THE HUMAN CAPITAL PROJECT

Aneesa Arur
October 31, 2019
HUMAN CAPITAL = \( \frac{2}{3} \) OF COUNTRIES’ TOTAL WEALTH


2018 World Development Report: Learning to Realize Education’s Promise

MASSIVE GAINS FROM HUMAN CAPITAL INVESTMENTS

- Child stunting and mortality down
- Maternal mortality down
- Rising life expectancy
- More children in school
- More people covered by safety nets

YET MAJOR CHALLENGES REMAIN, PARTICULARLY IN THE EARLY YEARS

- 1 in 10 children won’t make it to their 5th birthday in some countries in SSA
- 22% of all children under 5 – 151 million – stunted due to chronic undernutrition, illness, and exposure to stress
- Only ½ of kids age 3 to 6 have access to PPE
- By age 3, economically advantaged children know 2x as many words as disadvantaged children
- Number of child refugees has risen 77% in just 5 years; 1 in every 45 children in the world today has been uprooted
WILL ACCELERATE MORE AND BETTER INVESTMENTS IN PEOPLE GLOBALLY

1. **Human Capital Index**: Make the case for investment in the human capital of the next generation.

2. **Measurement & Research**: Improve measurement and research and provide analysis to support investments in human capital formation.

3. **Country Engagement**: Support Early Adopters, and ultimately all countries, to prepare national strategies that accelerate progress on human capital.
THE HUMAN CAPITAL INDEX
Three ingredients reflect building blocks of the next generation’s human capital:

**SURVIVAL**
Will children born today survive to school age?

**SCHOOL**
How much school will they complete and how much will they learn?

**HEALTH**
Will they leave school in good health, ready for further learning and/or work?
HUMAN CAPITAL INDEX: DISTANCE TO FRONTIER

**SURVIVAL**
Children who don’t survive don’t grow up to become future workers

**SCHOOL**
Contribution of quality-adjusted years of school to productivity of future workers

**HEALTH**
Contribution of health (adult survival rate and stunting) to productivity of future workers

**HCI**
Productivity of a future worker (relative to benchmark of complete education and full health)

Children who don’t survive don’t grow up to become future workers.

Contribution of quality-adjusted years of school to productivity of future workers.

Contribution of health (adult survival rate and stunting) to productivity of future workers.

Productivity of a future worker (relative to benchmark of complete education and full health).
HUMAN CAPITAL INDEX:
COVERAGE & RESULTS

157 COUNTRIES
GLOBAL AVERAGE OF 0.56
RANKING OF THE EAP COUNTRIES IN THE HCI

Ranking of the EAP countries in the HCI

HUMAN CAPITAL INDEX

Singapore - 0.88
Korea Rep. - 0.84
Japan - 0.84
Australia - 0.82
New Zealand - 0.80
Macao SAR, China - 0.77
China - 0.76
Vietnam - 0.67
Mongolia - 0.67
Thailand - 0.63
Tuvalu - 0.62
Philippines - 0.60
Indonesia - 0.59
Cambodia - 0.58
Kiribati - 0.55
Myanmar - 0.54
Vanuatu - 0.51
Lao PDR - 0.49
Solomon Islands - 0.48
Timor Leste - 0.47
Papua New Guinea - 0.45

1st: Singapore (0.88)
2nd: Korea Rep. (0.84)
3rd: Japan (0.84)
4th: Australia (0.82)
7th: China (0.76)
25th: Tuvalu (0.63)
46th: Philippines (0.59)
51st: Indonesia (0.58)
55th: Cambodia (0.57)
65th: Kiribati (0.55)
83rd: Vanuatu (0.51)
84th: Lao PDR (0.49)
100th: Solomon Islands (0.48)
105th: Timor Leste (0.47)
107th: Papua New Guinea (0.45)
113th: Myanmar (0.44)
118th: Myanmar (0.43)
138th: Papua New Guinea (0.38)
## HCI Scores for Pacific Countries

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<th>Kiribati</th>
<th>Marshall Islands</th>
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<tbody>
<tr>
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<td>Probability of Survival to Age 5</td>
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<td><strong>HCI Component 3: Health</strong></td>
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<td>Survival Rate from Age 15-60</td>
<td>0.948</td>
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<td>Fraction of Children Under 5 Not Stunted</td>
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<td>0.505</td>
<td>0.684</td>
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<td>Human Capital Index (HCI)</td>
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<td>0.44</td>
<td>0.51</td>
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</table>
The job is never done because you reach a new level and expectations and challenges rise ... one of the things we are now focusing on is more of a focus on pre-school education.

Lee Hsien Loong
Prime Minister, Singapore
NEED WHOLE-OF-GOVERNMENT APPROACH TO ENSURE ACCELERATED EARLY YEARS RESULTS

- ECD
- Water & Sanitation
- Safety Nets & Response to Shocks
- Quality, diverse & affordable food
- Women’s Education & Empowerment

- Quality Reproductive & Health Services
HIGH POVERTY AND HIGH TOTAL FERTILITY RATE (>4) $\Rightarrow$ WEAK PERFORMANCE ON HCI

Poverty is defined as headcount ratio at $3.2$ a day. Countries with TFR above 4 in red.
I'm going back to education. In the next 30 years, human beings are facing huge challenges from disruptive technology. We have to teach our kids to do things the machines can never do.

Jack Ma
Co-founder & Executive Chairman, Alibaba Group
## Early Adopters:

### 3 in EAP

<table>
<thead>
<tr>
<th>Country</th>
<th>Country</th>
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<td>United Arab Emirates</td>
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<td>Malawi</td>
<td>Uzbekistan</td>
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BALI TAKE AWAYS
Beyond Bali: Mobilizing WBG to Deliver on HCP

1. WBG collectively increase support
2. Operationalize an enhanced measurement and research agenda
3. Organize the WBG to deliver more and better
4. Financing to support more effective domestic resource use and mobilization
What will it take to deliver on HCP?
Demand requires WBG collectively increase support

Whole-of-Government & Whole-of-WBG Approach: Work across PGs to unleash full potential

- With EFI on fiscal sustainability, public financial management, expenditure review, domestic resource mobilization, benefit incidence & equity analysis in expenditure/taxation, institutional capacity
- With SD on water and sanitation, environmental health, urban, peri-urban, and rural
- With INF on MFD, improving access to schools and health (facilities & transport), use of digital solutions
- With IFC & MIGA for effective private sector engagement
- Across HD to better link health, education and social protection interventions that help accelerate HC outcomes

Operational Agenda

- Policy Reforms: sectoral policies, service delivery, expenditure efficiency and reprioritization
- Intensify domestic and int’l scale up: in bottom HCI countries and FCVs with need to improve capacity to improve service quality and coverage, accelerated progress, including reducing TFRs
- Link financing to results: support clearer results focus linking interventions to outputs/outcomes, and ensure financing is linked to accelerated progress
- Innovation: tapping into innovations (esp. tested technologies) to achieve better & more efficient outcomes and maximize potential benefits; activate collaboration across WBG Disruptive Technology & HCP Teams
WHAT WILL IT TAKE TO DELIVER ON HCP?
ENHANCED MEASUREMENT & RESEARCH AGENDA

Improve and enhance Human Capital Index & Data
• Updated annually over the next 3 years
• Increase country coverage of HCI (additional 30 countries)
• Improve reliability and comparability of HCI ingredients
• Assess distributional/sub-national implications
• Explore additional metrics (workforce readiness, socioemotional skills)
• Through country engagement support country participation in int’l recognized assessments

Focused research on Human Capital
• Better understanding of the human capital accumulation process
  (e.g. how do you provide the enabling environment at the household level for a child to succeed)
• Assess determinants of improved HC including:
  o Use survey and administrative data to measure the quality of the delivery systems at
    different levels (national/regional/facility) – evolution of SDI, PHCPI, UHC, SABER
  o Evaluate successful reform initiatives
  o Help countries develop a road map on how they can improve on the HCI
What will it take to deliver on HCP?
Organized to Deliver

Knowledge Sharing
- Help develop Network of Human Capital Countries to share evidence & experience – already underway for Early Adopters, including regional exchanges
- Demand for Regional Engagement (Singapore proposal)
- Use HD Week as key opportunity for staff learning

Organization & Staffing
- Emphasis on lowest HCI countries and Early Adopters w/ increased FCV & GFF country presence
- Focus on role of PL to support whole-of-country team engagement
- Focus on building technical skills among staff
- Enhancing skills with high powered thematic leads in critical areas – e.g. service delivery, technology and innovation
What will it take to deliver on HCP? Financing to support efficient domestic resource use & mobilization

Tailored approaches required based on broad patterns of HC spending & outcomes
1. Low capacity to mobilize resources, low investments in HC, & high needs (e.g. Chad);
2. High capacity to mobilize resources, low investments in HC, & weak outcomes (e.g. Nigeria);
3. High investments in HC without commensurate outcomes (e.g. Indonesia); &
4. High level/efficiency of HC spending with good outcomes (e.g. Singapore)

Given strain on public finances, options for strengthening fiscal positions need consideration
• Improving debt management capacity;
• Increasing domestic resource mobilization;
• Exploring new pathways to sustainable, inclusive growth including digital economy; boosting the capacity of people, firms and institutions; and brokering technology solutions

Operationalize MFD/the Cascade & Boost Private Sector Engagement in the agenda
IMMEDIATE NEXT STEPS FOR EAP

1. Support the government to measure, report and share data on HD outcomes, while “pushing the frontier” of HCI (pre-school, tertiary education, on-the-job learning) and health outcomes related to productivity

2. Dialogue with finance ministries (productivity, jobs, value-for-money, service delivery and governance), while maintaining strong engagement with line ministries

3. Carry out analysis and present in country economic reports (e.g. HC-focused economic monitor or national level reports/engagements)

4. Regional support and learning – ASEAN, learning among EAP countries/other regions, etc.

5. Use of technology to leapfrog HC outcomes
NEED MORE INFORMATION?
FOR ADDITIONAL INFORMATION

- Visit website [in English, Mandarin, Bahasa] for country data, 2 page summaries and data visualization, Fast Draw video
  
  www.worldbank.org/humancapital

- Contact the HCP Team focal points for EAP:
  
  Amer Hasan
  ahasan1@worldbank.org
  Emily Weedon
  eweedon@worldbank.org
#InvestinPeople
## HCI Ranking by Region: East Asia & Pacific (Sorted from Lowest to Highest HCI Value)

<table>
<thead>
<tr>
<th>Country/Territory</th>
<th>WB Code</th>
<th>Region</th>
<th>Income Level</th>
<th>Overall HCI Rank</th>
<th>HCI - Lower Bound</th>
<th>HCI Value</th>
<th>HCI - Upper Bound</th>
</tr>
</thead>
<tbody>
<tr>
<td>Papua New Guinea</td>
<td>PNG</td>
<td>East Asia &amp; Pacific</td>
<td>Lower middle income</td>
<td>136</td>
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<td>0.38</td>
<td>0.40</td>
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<td>Timor-Leste</td>
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