

Recognition of Expanding Human Capital

The article talks about how World Bank and International Monetary Fund (IMF) has been trying to involve various stakeholders to discuss issues of global concern. The article further talks about the recognition of expanding human capital before any meaningful development can happen.

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GDP is passe, human capital takes centre stage for WB, IMF

By R Balasubramaniam

While the media and political analysts were talking about how the slowing Indian economy is likely to hurt the electoral prospects of the BJP and slowdown the Narendra Modi-Amit Shah juggernaut, a different concern took hold last week in distant Washington, where the annual meetings of the Boards of Governors of the World Bank (WB) and the International Monetary Fund (IMF) brought together central bankers, ministers of finance and development, parliamentarians, private sector executives, representatives from civil society organisations and academics. The core agenda was to discuss issues of global concern, including world economic outlook, poverty eradication, economic development and aid effectiveness.

Only a few years ago, India's growth story was being touted as the only shining patch in an otherwise depressing economic world order and experts were quick to offer differing explanations for the same. Equally quickly are the experts again explaining the dip as possible outcomes of demonetisation and the introduction of

the GST and poor handling of the nation's economy by the government. Somewhere in this narrative, human development and the fate of the ordinary citizen on the street does not find any mention. It is in this context that the meetings of the WB and IMF offer a shift in the way these global bodies are beginning to view development.

For several decades, the World Bank and its allied institutions were seen with suspicion as mere political instruments that had very little appreciation of grassroots development and which were insensitive to local community interests. They have also been accused of turning a blind eye to citizen engagement, environmental concerns and to mis-governance and mal-administration in the implementation of projects funded by them. They have been working over the last decade and more to shed this image and are now actively soliciting engagement with local community groups, in ensuring social accountability of the projects funded by them. They are looking internally to address inherent structural flaws in their aid and loan processes. Despite all this, their primary focus was still on income growth and economic develop-



ment. This year's meetings saw a quiet and subtle shift which, if sustained, could have long-term consequences on how the world sees human development and progress. While World Bank president Jim Yong Kim and IMF chief Christine Lagarde stressed on the relevance and effectiveness of their institutions, they also conceded that the multilateral banking systems need to evolve and become more responsive and accepting of the changing geopolitical realities of the day. The challenges of the backlash against globalisation, of countries

becoming fiercely nationalist and losing interest in multilateralism, technology transforming labour, and the global economic slowdown were some of the key concerns articulated. The newly announced Global Concessional Financing Facility appears to make it more strategic and flexible but one needs to see if the World Bank can take it forward, given the kind of lukewarm response that member countries showed to a call for increased capital infusion.

One also needs to appreciate the challenge that the World Bank will face keeping in mind the view of the United States regarding the Bank's funding of middle-income countries, especially China. It is to be seen whether the World Bank will truly be a bank owned by the member countries and operate in a free, fair, just and democratic manner or continues to stay as an extended political arm of powerful Western governments.

Human capital

Another major shift that was announced was the recognition of expanding human capital before any meaningful economic development can happen. The WB's decision

to publish 'Human Capital Index' reports annually like the 'ease of doing business index' reports will push countries to now reassess how they will begin to view human development. Focus on nutrition and the impact of stunting on the GDP of countries were highlighted in the discussions.

A call for participation of private capital in WB-funded projects sounds like a monster waiting to be unleashed and paradoxical to the call for enhanced social accountability frameworks. With many countries, including India, already grappling with 'Policy Capture' by select corporates, this could result in policies being skewed to the advantage of powerful forces and drowning out the needs and voices of the common citizen. The World Bank president also raised the controversial topic of enhancing 'sin taxes' and presented the enormous health benefits of making tobacco products increasingly unaffordable.

Though agreeing with him was politically correct for many of the finance ministers present, it needs to be seen how many will walk the talk and take on the powerful tobacco lobbies. Focus on women entrepreneurs and creating platforms to pro-

mote them is being spoken about for some time now. But it should gain more legitimacy and momentum, now that these institutions have provided formal space. This welcome change needs to be reflected in clear and specific policies at the country level and presents a unique opportunity for India, as the untapped potential in millions of Self Help Groups is waiting to be unleashed.

Going by the past, one is hesitant to believe that all these major shifts will get operationalised immediately or if these agencies will be de-politicised soon. For too long have policy debates been distorted by over-emphasis on incomes alone. It is indeed a welcome move for these institutions to focus on other deprivations like poor health, lack of education, stunting, social exclusion and unemployment which reflect in poor human capital within nations. It is in this context that India needs to present a re-fashioned narrative and look to building human and social capital of its citizens rather than get lost in the debate over the state of the economy and mere GDP numbers. (The writer is founder, *Savami Vivekananda Youth Movement*, and visiting professor, *Cornell University, USA*)