

## **The Case of the Missing Vaccines\***

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India is facing an acute vaccine shortage. The impression that generally prevails is that this shortage is because while production capacity is slow to increase there has been a sudden spurt in vaccine demand since vaccination is now open for the 18-44 group in addition to the original 45+ group. This impression however is erroneous: while more people no doubt are now eligible for vaccination, there has been a sharp and mystifying drop in the absolute number of vaccinations in the month of May not just compared to the previous month but also compared to the country's production capacity for vaccines. The excess demand for vaccines thus arises not just from the demand side, as generally presumed, but also from the supply side. This is utterly baffling; and the government has not provided comprehensive data on production, and stock-holding, to clear the mystery.

Production capacity of vaccines in the country in April was 8.5 crore doses per month, consisting of 6.5 crores of Covishield and two crores of Covaxin. While the plans for the expansion of capacity of Covishield are not known, Bharat Biotech, which produces Covaxin had announced that its production capacity in May would be increased to three crores, which means that total vaccine production capacity in May should have been at least 9.5 crore doses.

In April, there were nine crore doses of the vaccines that were administered, consisting of production and stock decumulation. By contrast in the month of May, vaccination has been much less. For most of May, the average doses per day has been 1.5 million (The Hindu, May 30), but after May 24, there has been an increase in the daily number of doses administered. Even if we assume that the average daily doses reach three million for the last week of May, the total number of doses for the month comes to 57 million or 5.7 crores, which represents a drop of 3.3 crores compared to April; and what is more, the number of doses administered in May is at least 3.8 crores less than production capacity.

It is this phenomenon which is utterly mystifying. At a time when vaccination should be going up because of the intensity of the pandemic, why has the number of doses of vaccination dropped? The argument that in April there were stocks that could be decumulated while in May there were no such stocks available for decumulation, simply would not do, for the number of doses administered in May is even below production capacity. In other words, even if zero stocks were available for decumulation in May, even then more vaccinations should have occurred (9.5 crores) than in April (9 crores). And even if Covaxin has not added to capacity as planned in May, and that production capacity remains at the same level as in April (8.5 crores), even then the number of doses administered in May (5.7 crores) is much less than this.

Instead of being agitated about this phenomenon, which any government would have been that is concerned about the impact of the pandemic on the people and the urgency of vaccinating the entire population at the earliest possible, the Modi government has remained totally silent about it. Even government spokesmen like Vinod Paul of the Niti Aayog, who, quite predictably and totally illegitimately, put

the blame on state governments for the vaccine crisis, do not have a word to say about this absolute reduction in the number of doses administered.

While the government has been deafeningly silent, a lame explanation of sorts has been offered by Bharat Biotech, which points to the lag, almost four months, between production and supply on the market. This is a lame explanation because, while at the very beginning of production the lag matters, once production has got going, the lag does not matter anymore. True, if there was going to be an increase in production, for this increase to appear on the market would take time. But even if the increase takes time to appear on the market, the old output should appear anyway without any interruption. So, the fact that the number of vaccine doses in May was less than even the production capacity in April, suggests that time-lags have nothing to with it.

No firm that has the capacity to produce, deliberately leaves that capacity underutilised unless there is a possibility of jacking up prices by doing so. In the current case however there is no such possibility, since the producers' prices, no matter how unfair, are already fixed. Likewise no firm that has produced a certain amount of the vaccine would like to stockpile it instead of selling it. So, we can safely assume that at least 8.5 crore doses of the vaccines were actually produced in the month of May. So, the question arises: if only 5.7 crore doses were administered (give and take a few), then where did the remainder of the vaccines go?

The answer to this question can be given only on the basis of a proper audit of the production and supply of the vaccines in the country, which the CAG can be asked to do, as some political voices in the opposition have demanded. Until this is done, the answer can only be in the nature of a conjecture. And one such conjecture would be the following.

The half of the producers' output that was earmarked for the state governments and private hospitals was in fact sold largely to the private hospitals alone, as the prices they have to pay exceed what the state governments are required to pay. The private hospitals therefore got vaccine supplies at the expense of the state governments, and vaccinated people who were forced to shift from state government vaccination facilities to private hospitals. But in the vaccination statistics, the doses administered by private hospitals are not adequately captured, since reporting in their case is not very good. This is why there appears to be a shortfall in vaccine administration. A part at least of the missing vaccines in other words are simply vaccines diverted to private hospitals which are administered but not statistically captured.

This cannot account for the entire discrepancy; but it can account for a part of it. Its implications however are serious. It suggests that there is a large-scale privatisation of the vaccination programme, with people being forced to pay through their noses because the central government has adopted a policy that effectively cuts them off from any government vaccination source.

It may be recalled here that of the total output, the half that was to go to the central government was meant for persons above 45 years. It is for the remaining segment of the population, that is persons between 18 and 44, that the state governments and private hospitals were supposed to compete. Here, the sale price was fixed for Covishield at Rs 400 for state governments and Rs 600 for private hospitals, and for Covaxin at Rs 600 for state governments and Rs 1200 for private hospitals. It defies

reason how one can have two entities paying different prices and yet competing for the same supplies, without the shares of the two being statutorily fixed in the amount supplied. Yet that is the central government's policy. A more utterly mindless policy is difficult to imagine; and what we are seeing, namely the cutting out of the lower-price-payer and the diversion of supplies to the higher-price- payer is a natural consequence of this. The people are the victims of this mindlessness of the central government.

Even this diversion however would not explain the entire mystery of the missing vaccines. Perhaps the production capacity that the two firms have been announcing is overstated, in which case the need for augmenting it through compulsory licensing becomes even more urgent. One of the striking features of the press-note handed out by the Niti Aayog is that it rules out compulsory licensing. Again, it defies reason how a government that wants patent rights on covid-19 vaccines suspended, can rule out compulsory licensing so summarily. Negotiations for a suspension of patent rights take time; and meanwhile exactly the same logic that is used to demand such suspension can be employed for introducing compulsory licensing. But consistency is not a feature of the Modi government's policies.

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