

Second Covid-19 surge: Dealing with the uncertainties

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The dramatic change in the economic mood of the country, from déjà vu to one of desperation, has not taken long. Even in the second week of March, there was a feeling of triumph of winning the Covid-19 battle without many scars, and boastful claims were made about India being a pharmacy of the world. It has not taken even a month to see a dramatic change in the mood to one of desperation. Last year, we had seen the humanitarian crisis with hordes of people walking on in the summer heat, from the cities to their villages after the severest lockdown so far was announced.

Today, we see another type of humanitarian crisis with patients running from pillar to post in search of hospital beds, ventilators and oxygen cylinders, and several patients gasping for breath for want of oxygen. The situation has turned pathetic as scores of dead bodies lined up in ambulances in front of crematoriums and burial grounds, and, for many, there is no dignity even in death! The underbelly of the tragedy is the large black market for hospital beds, ventilators, oxygen concentrators and even for the ambulance service and cremation.

The entire saga speaks volumes about the incapacity of the governments-both the Union and the states-in dealing with serious crises. It was hoped that the strictest lockdown for prolonged periods last year would have given time to ramp up the infrastructure, but even after a year, we are complaining about the lack of hospital beds, ventilators and oxygen. With declining number of new cases, complacency set in. People did not care to observe social distancing norms, and the governments did not regulate.

The politicians went merrily giving speeches in large gatherings, and winning elections was the only focus, with little bother spared for spreading of the pandemic; for the religious fanatics, congregation for Kumbh Mela was the divine mission as they believed that Ma Ganga (Mother Ganges) will protect them anyway! It will not be long before the scarcity of medical personnel will stare us in the face. As Dr Devi Shetty, in his recent Times of India column, has pointed out, beds don't cure patients. We need skilled medical personnel like doctors, nurses and other paramedics. With the fraternity of these unsung warriors faced with severe adversity and stretched, unless immediate remedial action is taken as suggested by Dr Shetty, the system will collapse.

The vaccine strategy adopted by the government of India too needs to be reviewed. The sequential roll out of vaccination to segmented population groups was done to avoid rush, and with the hope that the two domestic manufacturers of vaccines, the Serum Institute and Bharat Biotech, will be able to produce enough to meet the requirements when the accessibility is staggered. Not surprisingly, the proportion of vaccinated population in India is one of the lowest. The Serum Institute has the capacity to produce 70 million doses of Covishield and the capacity of Bharat Biotech has the capacity to produce just 20 million doses of Covaxin.

Even after they ramp up their capacity, they may produce just 130 million doses per month from July. The explosion in the coronavirus cases among the young has forced the government to make a belated decision to allow imports of vaccines approved elsewhere. Given the low production capacity and difficulty in quickly arranging imports, although the decision has been taken to vaccinate all above 18 years, its implementation will face severe supply challenges and most of the states are likely to defer the date of universal vaccination.

There are concerns about differential pricing of the vaccine because this can lead to distortions, black marketing and inequity. The Union government has decided to vaccinate all above 45 years by purchasing the vaccines at Rs 150 per dose. But, for those in the 18-45 age group, the state governments or private buyers will have to bear a higher price. The Covishield price has been fixed at Rs 300 per dose to the states and Rs 600 for private buyers, and the price of Covaxin is Rs 400 and Rs 1,200.

This provides enough incentive to create artificial scarcities, diversion of low-priced vaccines and black marketing in them. In the process, the vaccine availability to the underprivileged sections will seriously suffer, and even as the pandemic has significantly increased inequalities in the country, the non-availability and usurious prices of the vaccine for the poorer sections will deal a body blow to them.

It must be noted that vaccine is a national public good, and it must be financed through taxation and made available to all uniformly without charging. Although healthcare is a state subject in the Constitution, control of contagious diseases squarely falls in the central domain. In a situation of scarcity, allowing the vaccine purchase decisions to the states could result in discrimination among the people depending upon the ability of the states to procure the vaccines.

The states with severe fiscal stress may not procure the required volume of vaccines, prolonging the period of vaccination for long, and continuing the spread of the dreaded disease. The Centre must rethink this and ensure uniform accessibility of the vaccine throughout the country. The volume of expenditure required to vaccinate all will be just about 0.5% of GDP, and this could be financed from as an additional Covid-19 cess, piggybacked on the existing taxes for one year, instead of the states having to scrape their barrels to find funds. The states, on their part, should focus on augmenting the medical infrastructure to fight the pandemic.

The economic impact of the pandemic is hard to estimate. Most forecasters are revising their GDP growth estimate downwards, and it is doubtful whether the 10.5% projected by RBI will materialise. The trade, transport and tourism sectors will continue to suffer heavily. The expansion of core sector output to 6.8% in March was mainly due to the base effect. The manufacturing PMI touched a seven month low of 55.4 in March and the services PMI declined to 54.6 in the month as compared to 55.3 in February.

The pandemic will surely lead to the contraction in manufacturing, not only due to restrictions impacting demand but also on account of labour migration, supply-chain disruptions and diversion of oxygen from manufacturing to medical use. The additional demands for spending on medical emergencies will require them to reprioritise their expenditure plans again and much of the budgeted capital expenditure will be crowded out. Unemployment is on the rise and that adds to the uncertainty to the young population. Continued disruption in education is bound to increase education inequalities and uncertainty in the young minds. We can not continue Ram bharse, and some timely action is the need of the hour.

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