

COVID crisis brings sustainable development goals into the spotlight

The COVID pandemic is undermining the progress of the society towards sustainable development goals (SDGs) because of loss to economic activity, mass unemployment and poverty. In an interview to MVIRDC World Trade Center Mumbai, Dr. Nilanjan Ghosh, Director, Observer Research Foundation (ORF) Kolkata shares his views on the impact of this pandemic on SDGs.

Dr. Ghosh is of the view that the present crisis is a reminder of the criticality of distribution and equity aspects of economic growth. According to him, policymakers should promote sustainable development that ensures balanced growth of human capital, social capital, natural capital, and physical capital. Generally, investment gets drawn to those destinations that have these enabling conditions, Dr. Ghosh argues.

Excerpts of the interview:

1. Various agencies have estimated loss to GDP and employment as a result of the nationwide lockdown. Can we have your assessment of the loss to economic activity and jobs from the crisis?

I see a negative growth for this year. As you can make out, the first quarter will entail practically no or negligible economic activity, followed by revival of around 30-50% in the next two quarters. We should not even aspire to have positive growth now, as this is not really a phase to think about growth, but of life and livelihoods. Rather this is the time to embrace a new development paradigm that will be much more holistic in terms of creating better distribution system and create a more equitable society.

2. Do you feel the COVID crisis will alter India's approach to economic development in the years to come?

India needs to grow: there is no doubt about that! But the "growth-fetishism" of the Indian economy has often made it forget the criticality of distribution and equity. The pandemic is now a reminder of that. However, the "welfare state" cannot emerge only through promotion of the concerns of equity. The development paradigm has to bring in the concern of the ecosystem and environment into it as the third pillar of development. It is now well understood with the experiences of pandemics and diseases that large-scale land-use change often impedes on an important regulating service of the ecosystem that occurs in the form of disease or infection control. This is true especially for pathogens, when loss of species diversity can cause higher transmission if the loss causes an increase in density of competent hosts.

Therefore, it is not merely a concern of spatial distribution; it is also a concern of temporal equity or sustainability! This, no doubt, calls for a separate development paradigm than what has so far been practised in India and large parts of the developing world. From that perspective, the pandemic creates an opportunity for democratically elected governments to create the best distribution practices and institutions, and continue with them in the post-pandemic world. At the same time, a new "more equal" world has to replace the old unequal world, but that needs a paradigm propagating equality not only from a spatial dimension, but also from a temporal dimension making it sustainable.

Will India be a loser or a winner under this changing dynamics of the global economic system? The short-run impacts are going to be negative as expected. It needs to be noted here that it is not only with movement of goods and investment that the gates may be closed, but a more severe impact may be witnessed on labour movements. With stricter immigration rules prevailing all across the world, a nation like India that has boasted of providing “skilled human capital” to the developed world might apparently seem to be a loser.

However, over time the growth drivers will change organically. There remains the possibility that growth may be spurred from this digital space mostly from services, but this will also witness simultaneous slump and closures of traditional manufacturing. However, the biggest challenge for India will be to place the major component of the services sector that remains unorganised, informal, and has limited reach in the digital space.

3. How should India position itself in the emerging world order post COVID-19?

From a global perspective, China cannot remain a trusted partner anymore. This creates huge opportunities for India. A changing global economic order can make many to focus on India as a preferred destination for investment. From that perspective, the eastern states of India will be critical. They present themselves with all four factors of business in abundance: namely, human capital, social capital, natural capital and an improving physical capital. This part is relatively less explored, and can be the fulcrum of development of the region in the post-COVID world. It is therefore important that India focuses more on the SDGs. As discussed earlier, these are ground level variables which create enabling business conditions. Hence, while globally SDGs may take a hit as argued earlier, India should ideally treat this as an opportunity, and work on the SDGs! Amartya Sen, in a recent article, stressed on the need for equity, distribution, and welfare state during the crisis phase (Sen 2020). This will help in promoting human capital and reduce the social transaction costs. IMF, on the other hand, has been stressing on uninterrupted trade mechanisms. Again, Indian imperatives should lie on promoting its land as a preferred destination for investments. This can happen if it concentrates on creating a land with minimum transaction costs for business and trade, and for accessing human, natural, social and physical capital smoothly.

The futility of the World Bank-DPIIT metric of Ease of Doing Business has already been exposed by Asian Competitiveness Institute. Therefore, the post-COVID19 India should embrace SDGs as important cornerstone of “competitive federalism” for simultaneously meeting two goals: the first is from the perspective of attracting businesses and financial capital; and the second is from the perspective of looking at development through a holistic lens bringing in efficiency, equity, and sustainability concerns in one frame. So, India’s status as the net winner or loser will depend a lot on how it works on the sensitivities of the SDG-related variables, the dynamics of the global order, and the “soft power” that the nation can wield in the international domain.

4. Natural resource is one of the focus areas of your research. According to you, does India’s approach to economic growth balances the interest of job creation and environment sustainability?

As I stated, this has hardly happened. There have been phases of “jobless growth”, which, though an oxymoron given the importance of human capital in economic growth, is true for India. This also led to increasing inequality. Every year, Oxfam comes up with a new measure of wealth inequality, which is showing an increasing trend.

On the other hand, India’s growth has definitely been at the cost of its ecosystem. The large-scale land-use changes, the increasing air and water pollution levels, the pressures on forestlands due to linear infrastructure projects, changes in basin ecosystem structures due to large dam constructions have all come in the ways of the ecosystem functioning thereby impeding on the ecosystem services, are evidences of the fact that growth has come at the cost of environment. This has also imposed another social cost: the cost of conflicts. The conflicts have ranged from upstream-downstream water conflicts like the ones prevailing in the cases of Cauvery, Ganges, etc to human-wildlife conflicts. This is a clear indication that our development model only focused on growth in terms of a numerical measure, at the cost of equity and sustainability.

5. Do you feel COVID crisis will hinder India’s progress towards the 17 SDGs? If so, what is your policy prescription to address it?

It is not only with India. The problems with achieving the SDGs are at all levels! SDGs have become not only the cornerstone of global governance, but governance at all levels, even at the most micro-level of an institutional governance set-up. This brings me back to the idiom that I often use: the challenge of governance needs to be construed as the challenge of reconciling between the “irreconcilable trinity” of equity, efficiency, and sustainability – a triad that development economist Mohan Munasinghe delineates as the “discourse of sustainomics”. The 17 SDGs essentially acknowledge this irreconcilable trinity.

The attack of a pandemic of the level of COVID 19 at the global scale not merely comes in the way of the SDGs, but calls for a rethinking of the timeline. As such, the challenges of meeting the goals were not easy: the pandemic makes this even harder. At the very outset, it creates more insulated economies with closure of borders and international migration. It has created suspicion among nations, as can be evidenced with US President using the term “Chinese virus”, and China blaming US for the spread. Of course, there was a global trend among major economies getting into shell with multilateralism failing largely across the globe. The pandemic has aggravated the situation. This will definitely come in the way of realising SDG17 that talks of global partnerships for achieving other SDGs. This will happen despite the initiatives of World Health Organisation (WHO). Suspicions have also been cast over WHO’s roles and abilities by certain member nations in this context.

From the perspectives of SDG 8 (decent work and economic growth) and SDG 9 (industry, innovation and infrastructure), the impacts in the short-run will be worrisome. More so, because one very critical factor to promote SDG8 is human capital and that has taken a massive beating due to the pandemic. The same goes for SDG9. However, it may be expected that newer forms of institutions will emerge over time to combat this crisis phase, and the growth drivers will change. Already as far as the service sector is concerned, a large part of it has been moving to the digital world thereby creating virtual workspaces

replacing the physical workstations. Moreover, the world is already witnessing a heavy reliance of digital connectivity, way away from their goals of physical connectivity. Hence, there remains the possibility that growth may be spurred from this digital space mostly from services, but this will also witness simultaneous slump and closures of traditional manufacturing. This is the apparent impact on what I called the objective of economic efficiency.

However, a large part of the services sector in the developing world remains unorganised and does not feature in the digital space – neither it will be easy to place them there as almost all of it requires physical presence. This inability of being accommodated in digital space will lead to more poverty, more hunger, and more inequalities thereby hampering achievements of SDGs 1, 2, and 10. This is purely the challenge to the equity dimension of holistic development that is being posed by the pandemic severely affecting SDG3 (good health and well-being).

On the other hand, reduced economic activity in the physical space of the planet will definitely be good for the natural environment: SDG13 (climate action), SDG 14 (life below water) and SDG 15 (life on land) may get augmented. The revival of dolphins and pangolins in spaces where land-use change has altered forest lands to urban agglomerations is a case in point. However, sustainable development is not devoid of humans: it talks of the coexistence of biodiversity conservation, and development of the human society by meeting with the various equity needs. It is here that one of the most crucial goals get affected: SDG16 that talks of peace, justice and strong institutions. Large parts of the developing and underdeveloped world view this pandemic as one imported by the privileged class through their international travels and free mixing in the occidental ways of life. The growth and development ambitions of the developing and underdeveloped world get a huge beating for almost no fault of theirs, and a probable demand for reparation (compensation by those responsible) cannot be stated to be “unjustified”! The bigger question is: can the global justice system prevail and uphold such demand? Else, all we get is a neo-Malthusian creed where conflict, hatred, insulation and distrust prevail and distributive justice is not served.

However, as I stated, India should keep on focusing on the SDGs, as these are enabling conditions for businesses. The 4K factors, namely, human capital, social capital, natural capital, and physical capital are embedded in them. Generally, investment gets drawn to those destinations that have these enabling conditions.

Notifications

Press Information Bureau, Government of India

Update on COVID-19

<https://pib.gov.in/PressReleasePage.aspx?PRID=1626926>

Extension of validity period by Ministry of Tourism

<https://pib.gov.in/PressReleasePage.aspx?PRID=1626879>