



PANEL OF PM, CJI, LOP TO PICK CEC, SAYS COURT

A Constitution Bench of the Supreme Court on Thursday directed in a landmark judgment that the Chief Election Commissioner (CEC) and Election Commissioners will be appointed by the President on the advice of a panel of the Prime Minister, Leader of the Opposition (LoP) in the Lok Sabha or the leader of the single largest party in Opposition and the Chief Justice of India (CJI).

The court said "fierce independence, neutrality and honesty" envisaged in the institution of the Election Commission requires an end to government monopoly and "exclusive control" over appointments to the highest poll body.

Panel of PM, CJI, Oppn. Leader to pick CEC: SC

The court said the high-powered committee would continue to advise the President on the appointment until Parliament enacts a law on the appointment process of Election Commissioners. CECs and Election Commissioners have so far been appointed by the President on the advice of the Prime Minister.

The judgment came on petitions filed through advocates Prashant Bhushan, Kaleeswaram Raj, Ashwini Upadhyay and senior advocate Gopal Sankaranarayan for an accountable and transparent appointment process. The judgment has now brought the appointment process of CECs and Election Commissioners on a par with that of the CBI Director.

Justice K.M. Joseph, who authored the lead judgment for the five-member Bench, said the EC requires "honest, independent" Commissioners who could distinguish right from wrong, those who can "ordinarily and unrelentingly take on the high and mighty and persevere in the righteous path". In a separate opinion, Justice Ajay Rastogi added that the procedural safeguards in place for effecting the removal of a CEC should be extended to the Election Commissioners under the first proviso to Article 324(5) of the Constitution. A CEC, like Supreme Court judges, can be removed from office only by way of impeachment. However, no such protection of tenure is available to the Election Commissioners.

In his judgment, Justice Joseph said that in a substantive democracy, the power to vote is "more potent than the most powerful gun". People depend on an honest Election Commissioner, blessed with extraordinary powers, to

guard the purity of the electoral process. "...A person who is weak-kneed before the powers that be cannot be appointed as an Election Commissioner. A person who is in a state of obligation or feels indebted to one who appointed him, fails the nation. Such a person cannot have a place in the conduct of elections which forms the foundation of democracy..." Justice Joseph wrote.

"...There is a crucial link between the independence of the Election Commission and the pursuit of power by parties, their consolidation and perpetuation... An insatiable quest to continue in the saddle requires a pliable Election Commission who functions as an unfair and biased overseer of the electoral process which lies at the very heart of democracy..." Justice Joseph observed.

Funds and autonomy

The court further made a "fervent appeal" to Parliament and the Union government to set up a permanent secretariat which draws its expenses directly from the Consolidated Fund of India and not the government. "One of the ways the Executive can bring the EC to its knees is by starving it off requisite finances much needed for its independent functioning... A vulnerable Commission, faced with the prospects of lack of funds, may kneel to the pressure of the Executive..." Justice Joseph said.

GDP GROWTH MAY BEAT 7% THIS FY: CEA

Upbeat bet

CEA Anantha Nageswaran is betting GDP growth this fiscal will surpass the projected 7% pace as data gets revised upwards



■ CEA says he believes that the current year's (GDP numbers) are more likely to be revised upward than downward

■ Real GDP in FY23 is estimated by NSO at ₹159.71 lakh crore vs. first revised estimate for FY22 of ₹149.26 lakh crore

■ Real interest rate is not very high at the moment, there is pent-up demand in some sectors, says the CEA

High frequency indicators and pace of recovery suggests greater likelihood of upward revision of GDP numbers, asserts Nageswaran; contends the rising interest rates simply reflects the fact that there is healthy underlying demand for credit

Chief Economic Advisor V. Anantha Nageswaran on Thursday expressed hope that GDP growth for the current fiscal will exceed the projected 7% in view of the expected revision of high frequency data. On Tuesday, the National Statistical Office's second advance estimate maintained its January growth projection of 7%. "Given the high frequency indicators and the pace at which they are recovering, I do believe that the current year's (GDP numbers)... are more likely to (be) revised upward than downward," he said. Real GDP or GDP at constant prices in the year 2022-23 is estimated at ₹159.71 lakh crore, as against the first revised estimate for 2021-22 of ₹149.26 lakh crore. The growth in real GDP during 2022-23 is estimated at 7%, compared with 9.1% in 2021-22, the NSO had said. Growth slowed to 4.4% in the October-December quarter, mainly due to a contraction in the manufacturing sector, as per the data released by the NSO. On Tuesday, the NSO revised GDP growth data for the last three fiscal years and also released the second advance estimate of GDP for 2022-23. While the growth rate for 2021-22 has been revised up by 40 basis points to 9.1% from 8.7%, the change in GDP for 2020-21 too has been revised upwards to (-)5.8% from (-)6.6%. Mr. Nageswaran said rising interest rates need not necessarily be a cause of lower growth but simply reflected the fact that there was healthy underlying demand for credit.

'Pent-up demand'

Real interest rate was not very high at the moment, he said, adding there was pent-up demand in certain sectors.

About rural inflation remaining high, he said it did not take into account the fact that bulk of the population may be getting food grains at zero cost.

BLINKEN, LAVROV MAKE 'CONTACT' ON THE SIDELINES OF G-20 FOREIGN MINISTERS' MEET



Antony Blinken speaking during a press conference on the sidelines of the G-20 Foreign Ministers' meeting in New Delhi. REUTERS
This was the first meeting between the top U.S. and Russian diplomats since the Ukraine war began last year; U.S. State Secretary says he raised the war and Russia's withdrawal from New START with Lavrov; Russia says there was no 'full-fledged meeting' and that the U.S. asked for the contact

Aside from their differences over the Ukraine war, U.S. Secretary of State Antony Blinken and Russian Foreign Minister Sergey Lavrov also differed over the nature of a "brief" encounter the two leaders had in Delhi on the sidelines of the G-20 Foreign Ministers Meeting (FMM) on Thursday.

Mr. Blinken said he had raised substantial points on the war and other issues with Mr. Lavrov during their meeting at the Rastrapati Bhavan Cultural Centre where the FMM was organised and chaired by External Affairs Minister S. Jaishankar. However, when asked, Mr. Lavrov dismissed any meeting as a "corridor conversation" and the Russian Foreign Ministry said it was simply a "contact" between the two leaders that had been requested by Mr. Blinken.

This was the first meeting between the top U.S. and Russian diplomats since Russia started its "special military operation" in Ukraine on February 24 last year.

Return to talks

"I spoke briefly with Lavrov today. I urged him to return to negotiate the START treaty. I raised the wrongful detention of American prisoner Paul Whelan in Russia. And I asked him to end the war in Ukraine," Mr. Blinken told journalists at a press conference in New Delhi. Paul Whelan is a former U.S. Marine who was convicted in June 2020 on espionage charges in Moscow. However, the Russian Foreign Ministry spokesperson had a different account. "U.S. Secretary of State Antony Blinken asked for contact with Foreign Minister Lavrov. During the second session of G-20 meet, they had contact. There were no talks or full fledged meeting," Russian spokesperson Maria Zakharova said here.

In back-to-back conferences, the U.S. and Russian foreign Ministers traded sharp comments at each other, blaming Moscow and Washington, respectively, for the impasse in the Ukraine war one year after it began.

When asked about the "democratic backslide" in India, Mr. Blinken said India and U.S. are two democracies and they have to hold themselves accountable to the core values of democracy. "We regularly engage with our Indian counterparts on the issue, as I did with Jaishankar today," the U.S. Secretary of state said. Talking about the restrictions that have been placed on U.S. NGOs in India, he said, "When it comes to restrictions on NGOs, we raise with our Indian counterparts the necessity of allowing all NGOs to do their work without restrictions, and this comes up in our conversations regularly."

Issuing a stern warning to China, Mr. Blinken said that if China were to assist Russia militarily or subvert sanctions imposed on Russia, it would be a serious problem and 'there would be consequences'. Replying to a question from The Hindu on the future of G-20, he said that as long as there's a consensus that includes all the members of the G-20 minus two, the process can still go ahead, even if there is no joint communique at the leaders' summit in September.

In the G-20 Foreign Ministers Meeting in Bali last July, Russia faced criticism for its Ukraine campaign. Mr. Lavrov maintained a tough posture against the West accusing it of staying quiet during NATO's campaign against Yugoslavia, Libya, Afghanistan and the U.S. invasion of Iraq.

INDIA, CHINA DISCUSS LAC SITUATION AS JAISHANKAR MEETS COUNTERPART QIN



Easing ties: External Affairs Minister S. Jaishankar with Chinese Foreign Minister Qin Gang on the sidelines of the G-20 Foreign Ministers' Meeting in New Delhi on Thursday. PTI

External Affairs Minister S. Jaishankar said on Thursday he had discussed the "abnormal" current state of relations with China and the situation along the Line of Actual Control (LAC), as he held bilateral talks with visiting Chinese Foreign Minister Qin Gang.

The meeting — a first between the two Ministers, with Mr. Qin having been appointed in December 2022 — was focused on addressing "challenges in the bilateral relationship" and specifically the peace and tranquillity on the border, Mr. Jaishankar said, adding that both also discussed the G-20 agenda. "The thrust of our talks was on challenges in the bilateral relationship and the peace and tranquillity at the LAC," he said. "Our talks were about the current state of our relationship which many of you heard me describe as abnormal, those were among adjectives that I used in the meeting. There are real problems that need to be discussed openly and candidly and that is what we did today."

Last week's meet

The two sides last week held their first in-person high-level border talks in more than three years, with Joint Secretary (East Asia) in the Ministry of External Affairs Shilpak Ambule travelling to Beijing for the 26th meeting of the Working Mechanism for Consultation and Coordination on India-China Border Affairs. The two sides discussed proposals for disengaging in two remaining friction areas to create conditions to "restore normalcy" in relations, and agreed to hold the next round of talks between senior military commanders at an early date.

Mr. Qin, in his remarks to the G-20 Foreign Ministers' meeting, called for the grouping "to practise true multilateralism, uphold the UN-centred interna-

tional system and the international order based on international law, and observe the basic norms of international relations underpinned by the purposes and principles of the UN Charter.”

“No one should engage in power politics or even bloc confrontation,” he said, adding that “global development and prosperity cannot be achieved without a peaceful and stable international environment.” “With this in mind, China has put forward the Global Security Initiative, and issued the position paper on the political settlement of the Ukraine crisis. China will always stand

on the side of peace, actively promote peace talks, and play a constructive role.” ‘New paradigm’

In bilateral talks with Russian Foreign Minister Sergey Lavrov on the sidelines of the meeting, both sides hailed the closeness of their strategic partnership, which the two countries have recently described as being the best period in their history. Mr. Qin told Mr. Lavrov relations had “set a new paradigm for a new type of major power relations,” the Foreign Ministry in Beijing said in a statement, and on Ukraine, criticised those who were “pouring oil on the fire”.

DIVISIONS BETWEEN THE WEST, RUSSIA-CHINA DERAILED A JOINT STATEMENT AT G-20 MEETING

Before the business: Prime Minister Narendra Modi and Russian Foreign Minister Sergey Lavrov on the sidelines of the meeting. AFP

U.S. Secretary of State Antony Blinken and Russian Foreign Minister Sergey Lavrov exchange sharp words despite PM Modi's appeal to rise above differences; India issues Chair's Summary naming Russia and China for not joining consensus on Ukraine, from Bali document

Deep divisions between the United States-led Western countries and the Russia-China combine upended India's attempt to forge a consensus at the G-20 Foreign Ministers' Meeting on Thursday.

The meeting in Delhi, which brought together the world's 20 most-developed economies, saw sharp words exchanged by U.S. Secretary of State Antony Blinken, Russian Foreign Minister Sergey Lavrov and a number of other Foreign Ministers, despite an appeal from Prime Minister Narendra Modi at the start of the meeting to “rise above differences”.

“We should not allow issues that we cannot resolve together to come in the way of those we can,” said the Prime Minister in a reference to the divide over the Ukraine war, adding that he hoped that the meeting “in the land of Gandhi and the Buddha” would inspire the G-20 delegates to “focus not on what divides us, but on what unites us”.

‘Not an easy task’

“Our task was not an easy one given the state of polarisation in the world and we were not able to reach a complete consensus as we and a group of countries were able to do in Bali,” External Affairs Minister S. Jaishankar said, disagreeing with the mediapersons who asked if he was “disappointed”.

Eventually, the meeting chaired by Mr. Jaishankar ended with a “Chair's Summary and Outcome Document” issued by India, which, like the G-20 Finance Ministers' Meeting last week, named Russia and China as the reason the two paragraphs (three and four from G-20 Bali Document of 2022) pertaining to the war in Ukraine could not be reconciled.

Bali declaration

Explaining the decision to shun language on Ukraine that he had

accepted last year, Mr. Lavrov said, “The Bali Declaration took place half a year ago. A lot of events took place since then,” indicating the Ukrainian President's announcement that he no longer would adhere to the Minsk Agreements with Russia, and pointing to the explosions on the Nord stream energy pipelines that Russia blames the U.S. carried out.

As the Indian negotiators failing to convince their Russian and Chinese counterparts to sign on to the language of last year's joint communique in Bali is a setback, New Delhi will have to do some heavy diplomatic lifting in the next few months, in order to have a joint communique at the G-20 leaders summit in September. However, Mr. Jaishankar pointed out that despite the differences, negotiators who tried to resolve issues by working through the nights on February 28 and March 1, had been able to achieve consensus on all issues of concern to the Global South.

U.S. response

Agreeing with Mr. Jaishankar, U.S. Secretary of State Antony Blinken said that the lack of a joint communique at the Foreign Ministers' Meeting or going forward at the G-20 leaders summit was not an “issue” if there was consensus between most countries.

“As long as there's consensus that includes all the members of the G-20 minus one or two, and they commit to implementing it, the process can still go ahead,” he said in response to a question from The Hindu.

The conference, however, also witnessed a few dramatic moments when the video feed that was not meant for the media was briefly telecast that showed the British Foreign Secretary James Cleverly criticising Russia for President Vladimir Putin's military campaign against Ukraine, before it was abruptly cut.

Delivering his speech in which he strongly articulated the Russian position on the Ukraine war, Mr. Lavrov “apologised” to the Indian hosts on “behalf of the West” citing “indecent behaviour” by a few Western delegates at the meeting of the Finance Ministers and Central Bank Governors on February 24 where the Russian delegation was reportedly heckled and intimidated by a Western official over the situation in Ukraine.

INDIA, ITALY ELEVATE TIES, SIGN MOU ON DEFENCE COOPERATION

Ending the chill in the bilateral relationship in the past few years, in what Foreign Secretary Vinay M. Kwatra described as “legacy issues” now behind, India and Italy on Thursday announced the elevation of the bilateral relationship to the level of strategic partnership while also concluding a memorandum of understanding (MoU) on defence cooperation.

“Today, we are announcing the establishment of a ‘Startup Bridge’ between India and Italy. Another important area of our mutual cooperation is defence. We have also decided to organise the joint military exercises and training courses on a regular basis,” Prime Minister Narendra Modi said in a joint press statement after bilateral talks with Italian Prime Minister Giorgia Meloni.

Welcoming Italy's active participation in the Indo-Pacific, Mr. Modi said Italy had decided to join the Indo-Pacific Ocean Initiative (IPOI). “This will enable us to identify concrete themes for enhancing our cooperation in the Indo-Pacific,” he stated

The two countries also concluded a Declaration of Intent (DOI) on migration and mobility.

Raisina Dialogue

Delivering the inaugural address of the 8th Raisina Dialogue organised by Observer Research Foundation jointly with the Ministry of External Affairs, Ms. Meloni said global interconnection has enabled our economies to grow and flourish but it comes at a cost especially in times of turbulence in international community.

On the war in Ukraine, she said it is a violation of the fundamental principle of global order that enables the international community to thrive.

“Russian attack is not simply an act of war or a localised act. It's an act against territorial integrity of a sovereign nation in violation of the fundamental principle of the global order that enables the international community to thrive,” Ms. Meloni said.

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EC HAVING TENURE BELOW 6 YEARS BREACH OF LAW: SC

The Supreme Court on Thursday held that the appointment of an Election Commissioner for a tenure of less than six years is in “clear breach” of law. The court’s observation came while discussing the designation of Arun Goel as an Election Commissioner. Mr. Goel has a term of a little over five years.

“The philosophy behind giving a reasonably long stint to the appointee to the post of Election Commissioner or the Chief Election Commissioner is that it would enable the officer to have enough time to... be able to assert his independence...,” the court observed.

DATA DISSONANCE

Policy makers must buttress domestic demand to drive growth

The National Statistical Office’s latest release of GDP data estimates a further deceleration in growth in the October-December 2022 quarter, a slowdown that the government’s Chief Economic Adviser (CEA) has attributed largely to an upward revision in the year-earlier period’s figures. Gross domestic product is posited to have expanded by 4.4% from the year-earlier quarter, an appreciable deceleration from the 6.3% pace logged in the preceding three months and lagging the 5.2% growth of the October-December 2021 period as well. Gross Value Added (GVA) growth slowed to 4.6%, from the second quarter’s 5.5%, as the estimates for manufacturing suggested a continuing contraction (minus 1.1%), albeit narrower than July-September’s shrinkage (minus 3.6%). Sequentially too manufacturing appears to have shrunk (minus 2.4%). Growth in three of the five services sectors including the crucial trade, hotels, transport and communications as well as the financial, real estate and professional services categories also slowed sharply from the second quarter, signalling that the pent-up demand seen in the contact-intensive sectors, which had been worst hit by the COVID-19 pandemic, had begun to wane. On the expenditure front, the mainstay private final consumption expenditure lost some momentum with its percentage share of overall GDP easing to 61.6%, from 63% in the year-earlier quarter. That this happened in the traditional festival quarter when consumption

usually peaks ought to be cause for concern and suggests that the relentless pace of retail inflation is eroding consumptive capacity.

The CEA, however, has suggested that if the year-earlier manufacturing output data used to calculate the year-on-year growth had remained unrevised, the sector would have actually logged an expansion of 3.8%, instead of the 1.1% shrinkage that the NSO estimates show. Similarly, he has asserted that private consumption spending would have logged third-quarter growth of about 6%, instead of 2.1% that the latest NSO release indicates, if the data prior to revision had been used instead. Still, even at 6%, consumption spending growth would lag the second quarter’s 8.8% expansion, making it clear that momentum is flagging. Gross fixed capital formation, which reflects investment by businesses in new capacity, contracted sequentially, with its share of GDP slipping to 31.8%, from 34.2% in the July-September period. With global demand weakening considerably and unlikely to recover over the course of 2023, and the risks from likely unfavourable weather conditions raising uncertainty over farm output in the coming months, policy makers will need to do all they can to buttress domestic demand. That the data revisions have essentially made it that much harder to draw meaningful conclusions, spotlights the challenges to crafting policy solutions, as top central bank officials have frequently pointed out.

POSITING INDIA’S STAND ON THE UKRAINE WAR

Stanly Johny

On February 23, 2023, on the eve of the first anniversary of Russia’s invasion of Ukraine, the United Nations General Assembly (UNGA) adopted a resolution, calling for an end to the war. The resolution was favoured by 141 members and opposed by seven, while 32 states abstained. Unsurprisingly, India was one among the 32. This is in line with the position India has been taking on the Ukraine crisis from the beginning. India has refused to condemn Russia for the invasion; it has refused to join the West’s sanctions; has stepped up buying Russian fuel at a discounted price, and has consistently abstained from UN votes on the war.

India’s position has triggered sharp responses in the West. Before the war, there was much debate among the global strategic commentariat about India’s irreversible shift towards the West. However, after the war began, many wondered why the world’s largest democracy did not condemn Russia. For some others, India was “financing” Vladimir Putin’s war by buying Russian oil. Why did India take a different line from that of its partners in the West? To understand India’s position, one has to look at how India sees the war.

Democracies versus autocracies

For U.S. President Joe Biden, as Simon Tisdall argued in *The Guardian* (“Outdated and out of time ...”, February 26), this is a global crusade for democracy. He called the Russian invasion “a test for the ages”. For the Atlanticists in general, the war by an authoritarian Russia on a “democratic” Ukraine is an affront to global democracy. According to this narrative, anything less than a complete Russian defeat would mean “the end of the international order”. So, to save global democracy, the rules-based order and international law, all democratic and law-adhering states should take a position against Russia and join the western coalition.

Is this a battle between democracies and autocracies? Granted, an overwhelming majority of nations have supported UNGA resolutions calling for the war to be brought to an end. But beyond the UN votes, the U.S. has hardly managed to mobilise democracies outside its traditional western alliance system against Russia. India and South Africa, large democracies from Asia and Africa, have consistently abstained from votes at the UN and refused to join the sanctions — because the sanctions were unilateral, imposed by specific countries or blocs, without UN approval. Brazil, the largest democracy in South America, has not joined the sanctions; so have many smaller democracies (and non-democracies) across geographies. Even some countries that are part of the western alliance system, say Israel and Turkey, are reluctant to join Mr. Biden’s crusade. Most of these countries see the war as a European problem between

two former Soviet countries with its roots going back to the end of the Cold War. For them, it is less about global democracy than the post-Cold War security architecture in Europe.

Morality versus national interests

Even if this is not a war between democracies and autocracies, there is still the question about morality. There is no doubt here that Russia has violated the sovereignty of Ukraine. And Russia’s annexation of Ukrainian territories is a clear violation of international laws. So, how can countries such as India ignore this fact and move on? India has repeatedly stated in the UN that the sovereignty and territorial integrity of all countries should be respected. But a key dilemma before any country in international relations is that when it comes to specific actions in the event of a clash between moral positions and national interests, it is about which path they should take.

For the U.S. and much of Europe, there is a convergence of their moral positions and foreign policy objectives in the case of the Ukraine war. The U.S. wants to “weaken” Russia, as U.S. Defence Secretary Lloyd Austin said, and Europe wants to make Russia’s invasion costly so that they believe Moscow would be deterred in the future. So, the moral line they take serves their strategic purpose. However, this position has hardly been consistent especially when there are clashes between values and interests.

In 2003, the U.S. launched its illegal invasion of Iraq, violating the country’s sovereignty. In 2011, the North Atlantic Treaty Organization (NATO) turned a UN Security Council resolution to establish a no-fly zone in Libya into a full-scale invasion. Right now, the U.S. has illegally placed its troops in Syria. Or, take the case of Israel, which has illegally annexed East Jerusalem and Syria’s Golan Heights and keeps building illegal Jewish settlements in the occupied West Bank. The U.S. has recognised Israel’s annexation of Golan and moved its embassy to Jerusalem. While Russia is being pounded with sanctions, Israel is getting billions worth of military aid every year from the U.S.

Another case is that of Turkey, a NATO member, which has illegally seized Syrian territories but faces no international ire.

In other words, when there was a divergence between national interests and moral concepts, the West, without qualms, embraced the first. Then why should not emerging countries such as India put their national interest at the core of their policy making? But it does not mean that India should completely side-step the moral question. In 2003, when India came under considerable pressure from the George W. Bush administration to send “peacekeeping troops” to an American-occupied Iraq, it was an emphatic no from the then government under Prime Minister Atal Bihari Vajpayee. Likewise, India, by no means should

help Russia militarily in the Ukraine war.

What New Delhi wants

So, what are India's national interests here? Ties with Russia, a historical partner, are important for India in many ways. One is energy — discounted fuel coming in from Russia is a relief for India, the world's fifth largest economy, that meets over 80% of its fuel needs through imports. But the energy ties are largely opportunistic — even if supplies from Russia are disrupted, India could find alternatives for a higher price. Defence supplies, however, tell a different tale — Russia has fulfilled over 46% of India's defence needs in the last five years. There is a sound argument that India should diversify its source of defence imports, but such a change would take time.

Third, at a time when Russia is deepening its ties with China, which is India's main competitor, India should ask itself whether it should retain its leverage over Russia through existing ties or lose it completely by joining the western coalition over moral commitments.

Furthermore, to manage its continental interests and tackle its continental security concerns, India has to work with powers in the Eurasian landmass where the U.S. is practically absent, especially after its disastrous withdrawal from Afghanistan. Russia plays a key role in India's continental foreign policy. Lastly, what is India's preferred outcome in the Ukraine war? Neither the weakening of Russia nor the destruction nor splintering of Ukraine is in its interests. What India wants is an immediate end to the war and a new security equilibrium between great powers so that the global economy could be stabilised and the world could focus on more pressing problems — from climate change to UN reforms. So, if it wants peace and a resolution to the conflict, as Jawaharlal Nehru stated in 1957 in the wake of the Soviet intervention in Hungary, "it doesn't help calling names and condemning" any power. Instead, India should stick to its pragmatic neutrality, rooted in realism, and continue to push for a practical solution to the Ukraine crisis.

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SOUTH ASIA'S HUMAN CAPITAL IS THE RESILIENCE IT NEEDS

Martin Raiser is Vice President, South Asia, The World Bank

The last few years have ushered in a harsh new reality where crises are the norm rather than the exception. Pandemics, economic slumps and extreme weather events were once tail-end risks, but all three have hit South Asia in rapid succession since 2020. COVID-19 alone put millions of lives and livelihoods at risk, and its impacts have already undermined decades of development gains.

This is deeply distressing because the knowledge, skills, and health that people accumulate — their human capital — is a critical source of the resilience that countries rely on for recovery. To strengthen resilience and protect the well-being of future generations, governments across South Asia need to take urgent policy action and invest in human capital.

An underutilised asset

South Asia's people are its biggest asset but remain wastefully underutilised. With nearly half its population under the age of 24 and over one million young people set to enter the labour force every month until 2030, the region could reap an enviably high demographic dividend. But South Asia is also home to over one third of the world's stunted children. And a child born in the region today can, by the age of 18, expect to attain only 48% of their full productive potential. If the quantity and quality of South Asia's human capital were to improve, regional GDP per worker could double.

These numbers are jarring but will be hard to shift without more resources. South Asian governments on average spend just 1% of GDP on health and 2.5% on education. In comparison, the global average is 5.9% on health and 3.7% on education.

Against this background, the COVID-19 pandemic, which pushed an additional 35 million people across South Asia into extreme poverty, dealt an unprecedented blow to the region's human capital. Among its most woeful impacts is a rise in learning poverty, or the inability to read and understand a simple text by age 10. While around the world, on average, schools remained closed for in-person learning between 2020 and 2022 for 141 days, in South Asia they were shut for 225 days. Coupled with ineffective remote instruction, this increased South Asia's learning poverty from 60% to 78%.

The poorest and most vulnerable people fell further behind. For example, in Bangladesh, the poorest students lost 50% more in terms of learning than the richest students. Several countries still show little to no signs of recovery, and South Asia's students could lose up to 14.4% of their future earnings.

Interventions that can make a difference

While the outlook is grim, it is important to remember that well-designed and implemented interventions can make a difference if governments act fast. Recent evidence suggests that even simple and low-cost education programmes can lead to sizable gains in skills. In Bangladesh, for example, attending a year of additional pre-school through two-hour sessions significantly improved literacy, numeracy, and social-development scores. Meanwhile, in Tamil Nadu, six months of extra remedial classes after school helped students catch up on about two-thirds of lost learning linked to 18 months of school closures. And in Nepal, government teachers ran a phone tutoring programme that helped increase students' foundational numeracy by 30%.

Given the high returns to human capital, the huge losses inflicted by the pandemic, and the region's vulnerability to a variety of shocks, even with constrained government budgets, scaling up these interventions should be a no brainer.

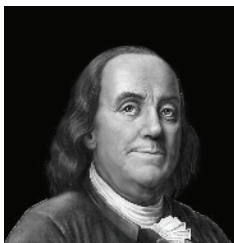
Globally, countries that have systems in place to support individuals and families before a crisis strikes, can better protect their citizens during the crisis.

A new World Bank study, "Collapse and Recovery: how COVID eroded human capital and what to do about it", which analyses the pandemic's impacts on young people, stresses the multi-dimensional and complementary nature of human development. The health, education, and skills people acquire at various stages of their lives, build and depend on each other. To be effective, human development systems must recognise and exploit these overlapping connections. In other words, they should be agile, resilient and adaptive.

Use data and technology

Such systems will help countries better respond to future shocks as well. Crises are unpredictable and often present rapidly changing circumstances. A well-functioning system is one that can spring into action the moment a shock strikes, ensure essential services such as health care and learning remain uninterrupted, and have the flexibility to evolve as needs change, such as social protection systems that ramp up to meet urgent needs. Since services are provided by different individual sectors, human development systems must be able to coordinate efficiently across sectors. Lastly, as data and technology play a crucial role in the delivery of services, human development systems should ensure they are effectively used.

The road ahead for South Asia is rocky. The next crisis may be just around the corner. A robust human development system would not only mitigate the damage but also help ensure lives and livelihoods are protected. It could provide the resilience South Asia needs to prosper in an increasingly volatile world.



*I didn't fail the test,
I just found Hundred ways to do it wrong.*

- BENJAMIN FRANKLIN

THE AFTERMATH OF SRI LANKA'S ECONOMIC CRASH

In turmoil: Police fire tear gas to disperse supporters of the National People's Power (NPP) party during a protest seeking local council election, in Colombo on February 26. AFP

As the island nation eagerly awaits a provisional IMF package to chart its path to economic stability, it is currently witnessing a new wave of protests, mainly by workers and professionals, as people's economic hardships increase. The government also faces criticism over the recent postponement of local body elections

WORLD INSIGHT

For nearly a year now, many in Sri Lanka have been fervently chanting three letters — IMF (International Monetary Fund). As the country's familiar balance of payments problem escalated last year, citizens experienced crippling shortages and painfully long power cuts. They took to the streets in a staggering mass protest and ousted the Rajapaksas, who they held responsible for their suffering. The chant, seeking IMF support, persisted through these dramatic developments. In July 2022, former Prime Minister Ranil Wickremesinghe was elected President, through an urgent parliamentary vote. One of the first tasks he set for himself was to negotiate an IMF deal to resurrect the country's battered economy. Sri Lanka entered a staff level agreement with the Fund on September 1, 2022. Looking for a bail-out Mr. Wickremesinghe recently announced that his government had completed 15 tasks prescribed by the IMF, in preparation for its assistance. The IMF's provisional \$2.9 billion package will come through by end of this month, he said. In fact, Sri Lanka had hoped to tap it by the end of last year, or at least in January this year, but the process had dragged on. One of the main reasons for the delay had to do with written financing assurances from China, Japan, and India, Sri Lanka's top three bilateral creditors. The IMF had made its programme contingent on their cooperation. India took the lead and sent its assurances to the Fund this January, with the Paris Club group of creditors, which includes Japan, following suit. China's written financing assurances alone are pending. Should the IMF package kick in later this month, either with China coming on board, or with other official lenders expressing confidence for the Fund to go ahead and clear it, Sri Lanka will see it as a critical milestone in its economic recovery. Evidently, a \$2.9 billion-Extended Fund Facility, over a period of four years, is not big money for Sri Lanka. Even after streamlining imports to save dollars, the island nation spends well over a billion dollars every month on essential imports alone. Exports totalled \$978 million in January, pointing to an enduring trade deficit. However, an ongoing IMF programme helps Sri Lanka become more credit worthy in the eye of global lenders, be it multilateral agencies like the World Bank or the Asian Development Bank, bilateral partners, or private creditors. The bankrupt nation that defaulted on its \$51-billion external debt last year hopes that with an IMF programme, it can borrow again. After falling into a cycle of indiscriminate borrowing, especially in the last 15 years, Sri Lanka finds itself in a position where its problem, and its solution, look eerily similar at this point.

Tackling corruption

What could potentially make a difference this time is the IMF's emphasis on fixing Sri Lanka's corruption vulnerabilities, which has been a rallying point for many Sri Lankan economists and policy analysts. It is corruption that led Sri Lanka to this precipice in the first place, they argue. Corruption, coupled with the state's tendency to implement "populist" welfare programmes that are "unsustainable", made the country's economy fragile over time, in their view. So much so that 16 of the past IMF agreements could not turn the tables for Sri Lanka. Critics of the IMF, a very small minority in Sri Lanka, see an IMF package as part of the problem, not the solution. They worry that the austerity measures that come attached with it will be a deadly blow to the people, especially the country's working class that is worst affected in this crisis. Apart from that, there is no raging public debate on, or popular resistance to, the IMF within Sri Lanka unlike in say, Argentina in recent times. On the IMF package, the average Sri Lankan is preoc-

cupied more with when it might come through, rather than whether the country really needs it. Even worker unions, currently protesting against the sharp increase in taxes and utility bills — introduced by the government in anticipation of the IMF programme — are resisting only the specific policy measures that are hurting them. Otherwise, they appear reconciled to yet another IMF-led reform agenda, an "inevitable, bitter pill", as it is often projected.

Food insecurity

Over the last year, poor families have been forced to reduce their food intake drastically. Soaring prices have kept eggs, fish, and meat out of reach for many, raising concern among medical practitioners over nutrition levels in the community. With inflation persisting over 50%, half of the families in Sri Lanka are forced to reduce the amount they feed their children, humanitarian organisation Save the Children found in a recent survey. Additionally, they warned of a "full-blown hunger crisis". The World Food Programme, in its January update, estimated that 33% of Sri Lankan households are food insecure. Irrespective of when the IMF programme kicks in, and how much more money Sri Lanka can borrow after that, it will be a rather rocky road before possible recovery.

The country is currently witnessing a new wave of protests, mainly by workers and professionals, as people's economic hardships increase. The government also faces criticism for the recent postponement of local body elections, even as multiple surveys point to a significant rise in support for opposition parties. But for those looking for policy coherence, such as the business community, the Wickremesinghe administration symbolises a version of stability. Democracy can wait, they contend, since economic recovery is urgent. For many others, Mr. Wickremesinghe, who lost his mandate in the last general election and rose to power with the support of the widely despised Rajapaksas' party, represents continuity of a political order they fought to change. They see election as a vital barometer that will reflect this sentiment. Meanwhile, how Sri Lanka charts its path of economic recovery will be evident in the coming months. Nearly half a century after liberalising its economy — Sri Lanka was the first in the region to do so — the country has confronted some fundamental questions, about how much it produces, how much it still imports, and how little its export basket has diversified in all these years.

These are questions that go beyond the problem of corruption. These are also questions that have a bearing on the country's overall progress, which can't be measured without factoring in the extent of inequality.

The latest Household Income and Expenditure Survey of 2019, conducted before the pandemic and Sri Lanka's crisis, showed an increase in the Gini coefficient, a measure of income distribution, to 0.46, reflecting widening inequality. The IMF has said that a key element of its programme would be to mitigate the impact of the crisis on the poor by raising social spending and improve the coverage and targeting of a social safety net.

As the government goes ahead with its austerity measures, it remains to be seen if it can support its most vulnerable citizens.

This is the first part of a series of articles looking at Sri Lanka's economic recovery and political course.

VEDHIK DAILY QUIZ

1. This document was first presented for 1950-51 and until 1964, it was presented along with the Budget. It gives a detailed report of the state of domestic economy for the current Financial Year with forecasts of the upcoming Financial Year. The Economic Division of the Department of Economic Affairs (DEA), Union Ministry of Finance, under the guidance of the Chief Economic Adviser (CEA) prepares this document. Name the Document.

2. Who currently serves as the Secretary of State of the United States of America?