



# RIS Diary

— Research shaping the development agenda

## From Director General, RIS

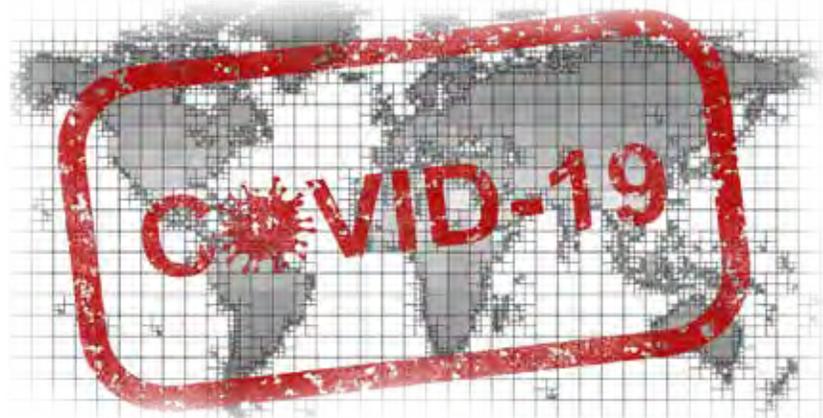
RIS is bringing out this second edition of special issue of the RIS Diary on COVID 19. It has contributions by our colleagues on "Ripple Effects of Covid-19 on the World and India: Sequence of Prevention Strategies" by Professor S. K. Mohanty; "WHO's Role in the Covid-19 Outbreak Must be Strengthened" by Dr Bhaskar Balakrishnan; "Food and Nutrition Security in COVID-19 Times" by Dr P. K. Anand and Krishna Kumar; "Covid-19: A New Hope for Global Multilateralism" by Augustine Peter; and "Reforms Package-Covid-19" by Subhomoy Bhattacharjee.

We are sure the suggestions made in these special articles would be found useful while we are confronting the unprecedented challenges at the global level and are evolving strategies to combat the menace of COVID 19 afflicting humankind at health, safety, family, occupational, economic, social and day to day fronts. We would certainly look forward to benefiting from your views and feedback.

**Sachin Chaturvedi**

## Ripple Effects of Covid-19 on the World and India: Sequence of Prevention Strategies

S. K. MOHANTY



The present global crisis, emanating from the outbreak of Covid-19 has been unparalleled in the annals of contemporary global history. The consequences of the global crisis are gradually unfolding in the form of colossal loss of lives, apprehension of unpredictable deaths in future, loss of employment, sharp slump in the growth curve of the world economy, perpetuation of recession, etc., which are taking the world economy towards a state of uncertainty from where

it would take years to return to the pre-crisis level. The killer novel coronavirus was first detected on 17 November 2019 in Hubei province of China and the province was under lockdown since January 23 2020 to combat the rapid spread of the virus. The fury of the pandemic has subsided in China, but it has spread like a wildfire across the globe. So far, 17.8 lakh cases have been reported including 1.1 lakh deaths and 4.1 lakh recovered globally as on 12 April 2020. As many as 210 countries have reported

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incidence of Covid-19. The US has reported 5.33 lakh confirmed cases, 32 thousand patients recovered and 20.6 thousand deaths. Situation has remained grim for several countries in Europe, Asia and Latin America. Upto end of January 2020, as many as 20 countries reported regarding coronavirus; 35 new countries joined the group in February and rest 155 countries enlisted in the group in the following months of March and April. The global response to the pandemic outbreak was sharp and consistent across countries.

The impact of the Covid-19 has been grave and the world economy is heading towards worst economic fallout in 2020. As against a strong expectation regarding a robust recovery of the world economy, the novel virus was instrumental for depressing the growth performance in 2019. The IMF described the situation as 'way worse' than the situation prevailed during the great recession in the world in 2008. It estimated the growth rate of the world economy at 2.9 per cent in 2019. Continued US-China trade war and that broken out of a pandemic since mid-November subdued growth expectation of the world economy in 2019. Since expectation regarding complete phased out of Covid-19 from the world economy is beyond comprehension, exact assessment of the growth projection for the world economy is not yet assessed. Considering the grim picture of the globe, WTO has described the post-Covid-19 situation as worse than recessionary conditions prevailed during the 1930s.

Apart from North America and Europe, the Asian continent is likely to be hit hard in 2020. As the World Bank forecast, the growth rate of China is likely to shrink from 6.1 per cent in 2019 to 2.3 per cent in 2020. Similar projections for the developing East Asia and Pacific region stood at 2.1 per cent in 2020 as against 5.8 per cent in 2019. The South East Asian (SEA) economies are under strain with the continued trade war between the US and China; and their strong linkages with the latter through Global Value Chains (GVC). Their relationship is further under pressure because of Covid-19 which may push their economies into deep recession. As a fall out of the spread of the disease, several sectors are likely to be affected globally and SEA countries are no exception to this trend. According to the World Bank, contraction of GDP growth is likely to push 11 million people from the region into the poverty trap.

In a situation where spread of Covid-19 is not contained, the world economy is expected to go down to a level worse than 2008 Financial Crisis,

and international trade is to be affected the most. The effect of the Post-Covid-19 period would be challenging for reviving the global trade. According to WTO, global trade is forecast to decline between 13 per cent and 32 per cent in 2020, since downside risks associated with the novel coronavirus are ambiguous. Fragile outlook for trade may not continue in 2021 and growth in international trade for the year would oscillate between 21 per cent and 24 per cent, depending upon the period required to contain the disease and efficacy of policy response by the affected economies. The impact of the disease would be felt in merchandise trade and trade in services. Trade impact is likely to be experienced in specific sectors such as GVC, machinery, automobiles, precision instruments, chemicals, medical devices, personal protective equipment (PPE), tourism, insurance, transport, ICT, finance, etc. Sharp decline in global trade in 2020 is likely because of restrictions in transport, travel, export restrictions, overcapacity in the manufacturing sector, knock-on effects for goods among others.

India was a latecomer in experiencing cases of Covid-19 in the country and the first case of the disease surfaced on 30 January, 2020. At a very early stage of viral infection, the country took punitive measures to arrest the spread of the disease. In a sequence of policy responses, India promulgated a series of measures to address further proliferation of the disease and kept economic activities going uninterruptedly. With the proper mix of fiscal and monetary policies, lockdown policy was maintained effectively. Economic stimulus to the extent of 1 per cent of GDP was extended in the first phase and more incentives are likely to follow in due course. Because of the continuation of the global recession and outbreak of Covid-19, the GDP growth rate is lowered to 2.5 per cent from 5.3 per cent in 2020 by Moody's Investors Service. In the Financial Year 2020, India is expected to improve its growth performance to 3.5 per cent. At the present situation India's trade scenario is highly fragile. Due to self-imposed suspension of economic activities in a number of sectors for containment of the spread of virus, India's exports are expected to decline between 18 per cent and 35 per cent in 2020, depending upon length of the lockdown period and coverage of sectors under restriction. With the advice of the state governments, the Centre is considering to extend the lockdown period and also to open up some of the priority sectors to maintain normal economic activities in the economy.

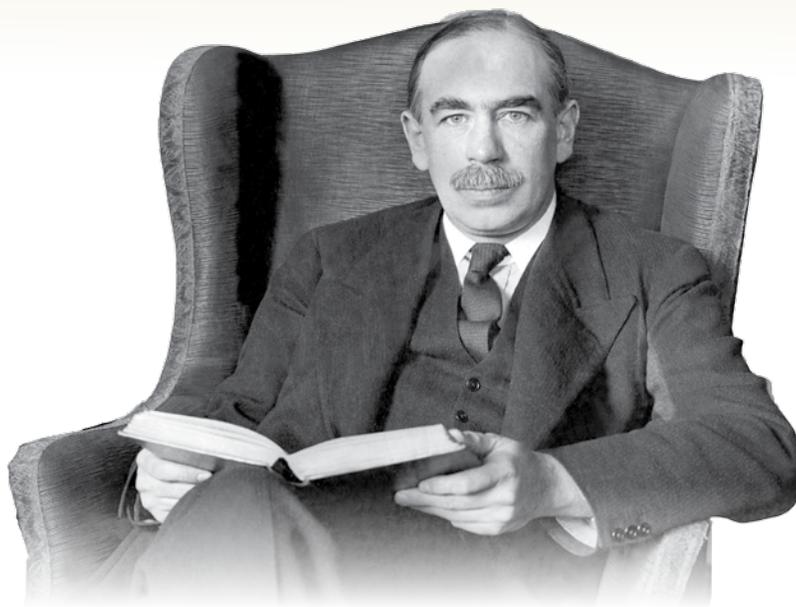
# Would the Master Return Again? Revisiting Keynes as We Prepare for Post-lockdown

SACHIN CHATURVEDI

In his classic book, Robert Skidelsky suggested Keynes to the United States after the 2008-09 recession. The book basically redefined the relationship between State and market and how to arrive at a delicate balance through a Keynesian perspective. As a result, the suggestion was to provide fiscal stimulus and expansionary monetary policy as two most important messages. It is this approach that distinguishes Keynes from Neo-classical and the Chicago School of economics, most relevant in the times, when economic policy has to draw distinction between risk and uncertainty.

The policy circles, as earlier, embraced the suggestions, and for a moment, it seemed prescriptions of Friedman were dumped over Keynes. This was the second return of Keynes to the US. In 1931, Keynes advocated for the counter-cyclical public policy, which the US accepted. This had salvaged the economy from the crisis at that point also.

With COVID19, the world is back in a situation where demand and supply both have plunged in a major way. Would Keynes come back again for salvaging the economy? With more than 210 countries affected by the virus and with 18 lakh confirmed cases and more than a lakh deaths, this seems to be the biggest global challenge of modern times. Recently Kristalina Georgieva, Managing Director, IMF described this “way worse than the global financial crisis.” According to some estimates, the global gross domestic product in Q1 in 2020 would be close to negative 20 per cent, which would be several times higher than what was observed in the 2008-09 recession.



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With the COVID crisis, many governments have already jumped in with the fiscal stimulus packages. Almost all the G-7 countries have already announced the details.

## Indian Package

With Covid, the cyclical and structural challenges have multiplied many times. It is here that the macroprudential policy has to be supplemented by the Keynesian perspectives.

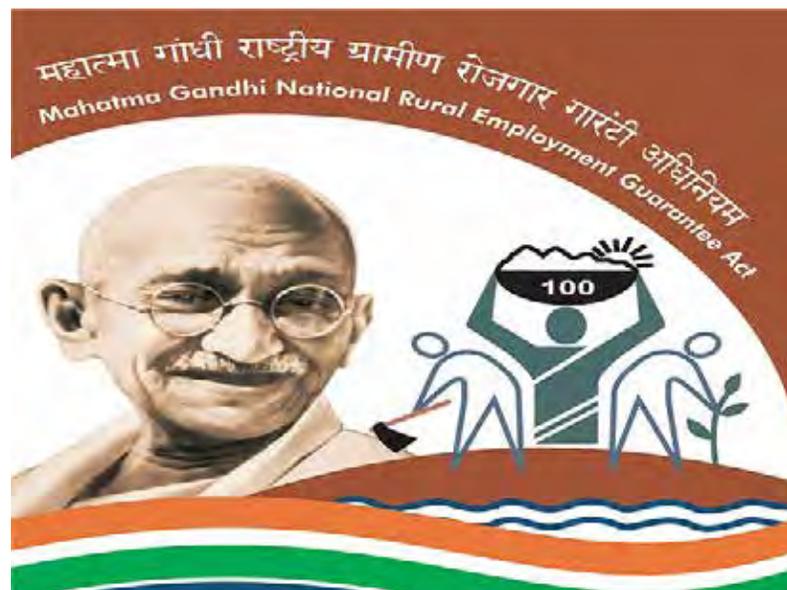
One good thing that has happened at the RBI in recent months is to do away with single point agenda of inflation-targeting and not to follow the Basel norms to the point of choking. The realisation that the governance of banks and monetary space is not an end in itself and that it is to achieve the wider development objectives, is an encouraging sign.

Some of the first steps announced by India already entail massive fiscal expenditure with continuing focus on revamping of macro-fiscal framework. The FRBM target of the central government of 3.5 per cent of the GDP would be a casualty in this process. However, the efficacy of the policy would be enhanced if sub-national entities at local levels are given the necessary manoeuvring space. However, as Keynes suggested, it is essential that the state expenditure must focus on capital asset creation along with substantial employment generation. It is from this perspective if a thorough review of FRBM be taken up, then we should not hesitate in that exercise. All diktats from international agencies may be temporarily overlooked considering the emergency like situation in the country. The Finance Minister has rightly emphasised for keeping on hold some of the global norms in specific local context.

## Social Cohesion

Across last couple of Budgets, the Government has paid special attention on rural development and expansion of agriculture. The post-COVID19 policy response should focus on agriculture for the 'social cohesion' that Keynes talked about. It is essential for plurality of Indian economy and is also essential for easing pressure off from foreign trade that would have to bear the brunt

of de-globalisation that is likely to be the case in near future.



In the last few years, share of development expenditure went up by 21 per cent between (the base year) and 2019 when the amount has reached at Rs. 78 lakh 14 thousand crore in 114 programmes. Out of these programmes, MGNREGS has emerged as a life line in providing purchasing power in rural areas. With tweaking of its guidelines, the programme is contributing for creating of quality assets and at the same time providing wage security to around 7.97 crore people, which is now highest since the programme was launched. A recent report has shown that this programme has expanded its foot prints as well. Out of 2.63 lakh gram panchayats only 9,144 panchayats have not incurred any expenditure under MGNREGS. In 2015, this number was close to 40 thousand. Needless to say, MNREGS has the potential to reduce the threats of involuntary unemployment and jack up the effective demand from within to move closer to full employment equilibrium, if not help achieve it completely.

The beauty of Keynes is that there is no single Keynesian system of economic governance. If there is one system that is relevant in all his writings, it is the role of governments for ensuring aggregate demand for maintaining full-employment.

# WHO's Role in the Covid-19 Outbreak must be Strengthened

BHASKAR BALAKRISHNAN



**W**HO is the main coordinating agency in the UN system for health matters. Prime Minister Modi has rightly called for strengthening it, especially in the wake of the recent Covid-19 global pandemic. However, there has been some criticism of WHO's handling of the Covid-19 outbreak and even calls for the resignation of the Director General. This criticism is not justified and at this critical time, it is necessary for member states to actively strengthen WHO's role.

Over the past years some countries especially the US and UK have been critical of WHO. One reason is that the WHO (reacting to the needs of developing countries and demands of some

NGOs ) has been advocating initiatives such as (a) Essential Drugs and Medicines (b) phase out of breast milk substitutes, (c) campaign against Tobacco and Alcohol abuse, etc . These initiatives are seen as adversely affecting the interests of big pharma companies and some major lobbies and industries. This battle has also intensified in the domestic agenda of some countries such as the US. The attacks on WHO have taken the form of budget and programme cuts, incessant calls for reforms, threats of withdrawal or withholding contributions, etc. In response, WHO has set up an Independent Oversight and Advisory Committee (IOAC), and member states have adopted a WHO Transformation Agenda which they monitor progress.

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It is true that China has become an influential player in the WHO. The immediate past Director General was from China (Hong Kong) who led the organisation during 2006-2017. China's assessed contribution to the WHO's regular budget has increased to 12 percent for 2019 -21second only to the US (with 22 per cent ). This gives China a huge influence in the entire UN system, a fact that is further underlined by its ability to get its candidates elected to head UN agencies such as FAO, UNIDO, ICAO, and ITU. Its bid to capture the post of head of WIPO was defeated due to a vigorous campaign led by the US. China leverages its increasing clout in the UN system to achieve its foreign policy objectives, such as promoting the Belt and Road initiative, keeping Taiwan out of the system, etc. In this it is only following what many other large contributors to the UN budget do.

The WHO Executive Board<sup>1</sup> which met during 3-8 February 2020 received a briefing from the Director General and his team on the Covid19 outbreak on 7 February. A detailed discussion of WHO's emergency preparedness took place on 7 February, and many participants praised WHO's response to the Covid-19 outbreak. The Director General warned of the threat of a serious global outbreak, shortages of medical equipment and PPEs, and the need for transparency in sharing of data. At that point the outbreak was largely confined to China, Hubei province, with only 24 other countries reporting cases. The Board members adopted a draft resolution for the forthcoming World Health Assembly in May 2020. Surprisingly this draft resolution does not mention the Covid-19 outbreak but deals in general with WHO's preparedness for health emergency situations. Board members seemed unwilling to go beyond the International Health Regulations as far as international air travel was concerned. In retrospect, one should conclude that early declaration of a pandemic situation, and suspension of international air travel should not be delayed.

On 11-12 February WHO, in collaboration with GLoPID-R (the Global Research Collaboration for Infectious Disease Preparedness) held a Global research and innovation forum to mobilise

international action in response to the novel coronavirus emergency. More than 300 scientists and researchers participated in person and online and agreed on a set of global research priorities in a 8- point action plan. Subsequently, on 4 March, a 96 page detailed research road plan document was issued by WHO. This provides an important framework for global coordinated research.

The 73rd World Health Assembly<sup>2</sup> is scheduled for 17-23 May 2020. Holding the WHA as planned in May 2020, involves getting all the Health Ministers and senior officials to Geneva at a time when they are dealing with the outbreak of Covid-19. Perhaps the Assembly should be postponed and the Health Ministers should focus on dealing with the situation at home. Switzerland is itself fighting a battle against Covid-19 and the travel of some 3000 participants to Geneva seems to be an avoidable risk. An alternative option would be to have a virtual online meeting of the Assembly, for the first time. Moreover, the postponed session of the WHA should strongly support global coordinated responses to the Covid 19 outbreak, including global long term campaign to tackle any resurgence of the disease and eliminate it. A special declaration on Covid-19 would be appropriate, given the unprecedented nature of the outbreak.

At this point, attacks on the leadership of WHO, and in particular the Director General, would only weaken the global fight against Covid-19. The focus of international efforts should be on containing and limiting the outbreak, and in the long term to support R & D to produce affordable and effective vaccines and treatment for it. It is quite likely that the disease will remain with us and resurface again in future, this should be a priority objective.

#### Endnotes

<sup>1</sup> The Board consists of 34 members who are experts in health dominated by 34 countries for 3 year terms. The members come from the 6 regions of WHO - Africa(7), Americas(6), Europe(8), Western Pacific(5), Eastern Mediterranean(5), SE Asia(3). India comes under the SE Asia region and hosts the SE Regional Office of WHO.

<sup>2</sup> The World Health Assembly meets annually in May, with 194 member states and some 3000 participants.

# Food and Nutrition Security in COVID-19 Times

P. K. ANAND

KRISHNA KUMAR



**I**n the wake of COVID-19, any prevalent norms need infusion of flexibility clubbed with fall-back options based on localized solutions. In this backdrop the position on the food and nutrition security front is analyzed, covering major challenges, response and adding some conclusions and way forward.

## **Bountiful Production**

As per the current estimates, any adverse impact on rabi production is quite unlikely. As per Second Advance Estimates for 2019-20, the total food grain production in the country is estimated at a record 291.95 million tonnes, which is higher by 6.74 million tonnes than the production of food

grains of 285.21 million tonnes achieved during 2018-19. Moreover, the production during 2019-20 is higher by 26.20 million tonnes than the five-year average (2013-14 to 2017-18) production of food grains.<sup>1</sup> India being a leading country in vegetables, fruits, pulses and milk the macro supply of quantities of these items also remains sufficient.

## **Brimful Food Grain Stocks**

India's food grain stocks comprise of operational stocks to meet monthly distributional requirement, and the food security stocks/reserves to meet any shortfall in procurement or calamity. Amidst the unforeseen COVID-19 pandemic, it is a fact that the level of stocks procured, if stored and transported

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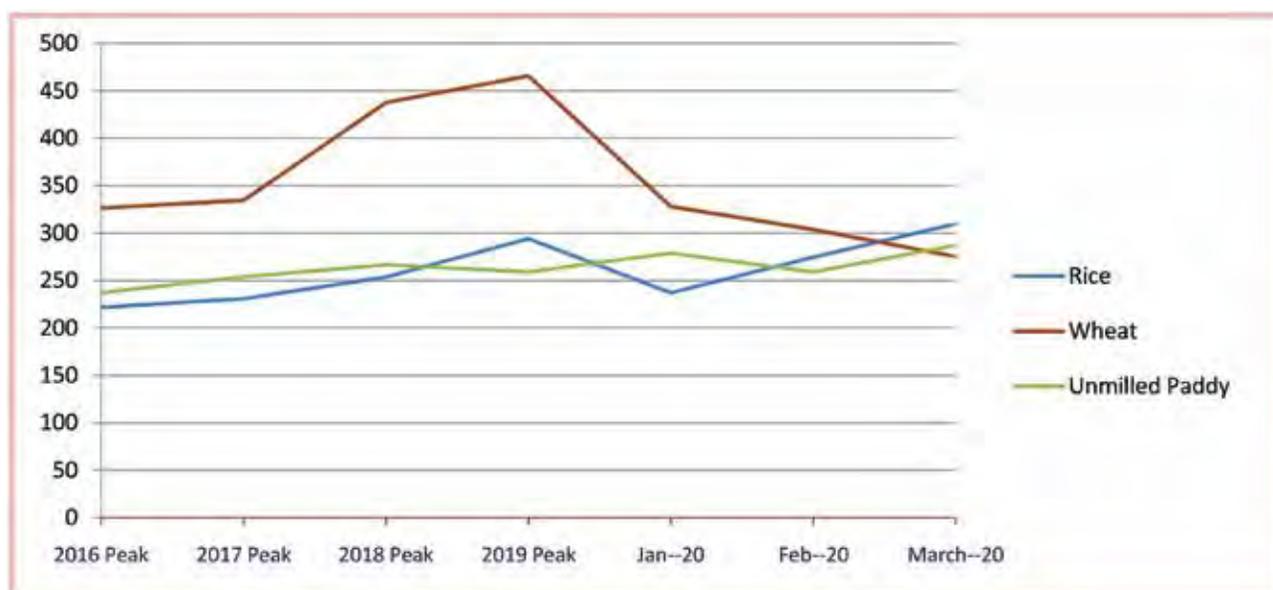
properly, can surely meet aggregate demand of the nation. Notably, continuing rake movement during the lockdown period, which takes lesser time due to stoppage of passenger trains, in the first 13 days since lockdown, FCI moved an average of 1.41 lakh MT food grains per day as against the pre-lockdown daily average of about 0.8 lakh MT. Further, becoming flexible FCI has allotted 1.38 lakh MT of wheat in 13 States and 1.32 lakh MT of rice in 8 States including wheat given for meeting the requirements of manufacturers of wheat flour and other wheat products based on the local assessment of requirements done by the respective district administration.

Over the last four years 2016 to 2019, the FCI stocks of each of rice, wheat, unmilled paddy and coarse grains were highest in 2019. Figure 1 indicates the peak stocks for each of the four calendar years 2016 through 2019 for the first three items, as well as the month wise stocks in January, February and March 2020; excluding coarse grains which were 24,000 MT in March 2020<sup>2</sup>. Fortunately, FCI stocks in January 2020, before COVID-19 hit India, in each of the segments of rice, wheat, unmilled paddy and coarse grains were higher by 30, 21, 2 and 61 percent respectively compared to January 2019<sup>3</sup>.

## Major Challenges

In these testing times, panic buying remains the biggest constraint, to handle which uninterrupted supply lines and longer hours of relaxation to buy can ease out. Creation of better awareness among consumers is also needed to avoid unduly stocking and fuelling demand. Further, harvesting of the record production of food grains can only be realized if necessary manpower, agriculture labourers, and facilities for harvesting and threshing are in place during lockdown and the ensuing period. Obviously the crops can not be allowed to stand longer in the fields due to the likely risks of adverse impact on the quality of grains, major post-harvest losses (chances of grains falling in the agriculture fields); impacting on the already stressed income, health and wellbeing of farmers. Labour crisis is a critical bottleneck as migrant labour is not available on the fields. Intensive use of combined harvesters, unfortunately all the more reduces prospects of wages for the labour. Formulation of a calibrated opening up plan allowing partial movement of farm labour and *Poshan* workers is the biggest administrative challenge on food and nutrition security front. District and sub-district level localized solutions for areas other than hot spots are much needed to provide food and nutrition to

**Figure 1: FCI Stocks : Rice Wheat Paddy (2016 to 19 Peak) and January -March 2020 (Lakh MT)**



Source: FCI.

vulnerable. Food grain distribution, especially to vulnerable people, including people without ration cards, and people hard-hit without wages even to buy at lowly PDS rates is another major challenge at hand.

Moreover, the challenge of raising the ensuing kharif crop is crucial especially for rain-fed areas. Towards it, arrangement of farm inputs, like seeds, especially for the large number of vegetables grown across the country, and production, movement, distribution and credit for fertilizers, pesticides etc. is a major short-term challenge.

### Government Response

The Government Response to COVID-19 is spurred on a number of initiatives taken over the years like the JAM trinity, Pension Schemes, PM Kisan SammanYojana, PM Garib Kalyan Anna Yojana, PM Krishi Sinchayee Yojana, Soil Health Card Scheme, etc. Timely enhanced allocations and advisories issued in local languages by the Ministry of Agriculture and Farmers Welfare etc., and institutions like ICAR, and their State/ UT counterparts are coming handy. These advisories encompass the entire gamut of food and nutrition security chain and are readily available on websites. Further, to facilitate farmers and workers engaged in Agriculture and allied sectors to operate, Agriculture Ministry has also called for strict compliance of the

exemptions granted, emphasizing on setting up of control rooms for regular monitoring. As per a government statement<sup>4</sup> over 1,600 Vegetable, Fruit Mandis are functioning and more would operate further. Supply of essential commodities has remained at the core of these advisories, the proof of which is that there is no spurt in the prices at large.

### Conclusions and Way forward

Harvesting of the wheat, mustard and other rabi crops, though maturing a bit late this year due to sub-long-term-average temperatures, can no longer be postponed. Notwithstanding, an overall better crop, State/UT wise and district wise frameworks should internalize the bumper standing crops in Punjab and Haryana; good standing crops in UP, Rajasthan, Assam, AP, Telangana, TN; and with crop status in other States not far behind. Wherever harvester machines are not available or can not be sourced and manual harvesting is necessary, different persons can undertake it in different line spacings of the crop, ensuring social distancing, frequent hand washing and fully adhering to protocols for face mask. As a part of localisation, even the used jute gunny bags can be treated by soaking in say 5 per cent *neem* solution, etc. Additionally, surfaces of the agriculture implements touched by one should not be touched by another till washed with soap water. Advisories should be



followed for the post-harvest, packing, storing, contributing to procurement and marketing, including direct marketing now permitted.

Calorific needs are but a part of the hygienic, nutritious and affordable food and nutrition security framework. It should include vegetables, fruits, milk, fish, spices, sugar, etc. besides the cereals. Notably, 'coarse' grains, being in reality 'finest of the fine', and now called nutri-grains, can be grown and harvested with lesser manpower, can come up in fallow and degraded lands, require lesser fertilizer, pesticides and irrigation and are relatively more nutritious. All the more low glycemic index makes these preferred for people down with diabetes a co-morbidity of COVID-19. Allocation of a higher proportion of land to coarse grains can be a much needed allocative strategy in the times of sub-optimal resources.

## Checking the Food inflation

Expectations of shortages fuelled by rumors and panic buying are more lethal than the shortage *per se*. Local tastes and preferences, which strikingly vary across the country for the choice of vegetables, pulses, nutri-grains as well as rice and wheat varieties should be reassessed for each district through simple electronic surveys, with appropriate weightages to MPCE profile, subdued buying power, enhanced need for shelf life on the demand side; and availability of inputs (including sufficient quality seeds, and fertilizers, pesticides, etc. supplemented by local solutions), farming constraints, supply and processing chains on the supply side; ensuring hygiene and safe human touch and distancing. In the case of vegetables and fruits, as picking needs to be maintained at normal times, the lifting of lockdown for these sectors is helping to ensure that the supply lines hitherto maintained can sustain unabated.

Mid-Day-Meal Scheme and ICDS related mechanisms should be infused resilience to run these with the innovative synergy of school-cum-anganwadi with the help of local SHGs or Gram Panchayats in rural areas, and municipal bodies or CSOs in urban areas. Role of the State and Central Ministries of HRD and WCD should be to ensure

provision of requisite cereals, oil etc. and funds to source spices, etc. School grown vegetables can be supplemented with purchased vegetables, fruits, milk, pulses, etc. Instead of running the scheme on school days, it should be expanded to all days including school holidays, irrespective of closure of classes. In hot spots the operations should be shrunk to provide deliveries of hot meals or rations at the doorsteps. None of the hitherto covered sections like pregnant and lactating mothers or children below three years of age getting take home rations (THRs) should be left out.

Scaling up of home and school kitchen gardens, production of milk at village level, milk plants manufacturing milk powder and packed milk and milk products, preserved and processed items should be part of a district framework to squarely face COVID-19 and ensuing testing times, in which private stakeholders can play a critical role. The community kitchens with take away option of hot cooked meals and a commitment on the part of every one, 'no grain down the drain', should be the national policy and test of social camaraderie amidst social physical distancing.

Along with a plausible plan for the upcoming kharif crop should be chalked out to give a reassurance to the nation to sail through even if the upcoming monsoon is weak. These times are also the test that no one is left behind in the spirit of SDGs. A framework should be vibrant and flexible enough to meet unforeseen shocks-which would be frequent. Test of the efficacy of such plans would be the coefficients of variation of price of each essential commodity in each district, if not sub-district. Creation of better awareness and community responsibility would help in overcoming the immediate and short-term situation and bringing in gravitas to tackle medium to long-term situation on food and nutrition security.

## Endnotes

- <sup>1</sup> PIB, Ministry of Agriculture & Farmers Welfare, 18<sup>th</sup> February 2020.
- <sup>2</sup> FCI Website.
- <sup>3</sup> Authors' calculations.
- <sup>4</sup> Ministry of Agriculture Statement on 8<sup>th</sup> April 2020.

# Covid-19: A New Hope for Global Multilateralism

AUGUSTINE PETER

The World Economic Forum Global Risks Report 2019<sup>1</sup> has captured the current state of multilateralism when it noted that while global risks are intensifying the collective will to tackle them appears to be lacking, and divisions are hardening. The report highlighted that the growing nationalism of world politics is a deepening risk.

## Arrival of Covid-19 Pandemic and its Impact

The Covid-19 pandemic is unique in that the entire world is in lock down, in contrast to the interlinked and increasingly globalising world of yesterday. This has serious implications for the economy. The UNCTAD in its Trade and Development Update Report<sup>2</sup> has analysed the impact of the pandemic and noted that the contraction of the global economy going to be substantial.

## Wither Global Multilateralism?

The Covid-19 pandemic has brought the state of multilateral institutions into stark focus. Even while the problem was coming up shaking the whole world, affecting already over 210 countries, there was no serious effort for coordinated global action for months. WHO, the multilateral organization in focus, was seen to be very much in the picture, but was faced by a divided world, with sharp accusations against its efficiency and partisanship being raised. The UN Security Council could not come up with a statement or plan of action. The UN General Assembly



resolution was seen by many as a mere formality. The slow and divided response of the international community has resulted in the epidemic turning into a pandemic.

## How to Turn Crisis into Opportunity? Can G20 Deliver?

Crises open up opportunities. The UN was the product of a crisis; so was the G20 in 2008. UN75 provides opportunity for the world to recall the importance and utility of the multilateral process. G20 provides the best platform to resurrect the global multilateralism, with its wide representation, the active presence of Think Tanks (T20), Business (B20), Gender groups (W20), Civil Society (C20), etc. Will the world leadership rise to the occasion and convert this tragedy into an

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opportunity to bring global multilateralism to the centre stage.?

With reference to the Covid-19 menace Anne O. Krueger<sup>3</sup> noted that while in the past the international community held a coordinated response to similar crises, this is conspicuously absent now. G20 response to the problem has been seen by many to be slow. It was left to Indian Prime Minister Narendra Modi to take the initiative on two major fronts: (i) to take the lead to have a virtual conference of the South Asian Association for Regional Cooperation (SAARC) heads of State/ Government<sup>4</sup> and share their views, and set up a SAARC Covid-19 Emergency Fund, as also the decision to make available technical and financial support to the SAARC Member countries to face the Covid-19 challenge. It was also made clear that India's Rapid Action Force (RAF) would be available for all SAARC countries for Covid-19 emergencies; and (ii) PM Modi also called upon the G20 countries to have a virtual summit, which took place on 26, March 2020, and where it was decided that this group would pump into the global economy US\$5 trillion. In a Communique, G-20 leaders declared that they are committed to do whatever it takes to overcome the pandemic

along with other international organisations like WHO, IMF, UN, WBG and others.

The G20 response has, however, not met with good review internationally. Goodman et al. (2020)<sup>5</sup> noted that the March, 26 G20 communiqué essentially recounted and endorsed what national governments and central banks are already doing individually through aggressive fiscal and monetary policy. The G20 proposals in the Communique were also seen to be generalities<sup>6</sup>.

### Can the G20 Lead?

What are the ways for G20 to come back to the winning ways of its initial years? Way forward for resurrecting the global multilateral institutions need to take into account the following:

- A counter narrative to the logics staunchly floated for unilateralism and against multilateralism needs to be expounded and articulated.
- Following from (i), the critical role of multilateralism for all-round welfare and progress of humanity has to be driven home to people across countries and viewpoints. In the absence of multilateralism there is likelihood of blocks crystalizing around the major powers, reducing the efficiencies of international trade



substantially.<sup>7</sup>Multilateralism is not a zero-sum game.<sup>8</sup>

- All around mess at the multilateral arena cannot be sorted out by piece meal solutions: comprehensive and well thought out strategies need to be worked out. The UN world is on a near standstill for decades; and we are at the door step of UN75. The situation in the Bretton Woods institutions is no different. Multilateral trading system tells similar story.
- Any change involves 'change leaders'. Personalities and coalitions have to emerge. A new QUAD consisting of the US, China, EU and India has to emerge. Collective leadership is the need of the hour.
- To have a manageable solution, while embarking on reform of the multilateral institutions ambitions should be kept within reasonable limits.
- Efforts have to be made by the G20 to revive the Doha process by presenting the WTO members with a reasonably acceptable and fair agenda for negotiation.

The Secretary General of the United Nations Mr. António Guterres was frank when he stated<sup>9</sup> that multipolar world is not a solution. He has exhorted one and all that it is very important to recognise the importance of multilateral mechanisms. Obviously, multilateralism is the way forward. G20 is the platform that can take the discourse in this direction forward. A new QUAD consisting of the US, the EU, China and India has to emerge and to sit around the table to give direction to the G20 to fulfill this objective.

#### Endnotes

- <sup>1</sup> [http://www3.weforum.org/docs/WEF\\_Global\\_Risks\\_Report\\_2019.pdf](http://www3.weforum.org/docs/WEF_Global_Risks_Report_2019.pdf) accessed on 06-04-3-2020
- <sup>2</sup> UNCTAD (2020 a), The Covid-19 Shock to Developing Countries: Towards a "whatever it takes" programme for the two-thirds of the world's population being left behind
- <sup>3</sup> Anne O. Krueger, Only Multilateralism Can Save Us, Project Syndicate, March 19, 2020 available at: <https://www.project-syndicate.org/commentary/covid19-only-multilateral-response-can-work-by-anne-krueger-2020-03> accessed on 05-04-2020
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# Reforms Package-Covid-19

SUBHOMOY BHATTACHARJEE



**I**t is difficult at this stage to get a sense of the extent of the slippage of the fiscal deficit that the government can allow. Suffice it to say that the inevitable slippage has to be measured against how much debt the economy has to sustain.

For developed economies, even with interest rates near zero and a high fiscal deficit will still not create runaway problems of debt sustainability. But for India the combination of a high primary deficit, a relatively high interest rates and low nominal GDP growth can land the economy in a position where debt sustainability may well become an issue. This would happen even if RBI monetises the incremental issuance of government bonds.

So while economic support to many sectors will be necessary, it is more important to use the price signals and smart reforms to recharge the economy, even for sectors like SMEs.

Let us begin with a simple example. There is a massive shortage of masks and PPE for medical workers. But it will be unwise for the government

to begin to produce those. It will be bogged down with the details. Instead it will be better to rely on the price mechanism to encourage more producers to manufacture those, provided the necessary regulations to manufacture those are strictly enforced.

Similarly, the migrant workers will return only if there is a pull from their previous employers. But those employers are short of cash and more important will not be able to provide initial salary for these people. As an intermediate step the government could begin an urban works programme to employ the migrant labour, but it should be only used to build facilities for the urban poor to stay. Since younger people are at less risk from Covid19, this could draw in women in the age group from 16 to 50, of whom less than 10 per cent are working – this will bring in ample spare capacity into the workforce. So, then,

## Immediate priorities are:

1. The government should be prepared for a long haul of weak economic growth and prepare accordingly. It may be wise to prepare a revised budget for two years – FY21 and FY22 at one go, to give stability to the economy
2. Rationale: The Government of India is\ would be under massive pressure to provide financial support to all sorts of sectors. Yet in providing those it is essential to distinguish between short and medium term support. This distinction will be needed it to see through immediate pressures and plan for a longer horizon. Such a distinction will offer clarity on both what GOI will do and will not do. Consequently it will assure FIIs, steady our sovereign ratings

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and so give assurance to all that the repair of the economy will continue without stoppage for two years, at least. So a two year special budget is a must.

The government will reap huge gains if it makes disproportionately high investment in public health. This will include putting out clearly thought through tenders and orders for a wide range of health goods. Such orders will immediately incentivise production of these goods. But there should be no price controls as that will create a massive problem of managing a black economy.

#### **Rationale - GOI should plan for :**

- building up a massive para medical force on the scale of the army. It will not be complete in a year but it will be a valuable building block to arrest future epidemics and provide employment avenues;
- build and stock sub district level hospitals in partnership with PPP. Set standards for maintaining those hospitals and bid them out like regional airports plan. (It is difficult but can be made remunerative for private

sector by making clear what is to be provided free and what is chargeable.)

- create pan India drug chains for epidemics by offering to buy massive supplies from private sector - use Jan Aushadhi to the last mile
  - set up health regulator (irda has also asked for it)
3. Could we offer a testing voucher to all those with low income (say Rs 2000 per person) to encourage voluntary mass testing for Covid19.
    - Rationale: Let us make such voucher available only for relief work in urban areas. Kirana shops are easily available in towns and can be monitored for misbehaviour. No need to create parallel PDS. Also the vouchers should be virtual, using our telecom backbone and should be given only after recipients give proof that they have got themselves tested for Covid19. Creates a national medical and food safety net
  4. It is necessary for the government to provide consistent policies and avoid knee jerk reactions like the short term ban on export of hydroxychloroquine tablets



### Medium term priorities are:

- GOI should use the advantage of Digital India and plans for 4th generation Industrial Revolution to design policies that encourage health and pharma sector companies to enter into long term contracts with the government.
- GOI has made the right moves by pushing for stable financial economic policy reforms which foster the liquidity of the market. It should stick to those. For instance, plans to change inflation targeting should be scrapped, for the next two years.
- Encourage NBFCs to lend to SMEs and MFIs. Despite RBI clarifications, many NBFCs are not allowing moratoriums on loans to SMEs and MFIs.
- Reduce GST rates and bring them close to a simple two rate regime. Since tax receipts is

going to be low in FTY 21 in any case, this is the time to make the mega changes in GST. Also bring oil and coal sector in GST. Both these measures will get money into the hands of the more vulnerable households of India, who would see a direct decline in the price of kerosene or LPG or other petroleum products, and an indirect decline in the prices of all goods owing to reduced costs of transportation. At the same time, it is a long-delayed structural reform

- Repeal Epidemic Diseases Act of 1897 with something that is responsive to modern Indian constitutional ideas, with the necessary checks and balances.
- It can be used to trigger off reforms in health sector including setting up of a health sector regulator, encourage private sector led testing facilities, improve Indian data on health.



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