A Pathway for Post-Pandemic Economic Reconstruction

A Pathway for India to transition from Crisis to Rejuvenation

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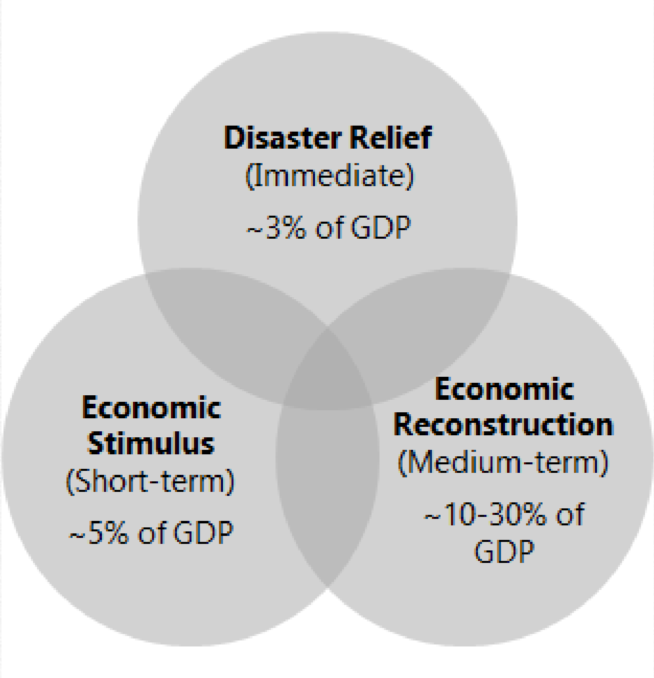
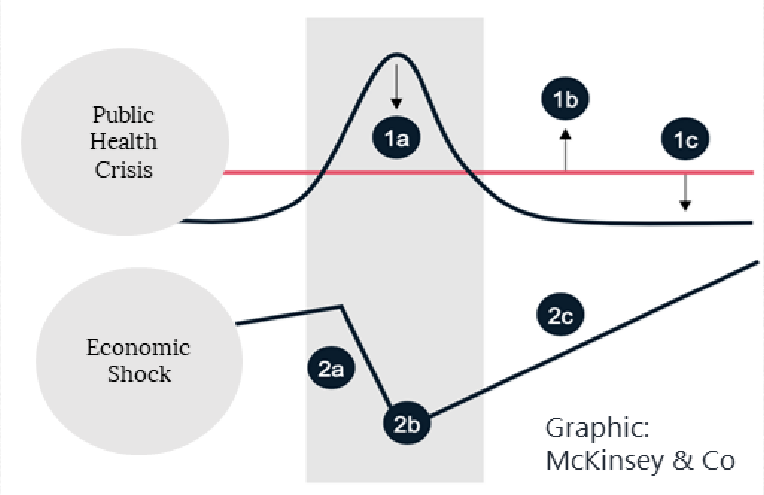
The economics of the crisis & the stimulus

Relief, stimulus, and reconstruction must be aligned



Components of economic response

- The economic response to the pandemic requires immediate disaster relief, stimulus for economic revival and a multi-year economic reconstruction programme.
- The reconstruction policy must address simultaneous aggregate supply and aggregate demand shocks in a period of global recession or slump.
- The response requires the use of all three levers: fiscal policy, monetary policy, and deregulation



Relationship between extent of public health crisis & economic shock

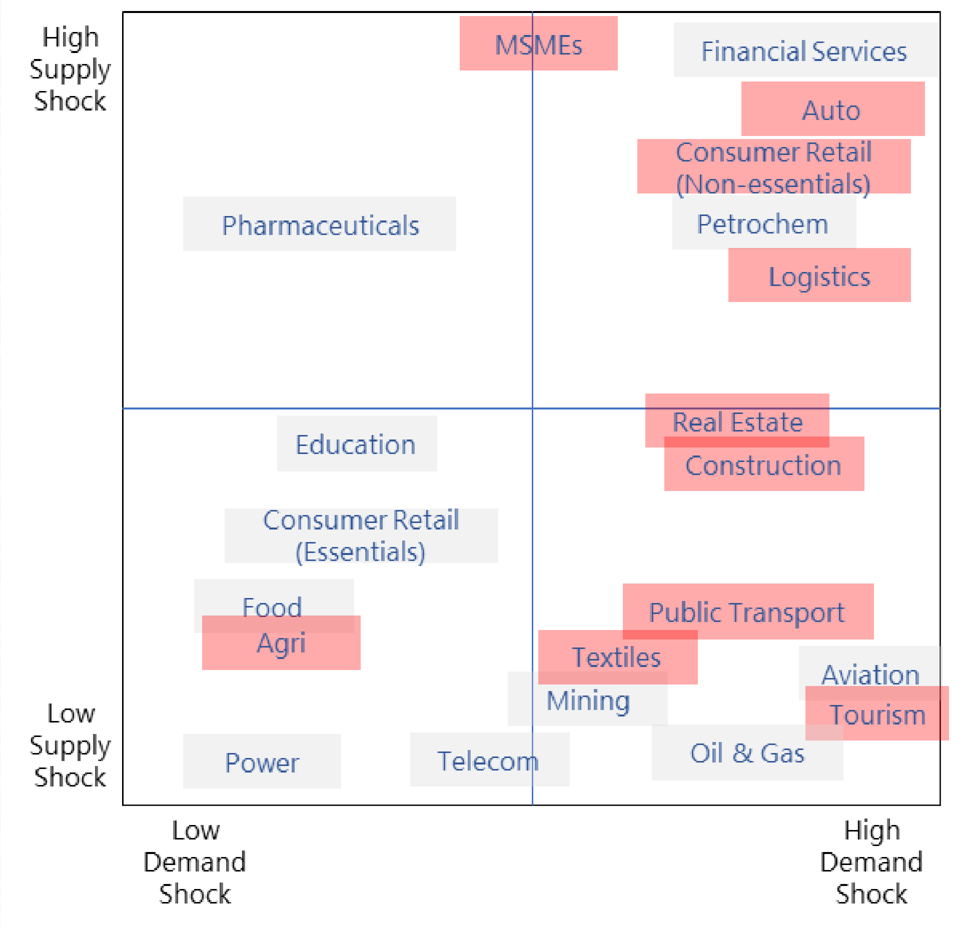
Supply & Demand shocks will have different sectoral impact

What causes a Supply Shock ?

1. *Shortage of quantity or increase in price of key raw materials used for production*
2. *Supply chain disruptions, barriers to imports, or production shutdowns from lockdowns*
3. *Cash flow shortage from sudden decrease in sales and revenue and shortfall in working capital*
4. *Unavailability of labour force due to social distancing*

What causes a Demand Shock ?

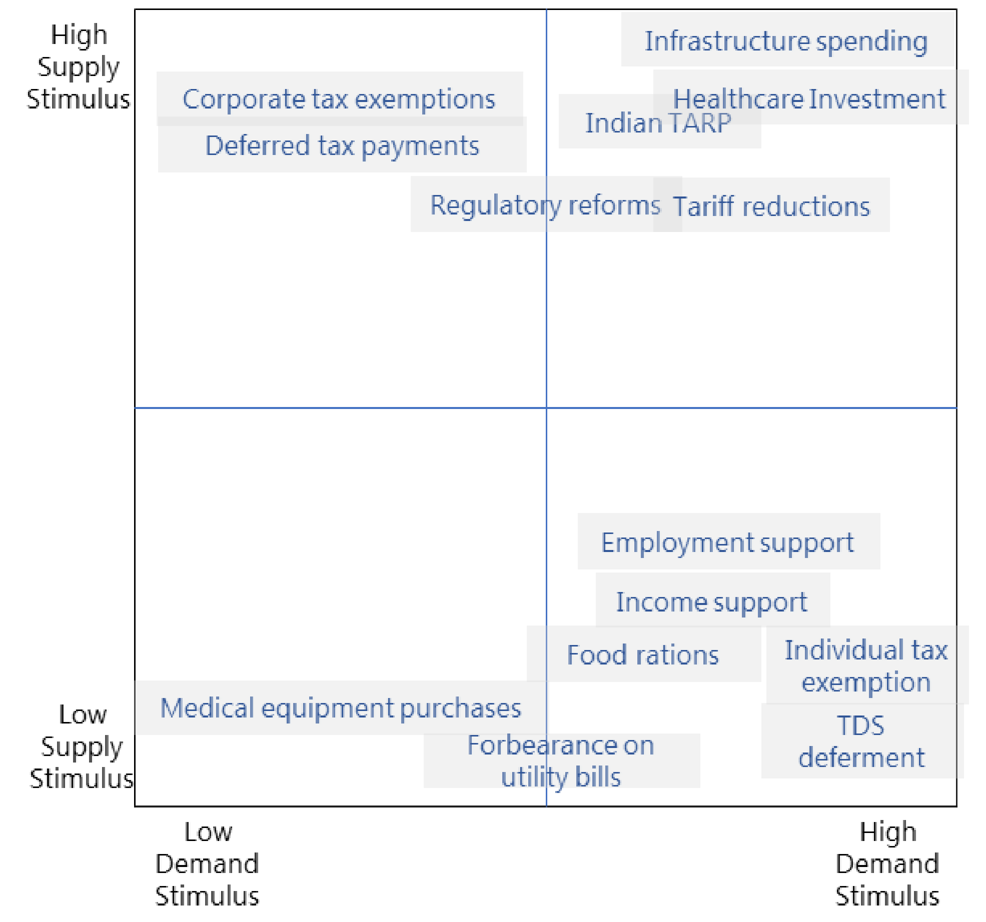
1. *Impact of the lockdown and other restrictions on movement of people and goods*
2. *Negative consumer sentiment from uncertainty*
3. *Fall in demand due to lower and variable incomes*
4. *Export restrictions from India and fall in foreign demand for Indian goods*



How will a stimulus package work ?

Balancing Macro and Micro

1. *Macroeconomic policies create the overall conditions for growth and employment*
2. *Sectoral policies address context-specific needs*
3. *Individual and welfare measures address the social dimension: providing relief to the needy and uplifting morale*



How a stimulus package will work – multiplier effect

Low Economic Multiplier

Crisis Management Phase

- Income & employment support
- Govt procurement of medical equipment
- Deferring utility payments
- Govt support for treatment in private setups
- Frontline incentives
- Food rations

Reopening Phase

- Simplify GST
- Loans & easing credit
- Tax waiver
- Tax deferment
- Ensuring liquidity for MSMEs

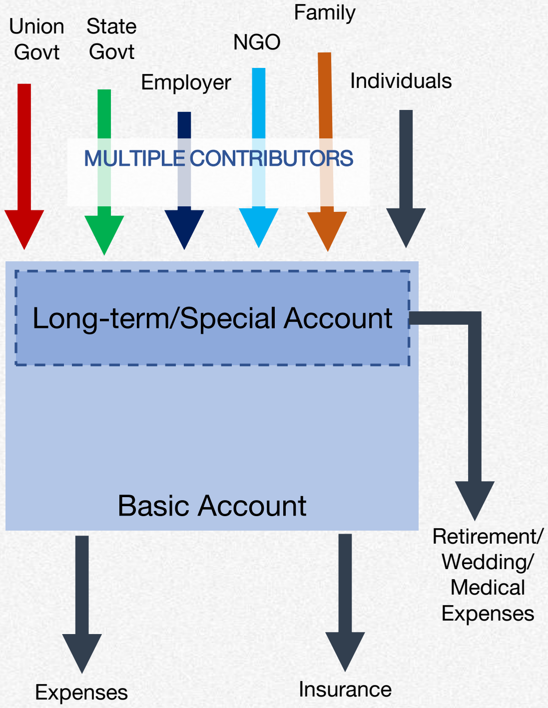
Reconstruction Phase

- Infrastructure spending
- Indian TARP
- Investment in healthcare
- Easing regulatory burden

High Economic Multiplier

Three Big Ideas

Big Idea #1
Getting society to pitch in



Create a Multi-Contributor Social Security account (MCSS) for everyone and enable citizen-to-citizen direct cash transfers

1. Government expenditure is inefficient – it costs* Indian society Rs 3 for every rupee spent by government. We need more efficient ways to spend upwards of 3% of GDP
2. Use Jan Dhan, Aadhaar and Mobile (JAM), and the Unified Payments Interface (UPI) as the enabling infrastructure to create a Multi Contributor Social Security (MCSS) system
3. Expand JAM coverage to the maximum extent – with manual and cash mode for those who cannot be included digitally.

How will MCSS work ?

1. Permit everyone to designate a bank account as their MCSS account – these accounts can be with any bank.
2. Union and State governments should make direct cash transfers to these accounts
3. Employers, charities and other individuals should be allowed to make tax-deductible payments into MCSS accounts.
    a. Tax deductions can be capped at a certain threshold to prevent abuse
    b. Sweep balances over a threshold into long-term savings/special use funds

*Vijay Kelkar and Ajay Shah, *In service of the republic: The Art and Science of Economic Policy* (Penguin Allen Lane, 2019)

Big Idea #2
Build 100 new cities

The decision to build 100 new cities will galvanise public confidence, spur economic activity and start creating jobs immediately

1. Post-WW2 USA & Europe took a similar route to reconstruction, growth, and employment
2. Focus on brownfield and greenfield cities; chosen for environmental sustainability and 21st century economic models
    - Build new state capitals – this will also decongest existing cities
    - Build one new healthcare town (‘Manipal’*) in each state – become global hubs for healthcare
    - Build one new education town (‘Pilani’**) in each state – become global hubs for education
    - Build new manufacturing & ‘supply chain’ towns – attract the businesses moving out of China
    - Build brand new military bases
3. Upgrade national highways and expand railway network (e.g. Bangalore & Mangalore still do not have direct railway links)
4. Focus on a few infrastructure corridors such as Bangalore-Chennai, Greater Mumbai – Ahmedabad, etc.

*Manipal is a locality in Udupi district of Karnataka. It gained prominence with the establishment of Kasturba Medical College in 1953. Now it is a major technology and medical hub
**Pilani is a small town in Rajasthan. It is home to some of the oldest schools and premier higher education institutions in India.

Big Idea #3
Capture the manufacturing opportunity

The US-China trade war and COVID-19 crisis have reopened the opportunity for capturing manufacturing investments.

1. Implement China-style mega SEZ model in Union Territories and in States that are prepared to welcome such investments.
2. Different states can take the lead on bringing about labour reforms to attract new investments. Simultaneously, reforming land use laws and easing land acquisition can encourage investment in manufacturing. Additionally, state governments can decide to provide land at concessional rates to businesses based on the estimated potential benefit to the state.
3. Reduction of import duties, compliance, non-tariff barriers will help businesses to relocate to India and still maintain supply chains. Remove all export controls for such industries and remove local sourcing norms.
4. Assuring a favourable business environment with policy certainty will go a long way in attracting firms to India.

Economic Relief Measures

Helping individuals & families [1/2]

The most vulnerable must be provided direct income support.

Frontline workers need to be incentivised to continue providing their services.

Income support to those affected by the lockdown

1. Provide a basic income support of Rs. 2500 per month for 3 months to the 550 million, who make up the most vulnerable population. Total outlay required is 4.12 lakh crores (~2.2% of GDP)
2. Provide for a 40% income support for those enrolled in the formal sector. Government pays 40% of the employee's salary if the company retains its workforce
3. Exempt employer's contributions to pensions and provident funds for the next 6 months
4. Provide advance payments to PM Kisan accounts and monthly pensions (Disability, old age, widows, etc.) for at least 2 instalments

Incentives for frontline workers

1. Provide health and life insurance coverage
2. Provide monetary incentives - 150-200% of the average income in last one year
3. Frontline workers include those who are providing essential services – such as healthcare workers, police officials, delivery persons and sanitation workers.

Helping individuals & families [2/2]

Provide food packets

1. Provide food grains and rations through the Public Distribution System and provide cooked food, if possible, through community kitchens, anganwadis, or government canteens for those not covered under the JAM trinity
2. Also, increase allocation of rice and wheat provided through PDS

Help with utility payments

1. Deferment of utility bill payment for services like electricity (available to those who consume below 100 units) for a period of 3 months for both individuals and firms. Need to opt in.

Helping businesses & entrepreneurs

Liquidity support should be extended to businesses and entrepreneurs so that they can carry out their contractual obligations, continue providing wages etc.

Loans and credit

1. Provide interest free loans to organisations who have suffered revenue losses due to COVID-19 outbreak
2. Provide loans at lower interest rates with an extended repayment time
3. Put a moratorium on interest payments and loan repayment for next 4-6 months
4. Do not treat a failure to repay loans as a non-performing asset for the next 4-6 months.

Tax forbearance

1. Extend tax payment and GST filing deadlines by 4-6 months
2. For individuals who can, incentivise early payment of taxes through cashbacks
3. Provide tax waivers to sectors most impacted (tourism, hospitality, airlines, some services and manufacturing) by the pandemic.

Helping with working capital and cashflows

1. PSUs and state agencies to clear their outstanding dues especially with MSMEs at the earliest
2. PSUs and state agencies must not encash performance guarantees
3. Freeze interest payments, defer statutory dues and allow delayed loan repayment and extended tenures.

Measures for economic revival

Reviving economic growth [1/3]

India must spend 80 lakh crore on infrastructure over next 5 years. This is in addition to the 100 lakh crores announced by the finance minister.

Capital Expenditure

1. India must invest 3-4 lakh crores each year in public health infrastructure for the next 5 years.
2. Apart from investing in new infrastructure projects, governments at all levels (union, state, and city) should focus on ongoing repairs, upgrades, and maintenance of existing assets. For instance, conduct upgrades and maintenance to power generation and distribution networks, maintenance of city public transport fleets, public spaces such as gardens, sewerage, highways and roads, railway lines and networks, etc.
3. Investment in technology: Building 5G networks, ensuring efficient power delivery in remote parts, facilitating creation of data centers.
4. Building Capacity: Funding scientific research; manufacturing in pharmaceutical, medical equipment, biotech, and electronics (semiconductor chips)
5. Investment in Human Capital: increase investment in education, healthcare, and nutrition. Filling up teacher, nurse, doctor, and other posts and providing assured salaries.
6. Building state capacity - restructuring and expansion of the courts system.
7. Invest in green energy - from nuclear reactors to solar fields. This can give a fillip to India's solar cell panel manufacturers.

Reviving economic growth [2/3]

In order to ensure liquidity in the system and increase credit offtake to different industries, it is imperative to clean up the balance sheets of Indian banks, followed by a deeper set of structural reforms, such as privatisation of public sector banks.

Regulatory bottlenecks

1. Liberalise capital controls and allow FDI in single brand and multi-brand retail
2. Remove barriers on non-profits to foster the inflow of financial and philanthropic capital
3. Rationalise labour and land acquisition laws
4. Ease GST payments and filings, simplify corporate tax laws, remove tax uncertainty.

Indian Troubled Asset Relief Programme

1. Aid to ensure recovery of Indian banks - $100 Billion in equity. This should allow the Ministry of Finance to purchase illiquid and difficult to value assets from banks and other financial institutions, with the sole intention of strengthening the financial sector and ensuring financial stability
2. Such a programme will restart bank lending to investment purposes and increase credit offtake by key industries
3. Can be sector specific, such as infrastructure, power, etc
4. Simultaneously, corporatise the management of all public sector banks and reduce direct government control over board functions
5. During the crisis period, certain loans to industries or vulnerable sectors can be underwritten by the government.

Reviving economic growth [3/3]

For increasing demand and spreading out economic activity over through the day, cities should allow night time trade, which can add up to 8% of its GDP.

Increasing demand through unlocking night time trade

1. In the rebound stage, state governments must look to enable night time commerce in order to both increase economic activity and create employment and to ensure social distancing through increasing the time available to conduct transactions
2. In the busy metropolitan areas, night time trade can add upto 6-8% of the city's GDP
3. Apart from the obvious restaurants and bars, almost every other daytime activity can be continued after dark. Business owners will be best suited to decide upon their working hours based on labour availability and demand for their goods and services
4. Allowing night time commerce in India's 10 biggest cities can add about 1% of India's GDP.

Sector-specific policies

Sector-specific policies 1/18
Textiles

Sector Highlights

2.3% of GDP
45 million jobs
The sector has been struggling to compete globally and domestically.
The sector faced a 40% reduction in exports in Jan 2020.

COVID impact

1. As India is one of the largest textile producers, the sector is unlikely to be impacted by international supply shocks.
2. Exports are likely to decrease. India is world's second largest exporter of textiles. A third of India's textile production is exported. 45-50% of exports are to the top 15 COVID-19 infected countries.
3. Domestic Demand is likely to decrease.
4. Commodity Price is likely to increase as raw materials like Polyester fibre and purified terephthalic acid are imported from China.
5. The sector might face a liquidity squeeze.

Recommendations

1. Defer payment of advance taxes and GST
2. Create mechanisms for immediate discounting of bills of small and medium companies
3. Do not treat a failure to repay loans as a non-performing asset for the next 6 months
4. Provide a moratorium on repayment of all bank loans
5. Provide additional working capital loans at low/zero interest
6. Provide wage subsidies to small industries/ income support for contract workers.

Sector-specific policies 2/18
Auto/Auto Components

Sector Highlights

7.5% of GDP
37 million jobs
The demand for automobiles was already slowing down.
Adherence to BS VI norms in all likelihood was going to escalate the prices.
Because of the stressed conditions in NBFC and Banking sector, there existed a liquidity crunch.

COVID impact

1. With 19% of raw materials being imported and 27% of these being from China the auto sector is likely to face supply shocks. BS VI compliant cars manufacturing, is massively dependent on China.
2. Commodity prices are likely to fall.
3. Exports will be hit as 50% of India's exports is to the top infected countries.
4. Domestic Demand is likely to decrease in the Post Pandemic times. There might be downgrading of demand. The demand for taxis, cab sharing services is likely to fall.

Recommendations

1. To improve cash flow and working capital, defer GST payments and efficiently process exporter claims.
2. After the retreat of the pandemic, boost auto sales by decreasing road taxes, VAT, and excise duty on petrol.
3. Provide wage subsidies to small industries/ income support for contract workers.
4. Fast-track scrapping of passenger and commercial vehicles to incentivise purchases.
5. Extend previously granted approvals/licenses approaching deadlines. Minimise regulatory hurdles to return to normalcy.

Sector-specific policies 3/18
Aviation

Sector Highlights

2.25% GDP

COVID impact

1. Top 15% of affected countries constitute 25% of India's international passenger traffic and 30% of international freight traffic. Lockdowns, travel bans will affect this. Commodity prices e.g. oil prices, have become cheaper.
2. Domestic demand e.g. Business travel, leisure travel will decrease. India's aviation sector is likely to incur a total loss of USD 3.3-3.6 billion in Q1 FY20-21

Recommendations

1. Provide wage subsidies.
2. Provide moratorium on outstanding payments - airport charges, ATF, GST, and other payments. The government can step in with relief measures if the airport is operated by a private player.
3. Reschedule interest and principal payments on working capital.
4. Ensure availability of low-cost credit.
5. Explore the possibility of direct cash injection in the form of grants if there is an extended shutdown.
6. Provide one-time waiver for airport rents and concession fees applicable to airport operators.
7. Provide waiver of 80/20 rule for 3 months.
8. For PPP airports defer revenue share to AAI for 3-6 months.
9. Provide a line of credit for airline companies to renegotiate long term contracts with oil suppliers at lower oil prices.
10. Bring ATF under the GST framework.

Sector-specific policies 4/18
Travel and Tourism

Sector Highlights

9.2% of GDP

42.7 million jobs (8% of total employment). According to some estimates, the sector employs 55 million.

COVID impact

1. Demand is likely to decrease due to cancellation of events, reduced business activities and people exhibiting less discretionary spending.
2. There is a likelihood of 18-20% erosion of nationwide hotel occupancy rates in the year 2020.
3. This amounts to an erosion of 27-32% of their overall revenues.

Recommendations

1. Defer statutory dues, including GST, advance tax payments, provident fund, and customs duties.
2. Defer state government-level excise fees, levies, taxes, power and water charges.
3. Provide a moratorium on repayment of all bank loans.
4. Ensure loans and working capital from financial institutions.
5. Provide wage support.

Sector-specific policies 5/18
Real Estate and Construction

Sector Highlights

9% of GDP
Employs 49.8 million
The sector was already grappling with unsold residential estates arising out of project delays, regulatory changes.

COVID impact

1. Due to lockdowns and social distancing norms it will be difficult to source raw material and labour. This might lead to project delays.
2. Lower commodity prices (steel, cement, sand, etc.) can help decrease costs.
3. Domestic demand is likely to be less and will be reflected in terms of lowered footfalls in hospitality segments and retail outlets. Industrial warehouse construction might increase.

Recommendations

1. Deferment of statutory dues, including GST, advance tax payments, provident fund, and customs duties.
2. Ensure availability of low-cost credit.
3. Extend timeline for compliances with RERA.
4. Provide a moratorium on different payments to be made to development authorities.
5. Initiate construction work at the sites where workers have stayed put (while adhering to safety regulations).
6. Provide Wage support.
7. Leverage Building and Other Construction Workers' Welfare (BOCW) cess fund to provide immediate relief.
8. Revival can be driven by need-based customers - 'affordable housing'. Slum rehabilitation is also important from Public health perspective.

Sector-specific policies 6/18 Chemicals & Petrochemicals

Sector Highlights

7% of GDP
2 Million jobs

COVID impact

1. India is a net importer. There is a likelihood of global supply chain disruptions with port closures in countries like China. Containment measures like lockdowns will also affect last mile connectivity.
2. The commodity prices are likely to fall. Declining fuel prices might help further.
3. India's exports will be hit as there is a large dependence on China (destination for 30% of India's exports).
4. There is a likelihood of lowered demand especially from downstream industries like textiles, packaging, etc.

Recommendations

1. Help companies enter into favourable long-term contracts with oil suppliers.
2. SME petrochemical manufacturers will suffer from a shortage of working capital and will, therefore, require working capital loans on favourable terms.
3. Reduce and rationalise import duties on essential feedstock for chemical companies to ensure adequate and competitive supply.
4. Provide Wage support.

Sector-specific policies 7/18
Consumer Retail

Sector Highlights

10% of GDP

40 million jobs

COVID impact

1. The sector will be impacted by disrupted supply chains because of transport bans, lockdowns. E-commerce firms are likely to face difficulty because of non-preparedness.
2. Initially there is expected to be a high demand due to panic buying. It is likely to drop thereafter. There will be a fall in demand for non-essential goods.
3. 30% of modern retail outlets might close down and 18 lakh people will lose jobs if the shutdowns are enforced till June.

Recommendations

1. To improve cash flows, government can offer rebates on interest and principal payments, waive GST payments, provide tax incentives.
2. Further, banks and NBFCs can be directed to extend the credit limits for small retailers.
3. Ease regulatory burden and ensure faster clearances for essential commodities first and to all commodities later; lower import duties.
4. On the consumer front, possibly provide vouchers for vulnerable end consumers for purchase of essential items.
5. Facilitate gradual opening of malls/supermarkets with adequate social distancing norms.

Sector-specific policies 8/18
Education

Sector Highlights

4.6% of GDP

COVID impact

1. The sector is experiencing closure of schools, colleges and temporary skilling institutes. Private low cost schools will find it more difficult to operate. Admissions, placements, internships will be impacted.
2. Moving to digital learning might be expensive.
3. Travel restrictions and uncertainty will lead to a reduction in flow of international students to India.
4. Demand for online education is likely to increase. At the margin, if jobs created do not increase, there's a higher likelihood of people taking up higher education.

Recommendations

1. Place a moratorium on interest payments and loan repayment for next 4-6 months.
2. Facilitate the growth of ed-tech players.
3. Provide loans to low-fee private schools for technology upgrades.
4. Provide incentives for Higher Educational Institutions (HEI) to upgrade and digitise.
5. Provide mid-day meal support through door-step delivery from anganwadis/community kitchens.
6. Provide income support for contract teachers.

Sector-specific policies 9/18
Financial Services

Sector Highlights
6% of GDP
4.8 million employed

COVID impact
1. Bank profitability will be under severe pressure due to reduced credit offtake, increased delinquencies, fall in transactions, moratoriums on interests and EMIs, etc. High risk of defaults and insolvencies post COVID.
2. Retail finance industry to be hit for some time due to depressed economic activity and low consumer confidence.
3. Loans given to every other sector, which are vulnerable, can become stressed in the absence of government stimuli in those sectors.
4. All of these problems could result in increased liquidity risks.
5. Higher savings rate can only partially offset this.

Recommendations
1. Massive credit infusion through a TARP for the Indian banking sector.
2. Allow a one-time restructuring window for all businesses.
3. Relaxation on 'Prompt Corrective Action' protocols for banks for 1 year.
4. Provide liquidity support for NBFCs, given the moratorium on EMIs and other concessions for borrowers.
5. Guarantee MSMEs and other vulnerable sectors' credit obligations.
6. RBI can undertake its version of quantitative easing by buying assets in the capital markets.

Sector-specific policies
10/18 Agriculture

Sector Highlights

17-18% of GDP

>50% of the workforce is employed in agriculture

COVID impact

1. Supply chain will likely be impacted because of erratic interstate transportation. The availability of labour will be an issue, especially during the harvest season.
2. Export of tea, coffee, spices, seafood will be impacted.
3. Since food is a basic necessity domestic demand will not be impacted much. There will not be much impact on the demand for essential items. Cash crops might see a decline in demand.

Recommendations

1. Resume farming operations but ensure social distancing.
2. Ensure supply chains work well for post-harvest activities - storage, transport, marketing.
3. Ensure smooth procurement by Government and private players.
4. Provide targeted help for small poultry and dairy farmers.
5. Export controls should not be there as it impacts farmers.
6. Social protection or wage support needs to be provided.
7. Certain agricultural inputs can be provided by the states at reduced prices to ensure supply continuity in the Kharif season.
8. E-Commerce storage and delivery of food products should be allowed and encouraged to avoid panic buying (ensures social distancing, and restricting the movement of people).

Sector-specific policies
11/18 Mining/Metals

Sector Highlights
1.5% of GDP
23 lakhs jobs in 2011-12

COVID impact
1. The sector is facing massive supply chain disruptions e.g. coking coal required for steel production is primarily imported from China. Also, lockdowns have impacted road transportation.
2. Commodity prices have fallen across the board.
3. Exports will be hit e.g. 50% of Aluminum produced in India is exported.
4. Domestic demand is likely to decrease because of declining activity in the automobile and construction sector.

Recommendations
1. Deferring of payments of mining levies - Royalty, contributions towards DMF and NMET for next 3 months.
2. Provide waiver of the GST compensation cess on coal.
3. Provide moratorium on payment of loan instalments.
4. Ensure reduction in tariffs of facilities such as water, electricity.
5. Explore the option of disinvestment of Mining PSUs to raise revenues.
6. Incentivise pelletisation units.
7. Eventually subsume DMF and NMET under royalty.
8. Benchmarking royalty with other countries.
9. Unified tax rate for mining sector.
10. Reduction of import duties on equipment and technology.

Sector-specific policies 12/18 Oil and Gas

Sector Highlights

15% of GDP

110,000 employed in Public Sector Units

COVID impact

1. The sector might experience disruptions at the last mile level because of transport bans.
2. There is a possibility of a decline in exports to neighbouring countries.
3. There will be a slowdown in demand due to uncertainties/lockdowns and a decline in economic activity.
4. Oil prices have decreased. India imports more than 80% of its oil requirements.

Recommendations

1. Reduce excise and VAT to improve affordability.
2. Provide short term loans to oil and gas companies to smoothen cash flow and address the shortage in working capital.
3. Provide incentives for CAPEX investments e.g. cheaper loans, extended loan repayment period, etc.
4. Bring petroleum under the GST regime in the medium term.
5. Fill up India's Strategic Petroleum Reserves.

Sector-specific policies 13/18 Pharmaceuticals

Sector Highlights

2% of GDP

2.7 million employed

India is a World leader in generic drugs , but it has faced increased competition with China.

India seems to lack API focused infrastructure.

COVID impact

1. The sector is dependent on raw materials from China (65-70%). Factory and freight shutdowns and lack of labour supply are likely to hit the sector.
2. India is a leading exporter of pharmaceutical products. Some restrictions on exports have been imposed by the Government.
3. There can be a spike in sales in the short term.
4. Due to shortages of raw materials there can be price hikes.

Recommendations

1. Long Term Solution - Focus of API manufacturing to decrease dependence on China. Ease approvals for setting up a manufacturing plant, Ease price control regime. Ensure access to utility facilities
2. Also, it is an opportunity to penetrate further into African markets.

Sector-specific policies 14/18 Power

Sector Highlights

Power producers have high outstanding dues (Rs. 88000 crores)
Power sector in India faces High AT&C losses (19-20%)
The sector has been facing a liquidity crunch for a while now

COVID impact

1. Construction of transmission projects will be delayed. 18.6 GW under-construction projects are dependent on China. Existing power plants are also dependent on Chinese machinery.
2. There will be a temporary drop in demand mainly because of lower demand from industries. Household consumption might increase. Reduced demand can lead to a lack of working capital.
3. Revenue collection to be impacted because of transportation bans and social distancing norms. Government dues can increase.

Recommendations

1. Extend the credit period for payment to Generation and Transmission companies by Discoms or the payment should be based on their collection efficiency.
2. Relax the norms for Lines of Credit requirement towards generators.
3. Have similar provisions for generators sourcing coal from CIL.
4. Penalties towards Performance Assurance should be relaxed for cases not in the control of the utilities.
5. Relax the Deviation Settlement Mechanism norms.
6. Take or Pay provisions in fuel contracts could also be suspended during this period.
7. Defer electricity payments by consumers now, but move to a higher cost-based pricing structure later.

Sector-specific policies
15/18 Telecommunications

Sector Highlights

6.5 % of GDP

4 million jobs

India has 687.62 mn internet users consisting of 22.26 mn wired broadband users and 665.37 mn mobile or `wireless' users.

COVID impact

1. 5G auctions are expected to be delayed.
2. Domestic demand - Work from home, social distancing norms will increase the demand for data services. Operators will face difficulty in managing the traffic distribution patterns which can strain the network infrastructure. Media reports pointed towards a 15-20% increase in data consumption.
3. There will be a drop in subscribers additions.

Recommendations

1. Declare a moratorium on spectrum dues. When the pandemic retreats, provide cheap loans to incentivise the expansion of network rollouts.
2. Extend tax payment deadlines.
3. Relieve capacity bottlenecks, such as by providing additional spectrum temporarily to adjust for increased demand during the lockdown.
4. Relaxation of regulatory compliances, including those for telemedicine and teleconferencing.
5. Address cybersecurity issues, which will be more acute in this period.
6. Fast-track Equipment Type Approval (ETA) process to enable imports, deployment and new product launches.

Sector-specific policies 16/18 Logistics and Freight

Sector Highlights

14 % of GDP
40 million jobs

COVID impact

1. The sector will face challenges because of the lack of labour supply, limited infrastructure. Technology adoption will take time. The sector is largely unorganised.
2. Essential items constitute only 15-20% of the total industry. As manufacturing activity is halted, there will be revenue loss for this sector.

Recommendations

1. Ensure deployment of additional customs personnel, faster clearances to move out the on-hold shipments.
2. Provide exemptions from toll collection.
3. Pass on the benefits of the fall in crude price.
4. Provide wage support for drivers.
5. Incentivise regional or provenance specialised companies that reach to interiors to provide logistics support at the lowest cost.

Sector-specific policies
17/18 IT/ITES

Sector Highlights

7.7% of GDP

4.2 million jobs

COVID impact

1. New investments will be delayed.
2. Travel restrictions will impact the flow of human resources. Work from home facilities might lead to lower capacity utilisation.
3. There will be a massive impact on exports which constitutes 80% of the revenue for this sector. Since major clients in airline, retail, oil and gas and financial services are deeply impacted, it will result in lowered demand for IT/ITES.

Recommendations

1. Provide wage support until a certain grade of employment.
2. Provide support for the statutory deductions for the employee and the organisation for 3 months.

Sector-specific policies
18/18 Gems and Jewellery

Sector Highlights

7% of GDP
4.64 million workers

COVID impact

1. Since it is a labour intensive sector, lack of labour availability will be a major problem. Almost 60% of India's imports are from top infected countries.
2. 50% of the revenue in this sector is generated from exports. More than 80% of the exports are to the top infected countries
3. Price of gold remains high.
4. Domestic demand is likely to fall because of the cancellation of events like marriages. Because of uncertainty, discretionary spending will be avoided.

Recommendations

1. Extend repayment under the Gold Metal Loan scheme and interest thereon by 6 months.
2. Extend the deadline for payment of interest.
3. Provide loans at cheaper rates.
4. Extend the due date for the payment of Advance taxes.
5. Defer payment of advance taxes and GST.
6. Reduce the customs duty.

Crisis as an Opportunity

Create a future without some of the constraints of the past

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