

**Multi-stakeholder Taskforce to Support a Determination of the 9th NSEDP and SDG
Localization due to the Impact of COVID-19**

Investing in the Human Capital of Lao PDR

Summary of key Recommendations

This statement is issued following a High-Level Thematic Dialogue on Human Capital under the Multi-Stakeholder Taskforce. It draws on the Background Paper prepared for the discussion by a core group consisting of the Ministry of Planning and Investment, Ministry of Education and Sports, UNFPA, UNICEF and WHO, with additional contributions from the Ministry of Health, Lao Women's Union, Lao Youth Union, UN-Habitat, and UNIDO.

The statement is on behalf of the Multi-Stakeholder Taskforce, to be taken as advice by the Ministry of Planning and Investment and relevant partners in the finalization of the 9th NSEDP, and should not be interpreted as representing the positions of individual Taskforce members *per se*.

Context and Outlook

1. While significant progress has been made in health and education outcomes in the past decade, Lao PDR's human capital remains lower than international peers, and investment in the human capital sector remains low. Health, nutrition and education financing remain below the country's commitments and SDG benchmarks. In 2017, it ranked 111 out of 157 countries on to the World Bank's Human Capital Index.
2. Lao PDR is in the early stages of a demographic transition (the changing pattern of mortality, fertility and growth rates) with growing urbanization, key to building human capital and harnessing the demographic dividend. Lao PDR has a window of opportunity in this transition. Increased human capital investments now can yield long term, sustainable, economic returns over the medium to long term. The productivity of young adults depends on early life experiences of adequate nutrition, responsive care, transition into school, learning and schooling decisions, employment practices, health, the timing and level of childbearing and policies that make it easier for young parents to engage in economic activity.
3. Urbanization can play a role in boosting human capital, due to the link between the urban area and population density, leading to reduced costs which in turn can yield increased labour skills, health and education; and potentially reduce inequality. Urbanization will continue in Lao PDR, bringing the potential of these gains but also significant challenges when limited urban infrastructure is not able to cope with the health, housing, water, and sanitation requirements of a growing population.
4. COVID-19 impact and response strategies have significantly affected the accumulation of human capital. Children and adolescents have been forced to stay at home without access to remote learning. The crisis is exacerbating pre-existing education disparities by reducing the opportunities for many of the most vulnerable children, adolescents and youth to continue their learning. Learning losses also threaten to extend beyond this generation and erase decades of progress, especially for girls and young women's educational access and retention.
5. The COVID-19 pandemic posed significant challenges to the health system in Lao PDR. Data from health facilities compared to past years clearly shows a drop in use of essential health and nutrition

services, specifically for vulnerable population including mothers, newborns, children and adolescents. The global social and economic crisis triggered by COVID-19 poses grave risks to the nutritional status and survival of young children, with long term impact on human capital.

Strategic Policy Recommendations

The COVID-19 pandemic is an opportunity for Lao PDR to build crisis-resilience through strengthened and more systemic health and social protection measures for all. However, this will require setting policies that ensure consistent consideration of reach to the most vulnerable population groups, and reflect a core role for the private sector in making investments in the development of Lao PDR's human capital.

Policies should prioritise critical interventions and programmes along the life cycle, and recognise the need for coordinated multi-sectoral solutions. Greater use of detailed disaggregated data to inform more targeted policies could help improve efficiency in the increasingly resource-constrained environment. Digital connectivity is making it technically possible to cost-effectively deliver more services remotely, but investments are needed to ensure sustainability and equity in access.

Pillar 1: Investing in education, starting from early childhood to tertiary education

There is a pressing need to stabilize the fiscal situation, especially given government revenue lost due to COVID-19. In this context, it is imperative to recognize and invest in the most cost effective interventions (e.g., early childhood education) that guarantee the highest impact on learning and skills development as core human capital assets. These investments are also associated with generating diverse range of jobs and provide a mechanism through which the working age people can generate enough income to support themselves, contribute to poverty reduction, and ultimately improved fiscal stabilization with GDP growth sustainably.

Given the critical stage in the demographic transition that Lao PDR is currently in, it is crucial that investments in education are protected over the course of the 9th NSEDP if the demographic dividend is to be realized.

Pillar 2: Investing in technical, vocational, skills and competencies development in urban and rural settings

Seizing the economic opportunities that will be generated over the course of the 9th NSEDP and beyond, including those made possible by investments in improving regional integration, will require appropriate skill sets and broader competencies. This could be pursued through the expansion and strengthening of targeted technical and vocational training programmes, and investment in 21st century skills development from primary education priority outcome 2, output 2 9th NSEDP (also includes ICT, financial literacy and communication). Strengthening Micro, Small, and Medium-sized Enterprise development initiatives, including necessary skills development, would support the creation of new livelihood opportunities.

Crucially, policy should plan to strengthen private engagement and investment in skills development that links with wage and employment policies for better employment opportunities and decent work. This could include policies to systematically increase trainee, apprenticeship, and mentorship programmes in both domestic and foreign enterprises.

Pillar 3: Investing in primary health services, including sexual and reproductive health, and nutrition services

People are more productive when they are healthier. Investments in Sexual and Reproductive Health and Rights, as well as Nutrition, Maternal, Newborn, Adolescents and Child Health, can positively impact human capital and macroeconomic performance.

Maintaining sufficient investment in human capital requires a sustainable and efficient health financing system. This should be built on a stable government budget, recognising anticipated donor transitions, in close collaboration and coordination with development partners based on the Health Financing Strategy.

In working towards the achievement of universal health coverage by 2025, implementation of the essential health service package should be prioritized, with service delivery redesigned to be more resilient to disruptions during crises, and ensure equitable access to quality healthcare. Policies should also be prioritized to protect gains in infant and maternal mortality. The 2020-25 National Plan of Action for Nutrition prioritizes the delivery of interventions and activities which address the multifactorial determinants of stunting particularly the key proximal determinants of child growth.

Building resilience for the health system to respond to COVID-19 and prepare for future public health emergencies, should include building systems for mental health and psychosocial support for COVID-19 patients and other target groups. The 9th NSEDP should also consider necessary steps to build the competence of the health workforce through long-term investment in pre-service and in-service training.