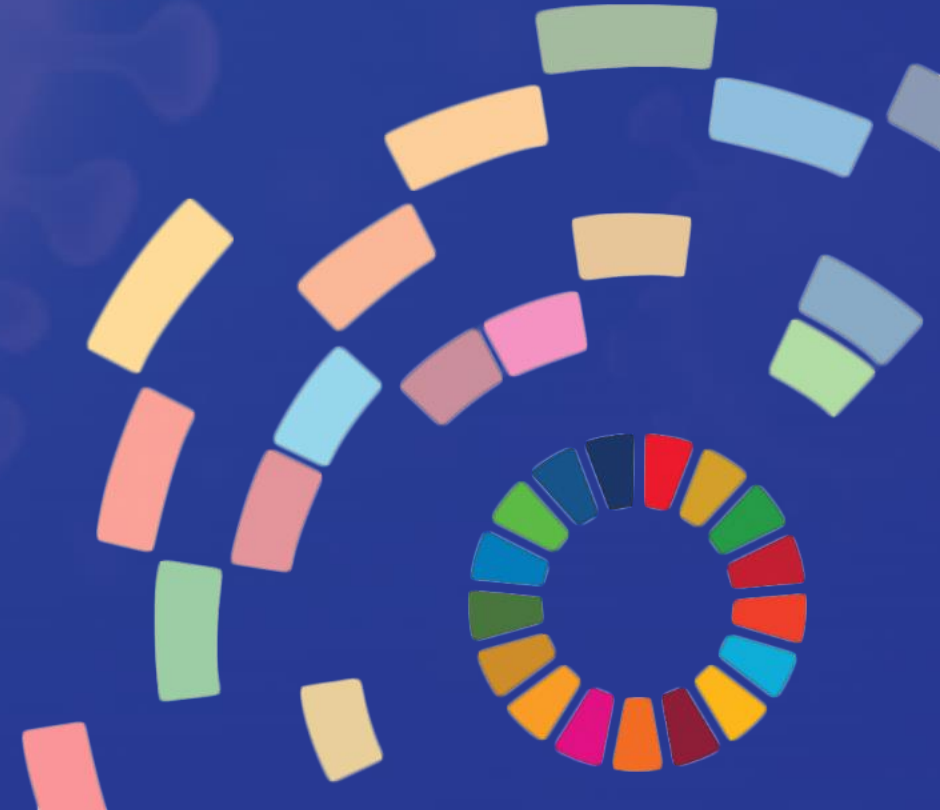


# COVID-19 and India: National Strategies and Stimulus Measures for Accelerating Inclusive, Sustainable and Resilient Recovery

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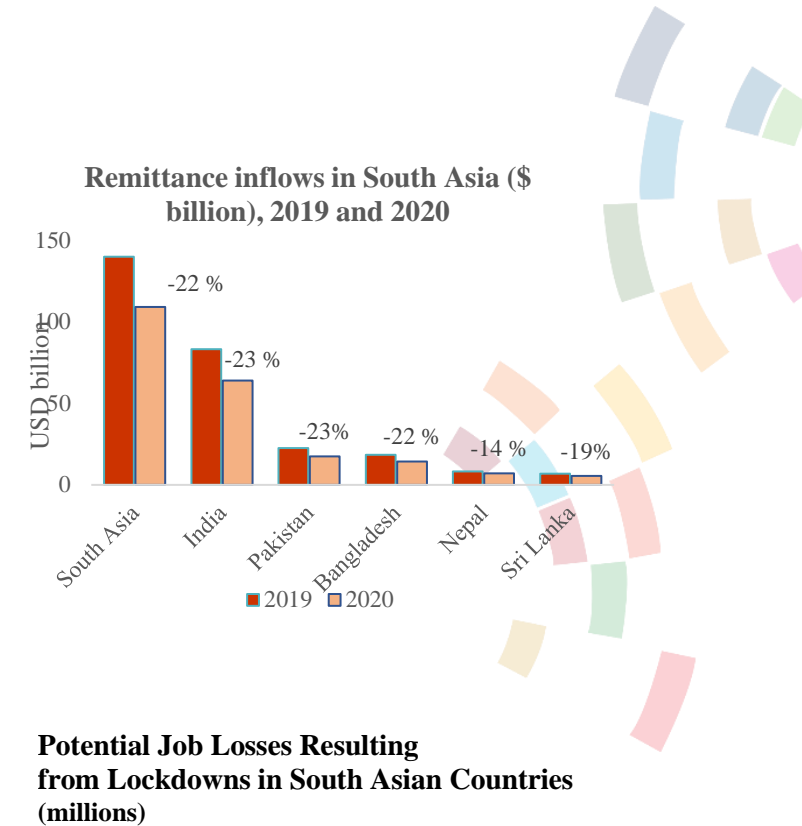


# COVID-19 and the Indian Economy

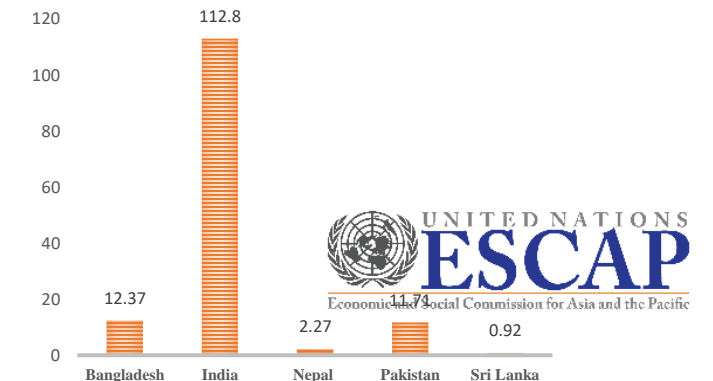
- India implemented one of the most stringent lockdowns, since 25 March 2020
  - all transport activities suspended
  - Phased reopening of the economic activities since mid-May
  - A number of restrictions still remain in place
- Lockdowns caused significant disruption of the economic activity
  - Many economic activities such as construction, tourism, hotels and restaurants were affected particularly badly
  - Rendered a number of people out of jobs especially informal sector workers
  - Migrant workers were trapped in remote locations without work and faced livelihood security
  - Severe blow to the economy that was already slowing down before the outbreak of the pandemic

# Severe socio-economic impacts

- *MSMEs have been among the worst impacted*
  - leading to loss of jobs and livelihoods
- Collapse of international trade
  - cancellation of export orders
- Tourism is all but dried up
- Remittances are declining
- *Indian economy to **shrink** for the first time in decades*



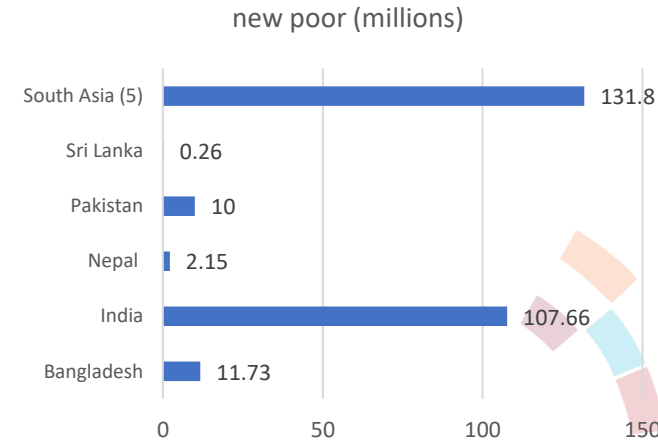
Potential Job Losses Resulting from Lockdowns in South Asian Countries (millions)



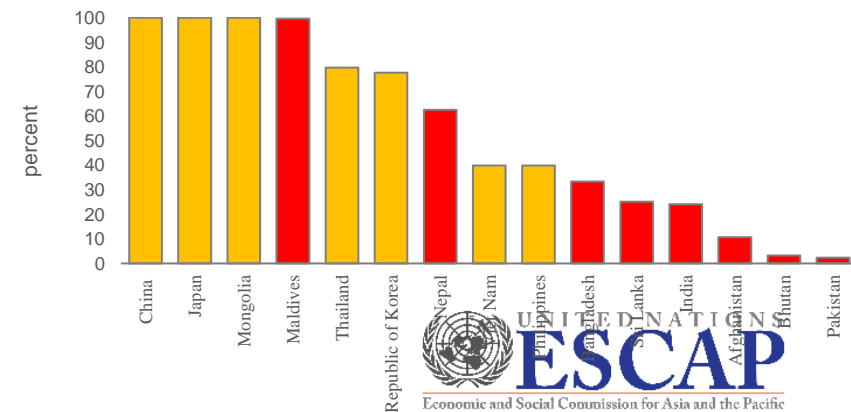
# Socio-economic impacts (contd.)

- *Loss of jobs and livelihoods could push upto **108** million people into extreme poverty (\$1.9 a day) in India*
  - *Reversing the progress made in a whole decade*
- *Inequalities are widening as vulnerable and marginal groups are affected more adversely*
  - through disproportionate impacts on women
  - through more severe impact on people living in urban slums
  - through enhancing the vulnerability of migrant workers, youth, older persons and persons with disabilities
- *Rising food insecurity could have long-term consequences on health outcomes*

Number of People that could be pushed into Extreme Poverty due to COVID-19 related measures



Proportion of older persons receiving pensions in select Asia-Pacific countries



# Government Strategies for Saving the Lives and Livelihoods

- 24 March: Emergency health investment of US\$ 2 billion for augmenting testing facilities, PPEs, isolation beds, ICU beds and ventilators
- Fiscal and monetary stimulus packages
  - 26 March: US\$ 23 billion to cover food and cash transfers, insurance coverage for healthcare workers and wage support for low-wage workers
    - By 17 April, over \$4.8 billion transferred by DBT, including \$1.3 billion to 200 million women beneficiaries, 87 million farmers
    - Free rations to about 2/3rds of population for 3 months
  - 12 May: relief package of US\$ 270 billion (10% of GDP) covering RBI liquidity injection of around 4% of GDP
    - \$39 billion collateral free loan with 100% credit guarantee to MSMEs
    - \$2.6 bn subordinated debt for stressed MSMEs; \$ 6.5 bn equity infusion into MSMEs
    - Revised criteria for MSMEs
    - Liquidity infusion and credit guarantee support to NBFCs and relief for power utilities
    - Revision of Insolvency and Bankruptcy Code to prevent triggering of insolvency proceedings
    - Moratorium on credit downgrades

# Government Strategies for Saving the Lives and Livelihoods (*contd.*)

- 14 November: Rs 2.65 trillion (about \$35 bn) to boost economic recovery through self sufficient economy and resilient infrastructure
  - Production-linked incentives for 10 key manufacturing industries (Rs 1.46 trillion)
  - Rs 3000 crores boost for project exports through lines of credit
  - R&D grant of Rs 900 crores to the biotechnology sector for development of COVID vaccines
  - Housing incentives for 7.8 million in rural economy
  - Rs 18000 crores for PM Awaas Yojana-Urban
  - Rs 1.1 trillion platform for infrastructure financing through equity infusion of Rs 6000 crores in the National Investment and Infrastructure Fund (NIIF)
  - Rs 10,000 crores under PM Garib Kalyan Yojana to boost employment in the informal sector and growth of rural economy
  - Emergency credit line guarantee till 31 March 2021 to provide liquidity support to 26 stressed sectors including collateral free and guaranteed loans

# Overview of the stimulus packages announced by India

	<i>Items</i>	<i>Total in (₹lakh crores)</i>	<i>Additional fiscal cost (post-budget) (₹lakh crores)</i>
Mar 2020	Pradhan Mantri Garib Kalyan Yojana (PMGKY) subtract PM-Kisan allocation (budgeted amount, Rs. 17380 crore)	2 (1)	2 (0.9)
Mar – Oct 2020	RBI's liquidity injection - till October 31, 2020	13 (6.4)	–
May 2020	Atmanirbhar Bharat Abhiyaan 1.0	11 (5.5)	1 (0.4)
Jul 2020	PMGKP Anna Yojana - extension of 5 months from Jul - Nov	1 (0.4)	1 (0.4)
Oct 2020	Atmanirbhar Bharat Abhiyaan 2.0	1 (0.4)	0.5 (0.2)
Nov 2020	Atmanirbhar Bharat Abhiyaan 3.0	3 (0.2)	1 (0.5)
	Grand Total	30 (14.9)	5 (2.4)

**Source:** Ministry of Finance.

**Notes:** Figures in parentheses reflect % of GDP, assuming GDP of 200 trillion rupees. Total stimulus [Additional fiscal cost (post-budget) + Liquidity / financial support through banks] amounts to Rs.25,70,113 crores, which is 12.857% of GDP.

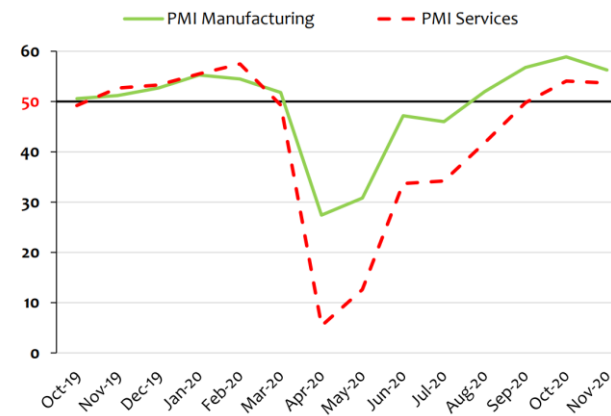


## Economy has begun to recover from the deep contraction in Q1

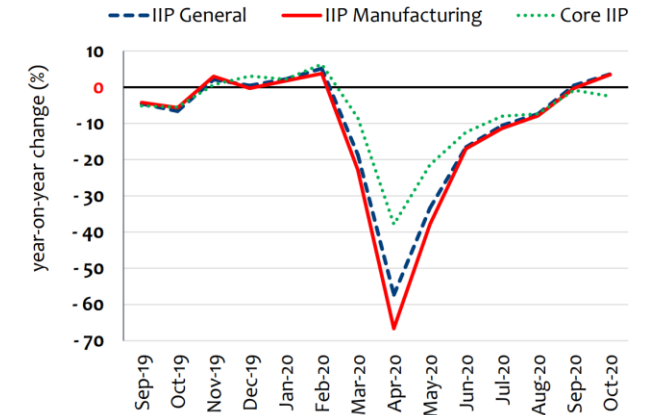
However, the recovery is fragile and not broad-based

Economy will shrink by around 7.5% in 2020-21

Could grow by 11.5% in 2021-22 (IMF projections) on a low base, provided the stimulus continues well into the next year



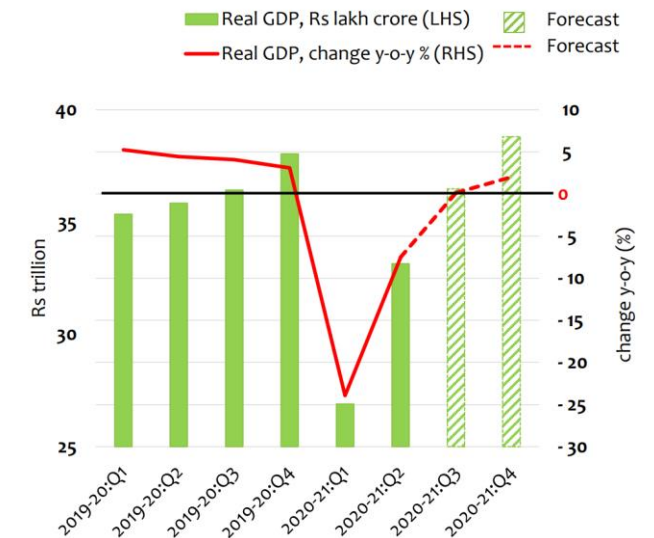
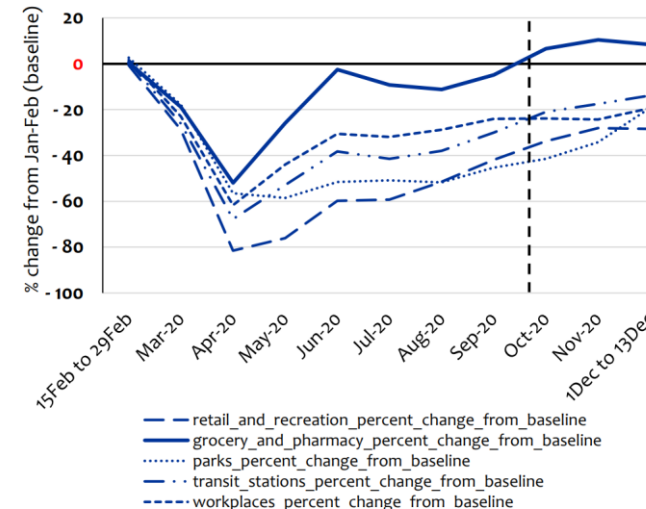
Sources: IHS Markit.



Sources: MoSPI and Office of Economic Advisor.

Note: Core IIP includes coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity.

Google Mobility indicators led by grocery & pharmacy





# Challenges and risks to the economic outlook

- Rising oil prices and threat of inflationary pressures
- Rising short-term capital inflows, exchange rate bubbles, export competitiveness and volatility
- Rising inequalities: sustainability of growth and social cohesion
- Sustained stimulus to strengthen and balance recovery
- Success of the COVID vaccine roll out across the country to boost confidence and avert the second wave

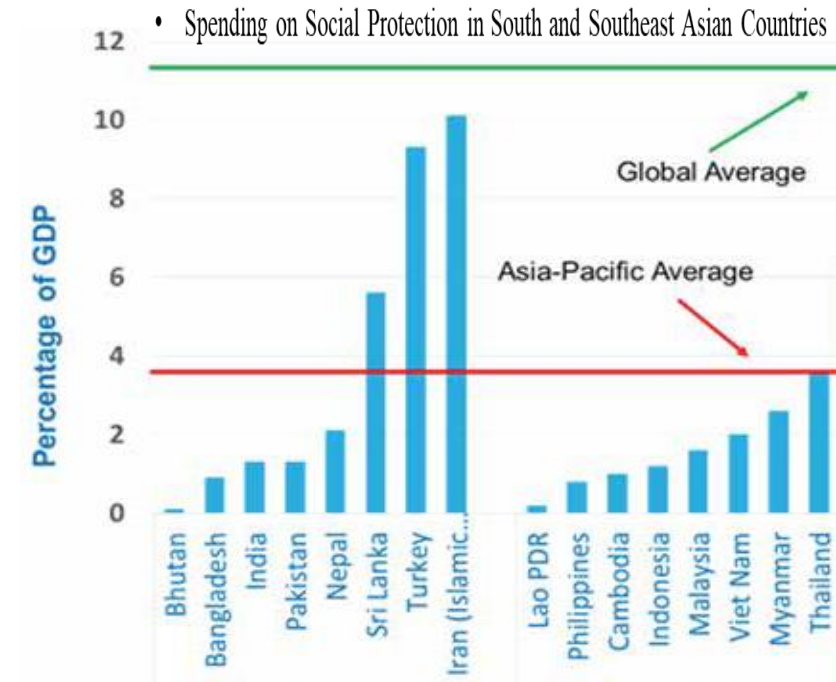
# Building back better towards balanced and sustainable recovery

## A large, people-centred, inclusive and sustainable relief & stimulus

- Estimated scale 14% of GDP
- Stimulus directed towards closing important **SDG** gaps
- **Resilient public health infrastructure**
  - Closing the gaps in public health infrastructure through enhanced spending
  - In medium term move towards **universal health cover**
- **Enhanced social protection for livelihood security**
  - In the short run, extend the existing employment guarantee programmes to urban areas
  - In medium term, move towards **universal social protection**
- **Create decent jobs through industrial transformation**
- **Green, inclusive and gender-sensitive programmes to address multiple and intersecting deprivations**
  - Gender sensitive massive programme of reforestation, waste recycling, waste-to-energy, micro-hydel, home solar, climate smart farming to decarbonize while creating jobs
- **Inclusive and sustainable urban spaces replacing urban slums**
- **Harnessing new opportunities through re-skilling of the workforce**

Estimated scale of the Stimulus needed in South Asia (% of GDP)

	Economic Revival	Social Protection	Public Health Infrastructure	Total
Bangladesh	5	3.5	2.5	11
India	7	4	3	14
Nepal	3.5	4	1.5	9
Pakistan	2	3	2	7
Sri Lanka	1	1	0.5	2.5



# Financing of the Stimulus

- **Exploitation of fiscal space**
  - Putting aside targets of fiscal prudence in the short term along with a credible strategy to return to fiscal prudence once the crisis abates
  - New and innovative taxes and expansion of tax base in the medium term
- **Voluntary donations and CSR**
- **International cooperation**
  - Support from IMF, World Bank, Asian Development Bank, AIIB, New Development Bank
  - Bilateral assistance
  - Large New SDRs allocation

# Regional Cooperation

Coordination for addressing the health emergency

Harnessing the potential of intra-regional trade for accelerating recovery, RCEP an important initiative

Financial cooperation for addressing the post-COVID challenges

Strengthening regional freight corridors

Cooperation for food security and climate-resilient agro-ecosystems

Fast tracking clean energy transition

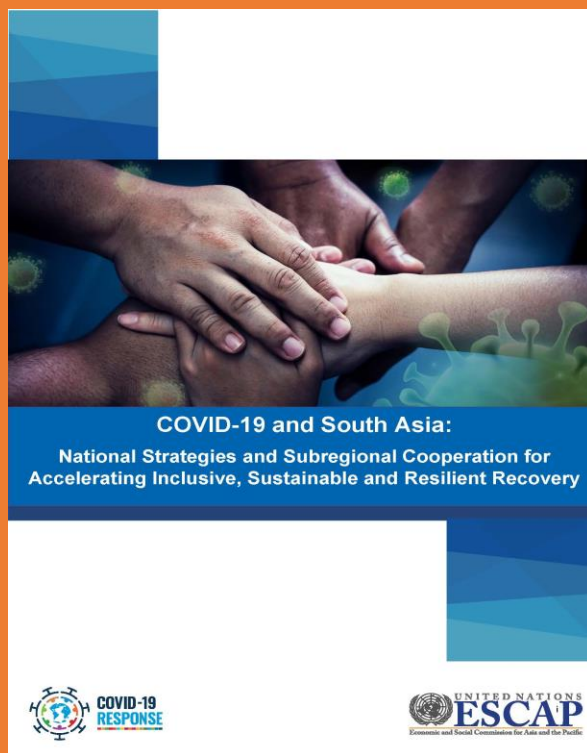
Digital Technology, ICT Connectivity and Data Systems

Building resilience through regional cooperation

## To sum up

- COVID pandemic poses a mammoth development challenge for India, threatening to reverse hard won development gains of a decade
- Extra-ordinary challenge requires equally extra-ordinary response
- Objective should not be to go back to the *status quo ante* but ***build back better***
  - Through large, inclusive and sustainable stimulus packages that decarbonize the economies while creating jobs and incomes through industrial transformation, while moving towards universal social protection and universal health coverage
- Regional cooperation has the potential to complement national strategies for building back better
- UNESCAP, as a development partner, continues to assist the member States in supporting such cooperation

# Thank you



[https://www.unescap.org/sites/default/files/South%20Asia%20Covid-19%20Paper\\_5.pdf](https://www.unescap.org/sites/default/files/South%20Asia%20Covid-19%20Paper_5.pdf)

