



ASIA MAIOR

Vol. XXXI / 2020

Asia in 2020: Coping with COVID-19 and other crises

Edited by
Michelguglielmo Torri
Nicola Mocci
Filippo Boni

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A large, intricate, light-colored floral mandala pattern is positioned on the right side of the cover, partially overlapping the text area. It features complex geometric and organic shapes, typical of traditional Islamic or Persian art.

CENTRO STUDI PER I POPOLI EXTRA-EUROPEI “CESARE BONACOSSA” - UNIVERSITÀ DI PAVIA

ASIA MAIOR

The Journal of the Italian think tank on Asia founded by Giorgio Borsa in 1989

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ISBN 978-88-3313-827-5 (Paper) ISBN 978-88-3313-828-2 (Online)

ISSN 2385-2526 (Paper) ISSN 2612-6680 (Online)

Annual journal - Vol. XXXI, 2020

This journal is published jointly by the think tank Asia Maior (Associazione Asia Maior) & the CSPE - Centro Studi per i Popoli extra-europei «Cesare Bonacossa», University of Pavia

Asia Maior: The Journal of the Italian Think Tank on Asia founded by Giorgio Borsa in 1989 is an open-access journal, whose issues and single articles can be freely downloaded from the think tank webpage: www.asiamaior.org.

The reference year is the one on which the analyses of the volume are focused. Each *Asia Maior* volume is always published in the year following the one indicated on the cover.

Paper version	Italy	€ 50.00	Abroad	€ 65.00
Subscription	abbonamenti@viella.it		www.viella.it	

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INDIA 2020: UNDER THE COVID HAMMER

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When the COVID-19 pandemic hit India, its economy was going through a difficult phase. This left the government ill prepared to tackle the pandemic and its economic dislocation. Furthermore, India's health infrastructure – suffering from decades of under investments – was at serious risk of being rapidly overwhelmed. The government decided to impose a strict lockdown, which brought to a halt most economic activity. The decision to give virtually no advance notice left millions of migrant workers stranded in India's large metropolis without a source of income, shelter and a means of transportation to reach their hometowns and villages. When tens of millions of them started walking towards their home, a humanitarian catastrophe ensued. The lockdown did not stop contagion, as active cases continued to rise sharply. The halt of economic activity resulted in widespread destruction of livelihoods, accompanied by alarming increases in school dropouts and nutritional deficits. In the last part of the year, the economy appeared to be recovering, as the pandemic was brought under control.

KEYWORDS – India; COVID-19; lockdown; economic recovery.

1. Introduction

The year 2020 in India was dominated by the COVID-19 pandemic, which reached the country on 30th January when the first case was detected in Kerala. India was ill prepared to tackle the situation: not only was its healthcare infrastructure suffering from decades of underinvestment, but its economy had been struggling for the last few years, leaving little fiscal space to respond to the crisis. These themes will be analysed in sections 2 and 3 of this article. Section 3 will also give an overview of the evolution of the pandemic in India, showing how India does not seem to be heading towards a spike in COVID-19-related mortality.

The following sections (4 to 6) then look at the response of the government and its consequences. In particular, the focus will be on the most vulnerable sections of the society. The strict lockdown imposed by the government at the end of March provoked a humanitarian catastrophe, when tens of millions of migrant workers started a long journey towards their hometowns and villages often without money, food and means of transportation. This is the focus of section 4. The article will then look at the other

consequences of the lockdown, with a particular focus on human development and on how the lockdown severely impacted the livelihoods of a substantial part of the population. I will also look at some of the medium-term consequences of the lockdown in terms of health and education, arguing that the impact could be long-lasting.

Section 6 will then look at the relief measures promoted by the government, showing how the limited fiscal space of the central government resulted in a largely inconsequential – at least in the short-term – set of economic measures. These measures did try to cushion off the most vulnerable groups from the worst consequences of the lockdown, but they succeeded only partially. Certainly, they failed to provide any fiscal stimulus to the struggling economy.

In the Concluding section, two positive developments are presented. First, India's economy appeared to have bounced back by the end of the year largely because, and this is the second positive development, the pandemic seemed to be (momentarily?) burning out.

2. *Pre-COVID-19 India: an already difficult economic situation*

When the pandemic hit India, its economy was already suffering from a remarkable deceleration of growth (Table 1). In the financial year 2019/20, India's GDP grew by only 4.2%, almost half of what it grew in 2016/17 (8.3%).¹ By the end of 2020, India was in technical recession² for the first time on record. More important than the growth rate per se, unemployment had been rising sharply in the two years preceding the pandemic. According to data from the Centre for Monitoring the Indian Economy (CMIE), the unemployment rate effectively doubled from 3.37% in July 2017, to 7.22% in January 2020. According to some analysis, even before the pandemic, India had passed from a «jobless to job-loss» growth.³

1. The calculation of GDP has been hotly debated in recent years, due to repeated changes in its methodology by the Modi administration. Arvind Subramanian, former Chief Economic Advisor to the Government of India under Modi, claims that the new methodology overestimates GDP growth by as much as 2.5 percentage point per year. See Arvind Subramanian 'India's GDP Mis-estimation: Likelihood, Magnitudes, Mechanisms, and Implications', CID Faculty Working Paper No. 354, 2019. See also previous issues of *Asia Maior*, where the issue was discussed in detail.

2. A technical recession is defined as a contraction of the GDP for two consecutive quarters.

3. K. P. Kannan & G. Raveendran, 'From Jobless to Job-loss Growth', *Economic and Political Weekly*, Vol. 54, No. 44, 9 November 2019.

Table 1 – Quarterly growth of GDP		
Financial Year	Quarter	Year-on-Year growth of GDP
2018/19	Q1	7.1
	Q2	6.2
	Q3	5.6
	Q4	5.7
2019/20	Q1	5.2
	Q2	4.4
	Q3	4.1
	Q4	3.1
2020/21	Q1	-23.9
	Q2	-7.5
Source: Ministry of Statistic and Programme Implementation (MOSPI)		

The Government of India, in its Economic Survey 2019/20, claimed that the reasons behind the slowdown are merely cyclical.⁴ Other scholars argue that the main problem was the collapse of internal demand, attributed to agricultural crisis⁵ and policy decisions, such as demonetisation, the introduction of the Goods and Services Tax (GST)⁶ as well as a tight monetary policy.⁷ Others pointed out that the slowdown is structural and that factors such as labour laws rigidity and difficulties in acquiring land constrain the expansion of the economic activity (although this was also true during periods of rapid economic expansion).⁸ Still others highlighted how the prolonged and quite sharp slowdown of economic growth was due both to cyclical and structural factors, which constrained both demand and supply. In particular, the finance sector seems to be engulfed in a prolonged crisis from where successive Indian governments have been unable to untangle

4. Government of India, Ministry of Finance, *Economic Survey 2019-20*, Vol. 2, Ch. 1.

5. Ashok Kotwal & Pronab Sen, 'What Should We Do About the Indian Economy? A Wide-Angled Perspective', *The India Forum*, 4 October 2019.

6. S. Subramanian, 'What is Happening to Rural Welfare, Poverty, and Inequality in India?', *The India Forum*, 6 December 2019. Both policies have been analysed at length in previous issues of *Asia Major*.

7. Pulapre Balakrishnan, 'Financial Stability and the RBI', *The Hindu*, 15 October 2019.

8. For a critique of this line of argument, see Arvind Subramanian & Josh Felman, 'India's Great Slowdown: What Happened? What's the Way Out?', CID Faculty Working Paper No. 370, Harvard University, December 2019.

it, thus causing a sharp decline in lending and investment rates, which, in turn, compressed job creation and therefore internal demand.⁹

Be as it may, the solutions offered by the Government have not been able to put the economy back on track. In the course of 2019, a set of measures including a massive corporate tax cut, a loosening of monetary policy and an ambitious privatisation programme hardly had an effect on investments and growth, which remained sluggish at the beginning of 2020.¹⁰

On the demand side, Finance Minister Nirmala Sitharaman, chose fiscal prudence over economic stimulus in the budget presented on 31st January 2020, a day after the first COVID-19 case was recorded in India. The budget clearly indicated that the government did not think to have the fiscal space to provide a boost to the economy, even if the grim economic situation required it. While this was somewhat to be expected – Modi, throughout his terms, preferred to announce expansionary packages outside of budget, presumably not to share credit with his MPs and cabinet – it is clear that the Finance Ministry presented a conservative budget for at least four reasons. One, international financial institutions had warned India to proceed towards a more ambitious fiscal consolidation plan, especially in the wake of the massive corporate tax cut announced in September 2019.¹¹ Two, the budget pushed the fiscal deficit to 3.8%, a full half percentage point above what it had promised only six months before, during the presentation of the previous budget. This is significant and telling of the precarious fiscal situation: the government pushed the fiscal deficit to the very limit, despite the notable absence of any significant expansionary measure in the 2020/21 budget. Three, the Finance Ministry inflated the projected growth (at between 6 and 6.5%), to increase whatever meagre fiscal space it had. This is despite the fact that the IMF, the World Bank and all major rating agencies had slashed their growth projection.¹² Four, the budget cut social spending quite significantly, again a sign of reduced fiscal capacity. With hindsight, a particularly harmful decision was to cut the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) allocation by 13.4% over the previous year's Revised Estimates. As it turned out, the MGNREGA proved to be a lifeline amid the economic dislocation caused by the pandemic.¹³

Many of the government's hopes to generate revenues rely on an expanded privatisation drive announced with the budget, which the Finance

9. *Ibid.*

10. *Ibid.*

11. 'IMF wants Indian government to be more credible, transparent on fiscal numbers', *The Economic Times*, 7 November 2019.

12. 'Moody's cuts India's FY20 growth projection to 4.9% citing weak consumption', *Business Standard*, 16 December 2019.

13. Avani Kapur & Meghna Paul, Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) GoI, 2020-21, Accountability Initiative, New Delhi, 2020. Available at: <https://accountabilityindia.in/publication/mahatma-gandhi-national-rural-employment-guarantee-scheme-pre-budget/>.

Minister hoped would result in about 2.1 trillion rupees of revenues. The government decided to sell its share of several large firms including Air India; Life Insurance Corporation of India; the highly profitable Bharat Petroleum; the Shipping Corporation of India; the Container Corporation of India. While some of these firms will undoubtedly attract much of investors' attention, it is a fact that previous privatisation drives have consistently failed to meet the revenue targets.

In short, when the COVID-19 pandemic hit India, the country was in the midst of a quite severe economic slowdown and going through employment and agricultural crises. Furthermore, the country's fiscal space was very limited, and the government had chosen austerity over economic stimulus in the budget presented in January 2020.

3. *The COVID-19 pandemic*

With hindsight it is clear that India (and most developing countries) had one major advantage compared to more developed countries: the age structure of its population. As COVID-19 is much more likely to cause severe consequences or death as age increases, having a small share of elders among the population certainly constituted an advantage. In India, only 6.18% of the population is over 65 (in Italy, admittedly one of the countries in the world with the longest average lifespan, the same ratio is 22.7%).¹⁴

However, India (and many other developing countries) also had major disadvantages, stemming from poor investments in public healthcare and, more generally, human development. Two particularly important disadvantages were, first, the poor health of a substantial part of the population; and, second, the quality of its public healthcare infrastructure, which varies from poor to extremely poor, depending on the state (with the notable exception of Kerala).

It is now well established that poor health is a major contributing factor to COVID-19 mortality and hospitalisations. Particularly concerning for India was the nutritional status of a large section of the population, which weakens the body's ability to fight infections. According to the Global Hunger Index 2020¹⁵ India ranked 94th (out of 107 countries in the index), indicating a «serious» nutritional situation – and more serious than neighbouring (and poorer) countries like Nepal (73rd), Bangladesh (75th) and Pakistan (88th). FAO estimates that, in 2019, 189.2 million people were malnourished (or 14% of the population),¹⁶ while provisional figures from the 5th Round of the National Family Health Survey indicate that as many as 57% of women

14. Sugata Ghosh & Sarmistha Pal, 'India's battle against Covid-19: A comparative perspective', *Ideas for India*, 16 April 2020.

15. <https://www.globalhungerindex.org/india.html>.

16. <http://www.fao.org/3/ca9692en/online/ca9692en.html>.

in the age group 14-49 are anaemic. India also has a high prevalence of cardiovascular diseases¹⁷ and diabetes,¹⁸ which have been both linked to higher mortality and hospitalisation of COVID-19 infected people.

In short, while India has a young population that is less likely to suffer from COVID-19-caused severe consequences, it also has alarming levels of malnutrition and other diseases, which puts a large section of the population – particularly the most vulnerable one – at higher risk.

A second major obstacle to an effective management of the pandemic was the public health infrastructure. India spends notoriously little on public health (less than 1% of the GDP in 2018),¹⁹ which is reflected in scarcity of doctors and nurses, beds, intensive care units and equipment. For instance, in 2017, India only had 7.7 doctors per 10,000 people, a significantly lower figure than that of the US (26.12), Brazil (21.6) and China (19.7). Shortages of beds are similar: in 2017, India had 5.3 hospital beds per 10,000 people, as compared to the 28.7 in the US, 20.9 in Brazil and 43.1 in China. Of course, national averages mask dramatic inter-state differences, where poorer (and often more populous) states also lag behind more prosperous ones in terms of public health infrastructure.²⁰

Limited healthcare capability also meant that India was ill equipped to quickly ramp up its testing potential. However, within a few months, tests per capita increased substantially to a level that is significantly higher than its economic peers, although much lower than that of advanced economies (Table 2).²¹

17. Dorairaj Prabhakaran *et al.*, 'Cardiovascular diseases in India compared with the United States', *Journal of the American College of Cardiology*, Vol. 72, No. 1, 2018, pp. 79-95.

18. Xiling Lin *et al.*, 'Global, regional, and national burden and trend of diabetes in 195 countries and territories: an analysis from 1990 to 2025', *Nature Scientific reports*, Vol. 10, Issue 1, Article No. 14790, 2020.

19. World Development Indicators.

20. Christophe Jaffrelot & Vihang Junle, 'Public Health in India: Lessons of a Pandemic', *Institute Montaigne*, 2 November 2020. Available at: <https://www.institut-montaigne.org/en/blog/public-health-india-lessons-pandemic>

21. In Table 2, I use the World Bank income classification to compare India with its peers. Italy is taken as an illustration of an advanced economy badly hit by the pandemic.

Table 2 – Testing capability in different countries

(Italy has been chosen here and in the remainder of the article as exemplary of the situation in the Western developed countries as it was the first in this group to be heavily invested by the COVID-19 pandemic)

Date	India - Test per capita (TPC)	India - Positivity rate (PR)	Lower Middle Income Countries - TPC	Lower Middle Income Countries - PR	Italy - TPC	Italy - PR
1 April	0.24	5.89	1	4.9	52.02	15.74
1 May	3.74	3.53	4.4	5.3	94.77	3.49
1 June	8.7	6.71	7.4	8.9	101.1	0.71
1 July	15.48	9.04	12.9	10.3	79.62	0.4
1 August	36.33	10.4	23.2	10.2	84.16	0.55
1 September	69.21	8.12	38.3	8	141.77	1.5
1 October	80.63	7.31	46.7	7.2	157	1.97
1 November	74.27	4.45	45.5	5.6	302.17	13.68
1 December	79.37	3.62	49.5	5.9	325.62	11.66
15 January 2021	59.13	2.27	42.2	4.2	242.9	11.14

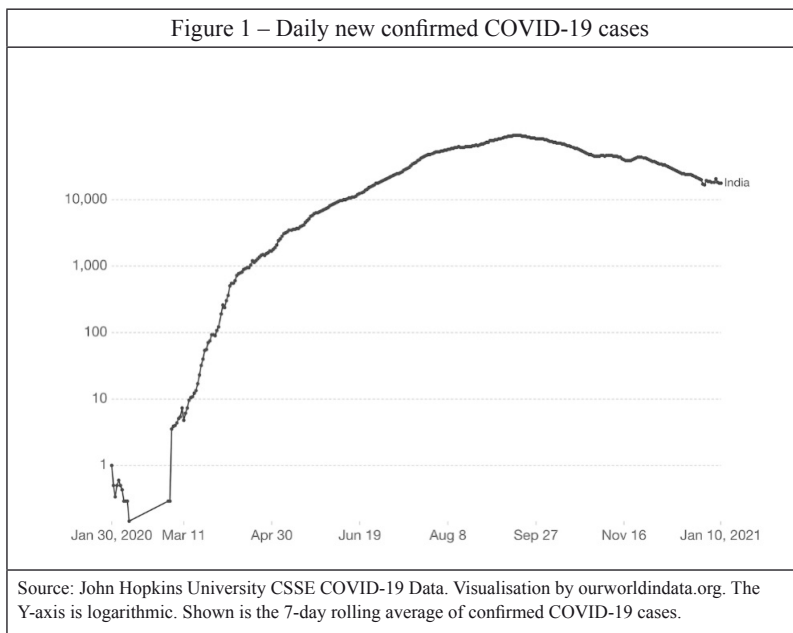
Source: FIND Dataset, available at: <https://www.finddx.org/covid-19/test-tracker/>.

The bolstering in the number of tests means two things. On the one hand, that India did use the first months of the pandemic (during which a strict lockdown was imposed) to ramp up its testing capability as well as to design and implement prevention policies (see below). On the other hand, its testing capability is still too limited to offer a reliable picture of the actual number of COVID-19 cases or their distribution across the country. In fact, serological surveys indicate that India might be hugely underestimating the actual number of cases. For instance, a survey conducted by the Indian Council of Medical Research (ICMR) estimates that, during the month of May, India missed 81 cases for each one that it detected.²² In large cities the gap between detected and actual cases appears to be also very large. The serological survey conducted by the Delhi government, for instance, estimated that, on 7th August, 29.1% of the population had been exposed to the

22. 'ICMR's First Sero-Survey Paper Out: India Missed 81 Infections Per Case in May', *The Wire*, 11 September 2020.

virus.²³ This would translate in approximately 10 million cumulative cases as against an official figure of just about 141,000.

However, given the low test-positivity rates and the relatively consistent number of tests performed, it is likely that official data – combined with newspaper reports about the situation in hospitals – are able to offer a credible (if rough) picture of the *evolution* of the pandemic over the year. After several months during which the virus spread unabated, it would appear that India was able to ‘bend the curve’ of the contagions sometimes in September 2020, after which the increase in the number of cases decelerated sharply (Figure 1).



A second important indicator that provides a picture of the evolution of the pandemic is the Infection Fatality Rate (IFR), or the proportion of deaths per recorded infection. India’s IFR is remarkably low at 1.5%; for comparison, Italy has an IFR of 3.5%.²⁴ Given the extremely low accuracy of the official number of cases, it is extremely likely that the actual IFR is

23. ‘What sero surveys tell us about Covid in India’, *Hindustan Times*, 3 September 2020.

24. According to data from the World Health Organisation as on 21 January 2021.

even lower. Serological surveys estimate the actual IFR to be half as high, at around 0.08%.²⁵ Also in terms of deaths per 1 million people, India's figure (110) is extremely low in a comparative perspective: Italy recorded 1,385 deaths per million people.

There are three lines of arguments to explain this very low figure. First, the pandemic hit India relatively late – the first case was recorded on 30th January and the 100th was detected only in mid-March. By then, several countries had already battled with the virus for weeks and treatment protocols were more established and shared. Additionally, India imposed a very strict lockdown on 24th March 2020, when it had recorded only 500 cases. While, as we shall see below, the lockdown turned out to be a decision with disastrous consequences, it most likely delayed the spread of the virus, which bought the healthcare system precious time. Finally, the overwhelming majority of the cases have happened in big cities, where the healthcare infrastructure was significantly better than in the countryside.

A second line of argument is that India not only undercounts the number of cases, but also the number of deaths. This is largely due to the fact that only about 70% of the deaths occurring in the country are recorded and only 22% of these have an official cause of death.²⁶ This, combined with the fact that official figures of infected cases are extremely inaccurate, makes it virtually impossible to know what even an approximate IFR is. However, the serological surveys mentioned above suggest that India is not seeing an inordinately high mortality rate from COVID-19.

Finally, as mentioned above, India has a young population whose median age is just 28.1 (as against a median age of 43.1 in the European Union)²⁷ and is thus much less at risk of death from COVID-19. However, Partha Mukhopadhyay, a senior fellow of the Centre for Policy Research, calculated that, when we adjust for the age of the patients, India's IFR is quite high. His estimates are that had India had the same age-specific IFR of Italy, it would have recorded half of the deaths that it did, suggesting that the fact that India's patients are on average young is indeed a critical factor that keeps overall IFR low.²⁸

While it is impossible to ascertain what the specific reasons are for the low mortality rates – most probably a combination of the factors just mentioned – it seems plausible that the country is not set to have a major COVID-19 mortality spike. However, as noted by Jean Drèze, overall mor-

25. 'ICMR's First Sero-Survey Paper Out...'

26. Rukmini S. 'In India, most deaths go unregistered. How reliable is its Covid-19 mortality data?', *Scroll.in*, 7 May 2020; Patralekha Chatterjee, 'Is India missing COVID-19 deaths?', *The Lancet*, Vol 396, 5 September 2020.

27. CIA World Factbook; Eurostat.

28. Partha Mukhopadhyay, 'Is India's Covid-19 death rate higher than Italy's?', *Hindustan Times*, 11 June 2020.

tality might nevertheless spike for two reasons.²⁹ First, as in much of the world, routine health services have been severely disrupted by the pandemic. Second, the prolonged lockdown destroyed the livelihoods of millions of people, many of whom were on the verge of destitution even before. To this we now turn our attention.

4. *The government's response – the lockdown and the migrant crisis*

Between 30 January 2020, when the first COVID-19 case was recorded in Kerala, until mid-March, the government's response to the pandemic was hardly noticeable. In fact, during the month of February, Modi hosted Donald Trump in Delhi and Gujarat, where tens of thousands of people gathered at an event in a stadium in Ahmedabad. By mid-March, India had officially recorded only a handful of cases. On 19 March, Prime Minister Modi, in a televised address to the nation, proclaimed a nationwide «Janta Curfew» (people's curfew) of 14 hours for 22 March. This was supposed to be some sort of wake up call to prepare the population of what was going to happen in the future. On that day, the streets of all major Indian cities were deserted and people were invited to clap and bang utensil from their balconies in support to frontline workers. During the following days, Modi frequently appeared on TV explaining the importance of hygiene, social distancing and wearing masks.³⁰

Things escalated quickly. On 24 March 2020, Modi, *with a notice of four hours*, imposed a 21-day nationwide lockdown. The news caught virtually everyone by surprise. Not even the state governments were consulted, which, according to the Constitution, are the only authorities that can impose such measures. However, the Indian government invoked the Disaster Management Act of 2005, which grants sweeping powers to the central government in case of a disaster – including the ability to direct district magistrates to take orders from Delhi, rather than from their states' governments.³¹

The lockdown imposed the shutdown of all commercial, industrial and transport activity and was extended several times. Eventually, restrictions started to be eased on 30 May, except in areas deemed at high risk.

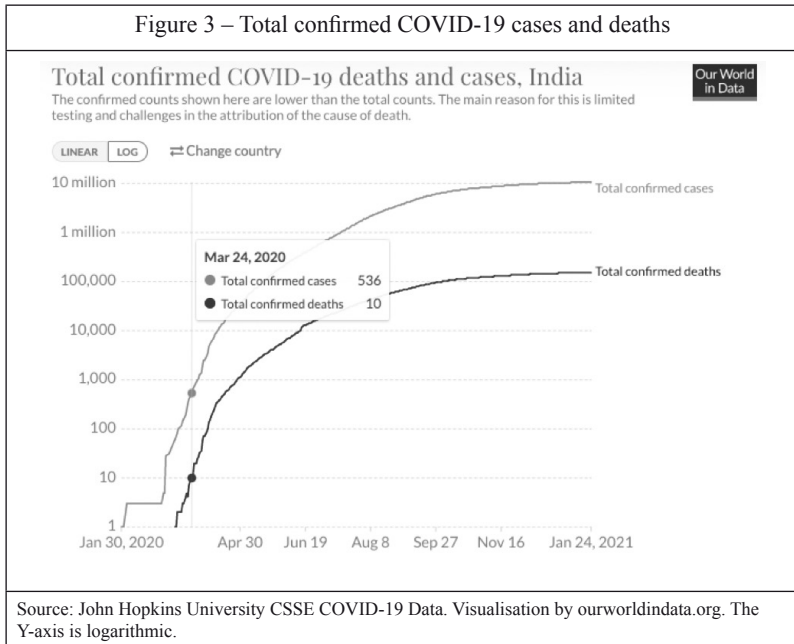
According to the Stringency Index developed by Oxford University, India's was one of the harshest lockdowns in the world (Figure 2).

29. Jean Drèze, 'India Is in Denial about the COVID-19 Crisis', *Scientific American*, 25 August 2020.

30. Tommaso Amico di Meane, 'India e Covid-19. Le ambiguità costituzionali di un'emergenza non dichiarata', *DPCE Online*, Vol. 43, No. 2, 2020. This is a useful summary (for readers of Italian) of the lockdown as well as an interesting interpretation of its legal basis.

31. Shoaib Daniyal, 'Can the Centre bypass the states and declare a lockdown?', *Scroll.in*, 26 March 2020.

The decision to impose a lockdown raises several important questions. The first one concerns the rationale behind the decision. There were three obvious reasons to take that course of action. First, the government wanted to break the chain of contagions and, amid great uncertainty, decided to follow the lead of European and East Asian countries that had taken similar decisions. In this respect the decision was a resounding failure. Throughout the lockdown cases kept rising and even accelerated sharply (Figure 3). Puzzling enough, India «bended the curve» when it started to relax restriction significantly (from about September 2020, more on this later).



In fact, the Indian government at first justified its decision on the basis of projections according to which the number of active cases would fall to zero by 16 May. Later on, when this unrealistic expectation failed to materialise, the government claimed, more reasonably, that if it had not imposed a strict lockdown, the death toll would have been much higher.³²

A second important question concerning the rationale behind the Modi government decision to impose the lockdown refers to the problem of

32. Rukmini S., 'Why India has emerged as pandemic epicentre, despite early lockdown', *Mint*, 19 September 2020.

whose lives the government intended to protect. Clearly, privileged groups could afford to stay at home and either work from home or rely on their savings. However, this was not the case for the great majority of the population – at least 80% of Indian workers are in the informal sector of the economy – who would be caught between the rock of the virus and the hard place of the virtual impossibility to make a living. Pakistan's Prime Minister Imran Khan had in fact taken the opposite decision and delineated this problem in very explicit terms: «If we were like Italy, France, America or England, I would have locked Pakistan down completely. But our problem is that 25% of Pakistanis are below the poverty line. They can't even afford two square meals a day. If working class Pakistanis are locked up for two weeks, how will they feed their families?».³³

In other words, the Indian government decided to try avoiding potentially large numbers of «visible» deaths due to the virus at the cost of an unquantifiable, but probably substantial, number of «invisible» deaths due to destitution and disruption of routine health services.³⁴ Furthermore, research has shown how disadvantaged groups, simply because of the characteristics of their dwelling, cannot safely isolate themselves at home, thus remaining at higher risk of contagion even during a lockdown.³⁵ In other words, Pakistan and India took two different gambles: the former hoped that the fatality rate of COVID-19 would not result in a death toll of catastrophic proportion; the latter hoped (or decided it would be acceptable) that the lockdown would not result in a humanitarian crisis.

Third, given the precarity of India's healthcare system, an early lockdown could be essential to increase testing capability and the procurement of essential equipment. As mentioned above, the lockdown months were used to bolster testing significantly, while the preparedness of the healthcare system varied dramatically between the states.³⁶

What remains to be explained is the reason behind the four-hour notice that the Prime Minister decided to give to the country, before shutting down all economic activities and, crucially, all transportation systems. It is in fact a decision that is difficult to explain, if not with a desire by the Prime Minister to act resolutely, suddenly and firmly, like he did with demonetisation in November 2016 or when he stripped Jammu and Kashmir of its special constitutional status in August 2019. What we can be sure of is that locking down the country without consulting with those that were

33. Shoaib Daniyal, 'Coronavirus: Why is Pakistan doing so much better than India?', *Scroll.in*, 11 September 2020.

34. Debraj Ray & S. Subramanian, 'India's Lockdown: An Interim Report', *Indian Economic Review*, vol 55, 2020, pp. 31-79.

35. Caitlin S. Brown, Martin Ravallion & Dominique van de Walle, 'Can the World's Poor Protect Themselves from the New Coronavirus?', NBER Working Paper 27200, May 2020.

36. Rukmini S., 'Why India has emerged as pandemic epicentre'.

to manage its consequences (the states) and without notice had disastrous consequences.

When the government announced the «Janta lockdown» on 18th March, an exodus of temporary migrant workers started preparing to return to their villages, in anticipation of a closure of the city where they worked. But on 21st March, the entire railway system was halted, to be followed on 25th March by all other transport means. At that point, tens of millions of migrant workers in India's largest cities found themselves overnight with no jobs, no income, no shelter and no support network. Most saw no alternative than to walk towards their villages – oftentimes for hundreds or even thousands of kilometres. When Modi extended the lockdown in mid-April «the stream of migrants turned into a humanitarian disaster».³⁷

It is difficult to estimate the exact number of people who returned home after the lockdown was announced. The government estimated that 10.5 million people returned to their own state;³⁸ on his part, Chinmay Tumble, an expert on India's migratory flows, calculated that, at the very least, 30 million people returned home, if we include intra-state migrants.³⁹ In mid-May, the Government estimated that there were 80 million migrant workers that needed support.⁴⁰ In any case, the internal migratory process set off by the lockdown likely dwarfed the one that followed the partition of India in 1947.

The amount of suffering through which the migrants had to go is hard to imagine. An extremely conservative estimate, built through a systematic analysis of newspaper reports in English, Hindi and a few other regional languages, put the number of migration-related deaths to 207, 11.5% of which due to exhaustion, starvation and dehydration while walking home. (The remaining deaths were due to various types of accidents on the road).⁴¹

Inter-state migrants – at least 11 million people⁴² – who tried to reach their homes in another state, were blocked at the borders, as the government had forbidden inter-state travel. Some state governments set up shelters – with virtually no financial or other forms of assistance from the central

37. 'The Virus Trains: How Lockdown Chaos Spread Covid-19 Across India', *The New York Times*, 16 December 2020.

38. Government of India, Ministry of Labour and Employment, Answer to Unstarred Question No. 174, 14 September 2020, Lok Sabha. Available at: <http://loksabha.nic.in/Questions/QResult15.aspx?qref=16409&lsno=17>

39. Seema Chishti, 'How many migrant workers displaced? A range of estimates', *Indian Express*, 8 June 2020.

40. 'India to provide free food grains to millions of migrant workers', *Reuters*, 14 May 2020.

41. The dataset is available at: <https://thejeshgn.com/projects/covid19-india/non-virus-deaths/>

42. Bhaskar Chakravorty *et al.*, 'Covid-19 lockdown and migrant workers: Survey of vocational trainees from Bihar and Jharkhand', *Ideas for India*, 5 November 2020.

government, at least at the beginning of the crisis – while NGOs and other organisations were invited by the government to offer support. In other words, Modi's government, after single-handedly creating the conditions for a humanitarian disaster, took no responsibility for the relief and management of the situation.

In fact, it took the central government 37 days to provide some support to the migrants, which came in the form of special Shamrik («labourer») Trains to take migrants home. (Ironically, the first trains started on Labour Day.) At the end of April, the government also announced food support for 80 million Indians who did not have a ration card – as the great majority of the migrants.⁴³ Three months after the announcement, however, only about a quarter of the migrants had received the promised food grains.⁴⁴

In the meantime, the situation of the migrant workers was dire. According to a survey done by Stranded Workers Action Network (SWAN), a relief initiative emerged after the announcement of the lockdown, food and income insecurity were rampant. SWAN reached by phone more than 36,000 migrant workers during the 68-day lockdown.⁴⁵ Overall, at the time of the interviews, 72.3% had less than 2 days of food with them and about two thirds had less than 100 rupees in their pockets. Only 4% had received any pay from their employers, while 81% had not received any food rations from the state. Other surveys show a similar picture of extreme food insecurity among migrant workers. For instance, Chakravorty and colleagues found that 31% of the migrants they interviewed did not receive any support in any form and had to reduce their food consumption.⁴⁶ In Bihar, a survey of 20,000 returning migrants found that 60% were unable to ensure two meals for all members of their family.⁴⁷ In the earlier phases of the lockdown, hunger and insecurity were even more acute, with up to 90% of the migrants reporting no income, no savings and no state support at all.⁴⁸

Over the following months, according official data, more than 6 million people took a Shamrik Train home. The process was burdensome as migrants had to register online, get a medical certificate (at their own expense) and then get a pass from the police station. Most migrant workers also had to pay the fare, as the government did not set aside the necessary resources. According to some intentionally inflated estimates, the maxi-

43. Supriya Sharma, 'Six reasons why the Modi government is squarely responsible for India's worst migrant crisis', *Scroll.in*, 18 May 2020.

44. 'Only quarter percent of 80 million migrants got govt food aid', *Hindustan Times*, 18 August 2020.

45. Anindita Adhikari *et al.*, 'Manufactured Maladies: Lives and Livelihoods of Migrant Workers During COVID-19 Lockdown in India', *The Indian Journal of Labour Economics*, Volume 63, 2020, pp. 969–997.

46. Bhaskar Chakravorty *et al.*, 'Covid-19 lockdown and migrant workers: Survey of vocational trainees from Bihar and Jharkhand', *Ideas for India*, 5 November 2020.

47. Jean Drèze, 'India Is in Denial about the COVID-19 Crisis'.

48. Supriya Sharma, 'Six reasons...'

imum cost for the state to cover the train fare for the migrant works would have been around 42 billion rupees – just marginally higher than the cost of the colossal Statue of Unity (30 billion rupees), built in 2018 in Modi's home state, Gujarat.⁴⁹ Many, unsurprisingly, did not know any of this and simply headed to the railway station, where they did not even find a help-desk.⁵⁰ (However, what they found was upper middle class Indians who could travel freely in Air-Conditioned trains after simply passing through a thermal scanner).⁵¹ At least 96 people died in the Shamrik Trains, mainly from exhaustion, heat, dehydration, lack of medical attention and hunger; and at least 47 people died in quarantine centres at their destination – mostly for lack of medical attention or suicide.⁵²

The trains became the main channel through which the virus spread to rural areas.⁵³ Essentially, what the government did was the following: first, it created the conditions for migrants workers to lose their jobs, housing and income in the cities where they lived; then it prevented them to leave, condemning them to an enormous amount of suffering while trying to reach their homes; (this, the government claimed, was to prevent the spread of the virus to rural areas); then, after having left them stranded on the roads or in overcrowded shelters where the virus could spread easily, the government put them on overcrowded trains for days, where those who had not be infected yet, could be exposed to the virus. Finally, migrants reached quarantine centres – where they infected the staff, and, through them, their communities. Only the most severe cases were tested for COVID-19, while virtually all the asymptomatic ones were left free to reach their homes and spread the virus – the very outcome that the travel ban had tried to avoid.

Of course, the impact of the lockdown on India's migrant workers was as much a consequence of the ill-prepared and sudden decision to halt all transport activity in the country, as it built upon long-standing structural problems related to the lack of state support for India's informal workers. The lack of safety nets or any meaningful form of social insurance exacerbated what would have been a very difficult situation anyway. Furthermore, as further evidence of the invisibility of India's migrant workers, a full year after the lockdown was imposed, the government still had no data on the

49. Sakina Dhorajiwala & Rajendran Narayanan, 'Locked down in distress', *Indian Express*, 9 May 2020.

50. Supriya Sharma, 'Six reasons...'

51. Supriya Sharma, 'They walk 30 km. Wait four days for a train. No one's told them they're at the wrong station', *Scroll.in*, 16 May 2020.

52. The dataset is available here: <https://thejeshgn.com/projects/covid19-india/non-virus-deaths/>

53. 'The Virus Trains: How Lockdown Chaos Spread Covid-19 Across India', *New York Times*, 15 December 2020; 'Coronavirus is now gradually spreading in rural India. Villages are the new hotspots', *GaonConnection*, 21 May 2020. Available at: <https://en.gaonconnection.com/the-novel-coronavirus-is-gradually-spreading-its-tentacles-in-rural-india/>

number of migrant workers, which make the implementation of any support policy virtually impossible.⁵⁴

5. *The other consequences of the lockdown*

The migrant crisis was only the most immediate consequence of the lockdown. In fact, India, as all low-income countries, was particularly vulnerable to a lockdown for three reasons: first, the large proportion of households who rely on casual employment (about 20%); second, the informality of India's employment, which constitutes over half of its GDP; third, «median household savings are very low, and inadequate to take an estimated 38% of all households through even a 21-day lockdown» (let alone 68-day, as it eventually lasted) if their income dries up.⁵⁵ More generally, the large proportion of families who are in poverty – 61.7% of the population in 2011⁵⁶ – translates into a high degree of insecurity and vulnerability to shocks.

The most obvious channel through which the lockdown impacted the welfare of India's vulnerable groups was the sharp contraction of employment opportunities. This was far from uniform across sectors. Employment in agriculture⁵⁷ did not decline during the lockdown and then increased sharply during the quarter ending September 2020, when it was 5.5% higher than the previous year. This presumably reflected good agricultural conditions during the year, as well as shrinking employment opportunities in the non-farm sector. Correspondingly, the primary sector's share in total employment *rose* from 36% to 40%.

Employment in services (about 38% of the workforce) contracted sharply during the lockdown (-18.4% between March and June), before recovering partly. Notably, as schools in most of the country remain closed at the time of writing (January 2021), job losses in the education sector were dramatic: 6 million jobs (or about 37% of the total) were lost between March and December 2020. In most other service sub-sectors, after a sharp decline during the lockdown, employment recovered and even increased.

Employment in manufacturing shows a dramatically different picture. After contracting by more than 38% during the lockdown quarter – amounting to at least 15 million jobs lost – it very partially recovered. In December 2020, employment in manufacturing was still 11,4 million jobs short of what it was before the lockdown.

54. 'A Year After Exodus, No Reliable Data Or Policy On Migrant Workers', *Indiaspend*, 24 March 2021.

55. Debraj Ray and S. Subramaniam, 'India's Lockdown...'

56. This is the figure for the 3.20\$ PPP/day poverty line that the World Bank suggests to utilise at the income level of India. Source: World Development Indicators.

57. All data are taken from the Centre for Monitoring Indian Economy (CMIE)'s Consumer Pyramids Household Survey.

Finally, real estate and construction recovered almost completely.

During the lockdown, 33 million job evaporated, but these were almost completely reabsorbed by the end of the year.

These data are worrying for at least two reasons. First, every sector except agriculture was hit hard by the lockdown. Given the very low saving capacity of the large majority of the population, the fact that at least 121 million people lost their job during the month of April alone⁵⁸ means that an inordinately large amount of people went through a phase of high financial (and possibly food) insecurity. Furthermore, rural areas, where poverty rates are higher and wages lower, had to sustain the double shock of less income coming from remittances as well as the need to sustain returning migrants. Second, there seems to have been a shift from high-productivity jobs in the manufacturing and service sector to low productivity ones like agriculture and construction. This might very well translate into lower incomes for a sizable section of the population, also considering the sharp contraction of informal workers' real wages (-22.6%).⁵⁹

In fact, the United Nations Development Programme (UNDP) estimates that, out of the 271 million people that escaped extreme poverty between 2006 and 2016,⁶⁰ 260 million will be back in poverty by 2020.⁶¹ A survey conducted by the World Bank in ten Indian states⁶² showed that poor household lost about 60% of their (already extremely low) income during the month of April. While we do not know exactly how poor household coped with the shock – presumably through a combination of less food and more debt – the consequences might be long-lasting. A UNDP study suggests that a sizable part of these might still be poor at the end of the decade, due to the enduring economic dislocation that the pandemic is likely to cause.⁶³

Income poverty is not the only dimension of human development impacted by the lockdown. Health and education are also high on the list of the long-lasting effects of the pandemic. With regard to the former, the pandemic and the lockdown impacted health through two main channels (besides COVID-19 deaths and illnesses). The first one is the disruption of routine healthcare services due both to the lockdown as well as to the

58. CMIE data. Available at: <https://www.cmie.com/kommon/bin/sr.php?kall=war-ticle&dt=2020-08-18%2011:02:19&msec=596>

59. 'Informal workers saw 22.6% fall in wages post covid-19: ILO', *Mint*, 3 December 2020.

60. At the 1.90\$ PPP/day poverty line.

61. Christophe Jaffrelot & Hemal Thakker, Covid-19, 'Amplifying the Return of Mass Poverty in India', *Institute Montaigne*, 15 October 2020. Available at: <https://www.institutmontaigne.org/en/blog/covid-19-amplifying-return-mass-poverty-india>

62. 'India at risk of losing hard-won gains against poverty, says World Bank', *Mint*, 19 August 2020.

63. UNDP, *Impact Of Covid-19 On The Sustainable Development Goals*, 2020. Available at: <https://sdgintegration.undp.org/accelerating-development-progressduring-covid-19>.

concentration of healthcare resources in the fight against the pandemic. Not only were patients less likely to seek medical treatment because of lack of money or lack of means of transportation; but those who could get to a healthcare facility – especially in rural areas – had a good chance of finding it unstaffed because of the lack of public transport.⁶⁴

Care for chronic diseases like cancer or diabetes has also been disrupted. Health Ministry data for the month of March 2020 – later retracted by the Government – showed dramatic falls in treatments for pregnant women, child immunisations, outpatient treatments of all major non-communicable diseases and inpatient treatment of all communicable diseases.⁶⁵ Tuberculosis (TBC) is a case in point. Across the country, recorded deaths from TBC plummeted. Kerala, for instance, recorded 105 deaths from TBC a month, on average. In May, the figure dropped to four. In Karnataka TBC deaths declined from 292 in March to 20 in May. This means that, in all likelihood, many TBC patients are not diagnosed, which could undermine the significant progress made by the TBC eradication campaign in recent years. In the words of a TBC officer: the country is «staring at a big TBC crisis».⁶⁶

The second channel through which the pandemic could have long-lasting effects on the health of Indian citizens is nutrition. The main problem here is that the nutritional situation in India was disastrous *before* the pandemic hit. As mentioned in section 3 above, India's nutritional levels are amongst the lowest in the world and are even lower than neighbouring and poorer countries like Bangladesh, Pakistan and Nepal. A recent study estimated that, in 2011, 63-76% of rural poor could not afford the cheapest form of a nutritious diet.⁶⁷ The lockdown and the ensuing economic catastrophe thus exacerbated an already precarious situation. According to a survey conducted by the Centre for the Study of Developing Societies during the lockdown, 78% of respondents found it «quite» or «very difficult» to feed their families.⁶⁸

Malnutrition has long-term consequences, especially in children, whose life-long physical and cognitive development is irremediably affected by their nutritional status during the early stages of their lives. In this respect, again, India's situation was disastrous *before* the pandemic hit. Quite shockingly for a country that has not gone through war or nation-wide natural disasters, between 2015 and 2019, child malnutrition *worsened* in a

64. Vikram Patel, 'India's Tryst With Covid-19', *The India Forum*, 17 April 2020.

65. Rukmini S., 'How covid-19 response disrupted health services in rural India', *Livemint*, 27 April 2020.

66. Arunabh Saikia, 'Many states have reported fewer TB deaths during the lockdown. Here's why this is bad news', *Scroll.in*, 29 May 2020.

67. Kalyani Raghunathan, Derek Headey & Anna Herforth, 'Affordability of nutritious diets in rural India', *Food Policy*, 10 October 2020.

68. Jean Drèze, 'India Is in Denial about the COVID-19 Crisis'.

majority of the 22 states from where data of the 5th phase of the National Family Health Survey were released in late 2020.⁶⁹ This is also reflected in the figures on infant mortality rates. According to research, between 2016 and 2018, infant mortality rates stagnated in urban areas – an unusual trend in a rapidly growing economy – and *worsened* in India's poorer states. The authors of the study suggest that this might be due to the effects of demonetisation and the ensuing economic slowdown.⁷⁰ The lockdown, a second major economic shock, likely worsened the situation further, as two key sources of food for children – anganwadi centres⁷¹ and schools – closed for months.

At the time of writing (January 2021) anganwadi centres remained closed in most states.⁷² In March, the Supreme Court directed the state governments to compensate for the meals which children were not getting in anganwadis and schools. Some states started providing take-home rations, but ground reports suggest these were hardly comparable to the full, cooked meals that children normally got, not to mention the fact that distribution was disrupted by the lockdown and was highly uneven. Overall, no state «have adequately made up for the closure of the anganwadis».⁷³ As severe malnourishment in young children is an acute condition that needs urgent treatment – difficult to get during a lockdown and with child health centres closed – and with life-long repercussions on children's ability to become healthy and productive adults, the consequences of the prolonged closure of anganwadis might be felt for years to come.

For older children, schools are an important source of nutrition through the Mid-day meal scheme, which provides hot, cooked meals to 120 million children. Research showed that the scheme had a large and positive impact on school enrolment, nutritional intake, school performance and attendance,⁷⁴ besides constituting an important safety net in times of crisis.⁷⁵

69. Rukmini S, 'India May Be Reversing Decades Of Progress On Child Nutrition, New Govt Data Show', *IndiaSpend*, 13 December 2020.

70. Jean Drèze et al., 'Pauses and Reversals of Infant Mortality Decline in India in 2017 and 2018', *SocArXiv Papers*, 8 November 2020, & *SSRN Papers*, 14 January 2021.

71. These are centres that are present in every village of the country and provide six essential services to children, including meals and immunisations. See James Chiriyankandath et al., *The politics of poverty reduction in India: The UPA government, 2004 to 2014*, Hyderabad: Orient BlackSwan, 2020, chapter 6.

72. 'SC asks states, UTs to decide by Jan 31 on re-opening of Anganwadi centres outside containment zone', *The Economic Times*, 13 January 2021.

73. 'Hunger and malnutrition loom large over India as anganwadis stay shut amid coronavirus pandemic', *Scroll.in*, 11 September 2020.

74. Reetika Khera, 'Mid-Day Meals: Looking Ahead', *Economic and Political Weekly*, Vol. 48, No. 32, pp.12-14, 2013.

75. Abhijeet Singh, Albert Park & Stefan Dercon, 'School Meals as a Safety Net: An Evaluation of the Midday Meal Scheme in India', *Economic Development and Cultural Change*, Vol. 62, No. 2, 2014, pp. 275-306.

At the end of 2020, the majority of the country's schools were still closed.⁷⁶ According to a survey conducted in September 2020 by the NGO Pratham Education Foundation, there was a sharp increase in the proportion of children aged 6-10 not enrolled in schools (from 1.8% in 2018 to 5.3% in 2020).⁷⁷ While enrolment rates for older children did not drop as much and enrolment rates will likely increase once schools reopen, the nutritional and educational consequences might be severe. Just a few months out of school means not only that children are not learning new things, but also that they forget what they have learnt. When schools closed in Pakistan for three months in the wake of the 2005 earthquake, children's test scores were significantly lower even years after the schools reopened.⁷⁸ The World Bank estimated that five months out of schools translates in a *lifetime* decrease of earning by 5 percentage points.⁷⁹ Distance learning is not likely to fill the educational gap, as only 12.5% of households of students have internet access at home (as little as 5% in rural areas).⁸⁰

Drop-out rates are also likely to increase, especially for girls. A survey conducted by the Centre for Budget and Policy Studies (CBPS)⁸¹ found that 71% of low-income girls in India were assigned household tasks, as compared to 38% of boys, who thus had more time to focus on their study. This by itself will increase the risk that girls will not return to school or they will be married off at a young age. Both outcomes were recorded during previous epidemics.⁸² Furthermore, school closures might also result in a withdrawal of women from the workforce – Female Labour Force Participation Rate is already extremely low in India. This might be the result of, in the short term, women taking on full-time childcare responsibility; and, in the medium term, of girls not completing their education because they

76. Parth M.N., Joanna Slater & Niha Masih, 'Schools in India have been closed since March. The costs to children are mounting', *The Washington Post*, 30 December 2020.

77. Pratham, ASER 2020 Wave 1 (Rural) Report. Available at: <http://img.aser-centre.org/docs/ASER%202020/ASER%202020%20REPORT/nationalfindings.pdf>

78. Tahir Andrabi, Benjamin Daniels & Jishnu Das, 'Human Capital Accumulation and Disasters: Evidence from the Pakistan Earthquake of 2005', *RISE Working Paper 20/039*, 25 May 2020.

79. World Bank, 'South Asia Economic Focus, Fall 2020: Beaten or Broken? Informality and COVID-19', Washington, DC, 2020, p. 14. Available at: <https://openknowledge.worldbank.org/handle/10986/34517>

80. Abhiroop Mukhopadhyay, 'Covid-19: Online classes and the digital divide', *Ideas for India*, 9 April 2020.

81. Neha Ghatak, Achala S Yareseeme & Jyotsna Jha, 'Life in the time of Covid-19: Mapping the impact of Covid-19 on the lives of school-going children especially girls in India', Centre for Budget and Policy Studies and India Champions for Girls' Education, 2020. Available at: <http://cbps.in/wp-content/uploads/Report-Final-1.pdf>

82. Amina Mendez Acosta & David Evans, 'COVID-19 and Girls' Education: What We Know So Far and What We Expect', Center for Global Development, Washington, DC, 2 October 2020.

drop out, marry or become pregnant, all more likely during periods of school closures.⁸³

Overall, it is clear that the pandemic and the lockdown will have severe consequences on the welfare of India's most vulnerable population. It is also important to note that, while treated separately here, the consequences of the lockdown on the income, health and education are self-reinforcing and interconnected. Low income might lead to lower nutrition and lower school enrolment (or higher levels of dropouts), which could lead to lower school performance. This in turn might affect future income generation, in a vicious cycle.

To conclude this section, clearly the Indian government, as its counterparts in the developing world, had to make difficult decisions amid great uncertainty, especially as far as COVID-19-caused mortality was concerned. While certain decisions that had disastrous consequences could be avoided – especially the choice to impose a harsh lockdown with a four hour notice, which triggered the migrant crisis – others were more difficult (or even impossible) to assess in the framework of a cost-benefit analysis. While some analysts believe that the imposition of the lockdown was not justified if one balances the uncertainty regarding COVID-19 mortality with the «absolute certainty that such a lockdown would massively disrupt the lives and well-being of most of [the] population»⁸⁴, it was clearly a difficult call to make.

6. *The economic package*

The Indian government, like its counterparts the world over, tried to counter the inevitable economic contraction through public spending in an attempt to both cushioning off the most disadvantaged groups from the consequences of the lockdown as well as providing a stimulus for the economy to bounce back at the end of the emergency.

The first set of measures were announced on 26th March 2020, 48 hours after the imposition of the lockdown. It is unclear why the two decisions were not announced at the same time. Finance Minister Nirmala Sitharaman seemed to suggest that her Ministry had not been consulted before the imposition of the lockdown and was caught off-guard, but was quick to «respond» to the lockdown.⁸⁵

The initial relief measures were mostly additional allocations to existing schemes. For the following three months, families covered by the Public

83. Clare Wenham, Julia Smith & Rosemary Morgan, 'COVID-19: the gendered impacts of the outbreak', *The Lancet*, Vol. 395, No. 10227, 14 March 2020, pp. 846-48.

84. Vikram Patel, 'India's Tryst With Covid-19', *The India Forum*, 17 April 2020.

85. 'Sitharaman's 'quick response' to Modi's coronavirus lockdown is a start – but much more is needed', *Scroll.in*, 27 March 2020.

Distribution System (PDS) – about 810 million people – would receive 5 additional kg of rice and 1 kg of pulses per month. This was an important relief measure, which directly reached a large part of the population without additional administrative burden being imposed on the recipients. The additional allocation was later extended until November 2020. However, first, about 120 million people were excluded from the PDS because the government never updated the population figures since the adoption of the National Food Security Act in 2013;⁸⁶ second, the measure left out migrant workers, most of whom did not have their ration card as this is usually kept with their families in their home village. In fact, a subsequent government decision to provide free rations to 80 million migrant workers under the PDS was by no means implemented by all state, mainly because of difficulties related to identification of the beneficiaries.⁸⁷ Other relief measures included free LPG cylinders for women under the Ujjwala Yojana; a cash transfer of Rs. 500 for three months to women who had a Jan Dhan account; a one-time transfer of Rs 1,000 for seniors and widow pensioners; an advance payment of the Rs. 2,000 to small and marginal farmers under the under the Pradhan Mantri Kisan Samman Nidhi; and other minor measures.⁸⁸ This were all urgent-relief measures aiming essentially at avoiding mass starvation, which certainly helped.

A larger and more comprehensive economic package was announced on 13th May 2020, when Modi claimed that the government was launching a «20 lakh crore package» (Rs. 20 trillion, close to 10% of the GDP) under the aegis of a new Atmanirbhar Bharat («self-reliant India») programme.⁸⁹ The details of the package were given by the Finance Minister in the following five days. The delay was probably due to the need to associate Modi with the headline-figure of «20 lakh crores», leaving Sitharaman with the task of providing the (not exactly easy to give) details.

In fact, it became clear soon that the government was putting very little resources on the plate and that the 20-lakh crore figure was little more than «a bit of narrative and mathematical jugglery».⁹⁰ The amount of ‘creativity’ in getting to the 20 lakh crore figure is truly remarkable. For instance, the government inexplicably included in the calculus more than Rs. 6 trillions of liquidity injections decided by the Reserve Bank of India weeks earlier; it included Rs. 700 billions of *projected* expenditures by households

86. ‘More than 100mn excluded from PDS as govt uses outdated Census 2011 data’, *IndiaSpend*, 16 April 2020.

87. Reetika Khera & Anmol Somanchi, ‘A review of the coverage of PDS’, *Ideas for India*, 19 August 2020.

88. ‘Govt’s relief measures will help those worst affected by the lockdown, but will it do the trick?’, *The Economic Times*, 27 March 2020.

89. ‘Covid-19: Details of Rs 20 lakh crore relief package’, *The Times of India*, 17 May 2020.

90. Rohan Venkataramakrishnan, ‘Modi’s Rs 20 lakh crore figure may be meaningless. Will loans and liquidity be enough to save India?’, *Scroll.in*, 15 May 2020.

(by definition not government's money) who would benefit from a mortgage-subsidy scheme; it included a reduction in the Provident Fund contribution (i.e. money that belong to workers); it included Rs. 3 trillion of credit guarantees for small businesses; and so on and so forth.

Overall, actual new spending announced by the Finance Minister ranged somewhere between Rs. 400 and 500 billions, almost all allocated to the MGNREGA.⁹¹ As a proportion of the GDP, the total *actual* economic package was worth about 1.2%, well short of the announced 10%.⁹²

In October and November 2020, the government announced two additional Atmanirbhar Bharat packages, bringing the (claimed) total value of the stimulus close to 15% of the GDP – and close to 2% if one considers only the actual fiscal stimulus and take out the monetary one and other non-fiscal measures.⁹³ The focus of the second and third packages also was on supply side initiatives like credit guarantees and production-link incentives in key sectors. There was also a moderate increase in capital expenditure and support for the construction sector as well as incentives for hiring in the formal sector. States were given the opportunity to borrow from the central government interest-free. While this gave states some much needed fiscal space, it was hardly enough to compensate for the shortfall in revenues in the wake of the introduction of the GST in 2017. The central government had promised to compensate the states for any shortfall for the following five years. However, at the end of August 2020, the government made it clear that it would not compensate the states, leaving the option to borrow from the Reserve Bank of India to make up for the shortfall.⁹⁴ This added up to growing tensions between the centre and the states, which might leave behind a legacy of strained relationship and a possible constitutional crisis in post- COVID-19 India.⁹⁵

In short, the fiscal space of the central government, as pointed out at the beginning of this article, was severely limited even before COVID-19 hit India. In this situation, and in the wake of a major contraction of the economy, the government was not able (or willing) to provide a much-needed

91. Rohan Venkataramakrishnan, 'Modi's Rs 20 lakh crore figure may be meaningless'; Vivek Kaul, 'Six reasons why the fiscal package is more about putting people's own money into their hands than actually kickstarting crippled economy', *FirstPost*, 14 May 2020.

92. Subhasish Dey & Anirban Kundu, 'Atmanirbhar Bharat Abhiyan: Putting the cart before the horse', *Ideas for India*, 6 July 2020; P Vaidyanathan Iyer, 'Tight fist and fingers crossed: Fiscal relief this year is 1.1 per cent of GDP', *Indian Express*, 18 May 2020.

93. 'Atmanirbhar Package 3.0: How would the stimulus impact the Indian economy', *The Economic Times*, 15 November 2020.

94. 'With the Centre refusing to pay compensation to states, is GST nearing an end?', *Scroll.in*, 29 August 2020.

95. Louise Tillin, 'Why so many Centre-state tensions are breaking out in the open now', *The Times of India*, 3 November 2020.

fiscal stimulus which could sustain internal demand. Hence, the recovery of the Indian economy was largely left to market forces and supply-led growth. In fact, until October 2020, the government had spent *less* in real term as compared to the previous year.⁹⁶ Across most social sector programmes, and despite increase allocations on some of them under the various relief packages, actual expenditure declined or stagnated. Where expenditure increased – like in the case of the MGNREGA, which proved to be a lifeline for millions of workers⁹⁷ – this was hardly enough to meet the increased demand for rural employment in the wake of the massive economic dislocation caused by the lockdown and the pandemic.⁹⁸ Ironically, most of the measures that helped cushion off the poor from economic hardship and starvation were based on programmes like the MGNREGA or the Midday meal scheme that the Modi government had inherited from its much-maligned predecessor.

7. Conclusion

In the final part of 2020, two interconnected pieces of good news allow us to end this article with a hint of optimism. First, India's economic recovery appeared to be stronger and faster than expected. Growth in the second quarter of 2020/21 (-7.5) was less negative than expected and a number of macroeconomic indicators showed sign of sustained recovery. The unemployment rate returned to its pre-lockdown level in July and lowered to 6.5% by November; a good monsoon resulted in a strong *karif* (autumn) crop; industrial activity picked up; port and freight traffic and electricity generation improved substantially; GST revenues were also back at pre-lockdown levels.⁹⁹

Other indicators were less promising. Both import and export remained very low – suggesting sluggish internal and external demand.¹⁰⁰ More worryingly, there were signs that the economic recovery might be driven by those at the very top of the income distribution – whose income

96. Avani Kapur & Sharad Pandey, 'Decoding the dip in public expenditure', *Hindustan Times*, 20 December 2020.

97. Sudha Narayanan, Christian Oldiges & Shree Saha, 'Does workfare work? MNREGA during Covid-19', *Ideas for India*, 1 December 2020.

98. Avani Kapur, 'What the budget means for India's social sector', *Hindustan Times*, 3 February 2021.

99. 'GST revenues cross Rs 1 lakh crore mark for second straight', *The Times of India*, 1 December 2020; Marianne Bertrand et al., 'Employment, Income, and Consumption in India During and after the Lockdown: A V-Shape Recovery?', Rustandy Center for Social Sector Innovation, 18 November 2020.

100. 'India's economy in 2020, what to look forward to in 2021', *The Indian Express*, 1 January 2021.

had risen during the pandemic.¹⁰¹ All this leaves a question mark on how prolonged the recovery might be, especially given the medium to long-term effects which the pandemic will have on the livelihoods of the great majority of the population, as highlighted in this article.

The second good news was that, since September, the number of active and new COVID-19 cases had been declining dramatically. This was also an unexpected (and puzzling) development. It is not clear why this happened, but it is clear that the number of cases, despite massive underreporting due to low testing, were indeed falling dramatically, as confirmed by the fact that there were no signs of overwhelmed hospitals or crematoriums.

The reasons behind the dramatic decline of the infections is unclear and baffled most experts.¹⁰² Some suggested that, especially in big cities, where the risk of infections is higher, the population has reached or nearly reached herd immunity. Serological tests suggest that this might be the case. In all major cities – especially in slums areas – the proportion of the population with antibodies was estimated to be between 20 and 50% in August/September. Furthermore, in a study published in the medical journal *JAMA*, covering the whole of Karnataka – both rural and urban areas – researchers estimated that the proportion of the population that had been infected was 46.7%.¹⁰³

However, it remains that a very large proportion of the population has not been in contact with the virus and therefore a second wave of infections is a real possibility. As I revise this article, the number of cases is indeed rising fast. A second wave might put in jeopardy the fragile economic recovery.

The importance of a rapid economic recovery cannot be overstated. As shown in this article, India's most vulnerable population has been hit hard – much harder than its elites, who were able to isolate or work from home. Those in the formal sector of the economy could also rely on relatively generous form of social insurance. The great majority of India's population, however, suffered severely from the economic and health shock caused by the pandemic. Indeed, India's progress in terms of poverty reduction – substantial but excruciatingly low over the past decades – might be reversed in the years to come, as the toll of the loss of income, rising debt, loss of education and precarious nutrition will become fully evident.

101. Himanshu Arora, 'Recovery is K-shaped not V-shaped', *The Hindu Business Line*, 3 February 2021.

102. 'Why Does the Pandemic Seem to Be Hitting Some Countries Harder Than Others?', *The New Yorker*, 1 March 2021.

103. Manoj Mohanan at al., 'Prevalence of SARS-CoV-2 in Karnataka, India', *JAMA Research Letter*, 4 February 2021.