

Chapter 1 – Saving Lives and Livelihoods amidst a Once-in-a-Century Crisis

INTRODUCTION

The COVID-19 pandemic engendered a once-in-a-century global crisis in 2020. It posed an unprecedented challenge for policy making, globally and nationally.

In this Chapter, the Economic Survey deals with India's unique vulnerabilities to the Covid-19 pandemic and its response and strategy towards it and its related benefits.

COVID-19: ONCE IN A CENTURY CRISIS

- **Covid-19 pandemic has led to global health crisis and global economic recession.**
- The crisis world is facing today is unique in number of ways:
 - The **current global recession is induced by health crisis**. Previous global recessions which were driven by confluences of a wide range of factors, including financial crises (the Great Depression in 1930-32; 1982; 1991; 2009), sharp movements in oil prices (1975; 1982), and wars (1914; 1917-21; 1945-46).
 - The current recession is **highly synchronised**. More than 90% of economies are expected to see contraction in per capita income in 2020.
 - The COVID crisis presented a trade-off between lives and livelihoods, in the short run.
- The pandemic is, therefore, once in a 150-year event with an unprecedented impact with all regions in the world projected to experience negative growth in 2020. It is aptly called the 'Great Lockdown'.

Research Driven Policy Response Amidst Unprecedented Uncertainty

- Two fundamental strategies to combat an epidemic are possible:
 - **Mitigation** – It focuses on slowing the epidemic spread.
 - **Suppression** – It aims to reverse epidemic growth.

Learning from Spanish Flu pandemic of 1918-19

- The learning from research focused on the Spanish Flu guided India's policy response to control the spread of Covid-19. The learning from Spanish Flu were as follows:
 - The pandemic curve needs to be 'flattened' to spread the pandemic over time and enable more people to receive proper health treatment, thereby lowering the fatality rate ultimately.
 - Given the network structures that affect the transmission of the pandemic, higher population can lead to faster spread of the pandemic.
 - Denser areas are more vulnerable to faster spread of the virus and this effect is especially strong at the onset of the pandemic.
 - Early lockdowns delay the time taken to reach the peak, reduces the magnitude of the peak, and thereby decreases the total mortality burden by providing valuable time to ramp up the health and testing infrastructure.
 - Implementing lockdowns earlier in the pandemic and using them more intensely – while costly in the short-run – led to a much sharper economic recovery and reduced mortality as well.

- When faced with enormous uncertainty, policies must be designed with the objective of minimizing large losses by selecting the policy that would be optimal under the worst-case scenario.

India's Humane Policy response: Short Term Pain, Long Term Gain

- The Covid -19 pandemic presented government with the dilemma of 'lives vs livelihood'.
- India's efforts focused on saving lives and livelihoods by its willingness to take short-term pain for long term gain. The clear objective of 'Jaan Hai to Jahan hai' and to 'break the chain of spread' before it reaches 'community transmission' helped the government face the dilemma of 'lives vs livelihood'
- **India's policy response**
 - India's policy response to the pandemic stemmed fundamentally from the humane principle advocated in the Mahabharata that 'Saving a life that is in jeopardy is the origin of dharma.' Therefore, India recognised that while GDP growth will recover from the temporary shock caused by the pandemic, human lives that are lost cannot be brought back
 - The response by India also drew on epidemiological and economic research, especially those pertaining to the Spanish Flu, which highlighted that an early, intense lockdown provided a win-win strategy to save lives, and preserve livelihoods via economic recovery in the medium to long-term
 - Indian policymakers followed an approach similar to the Barbell strategy in finance – hedging for the worst outcome initially, and updating its response step-by-step via feedback
 - The strategy was also motivated by the Nobel-Prize winning research in Hansen & Sargent (2001) that recommends a policy focused on minimising losses in a worst case scenario when uncertainty is very high.
- India was amongst the first of the countries that imposed a national lockdown when there were only 500 confirmed cases
- India's strategy flattened the curve, pushed the peak to September, 2020
- The cross country analysis shows that India has been able to effectively manage both the spread of COVID-19 and the fatalities

V shaped economic recovery

- India implemented stringent lockdown from late March to May (2020) to curb the pace of spread of COVID-19. It led to 23.9% contraction of GDP (Q1 of FY 2020-21). The economy was gradually unlocked since June, 2020 and has experienced a V-shaped recovery since then (7.5% decline in GDP in Q2 of FY 2020-21)

Far Sighted Policy Response for Economic Recovery

- COVID pandemic affected both demand and supply.
- The fiscal policy response of the Government of India to the pandemic was, accordingly, strategized with a step-by-step approach.
 - The initial approach was to provide a cushion for the poor and section of society and to the business sector (especially the MSMEs) to tide over the distress caused by disruption of economic activity. The Pradhan Mantri Garib Kalyan Yojana (PMGKY) for ensuring food security through public distribution system, direct benefit transfers to

widows, pensioners and women, additional funds for MGNREGS, and debt moratoria and liquidity support for businesses

- With the easing of movement and health-related restrictions in the third quarter, the government transited in a calibrated fashion to support investment and consumption demand through Atmanirbhar 2.0 and 3.0.

Structural reforms

- India undertook structural reforms focussing on strengthening the potential of primary and secondary sectors of the economy to create jobs
- Major structural reforms launched by the Government
 - Reform in agriculture markets,
 - Labour laws reform
 - Changed the definition of MSMEs
 - production-linked incentive (PLI) schemes have been implemented in ten key specific sectors to make Indian manufacturers globally competitive, attract investment in the areas of core competency and cutting-edge technology; ensure efficiencies; create economies of scale; enhance exports and make India an integral part of the global supply chain.

Sector	Structural Reform Undertaken
Deregulation and Liberalization of Sectors	
Agriculture	<ul style="list-style-type: none"> • Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 • Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Act, 2020 • Essential Commodities (Amendment) Act, 2020
MSMEs	<ul style="list-style-type: none"> • New MSME definition covering almost 99 per cent of all firms enabling MSMEs to grow in size and create jobs • Removal of artificial separation between manufacturing and service MSMEs
Labour	<ul style="list-style-type: none"> • Enactment of four labour codes namely, Wage Code, Industrial Relations Code, 2020, Code on Occupational Safety, Health & Working Conditions Code, 2020 & Social Security Code, 2020 • 'One labour return, one licence and one registration'
Business Process Outsourcing (BPO)	<ul style="list-style-type: none"> • Simplification of the Other Service Provider (OSP) guidelines of the Department of Telecom. Several requirements, which prevented companies from adopting 'Work from Home' and 'Work from Anywhere' policies have been removed
Power	<ul style="list-style-type: none"> • Tariff Policy Reform: DISCOM inefficiencies not to burden consumers, Progressive reduction in cross subsidies, Time bound grant of open access, etc. • Privatization of Distribution in UTs

- PSUs
- PSUs in only strategic sectors
 - Privatization of PSUs in non-strategic sectors

- Mineral Sector
- Commercial Mining in Coal Sector
 - Removal of distinction between captive and merchant mines
 - Transparent auction of mining blocks
 - Amendment to Stamp Act, 1899 to bring uniformity in stamp duty across States
 - Introduction of a seamless composite exploration-cum-mining-cum-production regime

Strengthening Productive Capacity

- Industry
- Production Linked Incentive (PLI) Scheme for 10 identified sectors
 - National GIS-enabled Land Bank system launched

- Space
- Level playing field provided to private companies in satellites, launches and space-based services
 - Liberal geo-spatial data policy for providing remote-sensing data to tech-entrepreneurs

- Defence
- Corporatization of Ordnance Factory Board
 - FDI limit in the Defence manufacturing under automatic route to be raised from 49 per cent to 74 per cent.
 - Time-bound defence procurement process

Strengthening Productive Capacity

- Education
- PM-eVidya to enable multi-mode and equitable access to education
 - Manodarpan initiative for psychosocial support

- Social Infrastructure
- Scheme for Financial Support to Public Private Partnerships (PPPs) in Infrastructure Viability Gap Funding (VGF) Scheme extended till 2024-25

Ease of Doing Business

- Financial Markets
- Direct listing of securities by Indian public companies in permissible foreign jurisdictions
 - Provisions to reduce time line for completion of rights issues by companies
 - Private companies which list NCDs on stock exchanges not to be regarded as listed companies

- Corporates
- Including the provisions of Part IXA (Producer Companies) of Companies Act, 1956 in Companies Act, 2013
 - Decriminalization of Companies Act defaults involving minor technical and procedural defaults
 - Power to create additional/ specialized benches for NCLAT
 - Lower penalties for all defaults for Small Companies, One-person

Companies, Producer Companies & Start Ups

- Simplified Proforma for Incorporating Company Electronically Plus (SPICE+) introduced

Administration	<ul style="list-style-type: none">• National platform for recruitment: National Recruitment Agency to conduct a Common Eligibility Test• Revised guidelines on Compulsory retirement to remove ineffective or corrupt officials through Fundamental Rule 56(j)/(l) and Rule 48 of CCS (Pension) Rule• Faceless tax assessment and a 12-point taxpayers charter• Fast track Investment Clearance through Empowered Group of Secretaries
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CONCLUSION

Despite the hard-hitting economic shock created by the global pandemic, India is witnessing a V-shaped recovery with a stable macroeconomic situation aided by a stable currency, comfortable current account, burgeoning forex reserves, and encouraging signs in the manufacturing sector output. India is reaping the “lockdown dividend”.