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CLOSING REMARKS AND PRESENTATION OF HUMAN DEVELOPMENT FLAGSHIP REPORT

Eeshani Kandpal: You can continue these conversations at lunch after the next event, but not right now. But yes, please leave the stage. Okay, so while we work in that transition, we are at the last event of this fantastic conference. And that is going to be a fireside chat between Mamta Murthi, who is the People Vice President of the World Bank, and David Evans, who is a Senior Fellow and newly-minted Program Director of the Education Program at the Center for Global Development. They will speak until about 1:00, and we'll go directly to lunch after that, and you'll have a chance to continue these conversations. Thank you.

David Evans: All right. It's always exciting to be the final session between people and their lunches. But this has been an amazing week. I'm particularly excited to be chatting with Mamta, who is the Vice President of People now, which sounds very grand, and it is. And I'll just share. I've had the opportunity to work for Mamta for many years from when she was the Director of Operations in the Africa region, and I was working in the Africa Chief of Economist office. So we've heard a lot about human capital and human development this week, especially in the last couple of days. We've heard about education and people's movement with migration and health, which I would argue are many of the most visceral fundamental issues in development, right? Whether people have the skills to enjoy a long and lustrous life, whether there are markets for that, whether they have the food to grow up unstunted and have the full cognitive and development that comes with that. So I remember a few years ago, we were all looking at huge drops in human capital in the context of the COVID crisis. A lot of those have bounced back in a lot of places. But Mamta, to kick us off, how do we think about human capital now five years on from COVID?

Mamta Murthi: Thank you, Dave. And good afternoon, everyone. I'm really happy to have been invited, and I'm delighted that this ABCDE focused so much on human development, even though it wasn't a part of the title. I should clarify that I don't work on human resources at the World Bank. A lot of people think I do. I get emails every day from people who want to be recruited by the World Bank, and they think I'm the VP for HR, but I'm not. I cover health, education, social protection, labor markets, the Human Capital Project, gender. Great question. I would not say that human capital has bounced back from COVID, from the destruction that COVID brought. But I would say that things like primary enrollment are probably back, vaccination rates are back up. But it remains the case that many kids were out of school during COVID, and the learning assessments that have been done since COVID show that in at least two-thirds of the countries where learning assessments have been done, learning levels are not back up to where they were pre-COVID.

So there is a long-term effect on learning. And we know because learning is cumulative, it's going to take a while unless remedial measures are put in place. The second thing I would say is that COVID had a huge impact on premature adult mortality. So adults dying before they should. And those levels are still elevated. In fact, we are producing a new human capital index, which for the first time is actually going to also take into account adults... It's going to take into account human capital built post-18 years of age. And one of the shocking things that it's going to show is that in many countries, there's a destruction of human capital post-age 18 because of adult mortality. We think of... We were talking about aging, which is related to growing longevity. But it remains the case that many developing countries face elevated death rates between the ages of 25 and 55, which is how we are looking at it. So I would say that some things have improved, but there are lingering long-term effects, to which I want to add that we've just come out with a new edition of Global Economic Prospects, and the main lead is that... Growth rates are not looking that rosy for developing countries. And that means that we're going to continue to have problems in the labor market.

There are going to be many people who are not going to find jobs. Even in India, which is the bright spark in terms of growth rates, it is the case that many young people are not able to find jobs that

can give them a decent quality of life. So bottom line, things are looking up, but there are still long term issues that persist.

David Evans: So as a follow up to that, one of the things you mentioned was that we have this big destruction of human capital with learning loss. And if we don't take action towards remedial measures, that those kids will never recover. They may not recover entirely, regardless. And I think there are parallels to the other sectors we've heard about in this conference. But one of the things we've heard a lot about, for example, in the education session yesterday, is how there are fundamental issues, Violence in schools, environmental contaminants, like lead exposure. How do we think about investments in remediation, which is very important right now, versus investments in, obviously, just making sure that the next generation of kids are in violence-free schools with high-quality human capital transmission, like good foundational literacy and numeracy systems. There's a competition for resources there. How do we think about that trade-off?

Mamta Murthi: That's a tough question, but let me say this. There's a lot... The countries that have managed to do remediation have managed to do it at relatively low cost. Let me give you the example of Tamil Nadu, a province in India, the country that I come from. Even as COVID was receding, they were able to, at scale, use high school graduates. So these are not college-educated young people. Use high school graduates to read to young people after the school day is over, regularly, five days a week. They were given a little bit of training, but they read to young people in the evening in community centers and other such locations that young people could reach. The government of Tamil Nadu decided to do a baseline and measured how much the kids knew. And then they did a follow-up. I won't go into the methodology, but it looks like using these high school graduates, to whom you're paying a relatively small sum of money, and getting them to do extra instruction post-school hours, so you're not relying on the teachers in school, did allow the kids to recover in an over a six-month period, about two-thirds of what they had lost in terms of reading proficiency during COVID.

Now, this is something you can do if you are a relatively well-organized provincial government. You have some amount of civic awareness, you have a large number of high school graduates without a job who wouldn't mind receiving a stipend and can have the enthusiasm to read to young kids. So I think there are things that can be done that would remediate losses, which are not terribly costly in terms of financial resources. I think they do require political will and organizational ability, and I'm not putting a price on that. Now, you asked this other question about the other factors that impact learning, things like air pollution, the quality of water and soil. Do you invest in that, or do you invest in what's going on in school? That's how I'm interpreting your question. And one of the things we're doing is we are writing a new report where we are trying to look at this broader set of issues that impact human capital outcomes. And there's been an explosion in literature in the past 20 years on this broader set of issues. And there are things that happen in the home. There are things that happen in the neighborhood, and there are things that happen in the workplace, all of which are important for human capital outcomes.

And what this literature shows is that the effects are causal, and they can be large, depending on the context. It's... Lead contamination is not an issue everywhere. Miguel Kremer did his work on deworming, and it showed there was a huge impact because worms are a big issue in parts of sub-Saharan Africa and South Asia. So what we've done in this report is we've tried to present these other factors, these settings that are important for human capital outcomes. And unlike many World Bank reports, we don't have the answer. But what we say is, hey, shouldn't policymakers be thinking about these other factors that have large causal impacts on human capital outcomes? And we ask a lot of questions in this report. We don't necessarily provide answers. But what we're trying to do is... We're trying to rank using a traffic light system. Depending on your context, if you find some of these other factors as being very important, here'... Is it very costly? Does it require a lot of political will? Does it require a lot of organizational capacity? So it then allows policymakers to make

their own decisions about what they would emphasize, depending on their context and depending on what they find and whether they have the organizational ability and so on.

Let me just give you one example, which is really causing us to do a lot of rethinking of the work we do at the World Bank. Let me take you to the situation of the home and cognitive development of children. Now, you might say, "Oh, Mamta, this is Old Hat. We've known for the longest time, the first thousand days are really important. This is why we have Maternal and Child Health programs, and this is why we've emphasized ECD." All true. But what a lot of the literature shows is that in addition to whether your kid is born healthy and has good nutrition, cognitive stimulation really matters. It really matters how you talk to your kid. It really matters whether you read to your kid because... It's surprising, but literacy is built really early. It's built even as you're babbling as a child, even as you're beginning to just recognize things around you. So if that's the case, why is it that we... I'm not saying we shouldn't pay attention to preschool. I'm not saying we shouldn't pay attention to foundational learning. Why is it that we've given so little thought to how parents are interacting with children?

Why is this not part of the public policy lexicon in a way that it should be? So that's the question, the question that this report will ask. Similarly, it will ask questions about quality of air and soil. And by the way, I was shocked when I looked at these studies that show the huge impact of air pollution on learning outcomes. And this is not just because schools are closed in many countries when air pollution is high, but because air pollution actually affects your ability to learn, it actually affects whether your teacher shows up in the classroom and is able to give you instruction. So we conclude that there needs to be much more granular understanding about what is determining human capital outcomes in your neighborhood or your locality or your ward. And this needs to be the subject of public policy. I can see I've gone on too long, but let me quote Bob Zoellick, who yesterday said something, or was the day before yesterday, said something very interesting. He said: "We need to get out of our silos and have this horizontal awareness." And I think for human capital, we need to get out of the silo of education or health and have this awareness of settings. How is the setting, the home, the neighborhood, the workplace, determining how much human capital is built?

David Evans: I think that's very true. In just a moment, I'm going to open this up for questions. So get your questions ready. And if you're online, feel free to put those in, and I'll have access to those. I think one of the interesting things, you highlighted this role of what parents do with kids in the early years. There's this wonderful book chapter by Human Development Chief Economist here at the World Bank, Norbert Schady, and Caridad Araujo at the IDB, and others showing how a fabulous program in Jamaica that dramatically improved how parents interact with their children when there were efforts to scale that up in Colombia, in Peru, had dramatically lower impacts, not zero, but much, much lower impacts. And I think one of the big challenges is with programs where we don't have systems like schools or health centers, where we have existing systems to deliver. Sometimes those systems work, sometimes they don't. But how do we do that at scale?

Mamta Murthi: I think that's a great point. We have to think about scalability and not about very small interventions. But let me expand a little bit about why this is giving us pause. We do a lot of work on social protection. [unintelligible] yesterday spoke a great deal about that. When we do work on social protection, we have social workers who visit households regularly. In our health work, we have community health care workers who visit households regularly. Is there a case of thinking about how an existing program could be done slightly differently when you have the infrastructure in place? And by the way, these are people who are from the community. So it's not like you're bringing in somebody from the outside and asking them to support an intervention. It still means it may not work. And the solution to every problem is not a government program. I'm looking here straight at Indermit. He's very fond of saying this to those of us who work on these issues. But given the size of the effect and how important it seems to be and that governments have these programs in place, isn't there a case for seeing whether this can scale? And by the way, maybe it's going to

be most effective in the weakest context, where there's really no stimulation happening at home. Poor Jamaican households might be in that context, but I've seen even poorer contexts where it could make a difference. So what the report is doing is not saying: "Do this." It's saying: "Have you thought of this?" And also raising questions about a whole bunch of other things.

David Evans: No, I think that's really exciting. I think, especially the idea of thinking: How can we link these to systems? There was a Mexico parenting program that was rolled out in a standard, just "Hey, invite parents to these classes." Basically, nobody showed up. And then when it was linked to the now defunct Prospera program, and we saw from Tom Vogl's presentation, some of the impacts of that. But when it was linked to that program, everybody showed up because it was linked to an existing structure that involved resources. And so people had a real incentive. And you saw the child development impacts follow along. I want to open it up. Does anybody have questions for Mamta? I see one. Great. We'll take these three, one, two, three, and then come back.

Audience 1: Hi. Good afternoon. My question is what creates and sustains political will for human capital investment in a politically unstable or short term focus context?

Audience 2: My question is for Dr. Mamta. I haven't prepped my question properly, so I'm just going to say the way it's coming to my head. So I know you said the way parents interact with their children is very important, and I agree. But I also agree that it's only to a certain amount parents can interact with their children or teach them certain things because kids are always going to be faced with the outside world. So is it fair to say that social media, AI, are also affecting the parents and also affecting the way the parents are communicating with their children? Because even if the kids are not on social media, the parents are on social media. And from what we see as the youth, the older generation is picking up on certain languages where you meet a four, six-year-old who's saying something that's very trendy on TikTok, but they don't have TikTok. So it's either coming from the parents or it's coming from the kids at school. That's my question. Thank you.

Fiona Stewart: Mamta knows, [unintelligible] on aging, as Mamta knows. Just in terms of the human capital, thinking of a different slice of the population, the '50s and '60s. This is the first time, we're just talking about population, that we've had relatively healthy people in their 50s and 60s, 1.5 billion people now in their 50s and 60s. The IMF, World Economic Outlook, was... 70 is the new 50 in terms of cognitive ability. How do we make sure we make that group of people? How do we use that human capital that we've never had before? How do we make sure we use that as productively as possible?

David Evans: All right, let's go ahead and take those three. Mamta, three easy questions. How do we get the will for human capital investment? How do we think about social media and how kids are interacting with that, what the impacts of that are for human capital? And then how do we use this new resource, if you will?

Mamta Murthi: So on this question about political will for human capital, I think all the evidence I know suggests that it's such an important part of economic growth that I actually don't find it hard to make the case to ministers of finance. And I think it was the gentleman from the Migration Policy Institute who said It's so important to be talking to the ministries of finance because they are the ones who are tasked with thinking ahead while balancing the budget today. And two-thirds, I often use this figure, so I'm going to use it again. Anything between one-thirds to two-thirds of the difference in per capita income across countries can be attributed to human capital. So if you're not investing in it, I just don't see how you're going to grow. And ultimately, every country that I've worked on wants to become a rich country. So that's the case that I think that can be made. But that's just base one, right? The big problem is, well, where do we spend? Assuming that you have the money to spend, right? And the "where" do we spend is a really important question because actually the outcomes that many, if not most countries, get for the money that they spend is appallingly poor.

So I think even as you make the case, you really have to be making the case for how the money can be spent well. And there are lots of things that... There are lots of ways in which countries spend money very poorly. We had a discussion yesterday, where Shanta talked about all the teachers who are not present or in the classroom and so on, right? Or the population of the country is not even checking how the money is spent, and a lot of it might just be lost in the form of leakage. So I think we have to make the case for human capital, but also demonstrate ways in which the money can be well spent. I have a pet peeve, and I'm going to repeat it here. I'm very struck by the fact that many developing countries spend a lot on education. It can be anything between 3 to 5% of GDP. They actually spend very little on health. It's typically between 1 and 3% of GDP. And so out-of-pocket spending on health is typically very high. And to me, it just seems these things need to go together. It just seems wrong that there's this imbalance.

It's almost as if there's this belief that education will solve it all. Or it could be that teachers are very useful at the local level to win elections, and community health workers are not. There may be various reasons, but it's very striking that there is a bit of an imbalance there. On this question about parents doing it all, no, parents can't do it all. But if you believe the studies, there's a huge impact in terms of cognitive development of the kid, which persists over time, depending on what happens in the very early days. I'm talking within the first year or two. Now, kids may go on and be saying things and doing things which are influenced by social media and AI, and there's no denying that. But you're building something, you're wiring something in the brain in those early days. And of course, it's about the income of the household. And of course, it's about nourishment, but it's also about cognitive stimulation. And it doesn't require... You don't have to be a PhD to do the things that really stimulate the child and help brain growth and development. And that has to come from a parent or a caregiver.

And that's what the studies show. Now, I want to say a word about AI, because one of the things that we have been excited about at the World Bank is that in addition to causing the... We can discuss what the impact of AI is going to be on the labor market, but it is beginning to be used to improve learning in schools. It's helping coach teachers and it's helping kids with more personalized instruction. And this is not in high-income settings alone. This is happening in Nigeria. This is happening in Peru. Of course, a school needs electricity. It needs the Internet. People need devices. The teacher needs to be in the classroom. But when you have those, and you have those in many parts of the world, not all parts of the world, it can actually be a tool for improving learning outcomes. So there's that very exciting part of AI that I don't want to forget mentioning. Actually, it's just Microsoft Copilot. It's not even some customized thing. Microsoft Copilot can coach a teacher on the mistakes that she is making or he is making, because many teachers in developing countries are men and not women.

It can also help a kid in terms of helping them, meeting them where they are, giving them a little bit of that personalized instruction that allows them to improve because learning is cumulative. The aging question, and how do we use this cohort of, I don't know, 45 to 60-year-olds who are very good and are in the labor force. Well, I would just say two things. One is that in our report, one of the things that we point to is that a lot of human capital is built in the workplace. And by having so many people who are working in the informal sector, working in small firms who are not using technology, you're actually hampering the ability of people to learn on the job and to contribute more. So we are often used to thinking about firm growth and growth of small firms to medium and large-size firms as a way of employing people. But in this report, we think of firm growth as a way of educating people, of making them more skilled and more able to contribute to their economy. So that's one thing I would say, that we really need to think about the private sector and firm growth dimension of things, which we don't tend to do.

We tend to think of labor supply as something that's there and might grow a little bit over time and then declines. We never think of the role of firms in actually incentivizing improvements in human

capital. The second thing I would talk about is lifelong learning. Lifelong learning systems are really weak or nonexistent in developing countries. This is very striking to me. If you think of AI and how it's going to transform the way jobs are done, people do need to have the means of learning how to do new things. Obviously, there's a flow aspect. You're better at learning how to do new things if that's something that you have the ability to do. So it's your foundational learning. But you also need to have the means to learn about new technologies, to be able to move up the ladder, even in your same occupation or move to a new occupation. And that's the thing that worries me. It was very good to hear the example of the Philippines with this private sector, which seems to be able to expand, to give people the opportunity to learn things. But I don't think that's common everywhere, and that's something we need to think about.

David Evans: So before we wrap up, I wouldn't mind just pushing back a little bit on the point about, for example, thinking about differentials between health spending and education spending. So I would think that we wouldn't necessarily think if we spend more on education, it doesn't mean we value education more or necessarily that there's a political means to it, which there, I think, often is. But I would think about, well, what's the cost of service delivery and where are we getting the highest value return? So conceivably, one could imagine that you could value both equally, but still it would make sense to spend twice as much on health or half as much on health. That it wouldn't necessarily... It just depends on how much value you're getting from the marginal dollar in services. And you're welcome to respond to that. But I just want to give you... This conference is Development in the Age of Populism. A lot of countries seem to be turning inward. Just a final word from you about how we make the case. You said it's relatively easy to make the case. I'd agree. 15 years ago, the Economic Growth Commission, chaired here at the World Bank, said there is no example of a sustained period of economic growth without broad-based investments in human capital. It just doesn't exist. You can find little bursts, mostly driven by resources, people finding oil, but it doesn't endure. But clearly, there are some governments that aren't listening to that case these days, especially international donors. And so is there something we need to change about how we talk about human capital to make that case more strongly? Last word.

Mamta Murthi: So I think there's always been an element of appealing to the self-interest of the donor in making the case for aid. It may not be overt, but it's always been there. And we're good at doing this. This is how the case has been made for aid for the longest time. So I think one has to... And this might be a different moment, although I think questions about aid have been there for the longest time. So I think one has to appeal to the interest of the donor, the self-interest of the donor. I think there's a very strong economic case that can be made. It's helpful to the donor if there is economic growth in other parts of the world. It helps with markets. And we just talked about migration, right? There's concern about the illegal flows. There's concern about asylum seeking. Well, if there were opportunities, I think you could make the case that if there are opportunities in other parts of the world, you would see less of this. Now, some people shy away with making the self-interest case, but I think it's possible to strike that balance between making the case based on the donor's self-interest and yet having a conversation that is broader.

It doesn't have to be one or the other. Again, I want to go back to what Bob Zoellick said, which struck me. And he said that, well, look, multilateral institutions such as the World Bank are a place where you can have the interests of many different shareholders discussed. So I feel we could have a conversation about aid which speaks to the self-interest of donors and at the same time speaks to the needs of developing countries. So I don't think this is an "either/or". It can be done. At the same time, I think the performance of the development agency really matters. One of the reasons why people don't like development assistance is because they say: "Well, these development agencies don't do anything. They're bureaucratic, they are over-dimensioned, they're not transparent". So we could do a lot on that front, too. That's another way of making the case for development assistance. We could be more transparent about what we do. We could talk much more about results and impact. I know that it's very hard to measure productivity in the public sector, so it's hard to

talk about performance, but surely, with all these minds in the room, we can get better at doing that.

Actually, we have to get better at doing that. We should also talk about results and what we achieve. That, again, requires some careful thinking. It's not a straightforward exercise, and we could do much better at doing that. Finally, I think the data that Çağlar put up was so compelling. I think we have to talk about the fact that we are living in a world where we can talk about many crises, conflicts, climate, and so on. But we're talking about a world where most of the growth in population is going to happen in sub-Saharan Africa and a little bit in South Asia. And these are the parts where 7 out of 10 kids can not read with comprehension at age 10 a paragraph in their mother tongue. That's a big issue. It's a big global issue. If we're thinking long-term, like many ministries of finance are doing in developed countries, this is something that they should be thinking about, right? So I think by appealing to self-interest, talking about some of the big challenges that everybody has to be concerned about, you'll notice that I didn't talk about pandemic preparedness, which is something we could talk at great length about having just come out of COVID. How are we going to respond to something like that if we're not thinking about it collectively? And finally, by improving our own performance and being transparent about what we do and what results we have, I think we can make a good case.

David Evans: Thank you so much, Mamta. I'd like to invite everybody to give a hand to Mamta Murthi, Vice President of People. If you need a job at the World Bank, you know who to reach out to. Thank you so much. And we'll invite Eeshani to come back and tell us what's next.

Eeshani Kandpal: Thank you. We are done with the scheduled programming. I think you'd like to close us out. Thank you so much, David and Mamta.

Intermit Gill: So I have this short, pleasant, but a very important task to actually thank all the people who have made this happen. Before that, the thought that struck me as Mamta was speaking, I was looking at our topic, which was development in the age of populism. And I was thinking, Mamta, that maybe we need to think about this balance between global public goods and national public goods. When I think about national public goods, I can't think of a more important one than human capital because it has these massive externalities on the health side as well as on the skills and education side and so on. I think that at the time when we are talking about a shift also in the way the development agencies work, the shift from essentially aid to essentially development finance and trade and investment and migration flows and so on. I think that one has to think whether or not we've got this balanced right. And I think over the last few years, maybe we didn't. And so we need to correct all of that. But we need to think about all of that stuff. I really enjoyed this conference.

And normally when you host something, you don't enjoy it because you're very... You are quite tense about it and so on. But the team that has put this together just took away all of the worry from me and from the others. So I want to thank them. So the first group of people I want to thank are the people from the LKY School of Public Policy, especially Danny Quah. The second group. The second group I want to thank are the people from the Center for Global Development. And I'd like to thank Mark Plant, Markus Goldstein, Janet Hodder, Shannon Hutchins, Tara Brigham, Valencia Meredith, Stephanie Donoghue, Eva Bianco, and especially Eeshani Kandpal. And then from the World Bank Group, I'd like to thank Joe Rebello, Indu Kilaru, Lizette Romo, Gero Carletto, Karolina Ordon, Kristen Milhollin, Mariana Lozzi, Punthip Chindalat, Gaurav Nayyar, Carolyn Fisher, Assem Kalenova, and especially Kenan Karakulah. Finally, I'd like to thank all of you because you could have all of these things, you could have this great party, and if nobody came, it would be a terrible party. So thank you very much. With your eyes and your expressions and your questions, you really made this conference a big success. Thank you so much.

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