

## Executive Summary: Pakistan Country Strategy Note

### Economic and Political Context

Pakistan, now the sixth most populated country in the world, was one of the top ten fastest growing developing countries during 1960 to 1990, recording an annual average growth rate of 6%. During this period, the structure of the economy transformed, with the share of agriculture falling from 50% to 20% of GDP. However, with limited success in enhancing individual or economy-wide productivity, there were limited gains made in international competitiveness and exports remained relatively flat.

The past two decades have seen a significant decline in growth rates and more recently, Pakistan has underperformed against other South Asian countries. Weak economic management in Pakistan has left it unable to tackle core structural weaknesses of diminishing fiscal space, declining international competitiveness, and low investment. Other problems, such as weak tax enforcement and loss-making state-owned enterprises, have festered for long periods leading to structural bottlenecks and a myriad of system-level frictions preventing an effective exchange and a steady increase in exports. The risk of hurting the interests of the entrenched elites and rentiers has prevented attempts to address these concerns.

Following the 2018 general election, the Pakistan Tehrik-e-Insaf (PTI) became the first leading political party to take up the reins of government both at the centre and in Punjab, the country's largest province. It also retained its government in Khyber Pakhtunkhwa (KP) and is part of a new governing coalition in Balochistan while Pakistan Peoples' Party (PPP) continues to lead in Sindh for a third successive term. As a party in power at the centre i.e. federal government, in Punjab, and as a coalition member in Balochistan, it has opened up considerable space for fresh engagement in areas of evidence-based policymaking and advocacy for high-impact reform.

In May 2019, Pakistan entered into its 13th agreement with the IMF, this time for a \$6 billion three-year rescue package. The government, already wrestling with a balance of payments crisis, has been further challenged by the global slowdown due to the COVID-19 pandemic that has led to an unprecedented economic loss for the country. Pakistan's economy has contracted for the first time in 68 years, by almost 0.4% in FY20.

The government's broader reform agenda is focused on reducing the revenue-expenditure gap, correcting the balance of payments, encouraging savings and investments, and enhancing coverage and effectiveness of social protection. Underpinning and central to these efforts is a restructuring of the civil service and governance reforms to improve service delivery and strengthen local government institutions. The specific economic priorities of the government are summarised below.

- A. **To raise revenue and lower expenditure:** via a complete overhaul of the government's fiscal apparatus including its tax system and streamlining of public expenditure.
- B. **To increase the rate of national savings:** by improving the investment climate and ease of doing business, providing support to the manufacturing sector and improving access to finance for agriculture, housing, and SME sectors.
- C. **Boosting exports:** through streamlining the exchange rate regime, reduce energy shortage and production costs by creating a more efficient energy sector, and review import tariffs and streamline customs procedures. The government also plans to integrate Pakistani producers and exporters within international value chains.
- D. **To protect the poor and vulnerable groups:** by integrating all government social protection programmes under an overarching *Ehsaas programme*. Beyond integration,

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the programme will also expand social protection coverage to ensure economic and social equality, human development and jobs, and improve livelihoods for the poor.

- E. **Governance reforms:** so as to increase government capacity to undertake service delivery more efficiently and effectively. The reform agenda includes a series of civil service reforms, a greater use of e-governance tools and an overhaul of local governance.

## 1. Country Programme

### (a) Overview

The IGC Pakistan team was initiated in 2010 with the aim of providing high-quality, independent, and demand-led research to support growth policy in Pakistan. Housed in the country's leading academic institution, the Lahore University of Management Sciences (LUMS), it is guided by a team consisting of Dr. Ijaz Nabi (Country Director), Dr. Naved Hamid (Resident Director), Dr. Ali Cheema (Lead Academic), and Dr. Asim Ijaz Khwaja (Lead Academic). A team of two Country Economists (CEs) and an Office Manager support the senior leadership. The Pakistan program has a city office housed in a building with two other leading research institutes (CDPR and IDEAS).

### (b) IGC Pakistan: Recent Work and Impact

Since being established, IGC Pakistan has established a strong reputation for its high-impact work. Being the IGC's largest country programme, the team has also developed an impressive portfolio of over 130 research projects across the IGC's focus themes, including:

- **Economic Governance:** including tax reform, inclusive growth, civil service and governance reforms, improving service delivery, political economy as well as macroeconomic modelling/analysis.
- **Trade and productivity:** including regional trade, agriculture, SMEs, and microfinance with an overall focus on understanding barriers to growth and productivity that supported impactful work on technology adoption, and some engagement on management, skills, and human capital.
- **Cities:** with research that was focused largely on labour markets, urban transport, city finance, and service delivery. There was additional work on agglomeration economies, slums, small cities, and environment.
- **Energy and Environment:** such as early research focused on system losses, off-grid, access, and environment/energy efficiency.

IGC Pakistan's research has not only widened the evidence-base for policymaking it has also made significant contributions in knowledge creation and continued to link policymakers and local academics. Working with international researchers from highly reputable international universities including Harvard, Princeton, Columbia, Oxford, and the London School of Economics (LSE), as well as researchers from leading local universities and think tanks.

Reflecting this, IGC's research has led to a range of publications in the world's leading economic journals including; Quarterly Journal of Economics, World Development, American Economic Review, Journal of Political Economy, and Small Business Economics. The National Bureau of Economic Research and World Bank Economic Review has also published several IGC working papers. While, IGC Pakistan's research has also been included in the top Pakistani journals such as the Lahore School of Economics Journal and the Pakistan Development Review.

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The programme has worked with a range of stakeholders – at the federal, provincial, and local government level as well as the private sector – to help design policy interventions for promoting inclusive and sustained economic growth. Since its inception, IGC Pakistan has supported the Federal Government on several policy issues such as enhancing revenue collection, strategising for regional trade and improving effectiveness of monetary policy, etc. At the provincial level, it has worked extensively with Governments of Punjab and KP (on issues such as developing economic roadmaps, improving service delivery in health and education, supporting local government, urban planning, and governance reforms) and also formed new partnerships with the private sector.

IGC Pakistan launched its core engagement with the previous provincial governments of Punjab and KP by helping develop their provincial strategies that served as comprehensive policy frameworks to guide economic reform. This was backed by a strong collaboration with the provincial Planning and Development departments and senior most policymakers. The Punjab work was presented to the province’s senior most policymaker, its Chief Minister while the work in KP was internalised by not only the government but also DFID in its integrated development strategy for the province. IGC Pakistan continued its engagement with relevant provincial departments to operationalise these frameworks.

On property tax reforms, Punjab’s Excise & Taxation as well as Local Government & Community Development departments remain IGC Pakistan’s most ardent counterparts in a long-standing engagement that began in phase 1. As one of IGC Pakistan’s flagship engagements a series of four projects were implemented to enhance the overall performance of property tax in Punjab, push for civil service reforms, and better link tax payments with local goods and services received by the citizens. The entire evidence from property tax work is feeding into major reforms on property tax law with strong support from the Finance and LG departments.

The recent Local Government reforms in Punjab – bill was passed in April 2019 – drew directly on the work done by IGC Pakistan on the design of election and legislative rules. The paper on breaking the counter cyclical pattern of local democracy in Pakistan done jointly by Ali Cheema, Adnan Khan and Roger Myerson set the foundation of what local governments in Pakistan should look like. Similarly, the design of the Property Tax law and policy in Punjab – especially in terms of what to tax, and how to value land and property, is also drawing on IGC Pakistan supported work on property tax and is being further supported by time from Ali Cheema. This promises to be a major reform and has deepened Pakistan programme’s engagement with three key departments of Punjab – E&T, Finance and LG&CD. IGC Pakistan is also directly supporting the LG transfer system being designed by the Punjab Finance Commission.

Another sustained engagement has been on procurement reforms, again with the government of Punjab through a unique collaboration between researchers and a range of stakeholders in the Punjab Government, including 750+ procurement officers, four-line level departments and oversight departments including the Punjab Procurement & Regulatory Authority, the Finance department, the Planning & Development department and the office of the Accountant General. Lessons from the project have, and continue to, inform province-wide procurement reforms including how to structure bureaucrats’ incentives to reduce waste and corruption in public procurement across different contexts. The Punjab Online Procurement System (POPS) – an e-governance system – developed as part of this project has now been scaled up in all line departments across Punjab.

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The State Bank remained a consistent counterpart on a number of projects including multiple studies on monetary policy and a recent collaboration with the Pakistan Bureau of Statistics (PBS) on conducting a country-wide survey of management practices. The official data from the survey appended to the Census of Manufacturing Industries will be available for public use by 2021. However, researchers have now gained access to the complete dataset and are updating their work based on this most recent data on management.

Leveraging the China Pakistan Economic Corridor (CPEC) was a key focus to push regional trade and connectivity. IGC Pakistan made headway by developing an industrial cooperation framework under CPEC for the Industries department, which led to similar engagements with the Agriculture department, both in Punjab.

IGC Pakistan has built strong traction in the energy sector. A trip by Robin Burgess (LSE) and Michael Greenstone (University of Chicago) to the federal capital and their interface with the senior most policymakers including the Minister of Energy led to a strong engagement of IGC Pakistan with the federal level task force on energy reforms. Subsequently, IGC began helping the task force think through potential ideas for addressing the sector's key concerns: reducing line losses that occur in the distribution of electricity and improving the targeting of industrial and domestic energy subsidies. The team is currently in discussion with Special Advisors to the Prime Minister on Power and Petroleum to design pilots in high loss electricity and gas utilities.

IGC Pakistan is a member of various high-level policymaker forums. For instance, after the new government took office in 2018, the team directly supported the Prime Minister's Economic Advisory Council, Resource Mobilization Committee in Punjab and the Federal Task Force on Austerity and Civil Service reform. At the time of the previous government, the Country Director was the economic advisor to the then Chief Minister of Punjab. While the team's senior management was also on the boards of important organisations like the Benazir Income Support Program, Pakistan Poverty Alleviation Fund, and the Urban Unit in Punjab. In addition, IGC Pakistan team also advised on the design of several new organisations such as the Punjab Skills Development Fund and the Punjab Population Innovation Fund.

### (c) IGC Pakistan: Outlook

IGC Pakistan will be focusing on two overarching objectives. Firstly, to identify new areas of research aligned to the current government's priorities. Secondly, to create opportunities for uptake of existing research and scale-up some of its flagship research engagements to drive policy impact. With efforts for meeting the latter objective will be aligned to the policy priorities of the new government and complemented by a strategy of active advocacy and lobbying. Envisioned areas of focus include:

**Economic governance:** Good economic governance contributes to a strong economy, job creation, investments, and poverty reduction. However, at the core of good economic governance lie strong and well-functioning institutions. In Pakistan's case, years of ad-hoc decision-making by multiple governments with short time horizons, in pursuit of either winning elections or gaining legitimacy, has eroded the capacity of institutions key to sound economic planning, raising revenue, and effective public service delivery.

This has prevented the government from maintaining macroeconomic stability and sustaining economic growth and public service delivery especially to the poor. There is now a renewed interest by the government to stabilise the economy through structural reforms and support the low-income strata and women via effective delivery of social protection and municipal and social services, as well as through governance reforms. This offers IGC Pakistan a

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tremendous opportunity to engage productively with state institutions. IGC Pakistan will therefore focus on assisting the government with its reform agenda in the areas of:

- Macroeconomic and fiscal stability.
- Informing and enhancing pro-growth and productivity increasing reforms.
- Strengthening federal, provincial, and local governments' capacity to raise revenue efficiently.
- Building state capacity of provincial and local governments to deliver effective social and municipal services.
- Strengthening accountability and responsiveness of social and municipal service providers to low-income groups and women.

**Trade and productivity:** Despite a general consensus that productivity is at the heart of economic growth, the evidence-base on what determines productive capacity in the context of developing countries remains relatively thin. A better understanding of how to build capabilities of firms and leverage trade can lead to improved competitiveness of firms and industry through appropriately designed interventions.

The current government wants to improve the performance of the agriculture sector and increase the share of manufacturing and trade in GDP. It also aims to reduce the saving-investment gap by promoting domestic and foreign investments. A focus on enhancing productivity growth and competitiveness in three main areas of economic activity: agri-livestock, manufacturing, and services, would complement the government's structural reform efforts geared towards closing the export-import gap. The theme will also focus on improving the health of the financial sector as financial intermediation and access to financial services remains an important factor in boosting trade and productivity. Research ideas under this theme will be closely aligned to these areas and are intended to include:

- Improving agricultural and livestock productivity by reducing frictions through better training, support services, market linkages and reforms that look at issues throughout the value chain.
- Evaluating mechanisms to improve management practices across firms by exploring collaboration with both public and private sector players and understanding organisational barriers that prevent adoption of existing technology.
- Supporting export-oriented industries, such as garments, light engineering, pharmaceuticals, agri-processing
- Designing mechanisms and policies through which benefits of FDI can be leveraged to promote local manufacturing, e.g., through FTAs, FDI policy, etc and helping SMEs grow by addressing key barriers to their growth.
- Enhancing cross-border knowledge and technology transfers in the industrial sector.

**Cities, governance and infrastructure:** Pakistan is one of the fastest urbanising countries in South Asia, projected to become an urban-majority country by 2030. If effectively leveraged, urbanisation can generate significant economic growth. However, to unleash the true potential of cities as engines of economic growth and social mobility several challenges need to be addressed, including:

- i) A shortage of affordable housing;
- ii) Inadequate land-use planning;
- iii) Poor quality and coverage of water supply, sewerage and sanitation; and
- iv) Inadequate public transport.

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Underlying all these challenges is a weak revenue base, which hampers the ability of cities to address these effectively. This results in poor health and education outcomes, rising unemployment, and urban sprawl with poor services. With the government's on-going efforts to overhaul the system of local governance and financing of cities, especially following the introduction of the new Local Government Acts in Punjab and KP, it is a good time for IGC Pakistan to engage on these issues. Specific priority areas will include:

- Strengthening local government for improved service delivery
- Facilitating provision of services within and across city jurisdictions.
- Improving urban services to enhance citizen/firm productivity and satisfaction.
- Overcoming barriers to women's mobility.
- Improving the understanding of how urban centres contribute and adapt to climate change.
- Promoting vibrant land markets and improving land management.
- Improving property tax collection.

**Energy and environment:** Access to reliable energy, ensuring the sector's financial viability, and reducing negative externalities such as increased pollution and environmental degradation, are crucial for sustainable economic growth. With increased power generation in recent years, the problems in Pakistan's energy (electric power) sector lie primarily at the distribution end, plagued with technical losses, non-payment, and theft. With an estimated 55 million Pakistanis living in off-grid areas, poor access to reliable electricity remains a key concern. To seek solutions geared towards ensuring availability, affordability, and the sustainability of the sector, the government has constituted a federal task force on energy reform. This provides a unique opportunity for IGC Pakistan to work on power sector issues identified by the task force. The focus will be on the side effects of fossil energy use and rising energy access, through climate change mitigation and adaptation measures, as well as strategies to minimise air and water pollution. Specific areas of research can include:

- Reducing power sector losses and understand role of behavioural- and technology-based interventions in curtailing sector losses.
- Increasing the share of renewable energy in the overall fuel mix and encouraging uptake of net metering.
- Encouraging the use of cleaner fuels in remote communities.
- Developing the mechanisms for regular monitoring (of air and water quality) and enforcement.
- Incentivising polluting industries to adopt energy-efficient and environment-friendly technologies, as well as supporting the government with the necessary regulatory and policy measures for the uptake of such technologies.

### (d) Country Team's Inclusive Growth Strategy

IGC Pakistan will have a keen focus on supporting the design of reforms and interventions to provide economic support to the vulnerable segments of the population. Including informal workers, those without access to social protection programs, women, the disabled, and the poor.

Specific projects will be designed to assist in improving identification of such groups, in design of social protection programs, in restoring supply chains, and in design of development plans to encourage employment generation. This will be achieved by working with both the federal and provincial governments. The program plans to work closely with the Federal Poverty

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Alleviation and Social Safety (PASS) Division. IGC also plans to extend its work to other more deprived provinces that include Balochistan and Sindh.

## 2. Partnerships, Policy Engagements and collaborations

IGC Pakistan has developed a broad network of partnerships and collaborations with policymakers and institutions. A lot of IGC research is co-generated with these partners, which means IGC Pakistan must be flexible and responsive. Constant and various methods of engagement, such as capacity-building exercises, rapid response research, events, and direct technical support from the team, help maintain relationships and gain the most impact. IGC Pakistan also sits in various government task forces, making policymakers more receptive to research findings and advice. Champions (senior bureaucrats, politicians or strong private sector partners) amongst policy counterparts play an important role in sustaining IGC's presence in the policy domain. Some key relationships are as follows:

### *Existing relationships with stakeholders and partners by theme*

Theme	Strategy note and Partners
<b>Economic governance</b>	Ministry of Planning, Development and Reform; Ministry of Finance; Ministry of Industries and Production; State Bank of Pakistan; Federal Board of Revenue; Prime Minister's Economic Advisory Council; Federal Government/Cabinet; Punjab Planning and Development Department; Punjab Ministry of Finance; Public Procurement Regulatory Authority; Punjab Excise & Taxation Department; Punjab Local Government & Community Development Department; Punjab School Education Department; Punjab Finance Department; Special Monitoring Unit Punjab Government; KP Elementary and Secondary Education Department; KP Health Department; KP Government; Pakistan Poverty Alleviation Fund; Punjab Population Innovation Fund, Poverty Alleviation Social Safety Division
<b>Trade and productivity</b>	Lahore Chamber of Commerce and Industry; Pakistan Business Council; Punjab Skills Development Fund; Netsol; Garments exporters, State Bank of Pakistan, Ministry of Commerce, Federal Board of Revenue
<b>Cities, governance and infrastructure</b>	Punjab Urban Unit; KP Urban Policy Unit, Provincial Planning & Development Departments
<b>Energy and environment</b>	Planning Commission; Ministry of Energy; Task Force on Energy Reforms; Power Information Technology Company; Electricity & gas utilities; Punjab Environment Department; Punjab Transport Department; KP Forest Department.
<b>Cross-cutting</b>	Department for International Development; World Bank Asian Development Bank; United Nations Development Programme; Lahore University of Management Sciences; Lahore School of Economics (Center for Research in Economics and Business); Institute of Business Administration; Center for Economic Research in Pakistan; Institute for Development Economic Alternatives; Consortium for Development Policy Research.

### 3. Country Covid-19 Strategy: Response and Recovery

#### (e) Overview

IGC Pakistan engaged with policymakers during the COVID-19 pandemic support by tapping into the existing network of policymakers and rapidly assess demand, and to start the conversation around immediate responses to the outbreak (e.g. in health care, social protection, provision of economic relief and support to industry). Following this, engagement centred around broad and longer term macroeconomic related concerns (e.g. creating fiscal space, boosting exports etc). Engagement has been across levels of government, with some of the most critical areas of service delivery (e.g. social protection, health, law enforcement, etc.) falling within provinces whilst the federal government retains a central role in providing provinces the required fiscal space, scaling up nation-wide interventions and running large service delivery and economic programs such as *Ehsaas* (flagship social protection initiative), *Digital Pakistan*, and setting overall policy guidance for economic activity.

The government's COVID-19 containment strategy has shifted from a blanket national lockdown to taking selective measures, towards easing the lockdown across economic sectors and jurisdictions within Pakistan. All provincial governments are now pursuing a policy of a selective and localised lockdown, sealing smaller areas within larger cities where significant cases have emerged but at the same time allowing essential economic activity to continue. This is continuing even in the face of a second wave of COVID-19 infections. The Federal Government is more focused on enhancing healthcare capacity and providing relief to individuals (unemployed and poor) and businesses. The government announced no new taxes in the budget for FY21 and had earlier launched a USD 8 billion relief package to provide immediate support to businesses and the vulnerable. The State Bank has slashed interest rates to 8% to encourage economic activity. The government has also developed and is now implementing SOPs to contain the spread but enforcement remains weak. Testing capacity remained low during both the height of pandemic and as cases drastically reduced. Health infrastructure risks becoming overwhelmed as case load fluctuates.

#### (f) Response Strategy

**Project-level engagement:** IGC Pakistan has responded to policymaker needs by commissioning new projects under a special COVID-19 *call for proposals*, as well as through leveraging ongoing projects where possible. The following projects are currently underway:

- *Tying Rapid Response to Smart Testing: Empowering Local Government Response in Pakistan's COVID-19 Outbreak.* PIs: Asim Khwaja (Harvard), Adnan Khan (LSE), and Jishnu Das (Georgetown). This work has informed the government's policy of a smart lockdown now being implemented across Pakistan.
- *Using Spatial Data for Targeting the Poor: Reaching the Most Vulnerable households during Covid-19 Crisis.* PIs: Rashid Memon (LUMS), Nazar Khan (University of Central Florida). This work is informing the Government of Sindh's roll out of its key social protection program across Sindh by helping the design of its identification strategy.
- *State engagement with religious leaders for effective COVID-19 crisis response.* PI: Kate Vyborny (Duke). A critical piece of work that looks at the role of religious leaders in impacting citizen's behaviour towards adopting SOPs and social distancing measures.
- *Measuring Economic Performance in Pakistan through Satellite and Big Data.* PI: Ali Chaudhary (SBP) and Nicola Limodio (Italy). 1. This project has been initiated by the State Bank of Pakistan, to monitor the economic impact of Covid-19. Various data sources will

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be exploited to develop a machine learning algorithm able to predict the local GDP of every Pakistani tehsil and investigate the impact of COVID-19 on the different economic activities.

- *Leveraging energy data for better residential energy subsidy targeting.* PIs: Robin Burgess (LSE), Michael Greenstone (University of Chicago), Tim Dobermann (LSE), Faraz Hayat (University of Chicago), and Usman Naeem (IGC). This work will help improve the design of subsequent rounds of cash transfers under the Ehsaas program to respond to COVID-19.
- *Responsive Policymaking in Pakistan –Decision-making around infrastructure in Balochistan.* PIs: Nasir Javed and Ehsan Saqib. IGC plans to support the Government of Balochistan in planning investments around infrastructure with two broad outcomes a) ensuring food security b) generating employment – both important as policy interventions in response to shocks such as Covid-19.

**High-level panel of international experts/academics:** IGC Pakistan set up a high-level panel in various fields to respond to both immediate and long-term policy concerns of senior policymakers arising from the on-going crisis. These virtual sessions were organised at the direct demand of federal and provincial policymakers (including ministers and senior advisors) to address specific queries ranging from concerns over fiscal and monetary measures to health and social protection interventions. Several sessions have been organised – including one with Ghazan Jamal (Minister for Excise and Taxation and Head of the COVID-19 Provincial Rapid Response Force for KP), Rafiullah Kakar (Head of the Strategic Planning Unit with the Government of Balochistan), senior advisors in Sindh, Punjab, and the Federal Government (including the Governor of State Bank and Advisor to Finance). DFID Pakistan has also shown a keen interest in IGC’s response to assist policymakers. Regional consultations are also being planned.

**Prime Minister’s COVID-19 Response Committee:** IGC Pakistan’s Country Director recently joined the Prime Minister’s COVID-19 Response Committee to directly engage with senior policymakers, connecting them with IGC research and co-generating ideas. Similarly, other members of the senior leadership are also working very closely with the provincial government in various advisory capacities.

**Input into formal government strategy:** IGC Pakistan has used in-house engagement to provide comments on government strategy documents (e.g. a note in Balochistan prepared by the province’s strategic planning unit) and helping connect a range of researchers and policy practitioners to provincial governments.

**Engagement with FCDO Pakistan:** IGC Pakistan is engaging with the FCDO Pakistan office to discuss findings and learnings, possibilities of engaging, and taking forward the smart testing project (mentioned above) to tie it up with FCDO’s own planned interventions to inform the government. A meeting between Asim Khwaja, Adnan Khan, Ijaz Nabi, and the FCDO team in Pakistan was held in June 2020 to discuss possibilities of engagement. The country office also provides a monthly update to FCDO Pakistan on its COVID-19 response.

**Policy talks and webinars:** IGC has also effectively utilised online digital platforms to continue engaging with a range of stakeholders on multiple aspects of covid-19 and its impact on the economy. A number of sessions of the Lahore Policy Exchange have been held around COVID-19 to generate debate and ideas for seeking solutions. Some of the topics include COVID-19 and innovation in retail, Coping with COVID-19 - The Pakistan experience and COVID-19 role in improving communication in evaluation practices. Others are being planned around COVID-19 and its impact on education service delivery and assessments.

## (g) Recovery Strategy

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Some policy priorities of the COVID-19 pandemic already align with existing thematic research areas. These are important not only to provide an immediate response to the pandemic but also critical for long-term economic recovery, aligned to the country context outlined above. While the program will continue to engage with the federal government, Punjab and KP it will also extend its engagement in Balochistan and Sindh. It will work closely with the private sector and civil society as implementing partners and other development partners such as DFID's Pakistan office in achieving impact.

It is also crucial that any work initiated to respond to COVID-19 builds on and does not replace on-going policy and research engagements. The thematic areas of focus identified under IGC's country strategy note are fundamental to addressing key structural bottlenecks to achieving economic growth in the long run and will hence also remain essential for maintaining a sustained response to the COVID-19 crisis in Pakistan. Some policy areas in particular include:

**Focus on social protection:** Shocks such as COVID-19 create groups of newly vulnerable that are currently not covered by existing social protection programs and are in need of support from the government. The role of shock-responsive social protection programs is important for Pakistan not only in response to COVID-19 but also other shocks such as natural disasters including flooding and earthquakes as well as economic recessions etc. Important policy questions in this regard include: How to new and existing datasets to track the newly vulnerable (those who have received an economic shock and fallen into poverty) and those on the margins needing social safety such as informal workers? Research in this area will support the poverty alleviation and social safety program through Prime Minister's think tank.

**State's role in COVID-19 awareness, messaging, and citizen behaviour:** Another key focus will be the role that government authorities can play in changing citizen behaviour through messaging to improve social distancing compliance, as well as improve the outreach of other programs such as immunization (routine and specific such as polio) and enhance willingness to pay taxes. Some specific questions include: What channels are most effective? What kind of information is needed (whether on prevention, access to care, testing facilities etc.)? How to motivate public sector employees to effectively deliver awareness messages and whether these are having the intended impact on healthcare outcomes? How to use religious messaging, institutions, and leaders to deliver awareness messages to citizens?

**Macroeconomic issues:** There is a focus on broader macroeconomic issues geared towards long-term economic revival in direct collaboration with the State Bank of Pakistan. Understanding how vulnerable emerging markets such as Pakistan with low reserves and high public debt respond to this situation will be essential in guiding macroeconomic policy.

**Supporting the private sector:** Understanding how firms will adapt to COVID-19 is important, especially what new types of firms and sectors may look like. IGC Pakistan will continue to work with the Pakistan Business Council, State Bank, and other federal and provincial departments on sectoral engagement, and develop policy interventions to promote firm growth, create employment, and boost exports. There is a potential to deepen engagement in agriculture by focusing on maintaining agricultural supply chains and logistics at the provincial level (one request from the Government of Balochistan). Some research questions include: how can planning be improved, using spatial and non-spatial data sets, around infrastructure investments to maintain agricultural supply chains and create employment opportunities? Do energy subsidies deliver relief to industry during COVID-19 (a request from the Ministry of Energy)? How to provide relief to industries/SMEs and large businesses that are struggling?

**Energy:** Even during COVID-19, industries sensitive to a high-quality (uninterrupted, stable) energy supply will be willing to pay premium prices. The Federal Government is interested in

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developing a market for such premium energy supply, which is a direct demand from the Ministry of Energy. Additionally, consumer-level energy data (from electricity and gas utilities) if merged with individual-level income data (from BISP's NSER dataset) can inform the Federal Government's ongoing desire to rationalise tariff-based consumer energy subsidies and replace them with unconditional cash transfers that will benefit those most affected by the pandemic, whilst also improving livelihoods for all.

**Cities:** IGC Pakistan will aim to extend the scope of the urban property tax research, linking it to urban policy and service delivery, to other provinces by direct request of the provincial governments. A spatial strategy framework is being developed for the Government of Balochistan, as a first key engagement in the province, and this will pave the way for more responsive planning in the future.