

Lao PDR | First Human Capital Summit | Opening Remarks (5 mins)

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Mariam Sherman, Country Director, Myanmar, Cambodia, Laos

Sabaidee!

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, government representatives, development partner and civil society representatives and representatives of the private sector.

I am very honored to be here to speak on human capital. I'm happy that this summit is not a one-off event but the start of a series of serious discussions on human capital in Laos. We begin today with education, and I understand that future summits will engage with other key elements of human capital such as health, nutrition, social protection and safety.

With your permission, I would like to begin with some economic facts. Human capital — measured as the expected future earnings of the entire labor force — accounts for the largest share of a nation's wealth. Even if you add together natural capital, for example forests and minerals, and physical capital like roads and factories, they still contribute less to the economy than the population's health and education and skills. About 64 percent of the global wealth of nations is human capital. In Laos, Human capital constitutes 62.2 percent of the national wealth. In addition to being the largest share of wealth, human capital is essential for growth and has a very high rate of return, often higher than other types of capital. The Lancet Commission for Investing in Health estimated that reductions in mortality associated with investments in health and human capital accounted for about 11% of recent economic growth in low-income and middle-income countries. This is an impressive rate of return for any form of capital.

About five years ago, the World Bank launched the Human Capital Project. This is a commitment made by heads of state, Finance, Economy, and Planning ministries across the world to accelerate investments in people. It is a commitment to make human capital the responsibility of every ministry with a stake in economic growth, not just the Ministries of Health, Education or Labor.

Lao PDR joined the Human Capital Project in 2020, with the Ministry of Planning and Investment as the lead agency. Indeed, Laos' commitment to building human capital led to important gains in nutrition, health, and education. Unfortunately, some of these gains have been reversed because of the COVID-19 pandemic. But even without the pandemic, we know that Laos was lagging in its human capital.

An important element of the Human Capital Project is the Human Capital Index, which measures the contribution of health and education to the productivity of workers. Laos' human capital index is 0.46, which means that a person born in Laos today will be only 46 percent — or less than half — as productive as he or she would be with full health and education. The Average Human Capital Index for the East Asia and Pacific Region is 0.59. To me, the message is clear: *unless something changes, future Lao workers will not have the skills to compete in a globalized economy.*

Distinguished audience, this is my third time visiting this beautiful country. Unlike many of the countries that I have visited in this region, one thing stands out about Laos: you have a young population. Nearly 50 percent of the population is below the age of 25 years. While the population of some of your neighboring countries, such as China and Thailand, is 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 profile are not automatic.* They will depend on the right economic and social policies and they will depend on adequate public finance. Laos already has strong social sector policies included in the 9th National Socio-Economic Development Plan. It is then a matter of making sure that the state budget prioritizes the social sectors and investments in human capital as well.

I would like to conclude by saying that few countries in the region have the potential that Laos has. Now is the time for Laos to invest in human capital so that future Lao workers will have the skills needed to compete in the 21st century. Many thanks.

Khopchai La Lai