



POST-COVID PRESCRIPTION

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(Mains GS3: Indian Economy and issues relating to planning, mobilization, of resources, growth, development and employment & Infrastructure: Energy, Ports, Roads, Airports, Railways etc.)

Context:

- India suffered serious economic contraction due to the COVID lockdown.
- But the Indian economy now appears to have turned the corner.
- The Asian Development Bank identifies India as an outlier, with the country's GDP growth likely to range between eight and 10 per cent — as against 7.7 per cent for China and seven per cent for the Asian region.
- Atmanirbhar Swasth Bharat policies in the health sector can check a possible second wave and help in fueling a robust recovery.

Hurdles in the recovery:

- The convergence between the rich and poor countries in the 1990s and 2000s was founded on high relative growth rates driven by globalisation and export-led growth.
- The World Bank and many international think tanks are now projecting a process of de-globalisation, reduction in the demand for exports, and reduced service exports from the tourism, travel and hospitality sector in response to COVID.
- So, the phenomenon of trade-led catch-up growth is petering out.

India bounce-back to maintain its high growth through:

Imports:

- India's import substituting growth strategy of the 1960s did not succeed because the high protective customs barriers led to the growth of non-competitive industries that were locked into older technologies, for example the Ambassador car.

- But the current Atmanirbhar Bharat project is different because tariffs are low and public investment is focused on non-tradable infrastructure rather than commodity production.

Vaccination drive:

- The Pune-based Serum Institute's collaboration with Oxford University and AstraZeneca enabled India to book two billion doses of Covishield, even as Europe, Canada and Brazil are struggling to meet their vaccine needs.
- In the first 18 days of March, India could vaccinate one million people per day.
- This can be stepped up to three million vaccinations a day on a consistent basis – three million shots were actually administered on March 15.

Shared responsibilities:

- A division of responsibilities between public health facilities and the private sector is essential.
- Government hospitals and primary health centres can concentrate on free vaccination of rural populations.
- Private hospitals can vaccinate all above 40 who can afford to pay.
- The spike in COVID numbers across India is driven by the movement of professionals and workers above 40 years old.
- However, this category is currently not prioritised – only people above 45 with comorbidities, senior citizens and healthcare and frontline workers are eligible to receive the vaccine.
- Corporates with large number of offices can purchase the vaccine and get it administered to their staff without burdening the already-stretched state and municipal health services.
- The chain of rural sub-district hospitals, small hospitals and primary health centres could focus on the entire rural population above 40 years on a walk-in basis provided they are residents within the PHC's area of operation.

Atmanirbhar swastha bharat:

- Atmanirbhar Swasth Bharat is a domestic non-trade dependent initiative which will invest over Rs 64,000 crore in setting up 17,800 rural and 11,000 urban health and wellness centres and 602 critical care hospitals in the country's districts.
- Today India has 29 health workers per 10,000 population, while we need 60 such professionals per 10,000 people, as per WHO norms.
- Creating such a cadre will mean nearly four million new jobs, which can be self-paying as many of the services like laboratory checks, screening for NCDs, X-rays, physiotherapy and drug protocol monitoring can be provided on a cost recovery basis.

- These professionals can be employed on fixed-term contracts as per the newly-reformed labour legislation.

Infrastructure driven growth:

- Like the country's medical sector, its infrastructure, too, is poised to feel the effects of the government's emphasis on atmanirbharta.
- China and emerging markets like Russia and Brazil have a fairly advanced transport and energy infrastructure.
- India has a huge potential to renew its railways and highways and shift to solar energy from its current dependence on coal.

The railways push:

- The country's long-neglected fourth largest rail network in the world is undergoing rapid transformation.
- While rail track coverage expanded by 5,000 km during 2010 to 2014-15, nearly 7,000 km of tracks were added between 2015 and 2020.
- The Railways now aim to lay 9.5 km of track daily and have raised adequate capital for the same by leveraging domestic insurance funds.
- Railways are also aiming for 100 per cent electrification and zero carbon footprint by 2024.
- Electrified track has doubled from 20,000 km in 2012/13 to nearly 40,000 km in 2020.
- The Centre's decision to invest heavily in urban mass transit systems since 2014 has led to the rapid expansion of such services.
- Starting from an estimated length of 380 km in Delhi, Kolkata, Chennai and Mumbai in 2014-15, over 500 km of metro rail systems are under construction in 40 large cities of India.

Highways:

The resolution of financial problems of blocked PPP projects and smooth land acquisition process has increased the pace of construction of national highways from 3,330 km per year during 2009-2014 to nearly 9,450 km in 2020-21.

The energy sector:

- Today over 55 per cent of India's energy comes from coal.
- The country is a signatory to the Paris Climate Agreement and has agreed to reduce the carbon intensity of its GDP.
- Starting with only 10 MW of solar power in 2010, India has installed nearly 35 GW of solar power by 2020.
- This has been propelled by economic reforms which drove solar power prices down from Rs 17 per unit in 2010 to Rs 2.44 per unit in 2020.

- The strategy of reverse bidding, as opposed to the administered price regime of the past, has paid off. The target of reaching 100 GW by 2022 can drive growth further.
- Currently nearly 25 per cent of India's electricity is used for pumping underground water for irrigation.
- Providing irrigation energy from decentralised solar grids — solar power can be generated at the points on consumption (unlike coal, hydro or even wind) — will reduce huge transmission losses and the associated carbon footprint of non-renewable energy sources.
- Incentivising farmers to install their solar-powered pumps or providing state support to PPP projects to establish small local solar grids for local farmer groups and supplying the surplus power to the grid will cut losses of electricity utilities that are forced to supply free power to farmers.
- Maharashtra and a few other states have piloted this approach since 2018.

Emphasis on private sector:

- The Centre's shift towards privatising public sector outfits including banks, insurance companies and other PSUs can fund the growth of rail, road and energy infrastructure.
- This will also foster efficiency in India's credit system.
- China's supernormal growth in infrastructure without access to international financing in the initial decades was seen as an economic mystery.
- Recent studies have revealed that financial decentralisation and commercial exploitation of state-owned lands was critical to the project.
- In India, too, regional development authorities like the Mumbai Metropolitan Regional Development Authority and Maharashtra Industries Development Corporation have financed the metro, trans-harbour links and industrial infrastructure through a similar commercial land allocation model.
- This model can be extended throughout the country to finance infrastructure expansion — large parcels of idle land under loss-making public sector undertakings can be monetised for public infrastructure and health facilities.

Conclusion:

- Looking beyond a near-term recovery, it's also important that India will build back better and revert to its pre-pandemic decadal growth trajectory of 6.5-7 per cent annually over the medium run.
- For this, the revival of the investment cycle is very critical.
- For a broader and more sustainable revival, the trigger will still need to come from government investment spending (both Centre and states) with higher multipliers, crowding in private investments.

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