

Investing in health is good economics. It is time to view government health spending as an investment, not expense

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Health spending is largely viewed as a cost. This is true of governments and individuals alike. Finance ministries think of health as a social sector expenditure. Individuals avoid paying for health till it becomes absolutely necessary and unavoidable.

It would be wise for both governments and individuals to consider health as an investment instead. Individual ‘investment’ in self-care and preventive health yields returns by lowering need for, and spending on curative care. Government investment in health has a strong multiplier effect throughout the economy in addition to enhancing the population’s well-being.

The 2021 Budget presents an opportunity to mark a departure from the chronic, low public spending on health. Policy makers should take the Covid-19 pandemic as a cue to move health expenditure to a higher orbit. Beyond the immediate need to fund Covid-19 vaccination, it’s also a critical juncture where the role and impact of public health funding needs to be re-examined.

India’s government health spending – at 4.5% of its total expenditure or 1.3% of GDP (2018-19) – is one of the lowest in the world. India spends a little over half of what it should be spending for its income level. In contrast, comparable countries like the Philippines, Indonesia, China and Brazil spend 7-10% of the government budget on health. Health has consistently been underfunded, and the share of government health spending of total expenditure has barely moved over the last five years.

Chronic underfunding for health imposes a large burden. First, it leads to suboptimal outcomes. India’s infant mortality rate (IMR) is high relative to its income level. Second, low government health spending results in high out-of-pocket expenditure (OOPE), approximately 60% of total health spending. High OOPE is impoverishing, pushing 5-7% of the population into poverty annually.

Third, it leads to large and unaccounted future costs. Costlier to treat non-communicable diseases (NCDs) account for a large (over 50%), and growing share of India’s disease burden. Not preventing and managing them now, means high healthcare costs – for treating cancer, cardiovascular diseases and diabetes – down the road.

Despite chronic underfunding, the Indian public health system must be credited for several accomplishments. Eradication of polio, sharp reduction in fertility rates, and reduction of maternal mortality to achieve MDG targets are no small feats. On the programmatic front, the National Health Mission, and the focus on child and maternal health has been largely a success.

The partial successes of the public health system notwithstanding, a sharp increase in government funding for health is required. The immediate first order spend in 2021 is undoubtedly on Covid-19 vaccines. However, a much larger allocation is required to improve health outcomes and reduce impoverishment from OoPE on health.

The answer lies in viewing health as an economic investment yielding returns, not just as social sector spending. This isn't to say health should only be valued for economic returns. Health undeniably has an important intrinsic value. It enhances well-being beyond its economic impact. However, its deep economic linkages and returns, which are part of any finance ministry's allocation decisions, are often ignored.

There are three reasons for investing in health using this economic lens. First, spending on improving health outcomes builds human capital. Healthier adults need less time off work and are more productive at work. Healthier children are more likely to complete and perform better in school. This leads to a virtuous cycle where they are more likely to grow into higher skilled adults with better incomes. All these channels improve the country's productivity which ultimately leads to economic growth.

The World Bank's Human Capital Index provides a measure of a country's productivity per worker against its potential. A child born in India today will be half as productive as they could be with better health and education. In other words, India's future GDP per worker could double by investing in human capital now.

Second, health is an employment intensive sector. It can generate lakhs of jobs, absorbing part of India's surplus labour, and reduce the unemployment rate. Boosting health jobs also generates employment in other sectors. A WHO report on Health Employment and Economic Growth estimates that every additional health worker creates 1.5 non-health jobs on an average. Third, a strong public health system builds economic resilience. There's an increasing realisation of this in wake of the Covid pandemic.

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For a Fiscal Policy That's Countercyclical

ET Editorials

The Economic Survey's latest iteration breaks new ground in intelligent policy debate. The first volume takes up several vital themes in economic development, ranging from fiscal policy and banking regulation to promoting innovation and process reform. It also includes a thorough examination of credit rating conduct by global rating agencies, to debunk their findings and urge the government and other investors to ignore their protests over expansive fiscal policy.

The central theme of the Survey is that this is the time for the government to increase expenditure on investment in a big way. Where does the government find the fund? Borrow, boldly. Will that crowd out private

investment? Will that turn off foreign investors? Shed all such worries. The Survey presents a masterly survey of theoretical and empirical research to support its message that the government should borrow and spend, never mind the naysayers. So long as the growth rate exceeds the rate of interest, government debt would continue to fall as a proportion of GDP, that is, debt would be sustainable. The government did not spend in the early stages of the pandemic-induced slowdown because the supply response was shackled by lockdown and movement restrictions. But now, when things are normalising, boosted with a concerted vaccination drive, large-scale investments by the government would have a large multiplier effect on the economy. Rating agencies have traditionally been biased against India and other emerging markets. They do influence portfolio flows, but foreign direct investors have not, and will not, be inhibited by these Cassandras, says the Survey.

The Survey's call for swift exit from forbearance of credit delinquency will mean additional demand on the government to find resources to recapitalise the banks. That means yet more borrowing. A better alternative is to let the banks raise capital from the market, awash with global liquidity. The point is to have sound bank governance and supervision, not fret overmuch over ownership. That calls for a different kind of investment.

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Accounting for Municipal Corps

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The Brihanmumbai Municipal Corporation (BMC) has a budget size of ₹33,400 crore. If it were a company and budget size is likened to turnover, it would be among the top 60 in India. If you own shares in a listed company, you expect quarterly audited accounts, annual reports and other detailed disclosures. If the company does not perform well, you can sell your shares.

BMC has over 12 million citizens who own a stake in Mumbai — compared to three million shareholders of Reliance Industries. But they neither receive quarterly or annual audited accounts, nor can they sell their stake (without significant costs and personal sacrifice) if they

are not happy with the corporation's performance.

This analogy is imperfect, yet instructive, in highlighting the lack of financial accountability of India's municipalities (and other civic agencies like transport corporations, development authorities and water supply boards) to citizens. If the 15th Finance Commission's interim report for 2020-21 is anything to go by, things may be finally stirring in the form of the recommendation of mandating the publication of audited annual accounts across the board as an entry condition. This essentially means that to be eligible for even a rupee of grant under the Finance Commission, every municipality must publish its audited annual accounts. The 15th Finance Commission grants for 2021-22 to 2025-26 could well be worth ₹1,50,000-2,00,000 crore if one goes by the interim report.

In 2021, we should be taking audited annual accounts for municipalities for granted. The main reason for such an anomaly is that GoI and state governments follow cash-based accounting and don't really have balance sheets in the true sense. So, annual budgets, rather than annual accounts, become more important in the government system. Actual cash collections and payments matter more than income, expenditure, assets and liabilities.

This, combined with absence of any financial indicators (other than utilising budgeted funds) to measure performance of government departments, has led to the finance department of GoI and state governments serving as sole gatekeepers of finances. In companies, business units worry as much — or more — about financial performance indicators.

Government departments, unlike companies, should rightfully be more concerned with public service delivery and citizen-centric performance indicators than with revenues or profitability. But management of government finances — public financial management — is a crucial enabler of such public service delivery and citizen outcomes. So, measuring the financial performance of government departments holistically is important.

A municipality is envisaged to be the government of the city, not just another department. It should, therefore, be directly accountable to its citizens for public financial management.

The 15th Finance Commission may just have broken the status quo of weak financial accountability of municipalities for good, not just by mandating audited annual accounts as an entry condition for grants, but also through at least three other enabling recommendations. One, that every receipt and every expenditure transaction in a municipality be digitalised at source with necessary attributes (e.g., location of a civic work, whether for a drain or a footpath or a park, contractor name, etc).

Two, all municipal accounts should be put on a common digital platform. Three, that municipal accounts be aligned with state accounts to create an integrated view of municipal finances (and through that a national view as well).

The interim report has also laid down a second entry condition that municipalities/states should notify floor rates for property tax, and demonstrate consistent improvement in property tax collections. They have also, therefore, prepared the ground for a more active municipal borrowings market, including municipal bonds.

Trust is crucial in capital markets. Timely audited annual accounts, and better quality disclosures that facilitate comparison and analysis, will lead to higher levels of trust in investors, lenders and public-private partnership (PPP) players who currently maintain an arm's length from municipalities. Ensuring that long-term insurance and pension funds (about ₹55 lakh crore) are directed towards municipal infrastructure and services is plausible. Would investors, ultra-high and high net-worth Mumbaikars not invest in bonds to clean up the Mithi river, or to preserve mangroves, or in public housing, if they were guaranteed security of capital and modest returns?

The Case For Growth

The Economic Survey argues for higher public spending as a means to attract private investment, boosting economy.

Editorial

The Economic Survey 2020-21, the annual flagship document of the Ministry of Finance, has presented a realistic assessment of the prospects of the economy in the upcoming financial year. The Survey expects India's economy to grow at 11 per cent in 2021-22, in line with the International Monetary Fund's latest assessment which pegs growth at 11.5 per cent. While this may turn out to be a conservative estimate — economic activities could gather momentum as the vaccination drive gains traction — a rapid rebound should not be mistaken for the economy coming out of the woods as the recovery continues to be uneven. But, even accounting for this revival, the economy will take almost two years to cross the pre-pandemic GDP level.

With the government's approach in both — containing the pandemic and dealing with its economic fallout — coming under criticism, the Survey has mounted a forceful defence of the measures adopted. Marshalling evidence, by drawing on epidemiological and economic research, it estimates that imposing an early, stringent lockdown “restricted the COVID-19 spread by 37 lakh cases and saved more than 1 lakh lives”. On the policy response, while there was a strong argument for ramping up the scale and size of cash transfers to the vulnerable sections and greater government support to the economy in addition to the government's approach of focusing on necessities — food, liquidity measures, and forbearance — the Survey has doubled down on the government's conservative approach, arguing that given the supply side shocks, reflating the economy through government expenditure would have led to runaway inflation.

Notwithstanding that, the Survey has now come out strongly in favour of higher government spending. The arguments for doing so are overwhelming. With private investment likely to remain risk-averse, and considering that fiscal multipliers are higher during economic slowdowns, greater public spending can help crowd in private investments, give a fillip to growth, provided that the composition of expenditure pivots towards capital spending. This call for counter-cyclical fiscal policy should not be construed as a leeway for fiscal irresponsibility. While there are concerns over the sustainability of higher debt levels, the Survey notes that it is higher growth that provides the key to the sustainability of debt for India. Hopefully, this argument will translate into actual policy in the budget. As the Survey notes: “The risks from doing too little are much more than the risks from doing too much.”

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दैनिक जागरण

कारगर साबित होती वैक्सीन कूटनीति

ब्रह्मा चेलानी, (लेखक सामरिक मामलों के विश्लेषक हैं)

दुनिया के अधिकांश इलाके अभी भी कोरोना के चंगुल में फंसे हैं। उससे बचने के लिए कई जगहों पर नए सिरे से लॉकडाउन लगाए जा रहे हैं। इसके अलावा हर देश कोविड-19 का पदा से निपटने पर ध्यान केंद्रित किए हुए है। ऐसे में कोरोना वैक्सीन की मांग का समान छू रही है। इन हालात में इसकी गुंजाइश कम ही हो जाती है कि अंतरराष्ट्रीय स्तर पर भारी मात्रा में वैक्सीन उपलब्ध कराई जा सके। इस स्थिति के बावजूद जब भारत ने हाल में हिंद महासागरीय देशों को लाखों की तादाद में कोविड-19 वैक्सीन उपलब्ध कराई तो उसने अंतरराष्ट्रीय स्तर पर ध्यान का किर्षत किया। बीते हफ्ते म्यांमार से लेकर बांग्लादेश और मॉरीशस से लेकर सेशेल्स तक लाखों की तादाद में भारत में निमित्त वैक्सीन पहुंचाई गई हैं। पांच लाख वैक्सीन की खेप श्रीलंका भी पहुंची है। अन्य देशों को भी लाखों-लाख वैक्सीन भेजने की तयारी जारी है। भारत द्वारा दिया जा रहा वैक्सीन का यह उपहार बेमिसाल है। किसी भी अन्य देश ने लाखों की तादाद में दूसरे देशों को मुफ्त में वैक्सीन उपलब्ध नहीं कराई है। यहां तक कि उस चीन ने भी नहीं, जो अपनी धरती से निकले वायरस के बाद नष्ट अपनी छवि सुधारने के लिए वैक्सीन कूटनीति की जुगत में जुटा है। भारत द्वारा दी जा रही इस भेंट ने भारत की वैक्सीन बनाने की व्यापक क्षमता को भी प्रदर्शित किया है। इस मामले में भारत का मानवीय पहलू और मुखरित होकर उभरता है। क्योंकि उसने अपने नागरिकों के लिए शुरू किए गए टीकाकरण अभियान के मात्र चार दिन बाद ही वैक्सीन दूसरे देशों को भेजनी शुरू कर दी। टीका हासिल करने वाले देश भी पुलकित हैं। भूटान के प्रधानमंत्री ने इसे परोपकार का पर्याय बताते हुए कहा कि अपनी आवश्यकता की पूर्ति से पहले ही अनमोल वस्तुएं साझा की जा रही हैं।

भारत पहले चरण में 30 करोड़ की का बादी को टीका लगाने के लिए तत्पर है। ऐसा करने वाला वह पहला बड़ा विकासशील देश है। इसका घरेलू कार्यक्रम दुनिया का सबसे बड़ा कोविड-19 टीकाकरण अभियान है। इस मामले में भारत के साथ जुड़े ताकतवर पहलुओं में से एक यह है कि विभिन्न बीमारियों के प्रतिरोध में काम करने वाली दुनिया की 60 प्रतिशत से अधिक वैक्सीन भारत में ही बनती हैं। वैक्सीन निर्माण में अपनी इस महारत का लाभ वह अपने पड़ोसियों को मुफ्त वैक्सीन के रूप में मानवीय कूटनीति को मूर्त रूप देने में उठा रहा है। यह भारत के व्यापक एवं विस्तृत वैक्सीन विनिर्माण ढांचे का ही दम है कि फिच सॉल्यूशंस ने यह अनुमान व्यक्त किया है कि भारत अपने स्वास्थ्यकिर्मियों और बूढ़ी का बादी के एक बड़े हिस्से को इस साल के मध्य तक टीका लगवाने में सक्षम होगा। इस मोर्चे पर भारत अपने से कहीं छोटे दक्षिण कोरिया जैसा देश से भी बाजी मार ले जाएगा।

भारत पहले ही कई देशों को एक अरब वैक्सीन डोज देने पर सहमति जता चुका है। वह विश्व स्वास्थ्य संगठन की कोवैक्स पहल के लिए भी योगदान देगा। इस पहल का मकसद गरीब देशों को टीका उपलब्ध कराना है। फिलहाल भारत दो वैक्सीन बना रहा है। इसमें एक तो एस्ट्राजेनेका-ऑक्सफोर्ड की सीरम इंस्टीट्यूट ऑफ इंडिया द्वारा बनाई जा रही कोविशील्ड और दूसरी भारत बायोटेक द्वारा विकसित कोवैक्सीन है। दुनिया में वैक्सीन के सबसे बड़े विनिर्माता सीरम को

एस्ट्राजेनेका-ऑक्सफोर्ड ने वक्सीन बनाने का सबसे बड़ा अनुबंध भी दिया है। जनवरी की शुरुआत में जब भारत ने वक्सीन के पाठ उपयोग की अनुमति प्रदान की, तब उससे पहले ही सीरम द्वारा कोविशील्ड की छह से आठ करोड़ खुराक तैयार कर दी गई थीं। इसका अर्थ है कि दूसरे देशों के साथ वक्सीन साझा करने के लिए भारत के पास विशाल भंडार है। इसके अतिरिक्त भारत में कोरोना के मामलों की लगातार घटती संख्या ने भी मोदी सरकार को वक्सीन कूटनीति के लिए कहीं अधिक गुंजाइश दे दी है। कोरोना के मामलों में तेज गिरावट से स्पष्ट है कि यहां अब यह महामारी पिछड़ रही है। अंतरराष्ट्रीय स्तर पर अमेरिका, ब्रिटेन, रूस और चीन द्वारा वक्सीन पेशकश को लेकर प्रतिस्पर्धा ने भारत की भूमिका को अहम बना दिया है। महामारी की शुरुआत से ही भारत ने कोविड-19 टेस्ट किट्स, पीपीई और कोरोना वायरस के लक्षणों के बाद उपचार में काम आने वाली दवाओं का भारी मात्रा में निर्यात किया। जेनेरिक दवाओं के मामले में भारत पहले से ही दुनिया में अग्रणी है। इसके उलट पूरी महामारी के दौरान चीन ने दवा उद्योग में अपनी महारत को वाणिज्यिक हितों की पूर्ति के लिए इस्तेमाल किया और उसने अभी तक बहुत कम संख्या में ही वक्सीन देने का एलान किया है। हालांकि विकासशील देशों को अपनी वक्सीन बेचने की उसकी कोशिशों को तब तगड़ा झटका लगा, जब ब्राजील में अंतिम चरण के परीक्षण में उसकी वक्सीन महज 50 प्रतिशत प्रभावी साबित हुई। फिर ब्राजील ने वक्सीन के लिए भारत की ओर ही रुख किया।

सवाल यह है कि क्या भारत की वक्सीन कूटनीति उसके अंतरराष्ट्रीय हितों को पोषित करने में सहायक होगी? भारत-चीन सीमा पर भारी तनाव है। भारत के पड़ोस में भी चीन अपनी शांति बिना बिछा रहा है। भारत को उम्मीद है कि जहां चीन को महामारी के जनक के रूप में वहीं भारत को इस महामारी से राहत दिलाने वाले देश के रूप में याद किया जाएगा। चीन अभी भी भारत के पड़ोस में अपना प्रभाव बढ़ाने में जुटा है। ऐसे में नई दिल्ली अपनी वक्सीन डोनेशन से बनी भावनाओं को अपने पक्ष में भुना सकती है।

भारत की वक्सीन रणनीति ने पश्चिमी वर्चस्व वाले विमर्श की हवा निकाल दी है। दुनिया भारत को वक्सीन के प्रभावी एवं किफायती विकल्पों की दृष्टि से तमाम उम्मीदों के साथ देख रही है। भारत में ऑस्ट्रेलिया के राजदूत ब्रिज ओ फ़्लेल ने इन उम्मीदों को इन शब्दों में बयान किया कि वक्सीन तो दुनिया के तमाम देशों में वक्सीन बनाई जा रही हैं, लेकिन हर एक देश की आवश्यकता की पूर्ति करने की क्षमता किसी देश में है तो वह भारत है। वास्तव में यह भी एक विरोधाभास है कि भारत के मुकाबले कई धनी देशों विशेषकर यूरोपीय संघ के देशों में टीकाकरण की रफ्तार बहुत सुस्त है। स्पष्ट है कि इस महामारी के अंत में भारत के वक्सीन उद्योग की केंद्रीय भूमिका होगी।