector per provisional estimates released by the National Accounts Committee in May 2020. However, contraction was more pronounced in various sub-sectors of the manufacturing and services sectors.[3]

[1] The authors of this report benefited from meeting and working with EU GRASP program participants.
[2] World Bank, 2020
[3] National Accounts Committee, 2020

Pakistan does not produce quarterly GDP figures, which makes it difficult to separate economic performance in the quarter ending June 2020, the period in which the economic impact of COVID-19 would have been most visible.

However, the monthly Large-Scale Manufacturing (LSM) Index provides a clue. By the end of March 2020, the LSM Index for the previous nine months of fiscal year 2020 (9MFY20) was down 5.4 percent. The latest numbers show that by June 2020, the LSM Index for the full FY20 was down 10.2 percent. This clearly reflects the impact of COVID-19 in the last quarter.

Pakistan also does not officially produce provincial or sub-national GDP estimates on annual basis, which leads to gaps in understanding trends in provincial economies and in turn impairs effective decision-making by not only federal and provincial governments, but also local and international development partners. In terms of job losses, preliminary estimates conducted by the Pakistan Institute of Development Economics (PIDE) showed that lockdown measures and the resultant slowdown in economic activity could result in high levels of unemployment. PIDE estimated that job losses could reach 1.4 million in the event of limited restrictions, 12.3 million in the event of moderate restrictions, and up to 18.53 million in the event of a complete shutdown.[4]

Estimates of the impact on MSMEs are similarly dire. According to the International Trade Center, SMEs globally have faced a "decrease in demand, financial instability, job insecurity, and disruptions in supply chain".[5] The Finance Ministry's Annual Economic Survey notes that SMEs may see not only mass layoffs and furloughs, but severe cash flow and liquidity crunches whose impact may be compounded due to the largely informal nature of the segment.[6] Businesses' lack of documentation further limits the efficacy of any administrative measures taken to provide targeted relief and intervention, such as monetary stimulus by the central bank to extend loans for salary support and working capital requirements.

Any estimate of damage, however, must account for the limitations of available data, the credibility of which is seriously in question due to the obsolescence and lack of robustness of the methodology used. Various government censuses, such as the Census of Economic Establishments, are at least 15 years old and thus outdated, and fresh census exercises have been long overdue. The issue is particularly magnified for the rural segment of the economy, where available estimates are invariably outdated: the Agricultural Machinery census was last conducted in 2004; the Livestock Census, in 2006; the Mouza/Village Census, in 2008; and the Agriculture Census, in 2010.

Moreover, no official consensus even exists on how many MSMEs there are in the country. The official figures rely on various proxies, given the extensiveness of informality and the lack of registration or documentation in the segment for tax evasion purposes.

According to the SME Policy, 2007 that uses commercial and industrial electricity connections as a proxy, 90 percent of all economic establishments in Pakistan are SMEs.[7] Various estimates arrived at using GDP and population growth rates place the number of SMEs anywhere between 3.8 and

[4] PIDE, 2020
[5] International Trade Centre, 2020
[6] Finance Ministry, 2020
[7] Karandaaz, 2017

4.75 million.[8] Bear in mind that these estimates do not include micro enterprises, which may account for up to two or even three times the total number of SMEs in the country.[9]

As a result, both the government and the private sector lack material insights into MSMEs and the rural economy. This reduces the efficacy of analyses, as local and international research organizations and policy think tanks base their analyses on data that is somewhat obsolete. This is an outcome of historic indifference to SME development at the policy level, especially in rural economy.

Despite the challenges of obtaining measurements and reliable estimates, the integral role of SMEs in a developing economy cannot be overemphasized. According to the SME Asia Finance Monitor 2014, SMEs account for 96 percent of all enterprises on average in the Asian region.[10] The Sustainable Development Policy Institute places SMEs' contribution to GDP at 40 percent, exports at 40 percent, non-agricultural employment at 80 percent, and total value addition at 35 percent.[11]

The SDPI study noted in April 2020 when attempting to measure the impact of the March 2020 lockdown that over two-thirds of SMEs would struggle to survive beyond three months due to a cashflow crunch.[12] As SMEs operate outside the formal sector, access to financing is constrained even under ordinary circumstances. According to the State Bank of Pakistan (SBP), only 0.18 million SMEs have access to financing from commercial banks, while 0.2 million micro enterprises have access to credit from microfinance lending institutions.[13] As a result, it is doubtful whether these enterprises were able to benefit from the relief measures announced by SBP to manage their liquidity crunch.

According to a survey conducted by Karandaaz Pakistan, nearly half of the 123 voluntary SME respondents had either laid off employees or reduced employees' salaries. One-third of respondents expressed fears of insolvency within a month of lockdown. More than three-quarters of respondents, which included both exporters and domestic-focused enterprises, noted they had faced supply chain disruptions.[14]

Similarly, a study conducted by SMEDA in April 2020 noted that up to 95 percent of enterprises surveyed had experienced a reduction in production/activity and a supply chain disruption. One-quarter of respondents reported a loss of up to 100 percent of export orders. Close to half of the enterprises admitted they had laid off workers. However, up to 84 percent of these organizations planned to rehire employees within a quarter once the lockdown was lifted.[15]

Freebaim (2017) assessed the comparative effects of decreasing corporate income tax rates on the effective tax rates and investment decisions of small and large businesses and explored the subsequent economic implications. Dixon and Rimmer (2002) present the dynamic general equilibrium method, which provides insights into not only the efficiency the respective taxes, but also adjustment processes, including changes in employment levels.

[8] NEPRA, 2018
[9] Industry sources
[10] ADB, 2014
[11] SDPI, 2020
[12] Ibid
[13] Business Recorder, 2020
[14] Karandaaz, 2020
[15] SMEDA, 2020

Another very useful study, by Heerden et al. (2006) on South Africa, used the respective CGE model to evaluate the impact of a double or triple dividend if the revenues raised from an energy-related environmental tax are recycled back to households and industry by lowering existing taxes.

Finally, Ahmed et al. (2021) studied the export competitiveness of Pakistani firms amid COVID-19. The authors report that several types of trade costs have increased for both exporters and importers. Compliance with the Standard Operating Procedures (SOPs) and new standards for transportation and other aspects of logistics result in additional costs. COVID-19 has led to productivity losses across exporting firms. Such losses were most reported by the commodity producing sectors and therefore require government attention.

Measuring vulnerable populations amid the pandemic:

In their provincial-level analysis of vulnerable employment across sectors, Nasir & Faraz[16] show that the share of vulnerable employment varies from one province to the next in various sectors. In most provinces, the labour force is considered vulnerable in the agriculture and wholesale & retail trade sectors – two sectors in which the poorest of the poor are found in high numbers in both formal and informal segments. Women in informal segments of the economy are particularly vulnerable – we discuss this aspect in detail below.

2.2 COVID-19 has increased gender inequality

A June 2020 analysis explained how Pakistan's women-owned firms, which are usually smaller than firms owned by men, were 8 percent more likely to lose their entire revenue during the pandemic (Quresh 2020). In the micro enterprise sector, the uncertainty was much higher. Informal jobs, which account for most of women's employment in the microenterprise sector were the hardest hit. Informal female workers who were based at home may have lost their source of income completely. In terms of formal wage employment, over a quarter of Pakistani women were laid-off or temporarily let go from their jobs in various sectors including the manufacturing and services sectors.

The key gaps in the literature that our study aims to bridge are:

a. The economy-wide impact of COVID-19 in Pakistan, using a dynamic general equilibrium approach;
b. The economy-wide and welfare impact of tax and tariff policy changes;
c. The economy-wide and welfare impact of production subsidies granted to enterprises in the agriculture sector during the pandemic.

[16] Nasir, M & Faraz, N, 2020

III. The Data

Our analysis was informed by various data sources. The CGE model presented herein uses the Social Accounting Matrix (SAM) with the Pakistan Input-Output Table (IOT) for fiscal year 2014. The IOT was developed and is explained in Zeeshan (2020). The table provides industry disaggregation across different sub-sectors of the agriculture, manufacturing, and services sectors. The macro values are provided below and assume an economy without COVID-19.

Table 2: Industry Disaggregation Across Different Sub-Sectors of the Agriculture, Manufacturing, and Services Sectors

Serial No.	Indicators	Amount (FY14)	Percentage of Real GDP
1	Real GDP (billion PKR; CBP*)	10,217	
2	Fixed investment (billion PKR; CBP)	1,366	13.4
3	Household consumption (billion PKR; CBP)	8,305	81.3
4	Total exports (billion PKR; CBP)	1,225	12.0
5	Manufactured exports (billion PKR; market prices)	1,029	10.1
6	Total imports (billion PKR; CBP)	1,558	15.2
7	Government revenues (billion PKR)	3,637	35.6
8	Total indirect taxes collected (billion PKR)	1,480	14.5
9	Government expenditures (billion PKR)	5,026	49.2
10	Total subsidies (billion PKR)	340	3.3

* CBP is the constant basic price for 2005-06.

We generated a baseline to represent the actual pandemic-related loss estimated by the Ministry of Finance for FY20. For example, in the case of real GDP, the baseline value was 0.4 percent less than the value in the table below (actual reduction in GDP growth as reported in the Pakistan Economic Survey). COVID-19's impact on other macro totals is provided below. In terms of the interpretation of our results that follow, all results are with respect to the baseline values mentioned in Table 3. In this case, "baseline" implies a scenario that exhibits the state of the economy after the COVID-19 pandemic hit.

Table 3: Pre-COVID and Post-COVID Values of Macroeconomic Variables

Sr. No.	Indicators	Pre-COVID-19	Covid Impact (FY20) [Baseline]	Difference (PKR)
1	Real GDP (billion PKR; CBP)	10,217	10,176	-41
2	Fixed investment (billion PKR; CBP)	1,366	1,362	-4
3	Household consumption (billion PKR; CBP)	8,305	8,272	-33
4	Total exports (billion PKR; CBP)	1,225	1,214	-11
5	Manufactured exports (billion PKR; market prices)	1,029	1,021	-8

6	Total imports (billion PKR; CBP)	1,558	1,549	-9
7	Government revenues (billion PKR)	3,637	3,603	-34
8	Total indirect taxes collected (billion PKR)	1,480	1,468	-12
9	Government expenditures (billion PKR)	5,026	5,021	-5
10	Total subsidies (billion PKR)	340	343	3

* CBP is the constant basic price for 2005-06.

We constructed COVID-19's impact by considering the following main transmission channels:

a. Decrease in employment level: It was projected that 2.3 million people out of a total employed labour force of 63 million would lose their job during fiscal year 2020-21, which represents a decrease of 3.6 percent.[17]
b. Decreased availability of labour: This was attributed to self-prevention, lockdowns, and social distancing measures. We therefore allowed wages to increase 3 percent.[18]
c. Decreased capital: Less labour results in less demand for capital, as the two inputs are combined to produce output. However, the return of capital is not allowed to change in our scenario (in light of the literature).
d. Increased international trade costs: The international trade costs of both exports and imports were increased 19 percent. To arrive at the actual loss value reported in the Pakistan Economic Survey, we applied this to all merchandise traded.[19]
e. Decreased demand for select services: We allowed demand for select services to decrease and assumed that with lockdowns and social distancing measures, household demand for services such as transport, dwellings, tourism, restaurants, hotels, and recreational activities would decline by 15 percent.[20]

When designing our tax-focused policy simulations, we also used the beneficiary data from tax bodies and federal and provincial finance departments to assess the amount of tax and subsidy benefits provided and the number of recipients. While most of the tax expenditure and production subsidy values were available from Pakistan Economic Survey 2019-20, the number of actual beneficiaries by sector was requested from the relevant departments. We also conducted interviews to see if the relief was designed in a manner that helped to pivot.

[17] In our model's BAU case, we apply an upper bound constraint in which total labour demand equals 60.71 million (also called "employed labour force" in the Pakistan Economic Survey).
[18] The wage rate of industry 'j' labor increased 3 percent in both the agriculture and manufacturing sectors.
[19] International evidence suggests that these trade costs (including transportation, information, marketing, and other transactions costs) may have increased up to 25 percent (Maliszewska, 2020). We have modeled this as an increase in the export tax rate on exported commodity '' and an increase in the import duties on imported product 'i'. We did not have reliable information on how commodity-specific trade and transport margins were changing, and therefore no change has been introduced in this case. While the rate increase introduced for export and imported items may differ, the average increase introduced here is 19 percent, which in turn enables us to replicate the change in trade flows amid COVID-19. Any revenue increase for the government is then recycled back to firms in the form of a rebate.
[20] The method commonly used to model such a change is to increase the indirect tax rate on these services. Any revenue increase for the government is then recycled back to households in the form of a rebate. In our model, we increased the sales (indirect) tax rate on commodity 'i' to replicate the actual reduction in demand as a result of the pandemic.

Finally, we used the information in federal and provincial government budget documents to derive proposed changes to the structure and rates of indirect and trade taxes charged to MSMEs and trade sector firms in the medium-term. It is expected that the tax relief will be gradually rolled back.

A limitation is that our SAM does not offer gender dimensions. We faced data limitations that didn't allow us to, for example, split the labour market or the firm sector by gender. We therefore tried to capture the impact of COVID-19 on women and vulnerable groups through our qualitative research exercise, most notably interviews with key informants in women-led firms.

IV. The Methodology

The main component of this study is a quantitative simulation modeling methodology, and it is accompanied by a qualitative survey exercise. We use the PEP-1-t CGE model, which is explained in Robichaud et al. (2016). The model provides flexibility to manage multiple types of workers and capital. Both of these production factors can receive income from multiple industries. Our aim is to provide a disaggregation in the SAM and explicitly account for those industries that were considered for some form of fiscal policy relief (see Annex A for the types of relief provided).

The model also allows us to see the distributional impact of the fiscal response, as labor income is distributed among the various types of households in the model. We split the household segment first into rural and urban regions and then into the poor and non-poor within those regions. All economic agents can receive income from capital. From a distributional point of view, this implies that we can assess the changes in gains for both wage earners and those who are self-employed.

One of the limitations of our model is that we use only one government sector. This implies that we will not split the fiscal policy response by level of government (federal and provincial). There will be a shock based on the consolidated response of national and sub-national fiscal policy. However, this doesn't imply that multiple tax instruments cannot be considered. We run separate experiments to see the impact of indirect tax changes applied to different sectors.

The model makes it possible to simulate the granting of production subsidies to various sectors. The SAM also supports an adequate level of disaggregation in this regard. Additionally, multiple subsidies can be simulated using the same framework. In our case, a production subsidy for the cotton sector is modeled as a negative indirect tax. A key contribution of this study is that it simulates the impact of various fiscal policy instruments separately (not simultaneously) to see and compare their outcomes, which could help to improve the packaging of such measures in the future.

As is explained above, our labour market is not split by gender in the SAM. Gender dimensions will be studied through the key informant interviews, in which we will inquire about the impact of fiscal policy changes on women-led enterprises.

The discussion in this study is also informed by a comprehensive literature review. This review exercise helped us to understand the baseline scenario, as well as the competing fiscal policy options that are available to the government and their pros and cons.

We also conducted interviews with staff in relevant policy departments to understand their perspectives. Individuals in select private enterprises in the trade sector were also interviewed. We focused on women-led enterprises that faced relatively greater constraints in terms of pivoting during the pandemic. Our consultations helped us to understand how the private sector benefited from fiscal relief measures and whether the measures were enough to protect from job and consumption-related losses.

V. Simulation Design

Our simulations are listed below for reference, and the rationale for these policy experiments is explained thereafter.

Simulation-I: A 3.5 percent reduction in GST for large-scale manufacturing activities
Simulation-II: A 2 percent reduction in tariffs on priority agriculture and food items
Simulation-III: A 3 percent reduction in general sales tax in select services sub-sectors
Simulation-IV: A production subsidy for the cotton sector[21]

i) Tax relief design

At the start of the first wave, the government party in power at that time, Pakistan Tehreek e Insaaf (PTI), moved to reduce the customs and other duties payable on imported food and agriculture sector inputs. This reduction was to the tune of 2 percent and intended to stabilize local prices, which had hiked up due to supply chain disruptions and, in turn, stronger market speculation.

Then, in the federal and provincial budgets for fiscal year 2020-21, the government also relaxed the income tax rates for agriculture and select food sub-sectors by 3 percent. This measure was aimed at providing necessary relief to farmers facing cash flow difficulties. It was essential to ensure farmers had savings available so they could afford the next season's inputs, which are necessary to maintain agricultural production and meet overall food security objectives.

[21] The subsidy was modeled as a –2.5 percent indirect tax.

Some changes were also made to the general sales tax charged on goods. The most notable change from our point of view was the 3.5 percent reduction in GST for the large-scale manufacturing sectors. The food processing and small-scale manufacturing sectors saw a 5 percent reduction in GST.[22]

The GST charged on services (GSTS) is the domain of provincial governments. All provinces reduced their standard GSTS rate. The economy-wide average reduction in GSTS is estimated to be 3 percent. The services that were subject to the new standard rate included IT, ICT, and freelancing, which witnessed an increase in demand during the pandemic.

ii) Crop sector subsidy design

The cotton sector received comprehensive support owing to challenges that coincided with COVID-19. A shortage in output was attributed to a 10 percent decrease in cultivated area compared to the previous year (USDA 2020). Sugar cane, rice, and corn fetched better prices and received pre-pandemic government support. These crops are also less prone to pests and diseases. A part of the cotton crop was also damaged by locusts followed by heavy monsoon rains. In view of the above, the government announced a package that made available subsidized fertilizer,[23] seed,[24] and pesticides.[25] This impact was estimated and simulated as a –2.5 percent GST rate on cotton sector output.[26] We now explain the impact of our policy experiments below.

VI. Application and Results

The results were obtained using the PEP-1-t CGE model explained above. We explain the impact on economic growth, investment, the price of goods and factors, the government budget, trade, and household welfare as measured by household consumption. The results are reported in terms of change in macroeconomic and welfare indicators compared to the baseline – a scenario that was constructed to reflect actual economic loss due to COVID-19 during FY20. The data on actual changes was derived from the annual Pakistan Economic Survey.

6.1 Impact of policy measures on growth

An intended contribution of our efforts is to simulate fiscal policy measures individually to see their differentiated impacts on macroeconomic and other variables. A reduction in the manufacturing

[22] This includes a 3 percent reduction in indirect tax and a –2 percent indirect tax (representing the mean reduction in electricity and gas rates allowed in this sector).
[23] PKR 925 per bag on phosphorus fertilizers and PKR 243 per bag on urea and other nitrogen fertilizers.
[24] The cotton seed subsidy totaled PKR 2.3 billion.
[25] The pesticides subsidy totaled PKR 6 billion. For further details, see "Pakistan approves agriculture relief package to support farmers," Arab News, May 13, 2020.
[26] By December 2019, the government had already abolished the 3 percent regulatory duty, the 2 percent additional customs duty, and the 5 percent sales tax.

sector's tax burden has a positive impact on growth – of perhaps the highest magnitude of all the measures the government adopted during the pandemic. While industrial production accounts for 19 percent of overall GDP, it has a strong impact on employment, government revenues, and the trade sector, as we will see below.

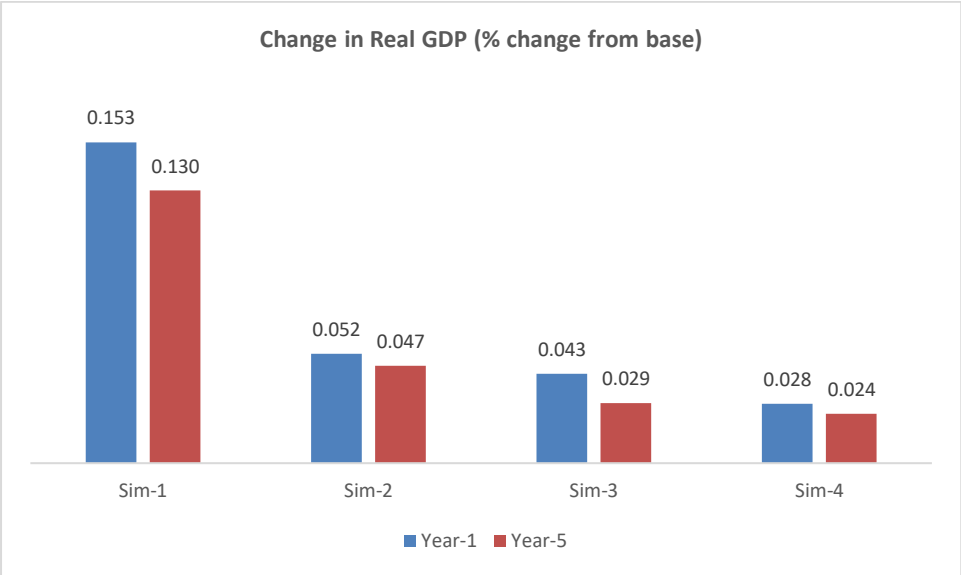

Figure 1: Change in Real GDP

The reduction in tariffs on agriculture and food items was intended to stabilize local prices and smooth household consumption. It has a smaller impact than the reduction in our first simulation does; however, the overall impact on growth remains positive. A production subsidy was also announced for the non-food agriculture sector for fiscal year 2020-21. As this was mostly intended to address risks affecting only one sector, i.e., the cotton sector, the overall (positive) impact on growth is small. The cotton sector does, however, have forward-linkages with the textile and garment sector, which accounts for 55 percent of Pakistan's exports (we discuss this subsidy's impact on trade below).

While the services sector accounts for 54 percent of Pakistan's GDP, we see that rationalizing the indirect tax burden in this sector has a small impact on growth (in SIM-3) compared to, for example, the manufacturing sector (as seen in SIM-1). A possible explanation for this may be that provincial GSTS is still a relatively new tax instrument and several services sub-sectors haven't been filing returns – bringing services sub-sectors under the provincial tax net is a key reform initiative that is still ongoing.

Most of the medium-term (5-year) impacts of our simulations remain positive; however, the magnitude of gains starts to decline as the time horizon extends. We have allowed this relief for each of the five years in the study period. In reality, however, it is likely that the government would decide to roll back some of the tax relief and subsidy measures in the event of a V-shaped or even U-shaped recovery on account of revenue shortfalls.

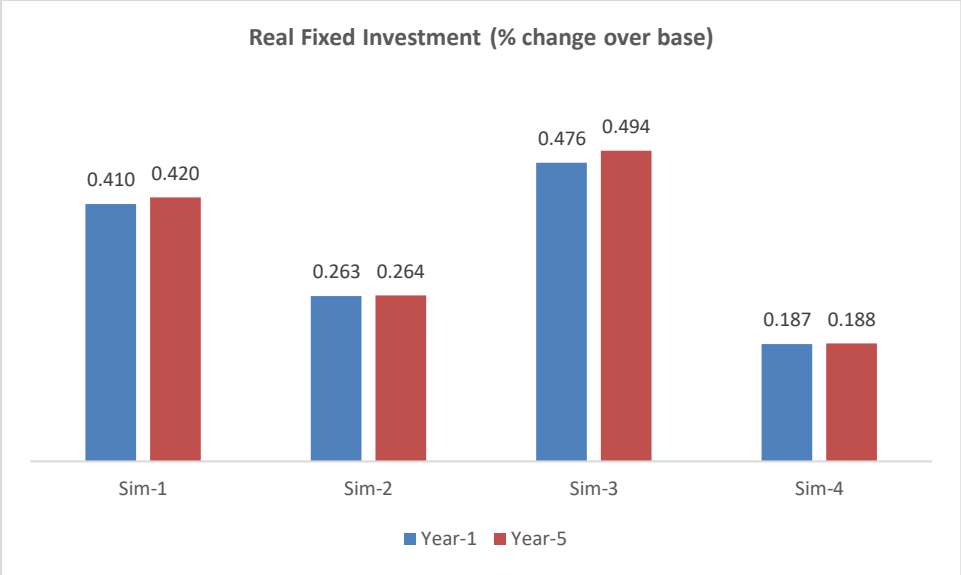

Figure 2: Real Fixed Investment

The government's fiscal policy measures have a positive impact on investment. Given how large the services sector's share of the overall GDP is, we see that reducing this sector's indirect tax burden (SIM-3) produces the largest investment gains, followed by reducing the large-scale manufacturing sector's GST burden. The impact on fixed investment increases for future time periods. This trend is slightly higher in the case of changes in GST compared to changes in customs duties in the food sector or production subsidies in the non-food sector. It is likely that the overall impact on investment for large-scale manufacturing would be higher than this, as the reduction in taxes that applied to this sector was complemented by a reduction in interest rates, which saw a rise in private sector credit (not simulated here).

6.2 Impact on prices

Stubbornly high growth in the consumer price index was witnessed in the period immediately after the COVID-19 outbreak. To manage this upward trend in prices, particularly in the agriculture and food sectors, the government resorted to both policy and administrative measures. We note here that all our simulations led to reduction in prices. These price gains in fact increase as the time horizon extends, which also reflects an increase in consumer surplus over time.

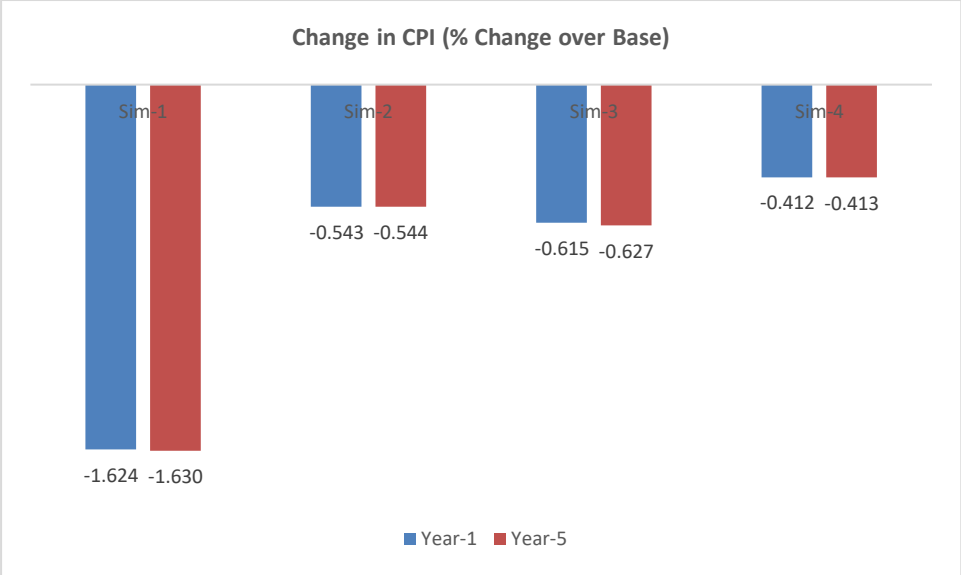

Figure 3: Change in CPI

The impact of the reduction in prices is most visible once the tax burden on the large-scale manufacturing sector is rationalized – almost more than double the impact seen in other simulations. One possible reason the impact is so strong is underlying price elasticities, which vary by sector. The price of items in the manufactured goods basket, for example, energy, processed foods, and other important consumer durables, responds strongly to tax changes, often more expediently than the price of other goods, owing to inelastic demand.

The same explanation could hold true for the reduction in services sub-sectors (SIM-3), which follows SIM-1 in terms of its impact on price and has greater downward impact than the reduction simulated for the agriculture sector. For both the manufacturing and services sectors, it is likely that prices may have fallen beyond what is exhibited in our results due to a period during and after lockdown when demand was low locally and abroad.

6.3 Impact on trade

A key priority for the government was to revive Pakistan's exports and return them to pre-pandemic levels. Foreign exchange inflows were deemed necessary for the sustainability of the balance of payments. A rapid financing instrument facility was also procured from the International Monetary Fund in the early days of the pandemic to stabilize foreign exchange reserves.

The manufacturing sector accounts for over 65 percent of Pakistan's exports. In this context, an important finding here is that most fiscal policy measures did have a positive impact on manufacturing sub-sectors. Actual data from the Quantum Index of Manufacturing produced by the Pakistan Bureau of Statistics also signaled a revival in industrial output in November and December 2020. As in the case of the impact on fixed investment, it is likely that the overall impact on exports would also be greater due to two complementary changes: (i) an increase in the availability and uptake of private sector credit (due to the central bank setting unprecedentedly low interest rates),

and (ii) exchange rate devaluation, which had already taken place at the start of the COVID-19 pandemic.

While the causal impact is easier to understand in the case of SIM-I, i.e., a tax reduction for manufacturing helps firms in the trade sector increase their exports, the transmission mechanism varies in the case of the other simulations. In SIM-2, having agro-based and processed food sector inputs less burdened by trade taxes provides gains for food sector export items, although to a lesser magnitude than in the first simulation. The reduction in provincial taxes in services sub-sectors results in the largest gains for manufactured exports. Although this change is harder to explain, one possible explanation could be the positive impact on investment and price changes in SIM-3, which could have spillover effects on manufacturing in the form of, for example, inputs, intermediate services, logistics and distribution.

Finally, in thr case of SIM-4, cotton-based inputs are critical for manufactured exports in the textile and garment sector, which is why a production subsidy for cotton has a positive impact on trade. The impact on the terms of trade is also favourable here, as the manufacturing sector's import requirements decline.

It is clear, however, that imported content is critical to domestic production and exports. We see in SIM-I that the strong export gains led to even higher demand for imports. In reality too, the central bank had started, in December 2020, to study whether such increases in imports could be sustained, given the uncertainty surrounding the medical solutions that were required to fully address the pandemic and halt its impact on the economy.

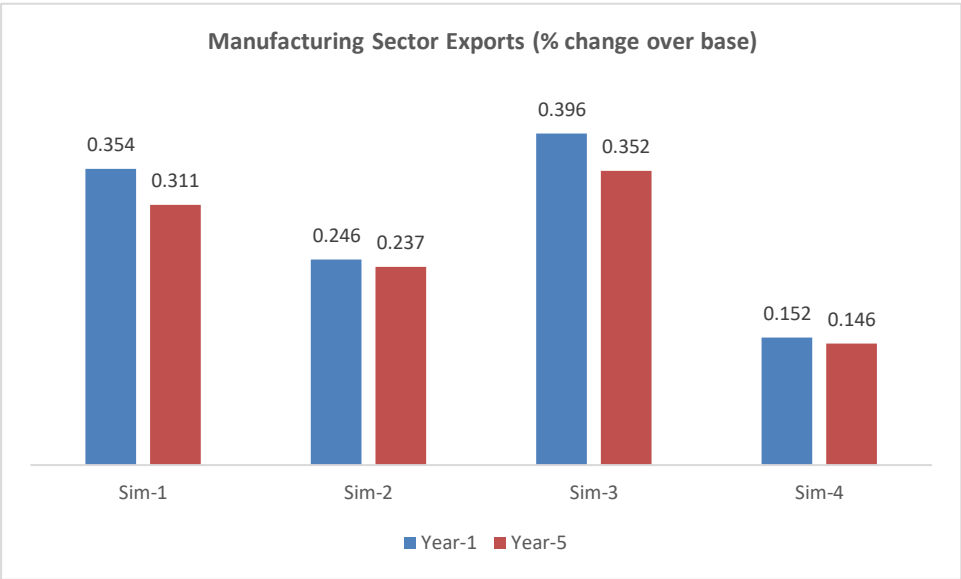

Figure 4: Manufacturing Sector Exports

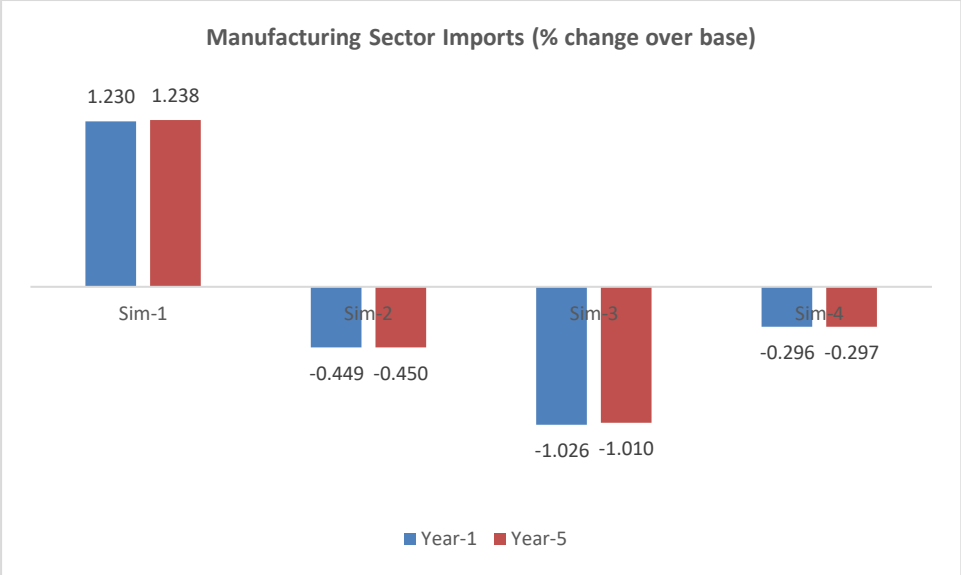

Figure 5: Manufacturing Sector Imports

We also study how our simulated measures led to export gains in the agriculture and services sectors. For example, the reduction in trade taxes on imported agriculture and food sector items resulted in small increases in exports in the agriculture sector as well. However, the reduction in GSTS in services sub-sectors has a strong positive impact on services exports.[27] These export gains increase as the time horizon expands. This dynamic change is particularly large in the case of SIM-3.

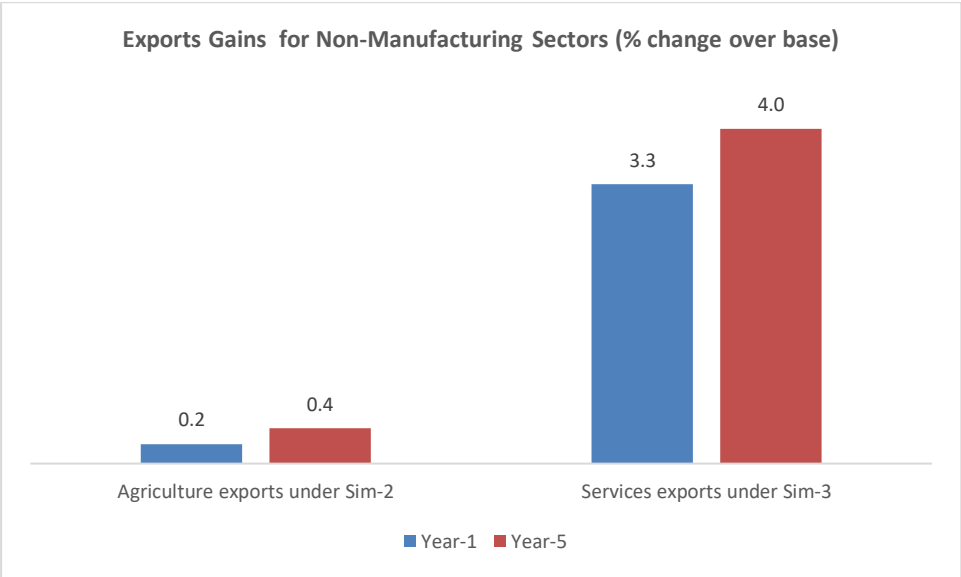

Figure 6: Export Gains for Non-Manufacturing Sectors

[27] Pakistan's services sector exported USD 5.3 billion in 2018. The IT and ICT sub-sector's exports were projected to increase during the pandemic.

6.4 Impact on wages and household consumption

The reduction in indirect taxes for the manufacturing sector (SIM-1) favours non-poor households relatively more than poor households in both rural and urban areas. This result is also visible for the reduction in GSTS in services sub-sectors (SIM-3). A likely explanation for this is that a higher concentration of non-poor households than poor households are involved in (associated with) both manufacturing and services activities. , whereas there is a higher concentration of poor households in the agriculture sector.

In SIM-2 in which trade taxes are reduced on agriculture and food items, we see that rural non-poor households are the main gainers. The gains, although positive, are still smallest for rural poor, which indicates that poor households are weekly integrated in the trade sector. This explanation is validated, since in the case of the production subsidy for the cotton sector (SIM-4), the gains are marginally higher for rural non-poor households than other households.

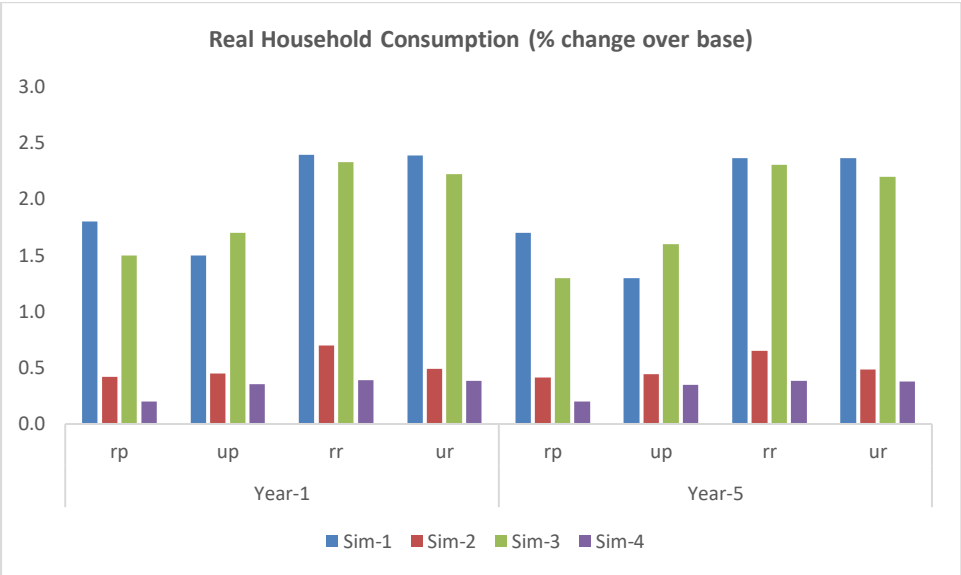

Figure 7: Real Household Consumption

* Where "rp" is household rural poor, "up" is urban poor, "rr" is rural non-poor, and "ur" is urban non-poor

This leads us to an important conclusion: that fiscal policy changes introduced in response to the pandemic may have contributed to increasing some consumption inequalities. To investigate this further, we present results pertaining to changes in food consumption separately. The gains for rural poor households turn out to be lowest in SIM-1and SIM-3. Rural poor households gain more than other households only once tax relief or the production subsidy is extended to the agriculture and food sectors (SIM-2 and SIM-4); however, as seen below, these gains are very small in comparison to the gains achieved in the other simulations.

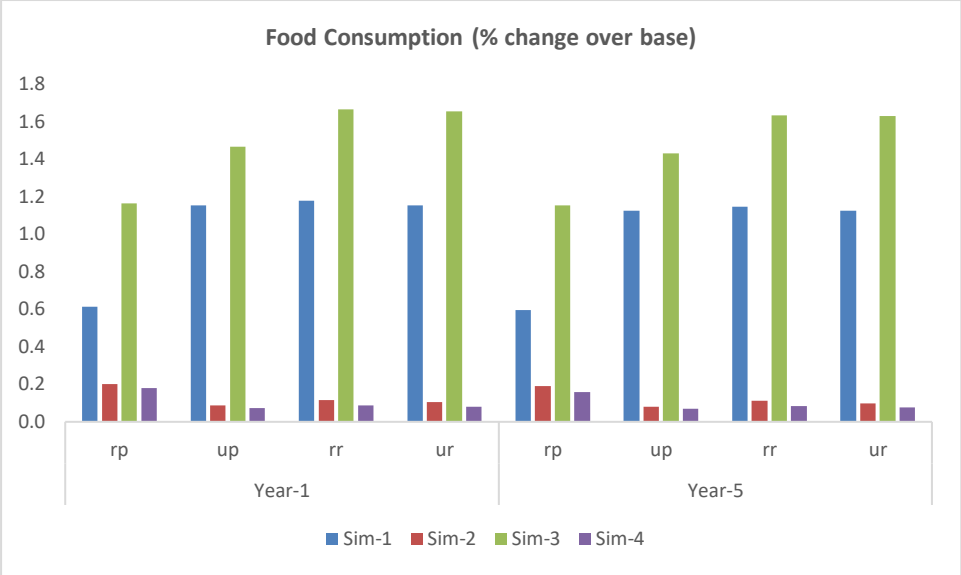

Figure 8: Food consumption

* Where "rp" is household rural poor, "up" is urban poor, "rr" is rural non-poor, and "ur" is urban non-poor. Our point regarding the increase of inequality during the COVID-19 pandemic is also validated by the wage effect. We note that the fiscal policy measures for both the manufacturing and services sectors increased skilled workers' wages relatively substantially compared to unskilled workers' wages. Similarly, liberalizing agriculture imports and providing a production subsidy for cotton have led to negligible (positive) gains for skilled workers and in fact reduced unskilled workers' wages.

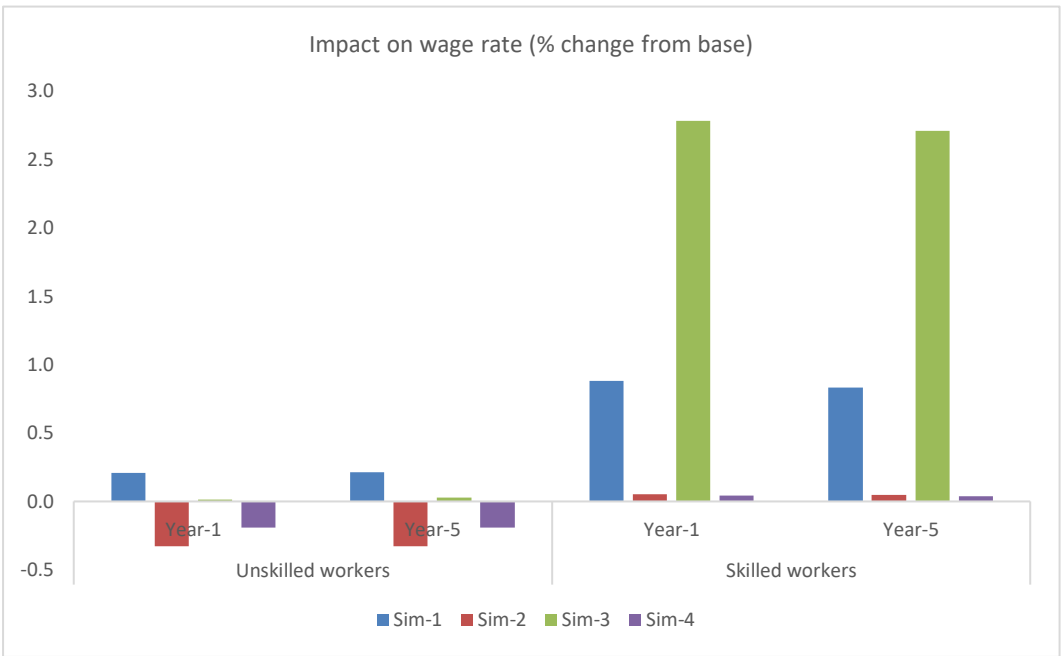

Figure 9: Impact on Wage Rate

To conclude this section, we would like to note an important point: policy measures have different economic effects on poor and non-poor households in rural and non-rural areas. The reasons

for the differences should be explored further in future research with more disaggregated data or using a macro-micro model. This will yield more pro-poor policy recommendations. Otherwise, it is likely that the overall impact of the fiscal response is positive; however, non-poor households could continue to benefit more than poor households over the five-year period studied. This is also reflective of limitations of fiscal policy in a developing economy, which could be explored in future research.

We would also like to add that the fiscal response designed during the initial waves of COVID-19 is not sustainable. With a low national-tax-to-GDP ratio, domestic resource mobilization cannot be scaled up quickly. Due to inadequate domestic revenues, government will end up having to incur more debt to fund fiscal response. With economic growth projected to remain below its potential in the near future, such an accumulation of debt could lead to unfavorable outcomes including rampant inflation and the crowding out phenomenon. Any fiscal response during disaster should have an explicit sunset arrangement that is clearly defined in the government's budget so that all economic agents have a prudent forward-looking early warning.

6.5 Impact on gender inequality

It remains necessary to more carefully identify vulnerable groups and how they may have been impacted by COVID-19. Our interviews with key informants revealed that gender-responsive planning is important. According to information provided during our consultations[28] conducted from October to December 2020, there were fewer economic opportunities available for young women during lockdown. In comparison to men, women had to cover the increased carework required to support children at home.

During the initial wave of the COVID-19 pandemic, disruptions in routine health services for women led to many suffering an inordinate number of days to access medical care for themselves and their children. Most reproductive health and family planning facilities shut down during the first wave of the pandemic. Pre- and post-natal services were discontinued, as community health workers did not have timely access to personal protective equipment. Field reports indicate that pregnant women faced a heightened incidence of mental health issues. Trade- and travel- related restrictions also led to contraceptive shortages. Infrastructure deficits in the public health sector resulted in quarantine and isolation wards being not well-equipped to serve women. Most emergency centers lacked exclusive toilets and sanitation products for women.

The education of young girls was particularly affected. Years of behavioral campaigns had prompted parents and guardians to enroll out-of-school girls. However, low-income households were

[28] For example, a video recording of one of these consultations may be viewed here: https://www.youtube.com/watch?v=uRHt0Pyb0Dc.

seen refusing to send their girls back to school once lockdowns were partially lifted, citing reasons including the need for support with additional housework or to generate extra income.

There was some evidence of an increase in gender-based violence (GBV). Unfortunately, the usual services and helplines were also not available as relevant staff were assigned to other more immediate emergencies. The shelter centers (Darul Amans) available for those affected by GBV were also not encouraging people to visit because they were unable to host more people while ensuring physical distancing.

The design of post-pandemic economic recovery strategies will need to facilitate and ease women's return to both wage employment and self-employment. Additionally, more focus will need to be put on safe transport, childcare support, and anti-sexual harassment education in the workplace. To encourage girls to return to school, an awareness campaign that uses online platforms, electronic media, and mobile messages coupled with community mobilization sessions will have to be developed. Furthermore, increased use of technological solutions such as texting and the WhatsApp platform could help survivors report instances of abuse and domestic violence to curb GBV.

VII. Moving Towards a Gendered CGE Analysis

Over the course of this project, we worked closely with the Pakistan Bureau of Statistics (PBS) to collectively understand what is required to develop a gendered SAM. We hope that this exploratory exercise will help PBS to make available more comprehensive data that will enable credible gender-aware general equilibrium analysis in the future.

In line with the literature, constructing a gendered SAM will involve: compiling information on each gender's share in activities, the labour market, and household income, and using time use data.[29] Apart from labour market participation by gender, care and household services should ideally be explicitly considered in a gendered analysis. For example, Lofgren et al. (2020) explain that, as a first step, the household sector in a standard SAM should include a separate household (non-GDP) service entry. Individual households can then be categorized according to their care needs. In the case of Korea, the authors categorized households as: households with children whose head is of working age; households without children whose head is of working age; and households whose head is above working age. Other similar categorizations are possible depending on the research objectives chosen.

If the data permits, these alterations will make it possible to (a) disaggregate the household row or column into multiple households, and, when that is done, (b) disaggregate labor types if the amount

[29] To capture non-paid activities for personal or household consumption.

of time a household allocates to leisure and the production of household services for personal consumption is available.

In step (a) above, two tabulations are possible: household columns and household rows. Each can be disaggregated into three household types, with the total of each being identical to the single household column or household row in the macro-SAM. These tables would be based on a nationally representative labour force survey that preferably contains information on both the formal and informal segments of the male and female labour force. In the event that information on the informal segment is missing, other related values from the survey or information from peer economies would need to be considered. Since education level is key to disaggregate labour accounts in a way that ensures they reflect the population's qualifications and skills, a nationally representative education dataset is also needed for the year pertaining to the SAM.

There may be gaps in columns and rows that could be adjusted by scaling consumption to balance the two types of households with relatively smaller incomes – the elderly and households with children. Likewise, commodity accounts could be balanced by adjusting the consumption of the households with the largest incomes – those without children whose head is of working age.

In step (b) above, we can calculate the amount of time households dedicate to leisure and household service production for personal consumption. This can be calculated by taking the product of the time in hours and the wage rate per hour. Activities are split into various categories including childcare, elderly care, and other services. The same categories are used for labor type as for households. Labour type can also be further categorized by skill or education level, with gender remaining the key element (e.g., skilled female labour and skilled male labour).

When it comes to time use data, previous methods30 have become outdated and a new PBS survey could help with this exercise. Time use data will be crucial for leisure activity, as the wage rate should reflect opportunity cost. Similarly, for service output, the wage rate will reflect the cost of replacing one hour of family labor with one hour of hired labor. The average hired labor wage will be used for this instead of the usual wage information. For services such as childcare, labor could be treated as the only cost item, in which case there would be no intermediate costs.

After defining the activity columns, a standard SAM balancing technique will be required to ensure the output column totals equal the row totals. Payments for household-specific labor activities is passed on to the households as income, which balances the labour and household accounts.

[30] See GoP (2009)

VIII. Conclusions and Policy Implications

The overarching objective of our study was to simulate the impact of tax relief for commodity-producing sectors and production subsidies in the agriculture sector that were provided in response to COVID-19 during the first wave of the pandemic.

Our findings discussed above offer conclusions that could contribute to better fiscal response design in future emergency times such as the one presented by COVID-19. First, out of all the fiscal policy changes studied, those targeting the manufacturing sector yielded the largest gains in real GDP and reductions in consumer prices.

Second, tax relief for firms in the services sector is important (given it accounts for the largest share of GDP) as fixed investment gains are largest when services sub-sectors benefit from reduced tax rates.

Third, while all the fiscal response scenarios studied led to increased exports, the impact on net exports and terms of trade differed. For example, while the reduction in indirect taxes led to a higher level of manufactured exports, it was accompanied by an even higher level of import demand in the sector. On the other hand, reducing the services sector's indirect tax burden had a positive impact even for the manufacturing sector (and overall), and resulted in decreased import demand. In this simulation, export returns increased as the time horizon expands.

Finally, we see that overall and food consumption inequalities may have increased to some extent. While all households their consumption levels increase, the gains were relatively smaller for poor households. We also note that skilled workers' wages increased relatively more than unskilled workers' wages did. This implies that tax rate and subsidy changes are not enough, and the sustained provision of social protection and social safety nets will be required to mitigate the adverse welfare impacts of COVID-19.

Below are the main policy implications we aim to explore further in the near future in collaboration with the Federal Board of Revenue and the Ministry of Planning, Development and Special Initiatives.

1. There is a clear need to study the potential of all federal and provincial-level taxes (their rate and base) and what role they could play in post-pandemic economic recovery. Additional simulation exercises must be conducted in future studies to understand whether cutting the compliance costs of taxes (which was also introduced during the pandemic) may have led to favourable gains.
2. Given that we see some changes in tax policy had inequality-increasing impacts, a future exercise could help to offer insights into what supplementary expenditure-side or social-protection-related measures could be expanded to mitigate various forms of inequality.
3. The tax policy changes introduced amid COVID-19 haven't resulted in any significant export gains in the agriculture and food sectors. This needs to be explored further, as the availability

of imported inputs also increased in these sectors during the pandemic. Additionally, local inputs were subsidized.

We are mindful that we could not provide an analysis based on a gender-aware CGE model due to data limitations. Therefore, in consultation with PBS, we have included in our report a section on the data needed to be able to conduct a gender-aware CGE analysis in the future.

In this regard, PEP supervisors are aware of similar work being conducted in Vietnam and Korea, which has been cited here. We feel that this will be a good contribution of this report and perhaps shall also motivate the PBS to generate more comprehensive statistics that could make it possible to develop a gendered social accounting matrix.

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Annex A: Fiscal and monetary policy response to support MSMEs

Date	Type	Forum	Targeted Beneficiary	Amount (Billion PKR)	Relief Measure
17-MAR-20	Fiscal	Cabinet			PM formed an inter-ministerial committee to monitor the economic situation
18-MAR-20	Monetary	SBP	Businesses, incl. SMEs		From March 18 to the end of May 2020, the central bank cut interest rates by 625 bps
	Monetary	SBP	Businesses, incl. SMEs	100	SBP announced a Temporary Economic Refinancing Facility for Rs 100 billion
	Fiscal	SBP	Private hospitals	5	"Refinance Facility for Combating COVID–19 (RFCC) of Rs 5Bn for hospitals"
20-MAR-20	Fiscal	MoC	Exporters, incl. SME exporters		Relief package announced for exporters
	Foreign grant for BoP manage-ment	Cabinet	Federal govt.		US$600 million Emergency PacWkage to be granted by multilaterals incl. ADB
21-MAR-20	Monetary	SBP	Exporters, incl. SME exporters		SBP: Performance requirement under the Export Finance Scheme (EFS) is reduced to 1.5 times from 2 times.
	Monetary	SBP	Exporters, incl. SME exporters		The EFS performance period is extended 6 months, up to Dec 2020
	Monetary	SBP	Exporters, incl. SME exporters		The goods shipment period under the EFS is increased to 12 months from 6 months, up to Dec 2020
	Monetary	SBP	Exporters, incl. SME exporters		The need for exports to total 50 percent of total sales to access concessionary Long-Term Finance Facility is reduced to 40 percent
	Monetary	SBP	Exporters, incl. SME exporters		The export proceeds realization period is increased from 180 days to 270 days, valid up to Dec 2020
	Monetary	SBP	Importers, incl. SME importers		The shipment period for imports against advance payment is increased from 120 days to 210 days
25-MAR-20	Fiscal	Cabinet		1,200	An Rs 1.2 trillion (US$6.308 billion) PM Covid-19 Pandemic Relief Package (fiscal stimulus) announced
	Fiscal		Daily wage earners, those who are not employed	200	· Rs 200 billion for labour
	Fiscal		Exporters, incl. SME exporters	100	· Immediate release of Rs 100 billion in tax refunds announced for exporters
	Fiscal		SMEs & agri. sector	100	· Rs 100 billion for SMEs and the agriculture sector
	Fiscal		Daily wage earners,		· Rs 150 billion for monthly payments of Rs 3,000 to poor families under Ehsaas

			those who are not employed	150	
	Fiscal		General public	50	· Rs 50 billion for Utility Stores Corporation to ensure the availability of kitchen essentials
	Fiscal		SMEs & agri. sector	260	· Rs 260 billion for wheat procurement
	Fiscal		General public	75	· Rs 75 billion subsidy on fuel prices
	Fiscal		General public	25	· Rs 25 billion for National Disaster Management Authority
	Fiscal		Emergency fund	100	· Rs 100 billion for emergencies to deal with pandemic
	Fiscal		Health sector	50	· Rs 50 billion for medical workers and equipment
27-MAR-20	Fiscal	Cabinet			The National Coordination Committee (NCC) is formed to implement and oversee the Covid response
	Monetary	SBP	Businesses, incl. SMEs	4,700	SBP announced a scheme to defer the payment of the principal amount on commercial loans. Total amount eligible for restructuring/deferment: Rs 4.7 trillion
	Monetary	SBP	Businesses, incl. SMEs		The Capital Conservation Buffer (CCB) is reduced from 2.5 to 1.5 percent to enhance liquidity and increase access to cheap credit
	Monetary	SBP	Businesses, incl. SMEs		The period for the classification of overdue trade bills is increased from 180 to 365 days
	Monetary	SBP	SMEs only		The per-party limit for lending to SMEs is permanently increased from Rs 125 to 180 million
	Monetary	SBP	Consumer borrowers		The Debt Burden Ratio for individual borrowers is relaxed from 50 to 60 percent
	Monetary	SBP	Businesses, incl. SMEs		The margin call requirement for borrowing against shares is reduced from 30 to 10 percent
28-MAR-20	Fiscal	Cabinet	Daily wage earners, those who are not employed		The Corona Tiger Force is established to deliver food to poor households under lockdown
31-MAR-20	Fiscal		Businesses, incl. SMEs		The advance tax rate payable on pulse imports is reduced from 2 to zero percent
	Fiscal		Businesses, incl. SMEs		The withholding tax on kitchen essentials supplied to the Utility Store is reduced from 4.5 percent to 1.5 percent
	Fiscal		Businesses, incl. SMEs		The additional customs duty of 2 percent payable on soyabean oil, canola oil, sunflower oil, and palm oil imports is abolished
	Fiscal	Cabinet		6	A supplementary grant of Rs 6 billion is approved for Pakistan Railways

4-APR-20	Monetary	SBP	Exporters, incl. SME exporters	Principal repayment is deferred by 1 year under all SBP refinance schemes, including the Long Term Financing Facility (LTFF), the Financing Facility for Storage of Agricultural Produce (FFSAP), the Refinance Facility for the Modernization of SMEs, the Refinance and Credit Guarantee Scheme for Women Entrepreneurs, the Refinance Scheme for the Working Capital Financing of Small Enterprises and Low-End Medium Enterprises, and the Small Enterprise (SE) Financing and Credit Guarantee Scheme for Special Persons
	Fiscal		All citizens	Tax relief measures applicable until June 30, 2021 are introduced: (i) exemption from paying income tax on any income derived from "The Prime Minister's Covid-19 Pandemic Relief Fund-2020"; (ii) exemption on any amount paid as a donation to "The Prime Minister's Covid-19 Pandemic Relief Fund-2020"; (iii) exemption to from minimum tax on turnover to those donating to the fund under Section 113 of the Income Tax Ordinance 2001; (iv) exemption from withholding taxes on any payment received by the fund pertaining to profit on debt, cash withdrawals from a bank, advance tax on banking transactions and advance tax on banking transactions other than through cash under sections 151, 231A, 231 AA and 236P of the Income Tax Ordinance 2001; and (v) exemption from withholding tax for persons not appearing on the active taxpayers' list on banking transactions other than cash under Section 236P for any payment made to "The Prime Minister's Covid-19 Pandemic Relief Fund-2020".
11-APR-20	Monetary	SBP	Businesses, incl. SMEs	The Salary Finance Scheme is announced by SBP with a reduced mark-up rate of 4 percent for businesses that undertake to not lay off workers for up to 3 months from the date of disbursement
14-APR-20	Fiscal	FBR	All citizens	Tax exemptions are announced for donations made to the PrimeMinsiter's Covid-19 Pandemic Relief Fund 2020
	Fiscal			It is announced the provisions of sections 151 (profit on debt), 231A (cash withdrawal from a bank), 231AA (advance tax on transactions in a bank) and 236P (advance tax on banking transactions other than through cash) shall not apply to "The Prime Minister's COVID-19 Pandemic Relief Fund-2020"
16-APR-20	Monetary	SBP	Non-resident Pakistanis, incl. SMEs receiving	It is announced the TT charges against home remittances for all s will be reimbursed

			payments thru TTs		
	Monetary	SBP	Businesses, incl. SMEs		The Special Cash Reserve Requirement is reduced by 5 percent against deposits raised under the foreign exchange circular (FE-25)
27-APR-20	Fiscal Fiscal	ECC	SMEs only		The Chota Karobar Imdadi Package is introduced Collateral free financing is announced for SMEs in Phase 2 of the relief package
28-APR-20	Fiscal	MoIP	SMEs only		The electricity/utility bills of SMEs (that use commercial meters) are waived for up to 6 months
29-APR-20	Fiscal	MoC			The export of all edible commodities is banned for 2 weeks
29-APR-20	Fiscal	MoCC	MSMEs, farmers, agri-value chain		A green stimulus package is announced for MSMEs to promote plantation, setting up nurseries, natural forests, and honey, fruit and olive plantation in the country
29-APR-20	Fiscal	FBR	Exporters, incl. SME exporters		A 0.6 percent withholding tax is announced on cash withdrawals from banks and the issuance of banking instruments by customers bringing foreign remittances into Pakistan starting July 1, 2020, to encourage the use of formal (banking) channels
30-APR-20	Fiscal	OGRA	All citizens		The price of POL products will be reduced by up to 56 percent in June 2020
7-MAY-20	Fiscal	MoF	SMEs only	30	Rs 30 billion allocated for a credit risk-sharing mechanism with banks to incentivize lending to SMEs under the SBP Refinance Scheme to Support Employment and Prevent Layoff of Workers, with the Federal Government to bear 40 percent of the first loss on principal
14-MAY-20	Fiscal Fiscal Fiscal Fiscal Fiscal	ECC	MSMEs, farmers, agri-value chain	50 37 9 2	An Rs 50 billion package is announced for agriculture sector, to come out of the PM Covid Relief Package · Rs 37 billion subsidy on fertilizer for farmers, in the form of Rs 925 per bag on DAP and Rs 243 per bag on urea. · Rs 8.8 billion subsidy for mark-ups on loans · Rs 2.3 billion subsidy for cotton seeds A package to be implemented by provinces with amounts disbursed through a scratch card scheme
21-MAY-20	Fiscal	MoIP	Businesses, incl. SMEs		The Prime Minister's Kamyab Jawan Youth Entrepreneurship scheme is introduced: loans for entrepreneurs with a per-party limit of Rs 25 million at concessionary rates of 3 to 5 percent
21-JUN-20	Fiscal	FBR	Businesses, incl. SMEs		61 healthcare items are exempted from duties and sales tax

30-JUN-20	Fiscal	FBR	Businesses, incl. SMEs	The penalty on imported goods due to disruption of port activity is waived up to June 30th.

Source: Post-pandemic regulatory assessment under the EU GRASP program. Abbreviations used are as below:
SBP: State Bank of Pakistan
FBR: Federal Bureau of Revenue
ECC: Economic Coordination Committee
MoIP: Ministry of Industries & Production
MoCC: Ministry of Climate Change
OGRA: Oil and Gas Regulatory Authority
MoF: Ministry of Finance
Cabinet: Cabinet Division, Federal Government of Pakistan