Investing in Human Capital for a Green, Resilient and Inclusive Recovery

On April 5, 2021, ministers of finance and planning, together with high-level government officials and development partners from the 81 HCP member countries, participated in the Human Capital Project Ministerial Conclave to discuss the importance of investing in human capital for a green, resilient and inclusive recovery from the COVID-19 crisis.

Since the 2020 Annual Meetings, the Human Capital Project network has welcomed three new members, the Republic of Lithuania and Kyrgyz Republic, and Kosovo, and will grow further in early 2021. The Ministerial Conclave facilitates knowledge sharing among the members of finance and planning as well as the senior government officials who make the human capital policy dots across the HCP country network.

In his opening remarks, David Malpass, President, World Bank Group highlighted the importance of investing in the Human Capital Project.

- Investing in people: Countries must act immediately to protect people and their livelihoods adversely affected by the pandemic and formulate measures to address longer-term human capital vulnerabilities and deficits.
- Efficient expenditures and good governance: High-level learning and effective coordination will be required to increase spending efficiency and effectiveness. Good governance can help improve service delivery by harnessing advancements in technology.
- Freeing up fiscal space: Prioritizing human capital investments means freeing up “trapped” fiscal space. For example, some countries may consider reducing energy subsidies in fuel and transfers to the poor while others could improve revenue systems to support growth and investments. Consciously, international financial assistance will be needed to help fund priorities including human capital investments.

The approach proposed, Investing in Human Capital for a Resilient Recovery: The Role of Public Finance, framed the Conclave and stimulated rich discussions around four important themes.

Restoring Human Capital
- Inclusive investments in health, early childhood development, working, and workers economic empowerment can contribute to an inclusive, resilient, and sustainable recovery. To reach vulnerable segments of the population, the Philippines accelerated its national IECO program to support financial inclusion, vaccine distribution and the expansion of cash transfers. Egypt broadened the scope of its social safety net program, Social Safety Net Seta, to reach more women and young pregnant women and other informal sector workers. Kenya provided cash transfers to people with disabilities and the elderly.
- Cross-sectoral interventions are critical to improve human capital outcomes across the life cycle. With a strong commitment to the work early, Japan approved the Accelerating Mother and Child Health Program, which provides cash transfers to enhance child health and nutrition for mothers and their children. The program also introduced a subsidy feeding program in 500 schools in rural Eastern Madagascar multiplied its budget for schools more than ten-fold, focusing on school meal programs, teacher support, and so on. In an early example of government-driven digitalization, the government of Bangladesh’s多媒体 সিভিল প্রভূতি সমন্বিত শিক্ষা উন্নতি সাধনা প্রকল্প (Single Registry for Social Protection) and National Intelligence, Social Protection and Revenue Systems, demonstrated.

Promoting Economic Opportunities While Ensuring Environmental and Fiscal Sustainability
- Good governance is required to translate fiscal policies into human capital outcomes. Indonesia increased toward performance-based budgeting for greater budget transparency and social sector budgeting. Indonesia offered insights on improving allocative efficiency, such as internet connectivity and comprehensive subsidy reform, to improve human capital outcomes. Both India and Indonesia emphasized fiscal correlation in revenue returns and representation of expenditures on human capital and climate change for a more sustainable human capital recovery. Egypt partnered with the HCP to reach vulnerable populations and improve service delivery.
- Securing resources for human capital priorities especially during fiscal adjustments. To ensure a resilient human capital in the Philippines, the Philippines approved the Accelerating Mother and Child Health Program, which provides cash transfers to enhance child health and nutrition for mothers and their children. The program also introduced a subsidy feeding program in 500 schools in rural Eastern Madagascar multiplied its budget for schools more than ten-fold, focusing on school meal programs, teacher support, and so on. In an early example of government-driven digitalization, the government of Bangladesh’s多媒体 সিভিল প্রভূতি সমন্বিত শিক্ষা উন্নতি সাধনা প্রকল্প (Single Registry for Social Protection) and National Intelligence, Social Protection and Revenue Systems, demonstrated.

Crisis as an Opportunity
- Throughout the Conclave, countries highlighted their determination to utilize the crisis as an opportunity to accelerate reforms.
- a. The SAP 0.2 in Ethiopia helped to lay the necessary infrastructure for online education as schools faced closure. The social protection system enabled the transition toward performance-based budgeting with greater budget transparency and social sector budgeting. Indonesia offered insights on improving allocative efficiency, such as internet connectivity and comprehensive subsidy reform, to improve human capital outcomes. Both India and Indonesia emphasized fiscal correlation in revenue returns and representation of expenditures on human capital and climate change for a more sustainable human capital recovery. Egypt partnered with the HCP to reach vulnerable populations and improve service delivery.
- b. Countries such as Philippines, South Africa, India and Indonesia, utilized the crisis as an opportunity to accelerate financial inclusion, protect livelihoods, improve education and health infrastructure and incentivize the use of renewable energy.

As the session came to a close, Mari Pangestu, Managing Director of Development Policy and Partnerships, World Bank Group highlighted the determination of the HCP countries to utilize the crisis as an opportunity to accelerate reforms.

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