

## **Lao PDR | Second Human Capital Summit | Opening Remarks**

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I would like to begin by paying my respects to the Honorable Prime Minister of the Lao PDR, His Excellency, Dr. Sonexay Siphandone, Ministers and Vice Ministers, representatives from the National Assembly, government, development partners, and civil society, from partner countries and the private sector.

I am very honored to be here to speak at the Second Lao Human Capital Summit. About six years ago, the World Bank launched the Human Capital Project. This is not a project in the traditional sense. There is no fixed amount of money, no end date. Instead, it is a commitment made by heads of state and central ministries across the world to accelerate investments in people for greater equity and economic growth. The Lao PDR signed onto the Human Capital Project in 2020, with the Ministry of Planning and Investment designated by the Government as the lead agency.

The human capital agenda emphasizes that human capital is capital – like other forms of capital, it is necessary for growth. For example, investment in human capital allowed South Korea to transform itself from a war-torn country and agrarian economy to one of the world's leading industrial and technological powerhouses in a few decades. In fact, human capital constitutes 57 percent of the total wealth of Laos. This makes it more important for growth than the other two forms of capital: natural capital and produced capital. For this reason, building human capital is not just the job of the Ministries of Health and Education. Because sustainable growth depends upon Lao people — specifically on healthy and skilled workers — it is equally the responsibility of any ministry that has a stake in a country's long-term growth.

Indeed, Laos' commitment to building human capital has led to important gains in nutrition, health, and education outcomes. These gains made us proud. They show the commitment

and effort of people like yourselves. But some of these gains are being reversed, while others are just not adequate to allow Laos to prosper. The World Bank's forthcoming Human Capital Review for Laos highlights the gains and opportunities for human capital development in Laos.

Last year, Laos held the first Human Capital Summit on Learning Recovery. This gave momentum to efforts to improve basic education, with Prime Minister's Decree No. 9 heralding noteworthy policies. Some of these policies are already being implemented. For instance, I heard from my colleagues that volunteer teachers in Xayaboury Province are now being paid by the government, which has helped keep classes running and teachers motivated in rural areas. I want to congratulate you and thank you, Your Excellency, for your leadership and the work done by everyone addressing this difficult challenge so quickly.

The focus of the Second Human Capital Summit is nutrition, which like education is fundamental for human capital development. A child's development journey begins before birth, with adequate nutrition being foundational for physical growth, brain development and future learning potential. A well-nourished infant will develop into a healthy child with better physical health and skills as an adult. This will allow her or him to be more productive and to contribute to economic growth. Children who are stunted or malnourished do not have as bright a future.

Laos' commitment to human capital development has resulted in significant advancements in nutrition, including a reduction in stunting prevalence, which is an indicator that tells us when a child's height is significantly below average for their age group. This indicator is a strong predictor of a child's future health and ability to learn. The stunting rate has dropped from 44 percent in 2011 to 33 percent in 2017, an important achievement. The government's Helping Hand Program, a conditional cash transfer program to support families with pregnant women and young children in four provinces, is playing a crucial role in this context.

But more work remains to be done. The prevalence of stunting has remained unchanged since then (measured at 32.8 percent in 2023) while the rates for wasting and underweight have increased. The significant rates of childhood malnutrition in the Lao PDR represent a profound and preventable diminishment of the country's human and economic prospects.

Over the past few years, Laos has seen high rates of inflation, especially food inflation. This has hit the poor the hardest. When the World Bank surveyed 2,000 households in January-February 2024, 71 percent of low-income households reported reducing the amount of food they eat. Many have also shifted to cheaper foods as a coping strategy. This has had a significant impact on diet quality, negatively affecting nutrition. Government budget cuts in health have led to deteriorating health service delivery and health worker availability. Without improved nutrition services, future generations face significant physical, cognitive, and economic setbacks.

Distinguished audience, this is my first time visiting your beautiful country. Unlike many of the countries I have visited in this region, one thing stands out about Laos: you have a young population. Nearly 50 percent of Lao people are below the age of 25 years. While the populations of some neighboring countries are aging rapidly, Laos is producing 80,000 new young workers every year. This is a gift — but only if you invest well in your young people. Please note: *the potential benefits from such a demographic dividend are not automatic*. They will depend on the right economic and social policies, and on adequate public finance. Laos already has strong social sector policies, included in the Ninth National Socio-Economic Development Plan. It is then a matter of making sure that the state budget also prioritizes the social sectors and investments in human capital.

I would like to conclude by saying that few countries in the region have the potential that Laos has. I would like to emphasize that improved nutrition and productivity of citizens is crucial for the advancement of any nation. Now is the time for Laos to invest in human capital so that future Lao workers will have the health and skills needed to compete in the 21<sup>st</sup> Century.

*Khopchai Lai Lai*