

# Opinion

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## Rational Expectations

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## Onion tears again, to make farmers cry

Don't try to fix onion prices, recall that it is govt policy that is hitting cotton exports; farm credit is falling for the same reason

**I**TWILL BE unfortunate if the government, as a response to the spurt in onion prices, imposes stocking limits on onion traders; it would make clear that like all past governments, the Narendra Modi-led one, too, is driven by short-term considerations, with little or no understanding of their long-term impact. Onion prices, like those of most agriculture products, have sharp ups and downs, primarily due to inadequate storage and processing; having large retailers, including overseas ones, is the best way to fix this since only the presence of large buyers will trigger the creation of the necessary infrastructure, but that is a separate story.

What is relevant here is that each time such curbs are imposed, they end up hurting farmers more. A higher price for rice in export markets, for instance, will benefit farmers, but putting a cap on how much can be exported, as has happened in the past, or even an outright ban would end up hurting them. And, if price caps are so important to keep inflation in check, why not put a cap on how much house or car prices can go up by? In this case, while the argument is that traders' hoarding of onions is driving up prices, anyone with even an elementary understanding of economics would know that the shortfall in output—excess rains have meant crop arrivals in wholesale *mandis* are around 40-50% lower than last year—is the main culprit.

Ironically, when a committee of chief ministers was formed to examine how agriculture could be given a boost, one of the proposals mooted was to ease, if not altogether eliminate, any restrictions on agriculture. Within just a month or two of that discussion, the government plans to put restrictions on onion supplies! While onion costs form a minuscule part of the household budget, if the government wanted to insulate them, it would have been better served by giving a cash dole to vulnerable sections; the large Aadhaar-cum-PDS database makes it much easier to do these direct cash transfers.

Two other news stories over this week are equally disturbing. A Reuters report talks of traders struggling to sign export contracts for cotton as local prices are higher than those prevailing in export markets; in FY19, India exported raw cotton worth \$2.1 bn, cotton yarn worth \$3.9 bn, fabric and made-ups worth \$5.9 bn, and readymade garments worth \$8.7 bn. That this should happen, though, can hardly be a surprise since, when Minimum Support Prices (MSP) were raised by a whopping 28% last year, this newspaper had pointed out that Indian prices would become higher than global ones. The MSPs of other crops were hiked as well, as part of the double-farm-income target, but if independent sources of demand, such as exports, get hit, the only way for farmers to gain requires the government to buy up all the farm output. But, it doesn't have the money to be able to do that.

It gets worse. While agriculture credit continues to grow, as it should, given the loan mandates 18% of bank lending be directed to this sector, there has been a dramatic contraction in loans in certain states. In the case of Uttar Pradesh, an RTI inquiry by *The Indian Express* showed, agriculture credit fell to ₹91,628 crore in FY19, from ₹97,707 crore in the previous year. For Karnataka, the numbers contracted to ₹78,517 crore from ₹90,195 crore, and for Punjab, to ₹66,766 crore from ₹72,020 crore. All states, the *Express* posits, were those that had loan waivers in the past, and this made bankers reduce credit levels.

Of course, the correlation isn't quite as straightforward as is made out since, while Maharashtra also had large loan waivers—at ₹34,000 crore, it was just marginally lower than Uttar Pradesh's ₹36,400 crore waiver—agriculture credit in the state actually rose in FY19. So, while the mandatory 18% rule ensures that farm loans can't contract on a sustained basis, banks try to shift the loans to states where there isn't a loan waiver. Nor does this always happen, though, and that's why Maharashtra's farm loans grew despite the loan waivers. But, at a broad level, an RBI internal working group on agricultural credit found 'a deceleration in agriculture credit outstanding and decline in agriculture credit disbursements in the years of loan waiver programmes' (see graphic). While the mandated lending rule ensures that credit levels can't fall in the medium term, in the short-term, these do fall as beneficiary farmers aren't able to get fresh loans till the loan-waiver program is fully implemented.

The study also found that 'NPA level increased for all states that have announced farm loan waiver programme in 2017-18 and 2018-19' while there was almost no change in states that didn't have such schemes; 'taken together', the RBI working group report says, 'this could be indicative of the presence of moral hazard, with borrowers defaulting strategically in anticipation of loan waiver'.

An additional problem relates to the fact that loan waivers are funded through state budgets, and that, in turn, leaves less money with the state governments for agricultural capex-spend; given that capex levels in the sector are falling, and that the impact of capex is far greater in terms of what it does for output, this deals a double blow to the sector. None of this week's news—on cotton exports or agriculture credit—should come as a surprise, but, hopefully, this should underscore the adverse impact of unthinking policies that are meant to help farmers. The way to hell, the saw goes, is paved with good intentions.

## DataGAINS

India can benefit a lot from data and gig economy

**T**HE MCKINSEY GLOBAL INSTITUTE'S (MGI) new report, *Digital India: Technology to transform a connected nation*, shows Indians consumed 100 times more data in 2018 than they did four years ago, with average per capita consumption at 8.3GB per month. Monthly prices fell to 0.1% of GDP, as compared to 6.1% in 2014. More importantly, the report says the data economy can contribute \$150 billion to the GDP—if its full potential is realised—by 2025. In logistics, automation can save 15-25% of the costs—India spends 14% of its GDP on this, higher than China and other comparable economies. The data economy is projected to result in a net addition of 20-25 million jobs.

While the report highlights the role of the government and Aadhaar in advancing this objective, the government needs to realise that digital innovations have worked because of a conducive regulatory ecosystem. The UPI instance is instructive in this matter. The government did well to introduce the technology, and ensure fast-paced progress, but had it not been for Google Pay, PayTM, PhonePe, etc, adopting it readily, the service might never have hit nearly a trillion transactions. If India is to make any meaningful progress, it needs to avoid over-regulation. Control and flow of data would be necessary for the next wave of start-ups, and enterprises to work efficiently. With many more gig economy operations emerging, and the likes of Google making a push for more, data can mean stellar growth, provided the government capitalises on it, and lets the private sector do the same.

## TAX-CUT IMPLICATIONS

THE CENTRE NEEDS TO RAISE BORROWING BY 0.4% OF GDP TO FUND THE CORPORATE TAX RATE CUT. RBI SHOULD ISSUE AN OMO CALENDAR TO COMFORT THE G-SEC MARKET

# How to fund the fiscal stimulus

AASTHA GUDWANI & INDRANIL SEN GUPTA

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deficits have recently been offset by liquidity tightening. As a result, crowding out (i.e., fiscal deficit/incremental M3) is actually rising (see graphic).

Also, a higher fiscal deficit can hardly be inflationary given excess capacity. After all, the Centre's fiscal deficit, at 3.8% of GDP, is still below the medium-term average of 4.5%. Just as importantly, growth drives fiscal deficits, rather than the other way around. High/low growth drives up/down tax collections, and pushes up/down the fiscal deficit.

With the reduction in corporate tax being apportioned between the Centre and states in a 58:42 ratio, as recommended by the Reddy 14th Finance Commission, the former's fiscal deficit will likely rise by ₹841 bn/\$12bn/0.4% of GDP (see graphic). This will likely be funded by higher borrowing that should show up in the Cen-

tre's October-March borrowing calendar, to be released shortly. States will see a drop of ₹610 bn/\$8.6bn/0.3% of GDP in transfers from the Centre. This will likely be offset by a drawdown of states' investments in T-Bills (currently, ₹950 bn) that will cut down the Centre's surplus cash balances with RBI (₹1,227 bn, as of March 31, 2019).

Another option is to further utilise RBI's surplus reserves. Former RBI Governor Bimal Jalan recently told the media that RBI's revaluation reserves can still be transferred to the fisc, if needed. A 20% appreciation cover (till ₹57/\$) will release ₹1.7 trn/\$20+ bn, which could take care of PSU bank capitalisation for 10 years.

In our view, the RBI OMO purchases can play an important role in absorbing a large part of this additional borrowing. RBI will likely have to step up durable liquidity through higher OMO

(₹30+ bn in FY20, \$7.5 bn FYTD), and drawdown of the Centre's surplus with RBI to clear the G-Sec market. An easy way to comfort the market is to issue an RBI OMO calendar as Governor Shaktikanta Das did in early 2019. Note ₹1 of RBI liquidity will typically take six months to multiply into ₹6.8 of money supply. This, in turn, will push up bank liquidity, step up bank demand for G-Secs, and reduce the need for durable liquidity in H2FY21.

The fiscal stimulus has pushed markets to bring down their terminal repo rate expectations. We, on the other hand, expect the RBI MPC to cut 35bp on October 4, with Governor Das characterising the FM's corporate tax cut as a "bold measure". The nudge to growth intended via this corporate tax rate cut can be difficult to come by if G-Sec, and, thus, lending rates reset higher (or their downward trajectory is hindered). To avoid such an unintended counterproductive impact, we think the MPC will continue with its easing bias. Our base case has the MPC cutting 35bp on October 4, and 15bp in December, pausing as inflation rises on base effects.

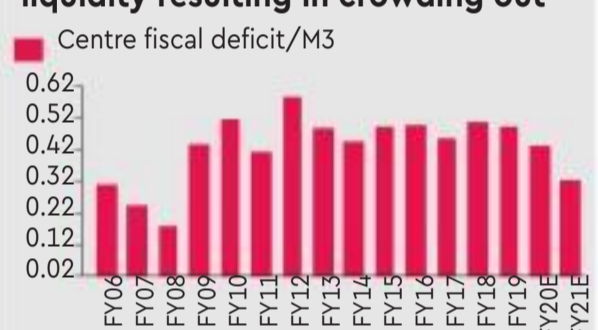
*Edited excerpts from BofAML's 'How to fund the unexpected fiscal stimulus?' report (Sept 25, 2019)*

### Fiscal stimulus to add 40bps to the deficit target, pushing it to 3.8% of GDP

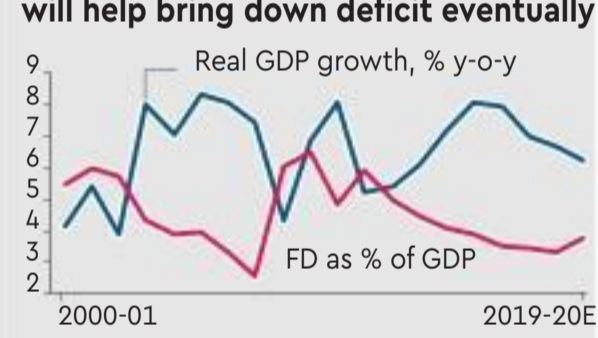
	FY18 Actuals	FY19 BE	FY19 RE	FY19 Prov	FY20 BE	FY20 BofAML	FY20 yoy, %	FY20 BofAML
Revenue receipts	14,352	17,257	17,297	15,631	19,627	16,408	13.47	4.97
Tax revenue	12,425	14,806	14,844	13,169	16,495	13,908	11.12	5.61
Non-tax revenue	1,927	2,451	2,453	2,462	3,131	2,500	27.64	1.54
Capital receipts	1,156	922	932	1,028	1,198	1,100	28.54	7.00
Recovery of loans	156	122	132	178	148	200	12.12	12.36
Other receipts	1,000	800	800	850	1,050	900	31.25	5.88
Total receipts	15,508	18,179	18,229	16,660	20,825	17,508	14.24	5.09
Revenue expenditure	18,788	21,418	21,406	20,084	24,479	22,496	14.36	12.01
of which, int payments	5,290	5,758	5,758	5,826	6,604	5,900	14.69	1.27
of which: Oil subsidy	275	249		244	249	400	2.05	
Capital expenditure	2,631	3,004	3,166	3,030	3,385	2,890	6.92	-4.62
Total expenditure	21,420	24,422	24,572	23,114	27,864	25,386	13.40	9.83
Gross fiscal deficit	5,911	6,243	6,344	6,453	7,037	7,878		
Gross fiscal deficit	3.5	3.3	3.4	3.4	3.3	3.8		
% of GDP								

Source: BofA Merrill Lynch Global Research estimates, Ministry of Finance, RBI

### Lower fiscal deficit along with tight liquidity resulting in crowding out



### Fiscal stimulus to push growth that will help bring down deficit eventually



## India needs the RCEP

The grand aspiration of India having a prominent voice in regional affairs cannot be realised by distancing itself from trade

AMITENDU PALIT

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**INDIA SEEMS CLOSE** to agreeing to conclude the RCEP after more than seven years of prolonged negotiations. While this will bring relief to some quarters, it is likely to disappoint several more, particularly those who feel India should have stayed away from RCEP.

Many arguing that India should not join RCEP are also of the view that India should not be part of trade agreements—regional or bilateral. Some of these views argue that only the WTO is worth joining, and no other trade agreement is worth the effort. Others suggesting that India should back off from RCEP are generally anti-trade. There's no denying that between the WTO's rules-based global trade order, of which India has been a member since the beginning, and any other FTA, however large in scope, the former is the superior choice. Global rules are always preferable to selective regional rules. However, the two are not mutually exclusive. Belonging to the WTO doesn't mean disengaging from FTAs, particularly since WTO itself encourages these FTAs, if they can obtain greater trade liberalisation. The latter can be significant for a large FTA, like RCEP, which includes some of the world's largest economies. Thus, commitment to WTO can't be a reason for not joining RCEP. However, if engaging in trade itself is considered a wrong priority, then, rather than backing out of RCEP, India should, ideally, quit WTO, of which it is a founding member.

One of the most trenchant criticisms of the RCEP is the adverse effect it will have on India's domestic markets through a deluge of imports. India's FTAs with SE Asia, Japan, and Korea are cited as examples for driving home the point. These criticisms fail to note a simple point: why would imports be necessary if the products were available at home at the same prices? Even if they were available at slightly higher prices,

imports would've been much less required. India needs to import bulk consumer goods, and intermediates because of their insufficient availability, and higher prices. Even after tariffs, these imports remain competitive *vis-à-vis* domestic products. This is because of the inherently high costs of domestic production in India. Such costs make imports necessary, both for producers and consumers. In many cases, producers find intermediate inputs costlier at home than abroad, and are forced to import the same. It is hardly surprising, therefore, that imports have been high, particularly from SE Asia and Asia-Pacific, as these regions enjoy greater competitiveness in manufacturing.

Is India's lack of success in bringing down costs of production a good enough reason for not engaging in trade, and running away from RCEP? In the entire tirade over RCEP, while a lot has been written and spoken on the deluge of imports, there has hardly been much mention of the gains that RCEP can bring for Indian exports. Exporters themselves, ironically, have been reticent to RCEP. Perhaps, as producers, they continue to suffer from high costs, and harbour the fear of not being able to penetrate other markets, notwithstanding preferential tariffs. The fear is genuine, but not a good enough reason for avoiding RCEP. More so, at a time when the government is trying to incentivise exporters through various measures, the most notable being reduction in corporate tax rates, which puts tax liabilities of Indian businesses on par with those in the region.

The most unfortunate part about the negative discourse on RCEP in India has been the fact that India's inefficiencies, and limitations have been taken as grounds for avoiding RCEP. If manufacturer-exporters had lobbied with the government for a positive agenda in

RCEP, with the precondition of obtaining incentives through lower taxes and access to credit, India could have looked at RCEP differently. It is sad that no such efforts were made by industry. It is equally sad that state governments in India have also refrained from looking positively at RCEP. Indeed, several states, particularly India's coastal states, should have been at the forefront of negotiations on RCEP through positive efforts. On the contrary, they have been conspicuously quiet.

India's trade engagement has traditionally suffered from absence of 'pro-trade' constituencies. This is unfortunate. Trade doesn't simultaneously benefit everybody. But, eventually, open trade, facilitated by enabling trade agreements, brings numerous benefits that are difficult to visualise at one go. Apart from getting cheap imports for both consumers, and producer-exporters, trade deals are great facilitators for investment. Coming at a time when the trade war is ripe, supply chains are fragmenting to scatter across the Asia-Pacific, and India is looking to revive export demand for coming out of an economic slump, RCEP can be a great instrument for attracting trade-inducing investments. Recent Indian policies, like liberalising sourcing norms in single-brand retail, backed by RCEP, create right conditions for drawing more manufacturer-retailer investments to India, like Apple and Samsung. Much of these investments would also be export-oriented, particularly to the rest of South Asia, as well as West Asia. The grand aspiration of India being a global player, with a prominent voice in regional affairs, cannot be realised by distancing itself from trade. Trade is a great confidence and strategic trust builder, a fact that India—shifting from non-alignment to multi-alignment—can ignore only at its own peril.

## LETTERS TO THE EDITOR

### Trump's South Asian interference

The statement made by the US President Donald Trump, that the leaders of both India and Pakistan must allow him to mediate to solve the Kashmir problem, is nothing but direct interference in the internal matter of two sovereigns. India does not need his help, which is nothing but electioneering. Trump met prime minister Narendra Modi for a bilateral meeting on Tuesday on the sidelines of the UNGA for 40 minutes, and, a day earlier, he met Pakistan PM Imran Khan. On one hand, he wants a peaceful solution to Kashmir, and on the other, is helping Pakistan with weapons. Trump has repeatedly offered to mediate between India and Pakistan for fear of defeat in the forthcoming US elections, and is making Modi his campaigner to get the Indians vote there. The Indian PM must not get trapped, and brainwashed by the selfish and opportunistic Trump.

— Bhagwan Thadani, on email

### Greta Thunberg

At a school going age, Greta Thunberg, took the world by storm with her vociferous protests demanding accountability from the international community for its failure to tackle climate change. It all started when she skipped school to sit in protest before Sweden's Parliament. The indomitable spirit with which she is fighting all odds to position herself as a spirited campaigner for climate action are inspirational for youngsters globally. The international community needs to pay heed to saner voices like Thunberg's, and demonstrate exemplary resolve to combat climate change with the seriousness it truly deserves.

— M Jeyaram, Sholavandan

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ILLUSTRATION: SHYAM KUMAR PRASAD

## ABHISHEK SINGH & NAVEEN P SINGH

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# To drive investment in farming...

...fix the lack of economic incentives and promote technology adoption in farming and food processing to curb wastage and generate jobs

**INVESTMENT HAS A** multiplier effect in strengthening incomes and living conditions of people in a developing economy. As resources are limited, driving public investment from borrowings would crowd out private investors. Experience, over the years, points out that only public spending has a limited impact on farmers. Hence, private investment is the key to resolve the deeply entrenched agrarian problems in a more inclusive manner.

As per the Economic Survey 2019, the share of private investment in gross capital formation in agriculture and allied sectors has declined from 88% in 2013-14 to 82.67% in 2016-17. Of the total private investment, 79.1% is by farmers,

and private corporate investment accounts for only 2.3% of total investments. A bulk of private investments goes to other sectors of the economy even though agriculture continues to be the largest employer. Slow growth in private investment is due to poor economic incentives and low opportunity cost of factors employed, often fuelled by volatile markets. Almost 85% of our farmers have landholdings smaller than two hectares, and this makes attracting private corporate investments all the more challenging.

### Tipping points

Over the last several decades, the government has made significant invest-

ments to push the growth of agriculture and its sub-sectors with high budgetary outlays. But agrarian distress remains. The high-powered committee on transforming agriculture has also highlighted the importance of private investment in agriculture. Hence, efforts must be made for consolidation and streaming investment measures to tap in private players.

First, consolidation has to happen with savings and borrowings, which constitute more than two-thirds of investment in agriculture. Enhancement of farm savings requires better market price and margins, which would only happen with fairly deliverable markets, and this is a herculean task. The Agriculture Marketing and Farmer Friendly Reforms Index proposed by the NITI Aayog has the potential to improve competitiveness, efficiency and transparency in agricultural markets. The index also captures reforms like liberalisation of land lease and freedom to farmers for felling and transit of trees grown on private land.

Investments through credit may be enhanced to the needy and hard-working farmers/enterprises through an alliance system comprising key stakeholders. For instance, in African nations, government-supported AGRA system (Alliance for a Green Revolution in Africa) is working in tandem to address the issue of credit access and low-cost finance to small farmers, input suppliers, farm cooperatives, agro-processing units and value-chain operators.

Second, there are abysmally low CSR funds in the agricultural systems in India. The concept of smart/precision farming, climate smart villages, organic villages can be platforms for companies to showcase their CSR spending. Tax sops to companies investing in agricultural R&D would help attract private investment. Further, the scope of CSR may also be extended to MNCs to help take up precision agriculture, carbon sequestration and agro-forestry on farmlands.

Third, farm research system in India is one of the world's largest in terms of scientific and supporting staff. Possibilities of coordinated public and private spending for initiatives necessary to feed 1.6 billion people by 2050 need to be explored. Farm management systems can be established where agricultural scientists from public research institutions and universities can provide free advisory services. Companies can raise

funds to manage privately-held farm-lands. For instance, in South America, privately-held farmland management companies raise funds and manage farmland holdings for investors that include wealthy family groups and financial institutions. Indeed, export-oriented agriculture requires large investments for establishing global value chains, which only big agri-business enterprises can bring in so as to realise the dream as envisaged in the Agriculture Export policy 2019.

These measures will push private sector investments in new areas from the traditional tractors and farm equipment. Investments are needed in food processing, warehouses, cold storages and supply chain management. Horticulture is another sector with a potential of additional 4 million hectares that can create 8 million additional jobs. Infusion of technology and investments can help reduce the huge post-harvest losses, estimated to be almost 25-30% of the production, and result in returns for investors as also higher incomes for farmers.

As per Census 2011, every day 2,000 farmers give up farming. Attracting youth to agriculture with policy support and fiscal incentives would bring innovative ideas to address the looming agrarian distress and ecological crisis. Today, many professionals and young entrepreneurs are taking interest in farming and agricultural start-ups. There is a need to incentivise agri-based start-ups by providing tax and fiscal benefits.

Fourth, in India, favourable seasons, dietary habits and consumption patterns of people make them use less processed food products as against perishables, but urbanisation and price volatility has the potential to push demand for processed food. In India, mere 10% of food produced is processed into value-added products. Compare this to the US and China that process 65% and 23% of their produce, respectively. Diet-conscious urban population can create demand for investments in food fortification and processed food, thereby reducing food wastage and generate employment. Policy nudge to this sector would yield attractive returns to new ventures and investors. With a CAGR of 20%, the food processing industry will be the new growth engine and will insulate farmers from risks like price crashes, distress sale and associated farm suicides.

Lastly, the link between investment in new technology adoption and conservation of indigenous technologies needs to be clearly ensured. Private players' investment in technology can ensure this as most of the small and marginal farmers neither have the resources nor are keen to adopt superior and new technologies. This requires a policy push that incentivises strategies for adoption of technology while preserving traditional wisdom and knowledge.

### Opportunities ahead

According to the International Fund for Agricultural and Development (IFAD), two out of three youth in developing countries live in areas of potential agriculture growth. This shows the way for tackling the challenge of unemployment with the participation of the private sector. Trickle-down effect of private investment would help enhance farmers' incomes and emancipate people from poverty and hunger.

Most advanced economies have acute labour shortage in the agricultural sector. Indian farmers have already made a mark in countries such as Canada, the US and Australia. This is another area where the private sector can invest in, by taking agricultural farms on contract the world over and manage them with Indian farmers. It can not only provide jobs for our youth, but also has the potential of building a brand, just like the IT industry did in the late 1990s.

Thus, promoting private investment in agriculture can be win-win for all.

## UN CLIMATE SUMMIT

# Much talk, and a little action

Steps to fight climate change announced, but much remains to be done

**T**HOSE CONCERNED ABOUT global warming change had a clear message for the leaders attending the United Nations Climate Action Summit on September 23. Greta Thunberg, a 16-year-old activist, led protests in New York imploring politicians to act now to limit rising temperatures, and warned leaders at the summit: "The eyes of all future generations are upon you. And if you choose to fail us I say we will never forgive you." Instructions from the UN's secretary-general were more specific. In the run-up to the summit, António Guterres had urged governments to present plans in areas such as carbon pricing and reforestation, with the goal of reaching net-zero emissions by 2050. "I don't pretend that I rule the world," Mr Guterres acknowledged. "My role is to tell the world what the world needs to do."

The summit concluded with a torrent of new announcements. These included the commitment by 66 countries, 93 companies and more than 100 cities to reach net-zero carbon emissions by 2050. Germany and Slovakia were among those to join an alliance to halt construction of coal plants; in total 32 countries are members. Companies and industry groups announced measures to reduce emissions from shipping, buildings and more. Narendra Modi, the PM of India, set a new 450-gigawatt target for renewable energy capacity by 2030, more than five times the current level. Mr Guterres highlighted its successes. "Today, in this hall, the world saw clear ambition and concrete initiatives," he said.

Some were promises of future announcements—59 countries said they would be unveiling more ambitious commitments under the Paris agreement, which aims to keep global temperatures well below 2°C above those in pre-industrial times. "These are useful steps," says Nathaniel Keohane of the Environmental Defense Fund, an advocacy group. "However, they are useful only to the extent that they are built upon and turned into action."

Even if all the pledges are acted on, though, the gap between what the summit

promised and what needs to be done remains a chasm. America, China and India, the world's three biggest emitters, were not among those to set targets for reaching net-zero emissions. At the same time as India invests in renewables, its state-backed banks are propping up its coal sector. Russia at last announced that it is ratifying the Paris agreement, but the targets for action which it has set itself are very low. President Donald Trump, who announced that America was withdrawing from that agreement shortly after his election, made a brief appearance at the summit but did not speak.

Activists remain deeply unsatisfied. Ms Thunberg and other children filed a complaint charging that five countries had violated their human rights by failing to halt the climate crisis. They filed their petition against Germany, France, Brazil, Argentina and Turkey—five countries that allow such complaints to be brought against them under the Convention on the Rights of the Child, an international treaty.

As the Climate Action Summit wound down at the UN, nowhere was the gap between stated intention and present reality more apparent than in a gathering that afternoon of oil & gas companies across town. Chief executives of world's supermajors sat in the Morgan Library for a joint event organised by the Oil and Gas Climate Initiative, their forum effort to invest in technologies that will help mitigate climate change. For more than two hours, the shells of companies including ExxonMobil, Royal Dutch Shell and BP defended their record as partners in the fight against rising temperatures.

They vowed to limit methane emissions and highlighted their support for research into new technologies, such as carbon capture and sequestration. But they also explained their decision to continue investing in new extraction projects; no supermajor has yet said it will reduce emissions from its products on an absolute basis. "As frustrating as it may be for some people who would like to see us declare that we intend to go out of business," said Mike Wirth, the chief executive of Chevron, "we are meeting a demand for a product that makes the quality of life in the world better." The protests on September 20 will not be the last.

THE ECONOMIST

**T**HE PROGRAMME FOR the prevention and control of diabetes during pregnancy has suffered a setback in Uttar Pradesh because the government has been unable to finalise, for months, a tender for 75gm glucose pouches that a previous vendor was supplying for ₹9.9 each, a person associated with it said. This not only puts at risk the lives of expectant mothers with diabetes and their babies, but they are also likely to develop health complications later in life. We spoke to Usha Gangwar, general manager (Maternal Health), National Health Mission, UP, and sent her email queries on September 17, but got no response despite reminders.

Recognising that gestational diabetes mellitus (GDM) is a risk factor, universal screening for it was made part of the NHM. In 2014, the government issued technical and operational guidelines. These required pregnant women to be administered oral glucose tolerance test (OGTT) at their first contact with a primary health centre, a community health centre or a district hospital. They were to be given 75gm of glucose dissolved in 300ml of water, and after two hours their blood sugar level was to be gauged. If it was at or above 140mg/dl of blood, they were to be diagnosed as having GDM. If not, the test was to be repeated between the 24th and 28th week of pregnancy. (Since placental hormones stimulate insulin resistance as pregnancy advances, the test cannot be done too early. If done too late, after 28 weeks, harm would have been done to the foetus). Those with GDM were required to exercise and put on a diet that would bring blood sugar levels down to normal within two weeks, while meeting their requirement of energy and body weight (300-400gm per

## Managing diabetes during pregnancy

UP's poor pregnant women are at risk as the state cannot finalise the tender for glucose pouches costing ₹10 each

VIVIAN FERNANDES

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week, up to 10-12kg during pregnancy). If this did not do the trick, they were to be put on metformin, a drug, or insulin.

The threshold level above which blood sugar levels are considered abnormal is lower in pregnancy. Men and non-pregnant women are regarded as having diabetes if their blood glucose level is above 199mg/dl. If it is in the 139-199mg/dl range, they are in the pre-diabetes stage. Pregnant women are considered pre-diabetic or having gestational glucose intolerance (GGI) if their blood sugar level is between 119mg/dl and 139mg/dl.

Chennai-based V Seshiah, who was a member of the expert group that wrote the GDM guidelines for NHM, says the foetus' renal glucose threshold level is 110mg/dl. So a mother's post-meal blood glucose levels should be in the 110-120mg/dl range. GDM poses higher risk of babies dying

in womb in the 28th week of pregnancy or after (stillbirth). It aggravates chances of a newborn dying within 28 days or birth (neonatal death). In a 2018 study, doctors found that of 12,784 pregnancies with GDM in UP, 406 (3.17%) had ended in stillbirths. In another 191 (1.49%) cases, babies had died within 28 days of birth. For comparison, another group of 7,287 pregnant women who did not have GDM were studied. They had a much lower incidence of stillbirths and neonatal deaths: 92 and 47, respectively. The study was done between October 2014 and September 2016 in districts covered by the gestational diabetes prevention and control project. In all, 5,15,532 pregnant women were given OGTT at 828 healthcare centres between 16th and 20th week of pregnancy. If tested negative, they were tested again between the 24th and 28th week.



Rajesh Jain, the manager of the project, conducted the study with three doctors. Jain is also the president of the Implementation Committee of the Diabetes in Pregnancy Study Group India (DIPSI), whose recommendations form the basis for the national GDM screening guidelines.

India has a high prevalence of GDM. A study (between January and December 2016) by Prof Vinita Das and three of her colleagues at the department of gynaecology and obstetrics, King George's Medical University (KGMU) at the Queen Mary's Hospital in Lucknow, found a GDM prevalence rate of 13.9%. In all, 5,855 pregnant women who reported at the hospital's ante-natal outpatient department were given OGTT as per national guidelines.

In another study of 57,018 pregnant women between October 2012 and September 2014 in Kanpur Nagar district, a

similar GDM prevalence rate was found. Of the women tested, 7,641 (13.4%) were found to have GDM. The rate was higher in urban areas (16%), lower in rural (9.8%).

Nationally, the GDM prevalence rate is estimated at 10-14%, says Dinesh Baswal, deputy commissioner (Maternal Health) in the health ministry.

Diabetes and impaired glucose intolerance is more prevalent among pregnant women than among people in general. A population-based study of 14 states and one UT (Chandigarh) published in 2017 noted the prevalence of diabetes at 7.3%—varying from 4.3% in Bihar to 10% in Punjab. People in urban areas were more at risk. The prevalence of pre-diabetes was 10.3%—ranging from 6% in Mizoram to 14.7% in Tripura. The results of the survey in UP, Delhi, Madhya Pradesh and a few other states will be published next year. It is being conducted by the ICMR and the INdia DiABetes study group.

India women have a 11-fold risk of developing glucose intolerance during pregnancy compared to Caucasians, says SV Madhu of University College of Medical Sciences at GTB Hospital, Delhi, in an article in an Indian diabetes journal. Complications for mother include greater need for C-section. It can cause large babies and congenital malformations in them. Women with GDM have a seven-fold risk of developing Type-2 diabetes. This risk increases steeply five years after delivery. They also have a higher prevalence of metabolic syndrome and increased risk of cardiovascular diseases. Children of GDM mothers have a higher risk of obesity and diabetes. About one-third of children born of diabetic pregnancies develop glucose intolerance before the age of 17.

"You are what your mother ate," says

Seshiah. "It's nearly impossible to do anything about diseases that have a foetal origin." The focus should be on "primordial prevention." Risk factors that cause diabetes should be tackled early so that there is no need for treatment that is "horribly expensive." Seshiah believes "the government is not beating the drumbeat (sic) properly" on diabetes. On HIV and TB, it has done a far better job of creating awareness. This is the reason why universal screening for diabetes in the target groups is still patchy.

According to Baswal, six states—UP, Delhi, Bihar, MP, Odisha and Tamil Nadu—have sought funds for GDM screening from the Centre. He was unable to say whether all of them have rolled out GDM screening and, if so, how many of their districts have been covered. In UP, which has high infant and maternal mortality rates, 36 of 75 districts are covered by the GDM prevention and control project, which requires universal screening of pregnant women. In another 14 districts, public healthcare professionals—doctors, nurses, auxiliary nurse midwives—are being trained. The state's healthcare spending is low, but it compares with that of other states. At 4.8% of aggregate government expenditure, it is aligned to the national average. But it is the quality of spending that matters. Tamil Nadu's share is 4.5%, but it has a very good public healthcare system and an efficient centralised medical supplies procurement mechanism. UP should do a much better job of screening. A lot of pregnant women at risk of diabetes are slipping through the cracks at a huge cost to themselves and the state. The inability of the state to ensure uninterrupted supplies of glucose pouches is a poor comment on its sense of responsibility.