

# Tanzania Economic Update

## Human Capital: The Real Wealth of Nations

### *Role of nutrition and early childhood development in enhancing human capital*

For DPG Nutrition  
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# Outline

- Purpose
- Definition and Rationale for investing in Human Capital
- Human Capital Project and Human Capital Index (HCI)
- Highlights of Tanzania's HCI and Implications
- How to improve Tanzania's HCI Survival and Health Components

# Purpose

- To provide an update on the Human Capital Project and Index
- To discuss how to collectively support GoT to accelerate investments to enhance human capital

# What is Human Capital?

Human capital consists of the *knowledge, skills, and health* that people accumulate throughout their lives, enabling them to realize their potential as productive members of society.

(World Bank)



# Investing in Human Capital

- Investing in **nutrition, health care, education, jobs and skills** help build human capital – key to ending extreme poverty and creating more inclusive societies
- Human capital is vital for countries to sustain economic growth, prepare workers for more skilled jobs and to compete in the global economy
- Human capital is by far the largest component of global wealth accounting for 70 percent of wealth in rich countries and 41 in poorer ones



# Human Capital Project

- The World Bank launched the Human Capital Project (HCP) in October 2018; introduced Human Capital Index (HCI)
- The HCI measures the potential productivity of the next generation of workers in terms of:
  - **Survival:** Will children born today survive to school age - **Under-5 mortality rates**
  - **School:** How much schooling will they complete and how much will they learn - **Expected Learning-Adjusted Years of School**
  - **Health:** What is the contribution of health to the productivity of workers - **Adult survival and **stunting rates****
  - **Tanzania HCI: 0.40 → A child born in Tanzania today will only be 40% as productive when she grows up as she could be if she enjoyed complete education and full health**
    - Below its expected level of economic development
    - In the bottom 35 countries globally
    - Modest gender differences in the HCI

# Human Capital Index in Tanzania

*How much human capital can a child born today expect to acquire by age 18, given the risks to poor health and poor education that prevail in the country where she lives?*



**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)

- A child born in Tanzania today will only be **40%** as productive when she grows up as she could be if she enjoyed complete education and full health
  - Below its expected level of economic development
  - In the bottom 35 countries globally



# Small gain in HCI values between 2012 and 2017, but noticeable changes in some components

Table 3: Human Capital Index Estimates for Tanzania, 2012 and 2017

	2012			2017		
	All	Men	Women	All	Men	Women
<b>Survival</b>						
Probability of surviving past age 5	0.934	0.930	0.938	0.946	0.942	0.950
<b>School</b>						
Expected years of schooling	7.4	7.5	7.4	7.8	7.7	7.8
Harmonized test scores	434	425	443	388	382	395
<b>Health</b>						
Survival to age 60	0.713	0.674	0.752	0.792	0.770	0.814
Probability of avoiding stunting	0.652	NA	NA	0.655	0.633	0.678
<b>Human Capital Index</b>	0.390	0.370	0.390	0.400	0.390	0.410
Uncertainty interval	[0.38,0.41]	[0.35,0.38]	[0.38,0.41]	[0.39,0.41]	[0.38,0.40]	[0.40,0.42]

Note: HCI Value rounded.  
Source: World Bank 2018.





# Tanzania does especially poorly in number of years of schooling and in risk of stunting

Table 4: Human Capital Index Estimates for Tanzania and Selected Other Countries

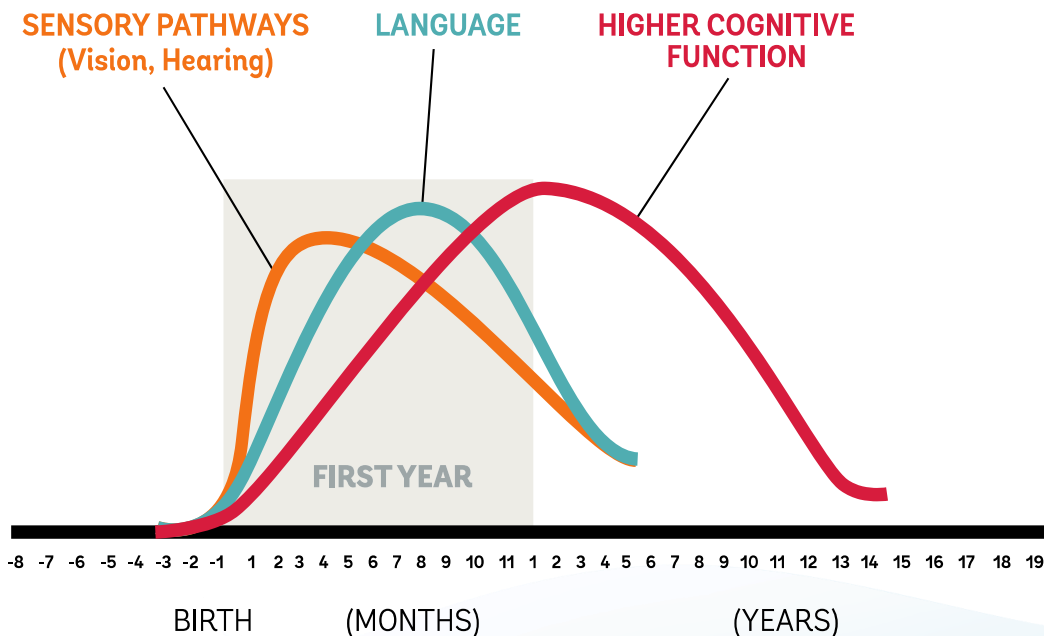
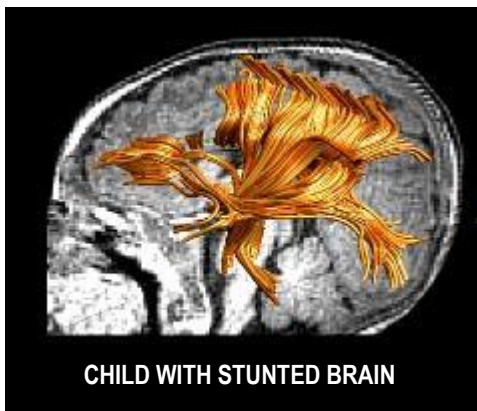
	Africa			Asia		
	Tanzania	Kenya	Senegal	Cambodia	Nepal	Vietnam
<b>Survival</b>						
Probability of surviving past age 5	0.95	0.95	0.95	0.97	0.97	0.98
<b>School</b>						
Expected years of schooling	7.8	10.7	7.2	9.5	11.7	12.3
Harmonized test scores	388	455	412	452	369	519
<b>Health</b>						
Survival past age 60	0.79	0.79	0.82	0.83	0.85	0.88
Probability of avoiding stunting	0.66	0.74	0.83	0.68	0.64	0.75
<b>Human Capital Index</b>	0.40	0.52	0.43	0.49	0.49	0.67

Source: World Bank 2018.

# Key Messages on Tanzania's Human Capital

- Tanzania's ability to accumulate and utilize human capital to drive economic growth is faced with several challenges:
  - High levels of stunting among children under age 5: 3 million children under age 5 are stunted
    - Affecting physical, emotional and cognitive development, and thus compromising their ability to thrive and reach their full potential
  - Poor learning outcomes: A child is expected to complete 7.8 years of schooling; when adjusted for learning this falls to only 4.8 years
- These are further compounded by underlying factors including:
  - High population growth
  - Gender related factors that disempower women and promote child marriage and teen pregnancy which compromise girls' educational attainment as well as their children's health and nutrition outcomes;

# The first 1,000 days are critical for brain development and for building human capital



- The window of opportunity to build the critical infrastructure of brain closes quickly
  - Much of brain development occurs in the first 1000 days
- High risks of cognitive and physical impairment
  - **Loss to productivity: Cost of not reducing stunting to 15% is estimated at 11% of GDP**

Source: Nelson, 2017

# What can the multi-sectoral nutrition community do?

- Improve understanding on and advocate for the value of investing in human capital
  - Impacts future productivity of individuals and economic competitiveness of the country
- **Target investments** to high priority interventions, regions and population groups, especially the vulnerable
  - Critical to focus on early years – reducing stunting, enhancing early stimulation and learning – and on improving reproductive and child health and nutrition services, including scale-up of family planning services, as well as women's empowerment
- Promote **multisectoral operations within and across sectors including the private sector**



Tanzania Economic Update: Human Capital - The Real Wealth of Nations:

<http://documents.worldbank.org/curated/en/873031563454513018/pdf/Tanzania-Economic-Update-Human-Capital-The-Real-Wealth-of-Nations.pdf>

For more information on the Human Capital Project:

<https://www.worldbank.org/en/publication/human-capital>



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