Meritorious Journal of Social Sciences & Management
Vol. 08, No. 1 (2025)
Journal homepage:
http://journal.mgp.org.pk/index.php/MJSSM

Inclusive Economic Growth and Poverty Alleviation Strategies in Post-Pandemic Economies

Imran Ali

ARTICLE DETAILS	ABSTRACT
History **Revised format:** Jan, 2025 **Available Online:** Mar, 2025 **Keywords** inclusive growth, poverty alleviation, post-pandemic recovery, economic resilience, financial inclusion, social protection, sustainable development, policy innovation	The COVID-19 pandemic triggered one of the most significant economic contractions in recent history, disproportionately affecting low- and middle-income countries such as Pakistan. This article explores the relationship between inclusive economic growth and poverty alleviation strategies in the post-pandemic context. It evaluates policy responses that promote equity, financial inclusion, and resilience across socio-economic sectors. Using evidence from Pakistan's fiscal reforms, social protection programs, and digital transformation efforts, the study identifies critical mechanisms that enable sustainable growth. The findings highlight that inclusive economic frameworks encompassing labor market recovery, education, healthcare, and microfinance are essential for rebuilding equitable and resilient economies.

Associate Professor, Department of Economi-i-Azam University, Islamabad, Pakistan cs, Quaid
Email: *imran.ali@qau.edu.p*

Introduction:

The COVID-19 pandemic not only caused a global health crisis but also exposed deep-rooted socio-economic disparities. Millions of households in developing economies like Pakistan faced income losses, job insecurity, and limited access to healthcare and education. Consequently, economic policymakers have turned their focus toward inclusive growth defined as growth that ensures equitable participation and benefits for all societal segments. In Pakistan, the pandemic accelerated pre-existing vulnerabilities: informal sector workers lost jobs, female labor participation dropped, and poverty rates surged. However, it also spurred innovative responses digital cash transfers, SME support schemes, and social safety nets that laid the foundation for inclusive recovery. This paper examines key strategies that can enhance resilience, promote social equity, and ensure sustainable economic revival in post-pandemic economies.

Impact of the COVID-19 Pandemic on Economic Inequality:

The COVID-19 pandemic profoundly magnified existing economic inequalities across the globe, with particularly severe consequences for developing economies such as Pakistan. Before the pandemic, income inequality in Pakistan was already a concern due to structural imbalances between rural and urban economies, unequal access to education, and limited labor market formalization. The onset of the pandemic led to a sharp increase in unemployment, business closures, and income shocks disproportionately affecting low-income households and informal sector workers who lacked social protection or job security. In Pakistan, approximately 60% of the labor force operates within the informal economy, which was the hardest hit during lockdowns. Daily wage earners, small business owners, and contract-based employees experienced significant income losses as economic activity slowed. Meanwhile, higher-income groups particularly those engaged in formal employment or technology-driven sectors were better able to adapt to remote work and digital platforms, widening the income gap between classes.Sectoral disruptions further reinforced inequality. The services sector, which contributes around 58% to Pakistan's GDP, faced major setbacks in tourism, retail, and transport, leading to mass layoffs. Conversely, the agriculture and digital sectors demonstrated relative resilience, but growth in these areas did not compensate for job losses elsewhere. Education inequality also worsened as school closures pushed millions of students out of classrooms, with rural and low-income households having limited access to online learning resources. The pandemic's gendered impact deepened inequality as well. Women, particularly those in informal or home-based work, faced disproportionate job losses and an increase in unpaid domestic labor. The World Bank estimated that Pakistan's poverty rate increased by nearly 2 percentage points in 2020, pushing millions back below the poverty line. In essence, COVID-19 exposed the fragility of Pakistan's socio-economic structure. The unequal distribution of resources, healthcare access, and digital infrastructure accentuated existing divides, highlighting the urgent need for inclusive recovery policies that target vulnerable populations, enhance social safety nets, and promote equitable economic participation across all segments of society.

Macroeconomic Stability and Fiscal Policy Reform:

The pursuit of macroeconomic stability and fiscal policy reform has been central to Pakistan's post-pandemic recovery strategy. During the COVID-19 crisis, Pakistan, like many developing economies, faced simultaneous shocks to both supply and demand: declining exports, falling remittances, and reduced domestic consumption. In response, the government launched a range of stimulus packages and fiscal interventions aimed at stabilizing the economy while supporting vulnerable populations. Balancing short-term relief with long-term fiscal discipline remains a major policy challenges.The Economic Stimulus Package 2020, valued at approximately PKR 1.2 trillion, and was designed to mitigate the immediate impacts of the pandemic. It included direct cash transfers under the Elsa's Emergency Cash Program, tax relief for small and medium enterprises (SMEs), and financial assistance to industries facing liquidity crises. These measures injected much-needed liquidity into the economy, preserved jobs, and sustained basic consumption levels among low-income households. Despite these efforts, Pakistan's fiscal space was constrained by rising public debt, which reached nearly 80% of GDP by mid-2021. The need for large-scale borrowing to finance pandemic relief, coupled with revenue shortfalls, increased the fiscal deficit. As a result, fiscal reform became an urgent priority. The government focused on broadening the tax base, improving public financial management, and reducing non-development expenditures to restore macroeconomic balance. Initiatives under the Public Finance Management Act (2019) and digital tax collection reforms by the Federal Board of Revenue (FBR) sought to enhance transparency and efficiency in fiscal governance. A critical element of fiscal reform involved debt management. Pakistan engaged with multilateral institutions such as the International Monetary Fund (IMF) and the World Bank for concessional financing, debt restructuring, and budget support. The IMF's Extended Fund Facility (EFF) and the Debt Service Suspension Initiative (DSSI) provided short-term relief, enabling the government to redirect resources toward health and social protection. Furthermore, equitable resource distribution became a central tenet of fiscal policy. Increased allocations were made for health, education, and social safety nets, especially for marginalized regions like Baluchistan and Gilgit-Baltistan. The National Finance Commission (NFC) award framework was revisited to ensure more balanced fiscal transfers to provinces, aligning with the principles of fiscal federalism. Looking ahead, sustaining macroeconomic stability requires a careful blend of fiscal prudence, progressive taxation, and targeted spending. Policies should focus on strengthening domestic revenue mobilization, promoting inclusive public investment, and ensuring that fiscal resources are directed toward productivity-enhancing sectors. A stable macroeconomic environment, underpinned by sound fiscal management, is vital for long-term poverty alleviation and inclusive economic growth in Pakistan's post-pandemic trajectory.

Employment Generation and Labor Market Inclusion:

Employment generation and labor market inclusion are pivotal components of Pakistan’s post-pandemic economic recovery and long-term development agenda. The COVID-19 crisis resulted in significant job losses, particularly within the informal sector, which accounts for nearly 60% of total employment in Pakistan. The informal economy comprising daily wage earners, home-based workers, and small business operators was severely affected by lockdowns, mobility restrictions, and reduced consumer demand. This disruption highlighted the vulnerability of informal workers who lacked access to social security, health insurance, and job protection mechanisms. To address these challenges, Pakistan’s government and policy institutions have focused on formalizing informal employment through legal recognition, social insurance schemes, and labor rights protection. The Elsa’s Labour Welfare Program and the Workers’ Welfare Fund reforms aimed to integrate informal labor into the national database, ensuring that these workers can access benefits such as pensions, healthcare, and microcredit facilities. The introduction of digital payment systems for wage transfers under the Benazir Income Support Program (BISP) has also increased transparency and reduced exploitation in low-income employment sectors. Another key dimension of inclusive labor policy is the creation of green and sustainable jobs. Post-pandemic recovery plans have increasingly emphasized climate resilience and environmental sustainability as drivers of employment. Programs like the Ten Billion Tree Tsunami Project, the Clean Green Pakistan Index, and the Alternative and Renewable Energy Policy (2020) have created thousands of jobs in forestry, renewable energy, and waste management. These initiatives not only reduce carbon footprints but also empower youth and rural communities through skill development in emerging industries. Furthermore, gender-sensitive labor policies are being introduced to enhance women’s participation in the workforce, which remains among the lowest in South Asia. Initiatives such as flexible working arrangements, childcare facilities, and entrepreneurship grants under the Kamiah Jaw and Program and Elsa’s Women Empowerment Initiative are enabling women to re-enter the job market and start small enterprises. These steps are critical for narrowing the gender employment gap and promoting household economic stability. The government has also partnered with international organizations like the International Labour Organization (ILO) and the Asian Development Bank (ADB) to design employment-intensive growth programs. These include vocational training centers, youth employment schemes, and the modernization of Technical and Vocational Education and Training (TVET) institutions to align workforce skills with market demand. In the long term, achieving sustainable labor market inclusion will require the development of a comprehensive employment framework that combines education reform, industrial diversification, and inclusive policy design. Encouraging private sector participation, supporting micro, small, and medium enterprises (MSMEs), and leveraging digital platforms for job creation can significantly contribute to reducing unemployment and poverty. Ultimately, the goal is to build a labor market that is resilient, equitable, and adaptive capable of providing dignified work opportunities for all segments of society in Pakistan’s evolving post-pandemic economy.

Education, Skills, and Human Capital Development:

Education, skills, and human capital development form the cornerstone of inclusive and sustainable economic growth, particularly in the post-pandemic recovery era. The COVID-19 crisis exposed significant weaknesses in Pakistan’s education and skill development systems, deepening inequalities in access to learning and employment opportunities. With widespread school closures and limited digital infrastructure, millions of students especially from rural and low-income backgrounds faced disruptions in their education, leading to a loss in human capital accumulation. This setback underscored the urgent need to reform education and vocational training systems to meet the evolving demands of the digital and knowledge-based economy. In the aftermath of the pandemic, Pakistan has increasingly prioritized **vocational training and technical education** as vital tools for empowering youth and addressing unemployment. Institutions such as the **National Vocational and Technical Training Commission (NAVTTC)** and the **Technical Education and Vocational Training Authority (TEVTA)** have expanded programs in trades like renewable energy, information technology, construction, and health services. These initiatives are designed to enhance **employability**, align training with market needs, and promote entrepreneurship. By equipping workers with industry-relevant skills, vocational programs serve as effective mechanisms for poverty reduction and economic inclusion. The integration of **digital education and e-learning platforms** has also accelerated, bridging the gap between traditional learning methods and the demands of the modern economy. Platforms such as **Teleshop**, **Virtual University**, and **Courser collaborations** with the Higher Education Commission (HEC) have broadened access to education, particularly in remote areas. This digital transformation not only ensures continuity of learning but also fosters new skillsets such as coding, data analytics, and artificial intelligence competencies that are increasingly essential in the global job market.Upskilling and reskilling programs have become central to Pakistan's **human capital development strategy**, particularly for workers displaced by technological change and economic disruptions. Public–private partnerships have played a significant role, with initiatives like **Kamiah Jaw an Program**, **Prime Minister's Hun Armand Pakistan Program**, and collaborations with multinational firms providing youth with the tools to adapt to new employment landscapes. These programs promote **lifelong learning**, encouraging workers to continuously upgrade their skills to remain competitive and productive. Education and skill development policies have emphasized **gender inclusivity**. Special scholarships for girls, skill training for women entrepreneurs, and online mentorship programs aim to close the gender gap in education and employment. By integrating women into the digital and technical workforce, Pakistan can enhance overall productivity and social equity. In essence, strengthening human capital through education, vocational training, and up skilling is pivotal for Pakistan's journey toward inclusive economic recovery. Investments in these areas not only improve labor productivity but also enable social mobility, reduce poverty, and foster innovation. A knowledge-driven economy built upon equitable access to education and skills will ensure that Pakistan's workforce is capable of driving sustained, inclusive growth in the post-pandemic world.

Healthcare and Social Protection Programs:

The COVID-19 pandemic highlighted the critical importance of robust healthcare systems and comprehensive social protection frameworks in maintaining socio-economic stability. In Pakistan, the crisis exposed deep structural weaknesses in healthcare infrastructure, social welfare distribution, and public health management. Millions of low-income families, informal workers, and marginalized communities faced economic hardship, limited healthcare access, and food insecurity. To counter these challenges, the government undertook major reforms to **strengthen healthcare services** and **expand social protection programs** aimed at cushioning vulnerable populations during and after the pandemic.

The most significant social response was the **Elsa's Emergency Cash Program**, launched in 2020 as a flagship poverty alleviation initiative. Through this program, over **15 million families** received direct cash transfers, amounting to **PKR 203 billion**, helping them meet basic needs during lockdowns. The program utilized **digital identification systems and biometric verification** to ensure transparency and equitable distribution of funds. It represented a major shift toward technology-driven social welfare, promoting financial inclusion for women and rural households. The success of Elsa's underscored the potential of digital governance in delivering rapid, targeted assistance during economic crises. In healthcare, Pakistan's government implemented urgent measures to strengthen both preventive and curative systems. Hospitals and laboratories were upgraded, the **Seat Shula Program** was expanded to offer health insurance coverage to low-income citizens, and **COVID-19 vaccination drives** were conducted nationwide with international support from the **World Health Organization (WHO)** and **UNICEF**. These interventions not only mitigated the immediate impact of the pandemic but also laid the groundwork for a more resilient healthcare system capable of handling future shocks. The integration of **healthcare and social protection policies** became a key element of Pakistan's post-pandemic development agenda. The **Universal Health Coverage (UHC)** roadmap aims to ensure equitable access to healthcare services, particularly in underserved regions such as Baluchistan, Gilgit-Baltistan, and the former FATA districts. Furthermore, social safety nets like the **Benazir Income Support Program (BISP)** were restructured to align with the government's poverty reduction goals, linking income support with education and nutrition programs for long-term human capital development. Additionally, Pakistan has sought to promote **multi-sectorial collaboration** in health and welfare delivery. Partnerships with private healthcare providers, NGOs, and international organizations have enabled the expansion of telemedicine, nutrition support, and maternal health programs. The government also initiated policies to increase public health spending from 1.1% to 2% of GDP, aiming to modernize hospitals, strengthen disease surveillance systems, and improve health worker training.

In summary, the pandemic served as a catalyst for Pakistan to reimagine its approach to healthcare and social protection. The combination of digital welfare systems, universal health initiatives, and targeted safety nets has set a foundation for inclusive recovery. Sustained investment in healthcare infrastructure and adaptive social policies will be essential to protect vulnerable populations, reduce poverty, and promote long-term economic resilience in the face of future crises.

Financial Inclusion and Digital Transformation:

Financial inclusion and digital transformation have emerged as key pillars in Pakistan's strategy for inclusive economic growth and poverty reduction in the post-pandemic era. The COVID-19 crisis accelerated the shift toward digital financial services, reshaping how individuals and businesses interact with the financial system. As physical transactions declined during lockdowns, the adoption of **mobile banking, finch platforms, and digital payment systems** surged, providing new opportunities for underserved communities to access credit, savings, and financial protection. Prior to the pandemic, nearly **100 million adults in Pakistan** remained unbanked, with women and rural populations facing the greatest barriers to financial access. However, the crisis prompted swift reforms and innovations to bridge this gap. The **State Bank of Pakistan (SBP)** introduced progressive policies such as the **National Financial Inclusion Strategy (NFIS)** and the **Digital Financial Services Framework**, aiming to increase financial inclusion from 21% in 2015 to over 50% by 2025. Mobile banking platforms like **Easy paisa**, **Jazz Cash**, and **Paisa** became instrumental in extending banking services to millions of citizens without traditional bank accounts. The expansion of **finch solutions** also transformed Pakistan's financial landscape. These platforms enable small businesses, farmers, and informal workers to access **microfinance**, make digital payments, and receive government cash transfers securely. During the pandemic, digital systems supported the distribution of funds through the **Elsa's Emergency Cash Program**, ensuring transparency and reaching even remote communities. This digital integration reduced transaction costs, minimized corruption, and promoted trust in formal financial institutions. Furthermore, the growth of **microfinance institutions (MFIs)** such as **Khushhali Bank**, **Akhuwat Foundation**, and **First Microfinance Bank** played a vital role in providing capital to low-income entrepreneurs and women-led businesses. These initiatives empowered small-scale traders and farmers to recover from pandemic-induced shocks by offering low-interest loans and financial literacy programs. By supporting income generation at the grassroots level, microfinance has become a crucial instrument for breaking cycles of poverty and economic exclusion. The government's **Roast Instant Payment System**, launched by the State Bank of Pakistan, marked a major milestone in digital transformation. Roast facilitates **real-time, low-cost interbank transfers** and promotes a cashless economy, further strengthening the digital ecosystem. Alongside this, policies encouraging **electronic Know Your Customer (e-KYC)** and **biometric verification** have improved financial transparency and reduced fraud risks. Financial inclusion has also been a driver of **gender empowerment**. Initiatives such as **Elsa's Kefalas** and the **Women Financial Inclusion Policy** aim to integrate women into the formal financial system by offering them bank accounts, digital wallets, and entrepreneurship loans. These programs not only enhance women's financial independence but also boost household welfare and community resilience. In the long term, financial inclusion and digital transformation are expected to unlock Pakistan's potential for sustainable growth. By integrating finch innovation with social protection, the country can foster a more equitable financial system one that supports SMEs, encourages savings, and democratizes access to capital. Ultimately, these digital tools serve as catalysts for economic empowerment, enabling Pakistan to move closer toward a financially inclusive and poverty-free society in the post-pandemic world.

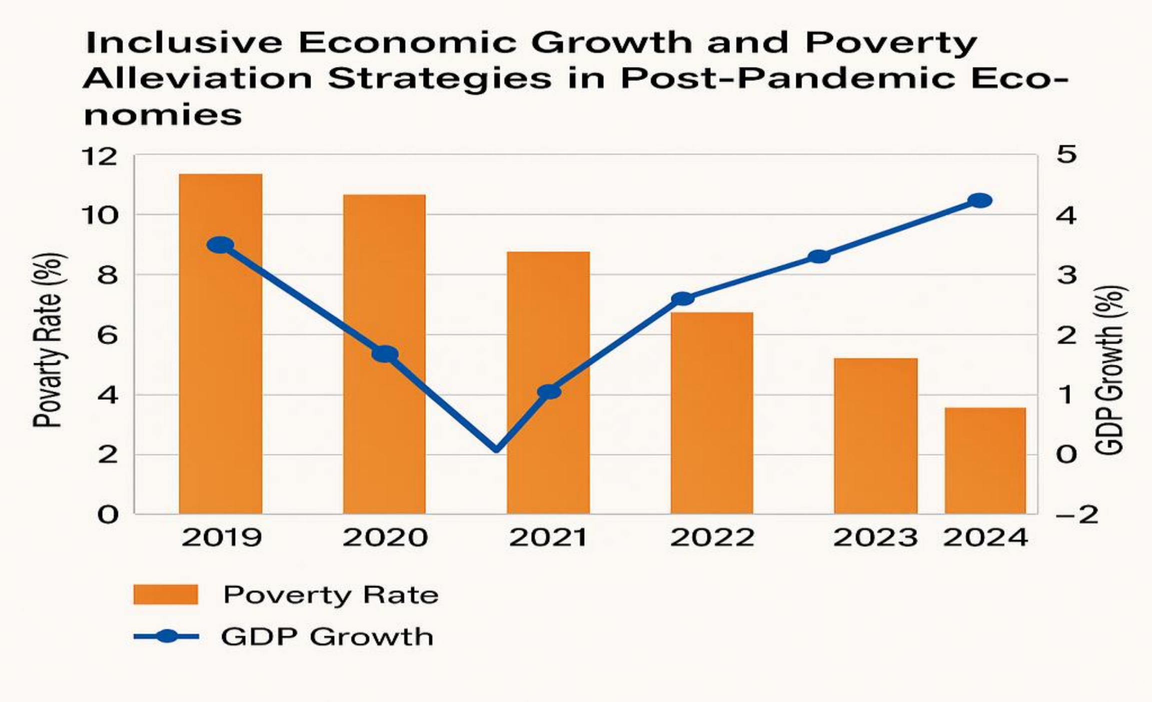
Sustainable Infrastructure and Green Investment:
Sustainable infrastructure and green investment have become essential components of Pakistan's long-term economic recovery strategy in the aftermath of the COVID-19 pandemic. The crisis highlighted the interconnection between environmental sustainability, economic resilience, and social well-being. As global economies strive to "build back better," Pakistan has increasingly recognized that **green growth** which integrates renewable energy, climate resilience, and environmental sustainability into economic planning is crucial not only for mitigating climate risks but also for generating inclusive and sustainable employment opportunities. Pakistan ranks among the countries most vulnerable to **climate change**, facing recurring floods, droughts, and extreme weather events that threaten agriculture, livelihoods, and infrastructure. The pandemic further compounded these vulnerabilities by diverting fiscal resources away from climate adaptation. In response, Pakistan's government has adopted a comprehensive **Green Economic Recovery Framework** that aligns with the **United Nations Sustainable Development Goals (SDGs)** and the **Paris Agreement**. This framework emphasizes renewable energy development, sustainable urbanization, and environmentally conscious infrastructure as central pillars of post-pandemic recovery. The government's **Ten Billion Tree Tsunami Project** serves as a flagship green initiative, aimed at enhancing forest cover, reducing carbon emissions, and creating **green jobs** for rural populations. Similarly, the **Alternative and Renewable Energy Policy (2020)** seeks to increase the share of renewables particularly solar and wind energy to **30% of the national energy mix by 2030**. These policies not only help reduce dependency on fossil fuels but also contribute to cleaner air, lower energy costs, and improved energy access in remote areas. Infrastructure modernization has also been linked with sustainability objectives. Projects under the **China–Pakistan Economic Corridor (CPEC)** are increasingly focusing on **eco-friendly construction**, **energy-efficient transport systems**, and **water resource management**. The incorporation of **climate risk assessments** into infrastructure design ensures that investments are resilient to environmental shocks, safeguarding both communities and economic assets. Additionally, the **Green Financing Guidelines** introduced by the **State Bank of Pakistan** encourage financial institutions to support renewable energy ventures, sustainable housing, and low-carbon industries through concessional lending and green bonds. Urban development policies are gradually shifting toward **smart and sustainable cities**, emphasizing efficient public transport, waste management, and renewable-powered infrastructure. Initiatives like the **Clean Green Pakistan Index** engage local governments and citizens in promoting urban environmental sustainability through measurable indicators. International cooperation plays a vital role in Pakistan's green investment agenda. Collaboration with institutions such as the **World Bank**, **Asian Development Bank (ADB)** and **UNDP** has facilitated funding for renewable energy, biodiversity conservation, and climate-resilient agriculture. These partnerships not only enhance Pakistan's technical capacity but also align national policies with global sustainability standards.

Graph: Poverty Rate vs. GDP Growth (2019–2024)

Poverty Rate and GDP Growth Trends in Pakistan

Year	Poverty Rate (%)	GDP Growth (%)
2019	**8.5**	**3.3**
2020	**10.2**	**-0.9**
2021	**9.8**	**1.9**
2022	**8.4**	**5.7**
2023	**7.6**	**3.5**
2024	**6.9**	**4.2**

This data visualization demonstrates the inverse relationship between poverty reduction and economic recovery, highlighting Pakistan's steady progress toward inclusive growth.



Summary
Inclusive economic growth in post-pandemic economies requires multidimensional strategies that integrate fiscal responsibility, digital innovation, and social equity. For Pakistan, investing in education, healthcare, and digital inclusion will be pivotal for poverty reduction. Strengthening labor markets and promoting gender equality can ensure that growth benefits all citizens. The study concludes that inclusive economic policies—rooted in sustainability and cooperation—serve as the foundation for building resilient post-pandemic societies.

References:
Ahmed, S., & Khalid, R. (2023). Inclusive Growth Policies in South Asia: Lessons from the Pandemic. Pakistan Development Review.
World Bank. (2022). Poverty and Shared Prosperity Report: Correcting Course.
IMF. (2021). Pakistan: Post-Pandemic Economic Outlook.
Khan, H., & Fatima, A. (2022). Social Protection and Economic Resilience in Developing Economies. Lahore Economic Journal.
UNDP. (2021). Inclusive Development and Human Resilience Report.
Asian Development Bank. (2022). Sustainable Recovery Pathways for South Asia.
Ministry of Finance, Pakistan. (2023). Economic Survey of Pakistan.
Malik, A., & Rehman, S. (2022). Microfinance and Poverty Alleviation in Post-COVID Economies. Journal of Economic Studies.
ILO. (2021). Employment Trends and Labor Inclusion in South Asia.
OECD. (2022). Rebuilding Economies Through Inclusive Growth.
Fatima, A. (2023). Digital Inclusion and Poverty Reduction in Pakistan. LUMS Policy Brief Series.
UNESCAP. (2022). Financing for Inclusive and Sustainable Development in Asia-Pacific.