

Nurturing Nepali Talent to Foster Economic Growth

NEPAL HUMAN CAPITAL REVIEW



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Contents

Acknowledgments	3
I. Introduction	4
II. Human capital accumulation: What is the potential of young Nepalis and future workforce?	6
What is driving Nepal's low HCI?	8
Why does Nepal continue to have poor education and health outcomes?	11
III. Human capital utilization: How much of the existing human capital is used in the labor market?	16
What is driving Nepal's low UHCI?	19
Why does Nepal have low labor force participation rates?	20
IV. Conclusion: How can we support young Nepalis to achieve their full potential?	24
References	29



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I. Introduction

Sujata dreams of becoming a doctor one day. She is a happy 5-year-old living in Ribdikot, a small village in the mid-hills of Nepal, who likes spending time with her dog, playing with her friends, and helping her parents tend to their family's ginger farm. Sadly though, Sujata's future as a doctor may only be a pipedream.

Sujata's family lives on the brink of poverty. Her mother looks after the household while her father works on the ginger farm to make ends meet. Sujata has struggled with her health in the past and was lucky that her family could pay to travel to a faraway clinic for adequate health care when she needed it. But weather patterns are changing, making ginger farming precarious and not a stable source of income for Sujata's family. Her parents often worry, what will happen if Sujata gets sick again?

Soon, Sujata will start primary school, and she is looking forward to learning how to read and write. She hopes it will be the start of her journey to becoming a doctor, just like the ones who helped her in the past. Her parents are also very happy that Sujata will be going to school soon as none of them were able to complete primary school. But they wonder, will attending school make a difference? Will Sujata be able to acquire the foundational learning needed to complete secondary school successfully, and if so, once she finishes secondary school, will there be opportunities for her in the job market?

The *Nepal Human Capital Review* (NHCR) situates the life of Sujata in a wider story about lost talent and productivity in Nepal. This report discusses the anecdotal "ifs" for Sujata

by analyzing the circumstances in which Nepali children grow up and determining the potential and productivity they can achieve as adults. It poses the questions: What would happen to productivity if Nepal were to invest in and offer quality education and health services to every child? How much productivity potential goes unrealized in Nepal, and what needs to change to ensure this potential is not lost?

The NHCR addresses these questions by analyzing the evolution of human capital accumulation and utilization in Nepal between 2010 and 2023. Human capital is the economic value of workers' life experience and skills, making it a central driver of productivity and economic growth, and a key contributor to poverty reduction and shared prosperity.¹ Human capital accumulation and utilization measure different aspects of how a country achieves and makes use of its human capital:

- ▶ **Human capital accumulation** refers to the process of acquiring skills, knowledge, experiences, and attributes to enhance individual's ability to produce economic value. This can be achieved by:
 - **Education:** Formal schooling and training programs that provide individuals with knowledge and cognitive skills. Also, activities that improve personal skills, such as communication, leadership, and critical thinking.
 - **Health:** Investments in healthcare that ensure individuals are physically and mentally capable of performing at their best.

1 Hanushek & Woessman (2020); Flabbi & Gatti (2018); and Jones (2014).



- ▶ *On-the-Job Training and Work Experience:* Practical training and experience gained while working, which improves job-specific skills and competencies.
- ▶ **Human capital utilization** refers to how effectively accumulated human capital is used to generate economic value. It focuses on the extent to which individuals' human capital are being put to productive use. Key aspects of human capital utilization include:
 - *Employment Rates:* The proportion of the working-age population who is employed.
 - *Skill Matching:* The alignment between individuals' skills and the demands from their jobs. When people have jobs matching their skillsets and expertise, they can maximize their productivity.

To measure human capital accumulation and utilization, the World Bank has developed two metrics:

- ▶ **The Human Capital Index (HCI)** measures the future productivity of a child born today by the age of 18 if current access to and quality of education and health conditions remain the same.
- ▶ The **Utilization-Adjusted Human Capital Index (UHCI)** measures the future productivity of a child born today by the age of 18, if current access to and quality of

education, health conditions, and employment rates remain the same.²

This report reveals a concerning reality for Nepal — a child born today in Nepal is projected to achieve only half of their potential future productivity as an adult (HCI). When factoring in employment rates, this potential drops even further to just 18 percent (UHCI). This stark finding indicates Nepal is significantly underinvesting in its human capital and failing to fully utilize the talent it has, leading to a substantial loss of potential across the country and preventing Sujata and her peers from achieving their full potential.

Nepal's low HCI and UHCI are the result of several structural challenges, including: (i) low and poorly managed social public spending, which makes it difficult for local governments to effectively deliver essential education and health services; (ii) limited access to capital by microenterprises and small and medium-sized enterprises (SMEs), which are needed to create jobs and drive economic growth; and (iii) fragmented social protection programs, which hinders their ability to support human capital accumulation and utilization effectively.

To address these issues, Nepal needs to invest more—and more effectively—in its people and their futures. Only then Sujata and the next generation of Nepali workers will have the opportunity to realize their full potential, see their talents flourish, and contribute to building a more prosperous Nepal for all.

² There are two types of UHCIs – the basic and the full. The statistics reported in this HCR are based on the basic UHCI, which we simply refer to as UHCI. The full UHCI adds another dimension by considering the quality of jobs. It is important to highlight that both the HCI and UHCI are only proxy measures for human capital utilization and accumulation, and do not fully capture the complex and multifaceted nature of human capital.

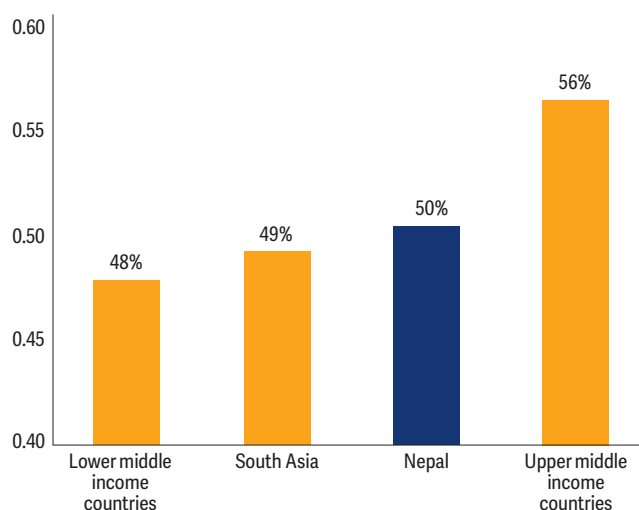


II. Human capital accumulation: What is the potential of young Nepalis and future workforce?

The HCI measures the accumulation of human capital and thus the potential productivity of the next generation's workers. This index is calculated based on three subcomponents – child survival, education, and health – and it ranges from 0 to 1 (**Box 1**). Countries where an average child faces no risk of stunting or dying before the age of five, has access to high-quality education, and grows up to be a healthy adult will have an HCI close to 1. On the other hand, if children are at risk of malnutrition or premature death, have limited access to high-quality education, and experience low adult survival rates, the HCI will be closer to zero. A high HCI indicates that the current generation of children (and future workers) is on track to achieve their full potential and become highly productive when they enter the labor market.

Nepal currently has a HCI of .50. This means Nepali children born today will only achieve half of their productivity potential as adults due to the low access and quality of education and health services in the country.³ For Sujata, it means she is unlikely to develop the skills and access opportunities that would help her become a doctor. For Nepal as a country, this means that its GDP per capita could be nearly twice as high if the access to and quality of education and health services matched those offered to children in high-income countries (Figure 1).

Figure 1: Human Capital Index in Nepal, 2020



Source: World Bank's Human Capital Index 2020 database. Data for Nepal used for the estimation of the HCI includes: Probability of survival to age 5 comes from the September 2019 update of the Under-5 mortality rates estimates of the United Nations Interagency Group for Child Mortality Estimation (IGME) and corresponds to year 2019. Fraction of children under 5 not stunted comes from the March 2020 update of the UNICEF-WHO-World Bank Joint Child Malnutrition Estimates (database), and it is estimated based on data from the 2016 Demographic and Health Survey (DHS). Survival rate from age 15-60 come from the 2019 update of the UNPD World Population Prospects estimates of patterns of death rates by age for five-year periods, based on data for 2018. Expected years of schooling come from World Bank staff estimates based on enrollment data for 2019 from UNESCO Institute for Statistics (estimates are adjusted for repetition). Harmonized test scores are calculated from 2014 EGRA.

A child born in Nepal today will only achieve half of their potential productivity as an adult because of the low access to and quality education and health services.

³ This national HCI level reported is based on the World Bank's Human Capital Index 2020 database, meaning strictly speaking it reflects the future productivity of children born in 2020, not those born today.



Box 1. Human Capital Index

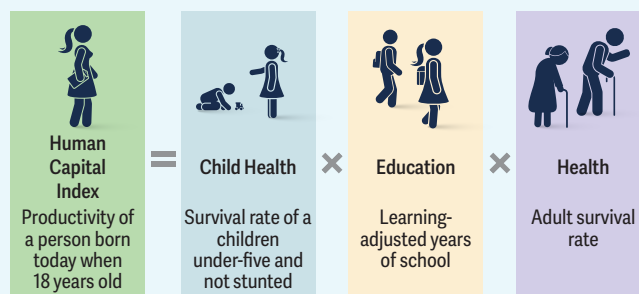
The HCI is estimated using three components:

Component 1 (Child survival): Child survival from birth to school-age is measured using under-five mortality rates.

Component 2 (Education): The quantity of education is measured as the number of school years a child can expect to complete by the age of 18 given the prevailing pattern of enrollment rates. The quality of education is measured using harmonized international test scores of students at the end of primary education. These two measures are combined to a measure of expected learning-adjusted years of schooling as proposed in Filmer et al. (2018). A country in which a child born today can expect to access high-quality education should achieve 14 years of schooling by age 18.

Component 3 (Health): The overall health environment is captured by two proxies: (i) adult survival rates, defined as the fraction of 15-year-olds who survive until the age of 60, and (ii) the rate of stunting for children under the age five. Adult survival rates reflect the range of fatal and nonfatal health outcomes that a child born today would experience as an adult if current conditions remain the same. Stunting broadly represents the risks to good health that children born today are likely to experience between their prenatal and early childhood years, which have important consequences for health and well-being in adulthood. A country in which a child born today can expect to access high-quality health should have no stunting and a 100 percent adult survival rate.

These three components are combined as follows to construct the HCI:



Where components are defined as:

$$\text{Child survival} = \frac{1 - \text{under 5 mortality rate}}{1} ;$$

$$\text{Education} = e^{0.08 * (\text{expected years of school} * \frac{\text{harmonized test scores}}{1025} - 14)} ;$$

$$\text{Health} = e^{\frac{(0.65 * (\text{adult survival rate} - 1) + 0.35 * (\text{not stunted rate} - 1))}{2}}$$

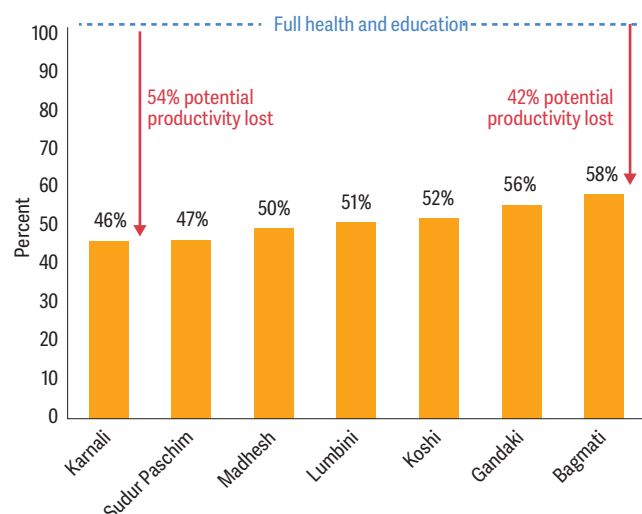
Source: Own elaboration based on World Bank (2021).

There is significant variation in HCI across provinces, showing provincial inequities in access to quality education and health-care and future productivity. On average, children born in Karnali are expected to reach only 46 percent of their potential

productivity, while those born in Bagmati are projected to reach 58 percent of their potential productivity, and Sujata and her friends – living in the Lumbini district – fall in the middle and are expected to reach 51 percent of their potential (**Figure 2**).



Figure 2: Human Capital Index by Province in Nepal, 2023



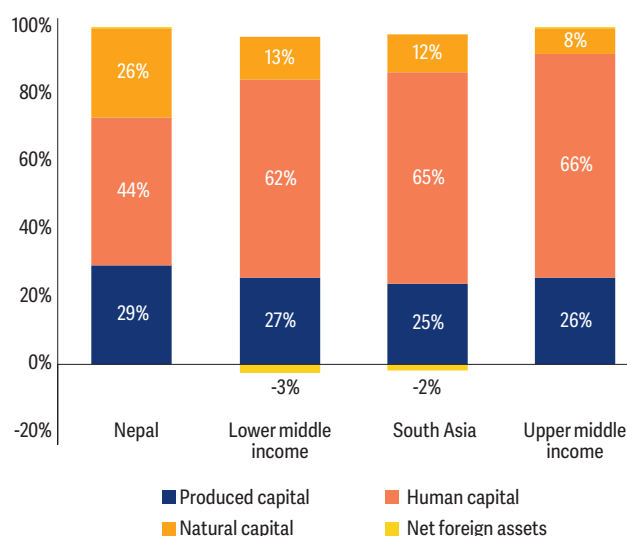
Source: Own elaboration. Probability of survival to age 5 and fraction of children under 5 not stunted comes from DHS 2022. Survival rate from age 15-60 comes from Pandey and Adair (2022). Expected years of schooling come from the Flash I Report 2080 (2023/24). Harmonized test scores are calculated from the average math, Nepali and science scores for 8th graders in the 2020 National Assessment of Student Achievement.

Economic growth is driven by the accumulation of wealth, which includes four types of capital. These are the produced capital (such as infrastructure, buildings, and machinery), natural capital (like land, minerals, and gas), human capital, and net foreign assets (such as reserves and foreign investments). Across all countries, human capital tends to make up the largest share of national wealth.

In Nepal, the share of human capital in national wealth remains below the average for countries with similar levels of income. In 2019, the World Bank upgraded Nepal from a low-income to a lower-middle-income country, and the country's 15th Five-Year Periodic Plan sets an ambitious goal to reach upper-middle-income status by 2030. However, Nepal's human capital share remains lower than the average for other lower-middle-income countries and lags significantly behind that of upper-middle-income countries (Figure 3).

What is particularly concerning is the decline in Nepal's human capital share over the past few decades. In the early 1990s, Nepal's human capital share was comparable to

Figure 3: Share of type of human capital to total national wealth, 2018



Source: Own elaboration based on World Bank's The Changing Wealth of Nations (2018).

that of other lower-middle-income countries. However, by 2018, this gap widened significantly. While other countries have made steady progress in increasing their human capital, Nepal's share has declined, making sustained economic growth more difficult (Figure 4).

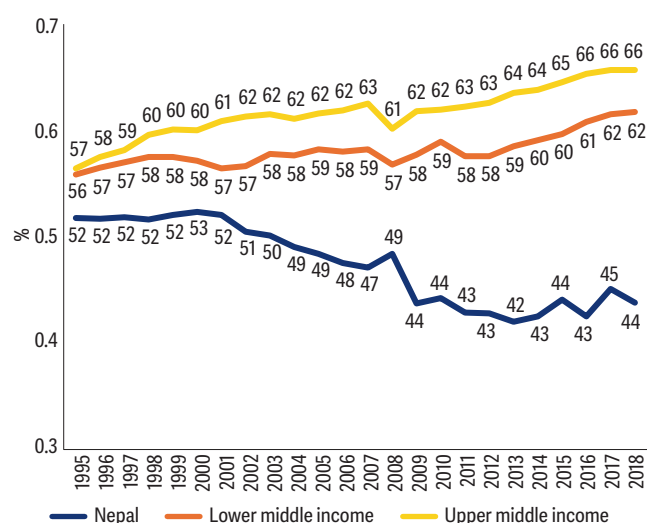
What is driving Nepal's low HCI?

Nepal has made notable progress in key health and education indicators over recent decades. Children like Sujata now have more access to schooling, and childhood survival rates have improved significantly. School enrollment rates have increased across all education levels, life expectancy has risen to nearly 70 years as of 2022, infant mortality has decreased, and 80 percent of children are now being born in health facilities (Figures 5 and 6).

Nepal has made significant progress in health outcomes over the past two decades, but one-fourth of children are still stunted, which hampers their ability to learn and affects their future productivity.

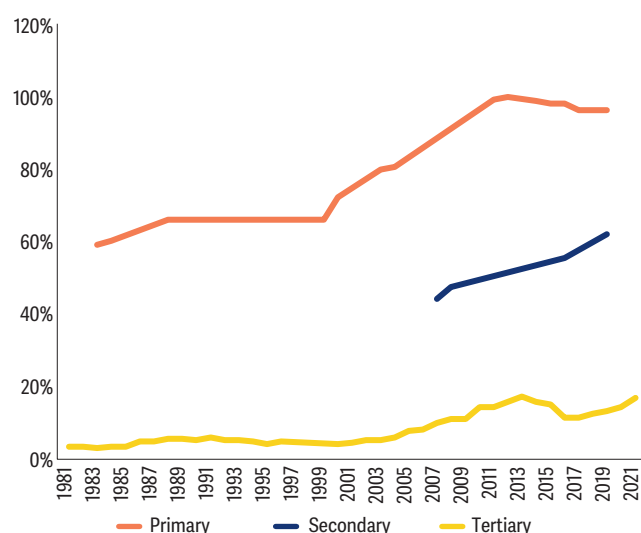


Figure 4: Share of human capital in total national wealth, 1995-2018



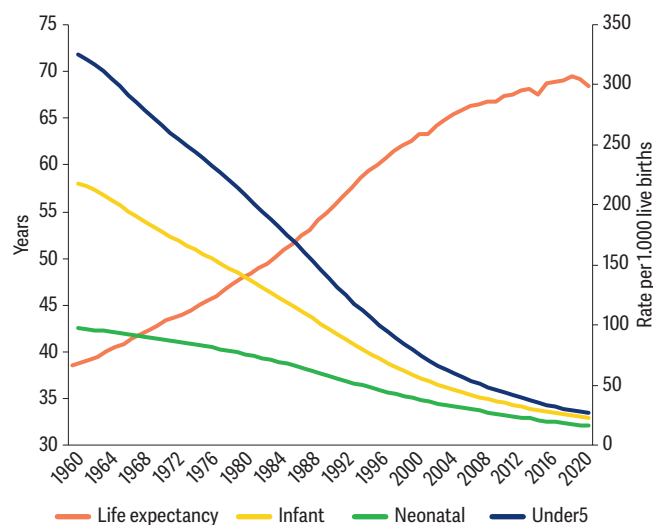
Source: Own elaboration based on World Bank's The Changing Wealth of Nations (2018).

Figure 5: School Enrollment Rates in Nepal, 1980 - 2021



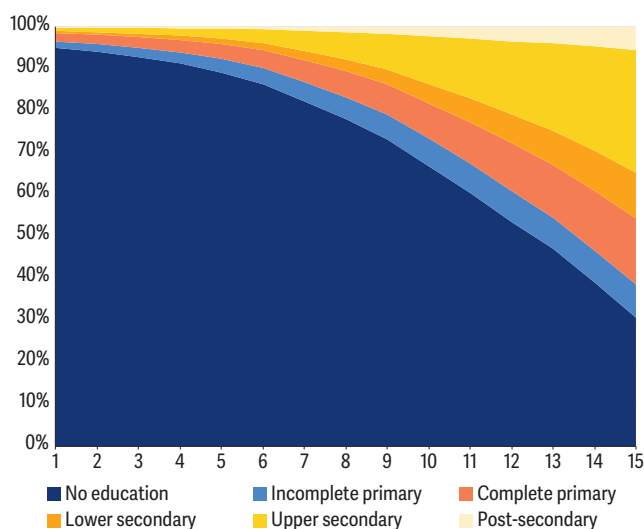
Source: World Development Indicators. Enrollment rates are net for primary and secondary and gross for tertiary.

Figure 6: Life Expectancy, Neonatal, Infant and Under-Five Mortality in Nepal, 1960-2020



Source: World Development Indicators.

Figure 7: Share of Population Aged 25-29 By Educational Attainment in Nepal, 1950-2020



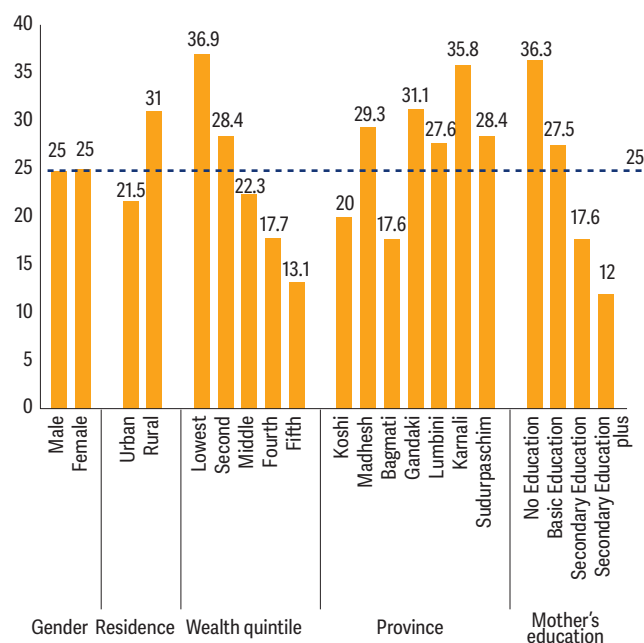
Source: Own elaboration based on Wittgenstein Centre for Demography and Global Human Capital (2018).

However, despite these gains, persistent challenges remain in the delivery of quality health and education services, particularly among Nepal's poorest and least educated communities. One-third of the working-age population has not completed primary education – like Sujata's parents

– and one-fourth of children under five are still stunted (Figure 7). Stunting rates are particularly high among Nepal's poorest (37 percent), least educated (36 percent), and rural (31 percent) populations, as well as in the provinces of Karnali (36 percent) and Gandaki (31 percent) (Figure 8).



Figure 8: Stunting Rates for Children Under Five in Nepal, circa 2022

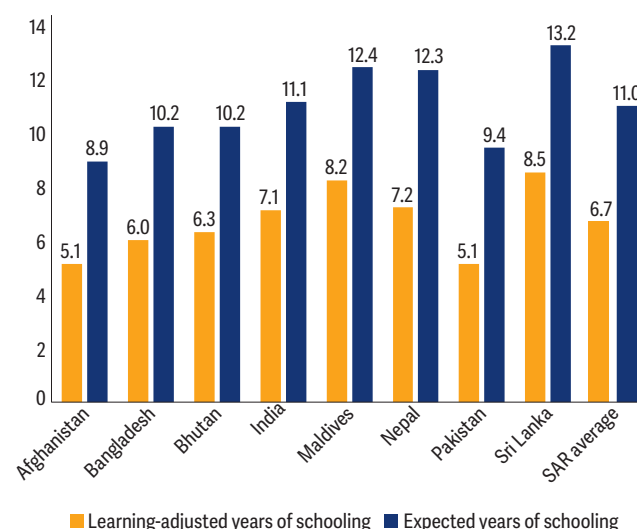


Source: NDHS (2022).

While access to education has greatly expanded, one-third of the working-age population hasn't completed primary education and students are not learning effectively, which limits productivity and innovation.

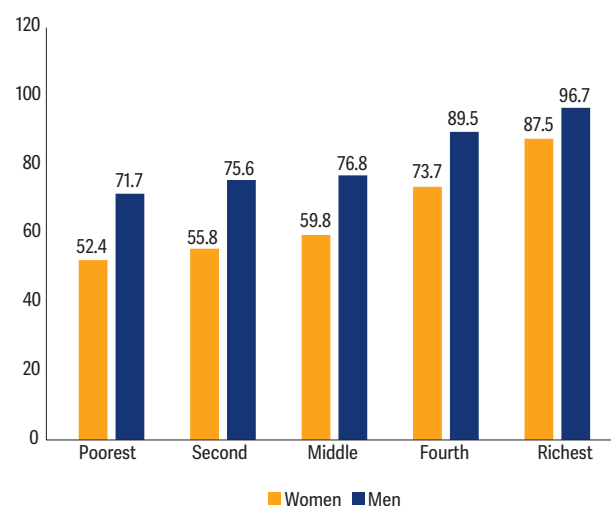
Even as access to education has expanded, students in Nepal learn very little while at school. Learning outcomes in Nepal are lower than in countries with similar income levels. On average, while a student in Nepal is expected to complete 12.3 years of schooling, this only translates to 7.2 years of effective schooling when adjusting for learning levels (Figure 9). Large learning disparities also exist based on gender, province, education levels and income quintile; literacy rates are substantially lower among women, those living in the Karnali and Sudurpaschim provinces, and those who are poorest and least educated, and secondary dropout rates are highest among students from poor and minority households in the Madhesh province (Figure 10). These realities fuel Sujata's parents' worries about whether she will be able to acquire the foundational learning needed to complete secondary school successfully and to secure a prosperous future.

Figure 9: Learning-Adjusted Years of Schooling and Expected Years of Schooling in South Asia, circa 2021



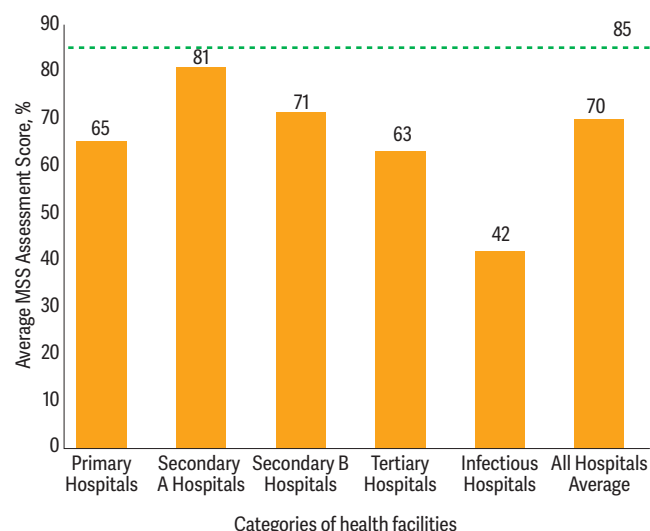
Source: Own elaboration based on Human Capital Index 2020 database - World Bank for all countries, except Maldives where data was extracted from Maldives Human Capital Review 2023. The data corresponds to 2020 for all countries, except for the Maldives, whose data corresponds to the year 2023.

Figure 10: Literacy rates among 15 to 49 population by gender and wealth quintile in Nepal, 2019



Source: MICS (2019).

The delivery of quality health services in Nepal also faces significant challenges. Public health service coverage is largely inadequate, with no health facility tiers meeting the government's minimum standards (Figure 11). Non-communicable diseases (NCDs) also are on the rise and have become a leading cause of morbidity and mortality in Nepal.

**Figure 11: Health Service Delivery Scores, 2022**

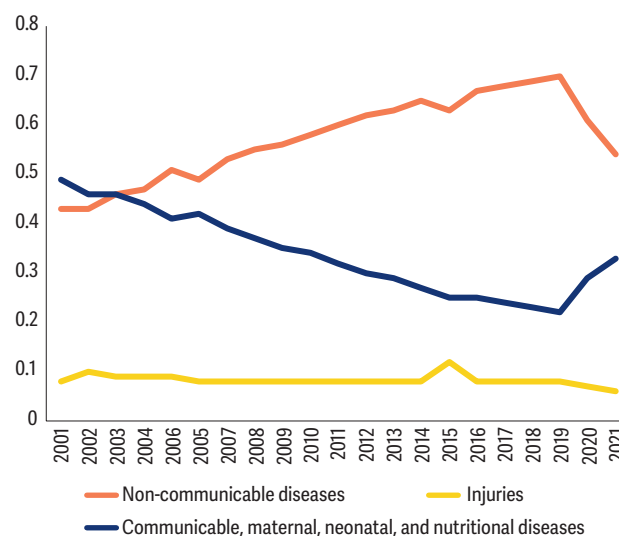
Source: Annual Report, Department of Health Services. The national quality guidelines set 85 is the minimum score.

NCDs accounted for approximately 70 percent of deaths before to COVID-19 pandemic (**Figure 12**). These diseases undermine human capital by reducing workforce productivity, impairing children's learning abilities, an increasing healthcare costs.⁴ Without strong public health interventions, the burden of NCDs is likely to grow, exacerbated by Nepal's aging population.

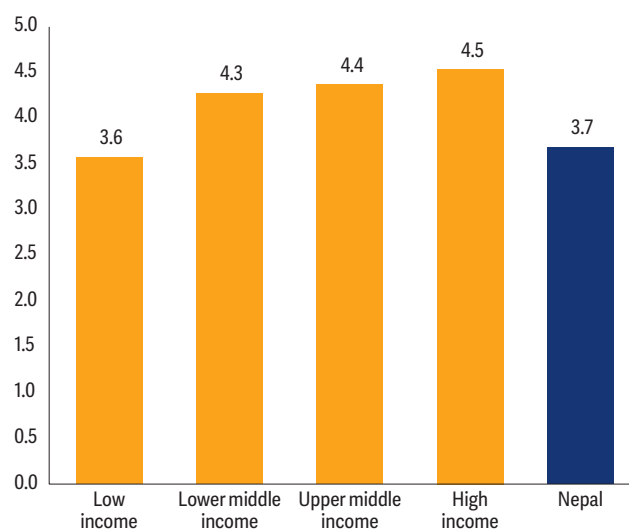
These significant health and education disparities pose a major barrier to Nepal's efforts to build human capital, which is essential for fostering inclusive growth and prosperity for all. Addressing these disparities is critical to ensuring that every individual has the opportunity to contribute to and benefit from the country's development, helping to drive overall progress and well-being.

Why does Nepal continue to have poor education and health outcomes?

The poor quality of health and education services in Nepal is partly a result of insufficient and inefficient public spending in education and health. Compared to countries with similar income levels, Nepal invests significantly less per capita in education and health (**Figures 13 and 14**). In 2022, government expenditure on education as percent of GDP

Figure 12: Deaths Due to Communicable Diseases, Non-Communicable Diseases, And Injuries (%) In Nepal, 2001-2021

Source: IHME, Global Burden of Disease (2021).

Figure 13: Government expenditure on education, total (% of GDP), 2022

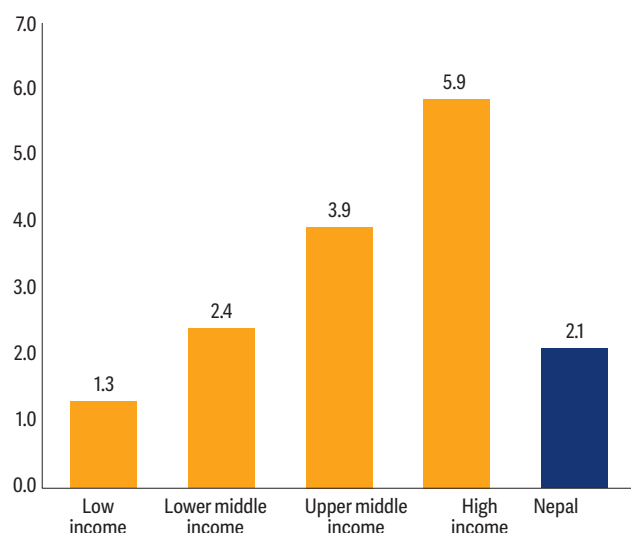
Source: World Development Indicators.

in Nepal was 3.7 percent, which is lower than the average expenditure in low-middle-income countries (4.3 percent) and far from the 6 percent recommended by UNESCO. Government expenditure on health as percent of GDP

4 Alqunaibet et al. (2021).



Figure 14: Domestic general government health expenditure (% of GDP), 2022



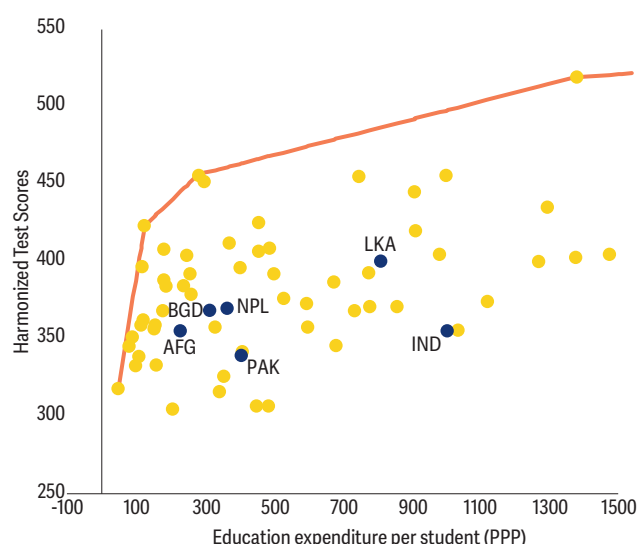
Source: Ministry of Health and Population, National Joint Annual Review (2023).

was 2.1 percent, which is below the average expenditure in low-middle-income countries (3.9 percent) and below the WHO's recommended 5 percent for achieving universal health coverage. This means Sujata and her friends have less access to quality learning materials and medicines and medical supplies, trained teachers, and accessible health-care facilities than their peers in countries with similar income levels, hindering their opportunities to learn and grow into healthy adults.

Moreover, countries with similar levels of per capita health and education spending achieve much better outcomes, even after controlling for cost-of-living differences (Figures 15 and 16). For example, Nepal's National Health Insurance (NHI) program, introduced in 2016 to improve access to healthcare and provide financial protection, has been slow to implement and faces significant challenges. Currently, the NHI covers approximately one-fourth of the population, leaving behind many of Nepal's poor and vulnerable groups. As a result, households face high out-of-pocket health expenditures, forcing families like Sujata's to make difficult choices between spending on medical care or essential needs, including education.

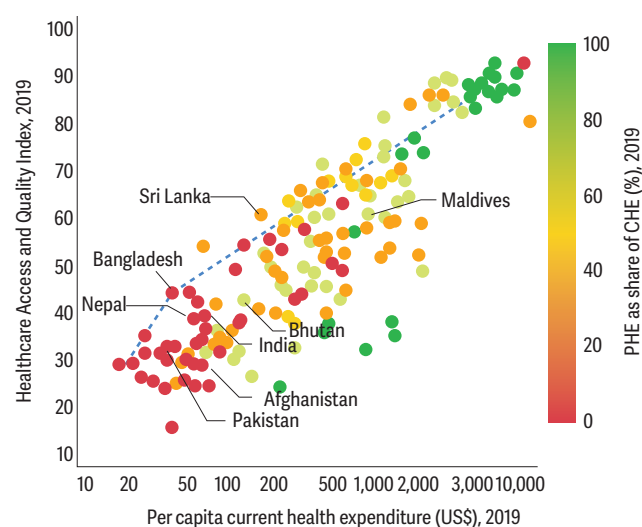
Another key factor behind Nepal's low levels of human capital accumulation is the ongoing challenges with the implementation of federalism. While the federal structure

Figure 15: Harmonized Test Scores, Per Student Education Expenditure, And Efficiency Frontier, circa 2021



Source: Own elaboration based on UNESCO Institute of Statistics (education expenditure per student) and World Development Indicators - World Bank (HLO). Data corresponds to the last available data. Education expenditure per student is obtained by adding Government expenditure on primary and secondary education in constant PPP\$ and dividing it by the total number of students enrolled in primary and secondary education.

Figure 16: Healthcare Access and Quality Index, Per Capita Current Health Expenditure and Efficiency Frontier, circa 2021



Source: South Asia Demographic Study (2024).



Box 2. Delivery of health, education, and social protection services in the federal context – Challenges and Opportunities

The 2015 Constitution transformed Nepal into a federal state, bringing significant changes to how education, health, and social protection services are delivered. Under this new system, local governments were given the authority to manage and deliver these services. They are now responsible for basic and secondary education, local health services, and community health centers, allowing them to better tailor services to meet the specific needs of their communities.

While federalism presents opportunities to improve service delivery at the local level, many challenges persist, particularly in clarifying roles and responsibilities, securing sufficient funding, and ensuring coordination between the different levels of government.

Nepal's federal system assigns both exclusive and shared responsibilities to federal, provincial, and local governments in the provision of health, education, and social protection services. However, ambiguities still exist, particularly in areas such as epidemiological surveillance, primary healthcare, teacher management, and curricula development. These gaps have been especially challenging for the development of effective provincial institutions.

Delays in passing critical federal legislation, like the Civil Service Act, have further hindered the capacity of provincial and local governments to manage human resources. Additionally, delays in enacting federal laws related to health and education have created policy bottlenecks.

Funding for health and education services largely depends on conditional grants from federal and provincial governments. This reliance limits local ownership and reduces incentives for making demand-driven investments in improving service quality.

A major barrier to improving service delivery is the fragmentation and lack of coordination between the three levels of government. Many national programs—such as basic health services, school education, and temporary employment programs—are managed separately at the local level, with minimal coordination between provincial and federal agencies. This lack of coordination disproportionately affects poor, vulnerable, and marginalized communities, who face additional barriers in accessing essential services.

Source: Own elaboration.

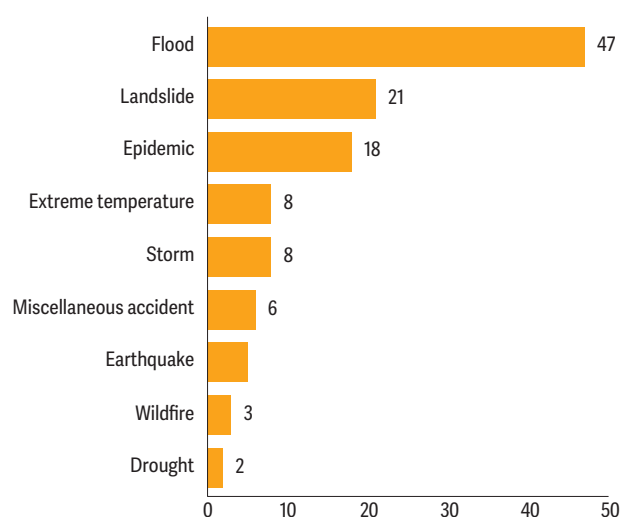
was designed to improve the delivery of essential services like education and healthcare, significant issues related to unclear roles, inadequate funding, and poor coordination across government levels have hindered progress. These implementation challenges create a huge barrier for the delivery of education, health, and social protection services (**Box 2**). Without addressing these federalism-related barriers, it will be difficult to accelerate human capital accumulation in Nepal.

Existing social protection and disaster management systems are not designed to build the population's resilience to natural disasters, epidemics, and climate change. Lying in a seismically active region, Nepal has a history

of earthquakes that cause widespread destruction, displacing people, and disrupting access to healthcare and education. For example, in 2023 an earthquake in Jajarkot destroyed over 701 schools and claimed the lives of 75 students. Nepal's health emergency preparedness and response capacities are relatively low, leaving the country vulnerable to natural disasters epidemics, and other health crises (**Figures 17 and 18**). Moreover, the coverage of social protection programs is unequal with little investments allocated to children and youth compared to other groups, and large gaps in coverage among poor populations meaning poor families like Sujata's are disproportionately disadvantaged and at greater risk of experiencing intergenerational cycles of poverty.



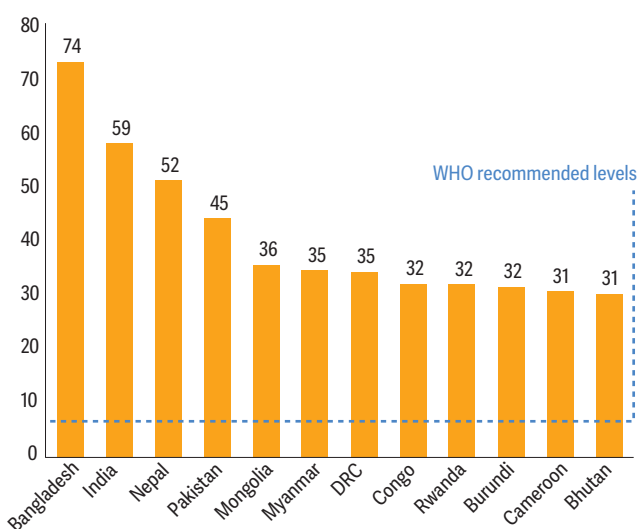
Figure 17: Average Annual Natural Hazard Occurrence in Nepal, 1980-2020



Source: World Bank (2023). Climate Change Knowledge Portal

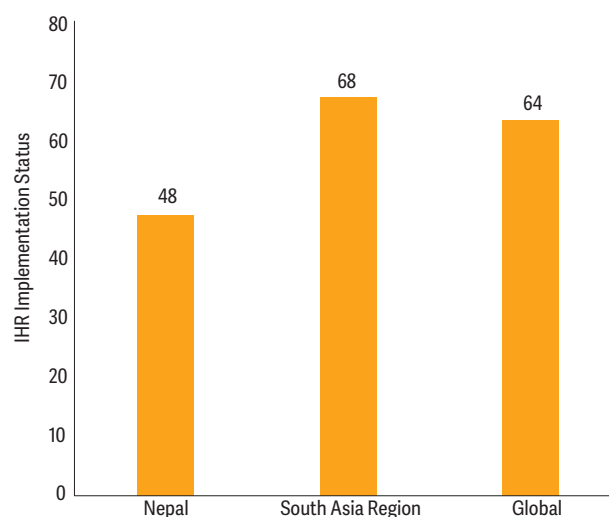
Air pollution is another significant risk factor contributing to poor health, education, wellbeing, and productivity in Nepal. In 2021, the country ranked as the third most polluted in the world, with pollution levels 10 times higher than the WHO's recommended limits (**Figure 19**), and Nepal's air pollution levels have been deteriorating significantly over

Figure 19: Annual Ambient Particulate Pollution (PM2.5) Concentration for Most Polluted Countries, 2021



Source: Air Quality Life Index (2021).

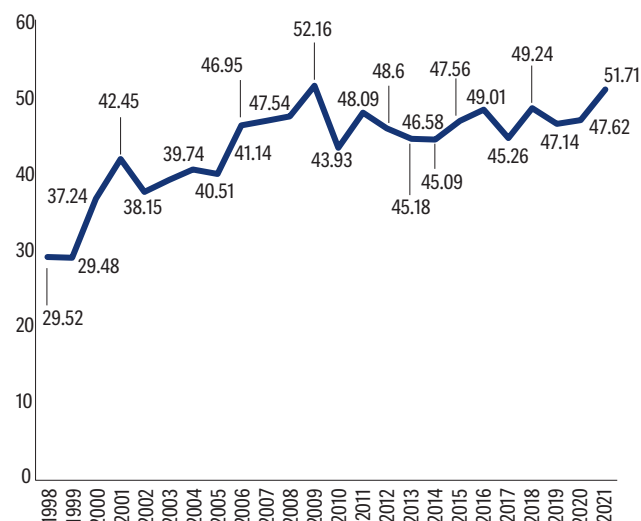
Figure 18: Nepal's Capacity to Implement International Health Regulations, 2023



Source: World Health Organization (2024). Electronic IHR States Parties Self-Assessment Annual Reporting, Nepal

time (**Figure 20**). Long-term exposure to high levels of air pollution significantly impacts human health. Air pollution was the leading risk factor for death and disability in Nepal in 2021, directly contributing to three of the top ten causes of mortality over the last decade. If Nepal could reduce its air pollution levels to meet the WHO-recommended standards,

Figure 20: Annual Ambient Particulate Pollution (PM2.5) Concentration in Nepal, 1998-2021



Source: Air Quality Life Index (2021).



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the life expectancy of its population would increase by 4.6 years. Air pollution also negatively affects education outcomes as it is associated with lower cognitive ability, academic performance, and students' neurobehavioral tests.⁵ Air pollution is financially costly, too. It is estimated that the annual cost of air pollution in Nepal is equivalent to 10.2 percent of its GDP.

Climate change, natural disasters, air pollution, and epidemics are likely to continue to hinder the health, safety, and educational opportunities of Nepalis, and these

threats are expected to increase over time. Nepal's current system is not well-equipped to handle these challenges, making it essential to enhance social protection benefits and expand coverage to protect the most vulnerable populations. Successfully navigating Nepal's federalism context and strengthening the capacity of the system to overcome implementation challenges are key to expanding these critical social protections. Without urgent improvements in Nepal's social protection and disaster risk management systems, the country's people and economy remain at significant risk.

5 Chandra et al (2022).



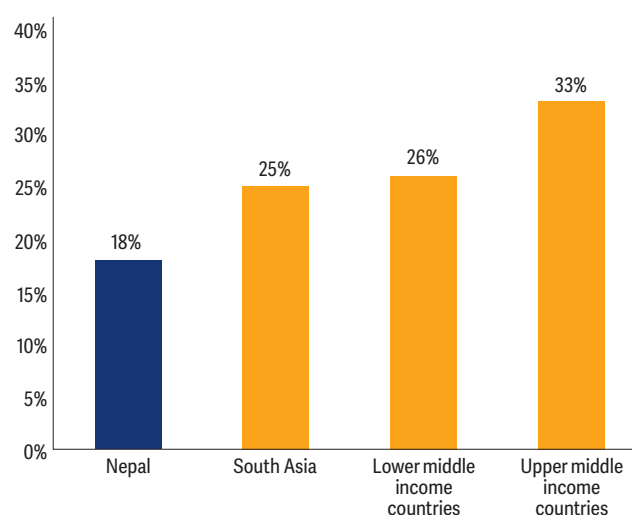
III. Human capital utilization: How much of the existing human capital is used in the labor market?

The future productivity prospects for Nepali children like Sujata appear bleak when considering current employment rates.⁶ Nepal's UHCI is just 0.18, meaning that a child born in Nepal today will only be able to utilize 18 percent of their potential productivity as an adult (Figure 21).⁷ This is significantly lower than the average UHCI in countries with similar income levels, making Nepal a regional and global outlier. The gap between the potential of the future workforce and its actual utilization is stark. Even if children like Sujata acquire skills through education, the current labor market offers few opportunities to apply those skills effectively. If Nepal invested more effectively in its people and created quality job opportunities, the GDP per capita could be five and a half times higher (Figure 22).

Nepal's UHCI is only 0.18, indicating that a child born in Nepal today will only be able to reach and utilize 18 percent of their full potential as an adult.

Our analysis also reveals large disparities in human capital utilization across Nepal. Despite having one of the highest levels of human capital in the region, Nepal has the widest gap between potential and realized productivity, and one of the lowest UHCIs (Figure 23). If current labor market trends

Figure 21: Utilization-Adjusted Human Capital in Nepal, 2020



Source: Own elaboration based on the World Bank's Utilization-Adjusted Human Capital Index. The labor force participation rates are adjusted to use the Government of Nepal's new definitions for labor market statistics.

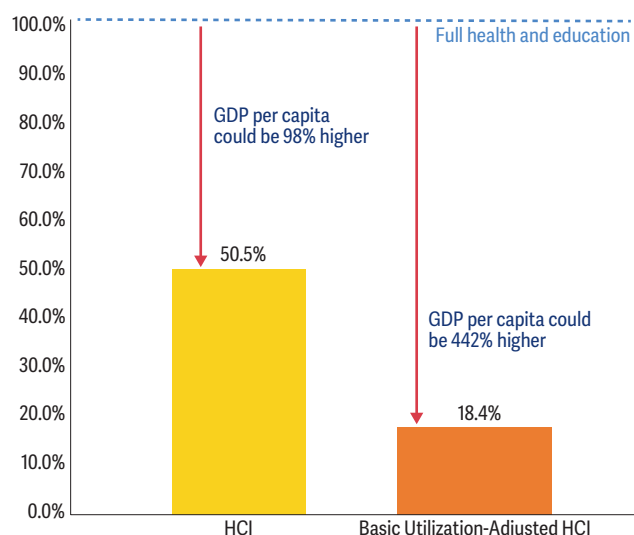
do not change, children born in less developed provinces, like the Karnali and Sudurpaschim provinces, will only utilize 12 percent of their potential while their peers born in the Bagmati province will be able to utilize 27 percent of their potential (Figure 24). These regional inequities mean Sujata

⁶ In migrant-sending countries, labor force participation rates tend to be lower due to several factors. First, remittances often act as "substitute wages," allowing families—particularly women or youth—to exit the labor force. Second, high out-migration reduces the domestic supply of working-age individuals, especially in sectors like agriculture and construction.

⁷ In 2018, Nepal adopted concepts and definitions agreed at the 19th International Conference of Labor Statisticians for producing official labor market statistics. In this HCR, we use the new official definitions for the labor market statistics. Therefore, the numbers reported do not necessarily align to those reported in the World Bank's Nepal Jobs Diagnostic (2020). The definition used is comparable to international labor market statistics and used by the World Bank to produce the utilization-adjusted HCI.

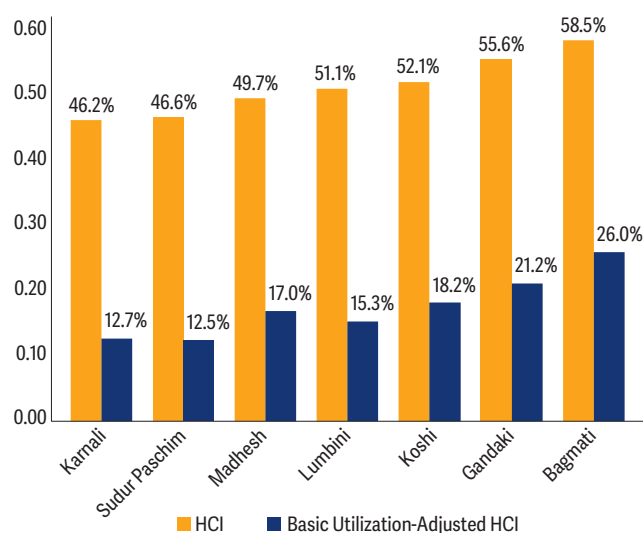


Figure 22: Human Capital and Utilization-Adjusted Human Capital Indices and GDP Losses In Nepal, 2020



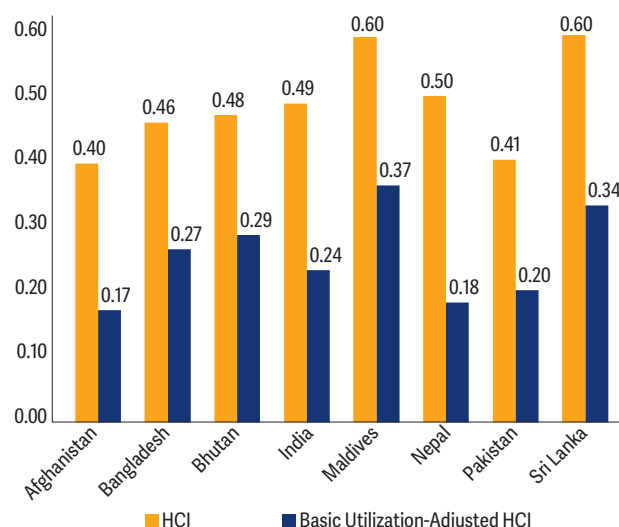
Source: Own elaboration based on the World Bank's Utilization-Adjusted Human Capital Index. The labor force participation rates are adjusted to use the Government of Nepal's new definitions for labor market statistics. The mathematical derivation of UHCI and its relationship with GDP per capita is available at Pennings (2020).

Figure 24: Subnational Human Capital and Utilization-Adjusted Human Capital Indexes in Nepal, 2023



Source: Own elaboration. Probability of survival to age 5 and fraction of children under 5 not stunted comes from DHS 2022. Survival rate from age 15-60 come from Pandey and Adair (2022). Expected years of schooling come from the Flash I Report 2080 (2023/24). Harmonized test scores are calculated from the average math, Nepali and science scores for 8th graders in the 2020 National Assessment of Student Achievement. The labor force participation rates use the Government of Nepal's definitions for labor market statistics and are estimated for the population aged 15 to 64 and computed using the NLSS 2022/23.

Figure 23: Utilization-Adjusted Human Capital in South Asia, 2020



Source: Own elaboration based on the World Bank's Utilization-Adjusted Human Capital Index. For Nepal, the labor force participation rates are adjusted to use the Governments of Nepal's new definitions for labor market statistics.

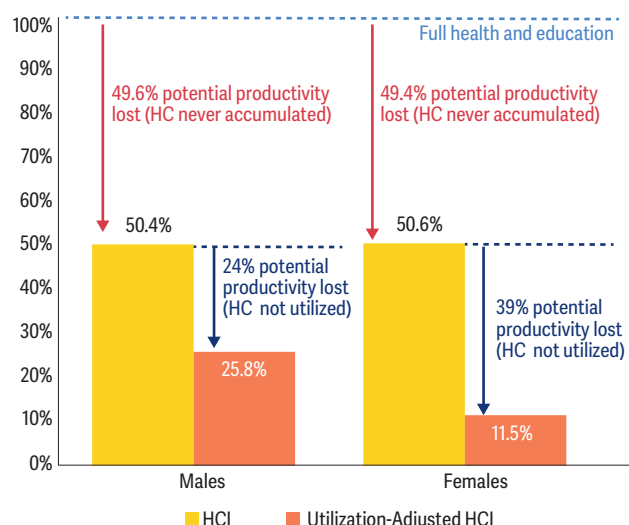
and her friends are likely to face greater challenges finding work than their peers in other regions, which may force them to make difficult decisions about whether to leave their home communities and relocate for the sake of work opportunities.

Women face significant disadvantages when it comes to utilizing their human capital. While women reach the same levels of human capital accumulation as men, on average, a Nepali girl will only utilize 12 percent of her potential compared to 26 percent for a Nepali boy (Figure 25). Female labor force participation is very low, with fewer than 1 in 3 working-age women holding a paid job. This rate is also much lower than the average for lower-middle-income countries (Figure 26). This bleak reality dims the prospects for girls like Sujata, who dream of becoming doctors. Many women are confined to informal subsistence work, leading to a substantial loss of human capital potential for Nepal.

Women achieve the same levels of human capital accumulation than men, but they predominantly use it for unpaid subsistence work, resulting in a significant loss of talent for the country.

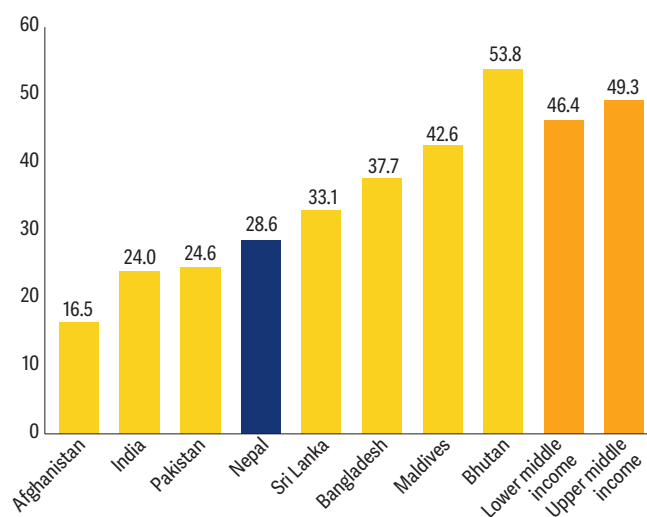


Figure 25: Human Capital and Utilization-Adjusted Human Capital Indexes by Gender in Nepal, 2023



Source: Own elaboration based on data from the HCI 2020 database and the official Utilization-adjusted Human Capital Index Data Appendix, except employment rates for population aged 15 to 64 that are computed with micro-data from NLSS 2022/23 and harmonized test scores (HTS) due to the absence of official HTS disaggregated by sex. HTS were therefore calculated from the average math, nepali and science scores for 8th graders in the 2020 National Assessment of Student Achievement.

Figure 26: Labor Force Participation Rate, Female (% of Female Population Ages 15+) (modeled ILO estimate), circa 2022

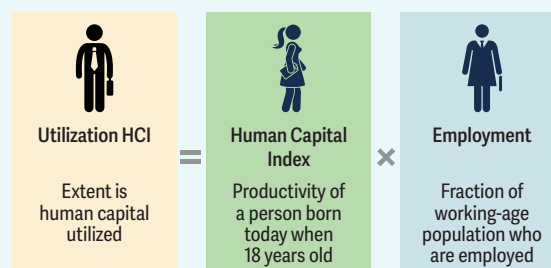


Source: Own elaboration based on World Development Indicators - World Bank.

Box 3. Utilization-Adjusted Human Capital Index

There are two types of UHCIs – the basic and the full. All the statistics reported in this report refer to the Basic UHCI, which we simply refer to as UHCI for conciseness. The full UHCI adds an additional dimension of quality of jobs into the estimations.

The Basic UHCI is estimated using the following components:



For Nepal, the Basic UHCI for province p was estimated using the following formula:

$$UHCI_p = HCI_p * \text{Employment rate}_p$$

where is the HCI of province p . The is measured by:

$$\text{Employment rate}_p = \frac{\text{No of 15 - 64 year olds employed}}{\text{No of 15 - 64 year olds population}}$$

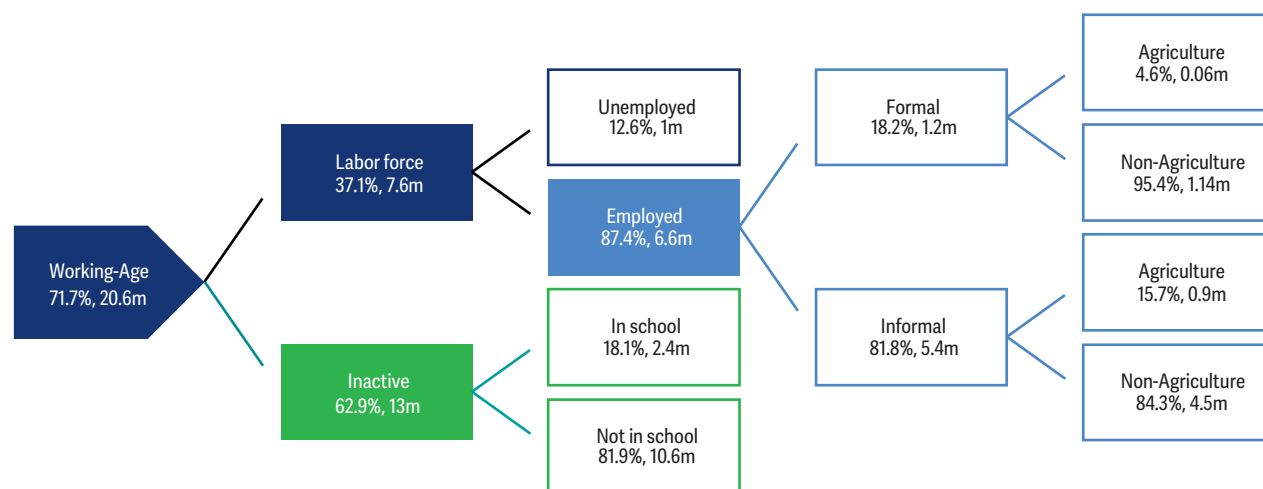
The employment rate is from the Report on the Nepal Labor Force Survey, 2017/18 of the Central Bureau of Statistics in Nepal (Table 1.6). A person was considered employed if she was engaged in any activity to produce goods or provide services for pay or profit in the week preceding the interview. They comprise:

- employed persons "at work", i.e. those who worked in a job for at least one hour in the reference week.
- employed persons "not at work due to temporary absence from a job, or to working-time arrangements (such as shift work, flextime, and compensatory leave for overtime). Paid trainee work is regarded as employment.

Source: Own elaboration based on Pennings (2020).



Figure 27: Unpacking composition of the working-age population (aged 15+), 2018



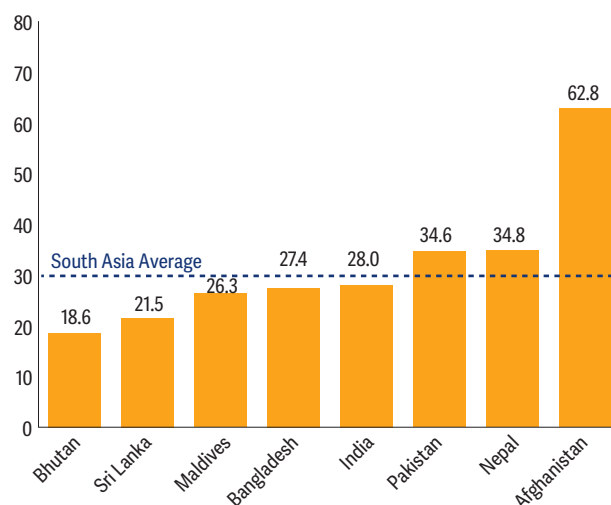
Source: Own elaboration based on the NLSS 2023/24. The labor market statistics use the Government of Nepal's definitions. Informal employment includes employers, own-account workers and contributing family workers who are employed in informal sector establishments, as well as employees and paid apprentices / interns who do not have paid annual leave or sick leave benefits and whose employers do not contribute to their social security. Informal sector establishments comprise those employed in enterprises that are neither incorporated nor registered with authorities (including those employed in private households).

What is driving Nepal's low UHCI?

Nepal's low UHCI is primarily driven by low labor force participation rates, especially among women. Average labor participation rates are only 39 percent (**Figure 27**) and the rates are even lower for young people (28 percent) and women (26 percent). Over 12 million working-age people are inactive in the labor force, which restricts national productivity and prosperity. Among the inactive population, 57 percent engage in unpaid subsistence work (i.e., produce goods for their households' consumption), 19 percent are in school, and 24 percent are truly inactive. Even among those participating in the labor force, 6 million of people in employment are in informal employment, like Sujata's father, who manages his ginger farm and only hires daily workers seasonally, and nearly a million are unemployed.

Transitioning into the labor market is especially challenging for Nepal's youth. In 2021, over a third of young people aged 15-24 in Nepal were not in education, employment, or training (NEET) (**Figure 28**). Young people with fewer years of education, those living in households with young children (0-3 years old), and those residing in the provinces of Madhesh or Karnali are at higher risk of being NEET. This difficult transition to the labor market puts the youth at greater disadvantage in terms of utilizing their human capital and benefiting from their productivity potential.

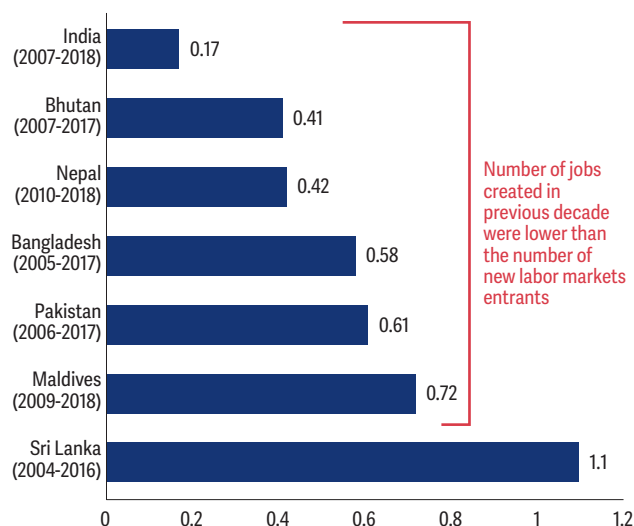
Figure 28: Share Of Youth Not in Education, Employment or Training in South Asia, circa 2022



Source: World Development Indicators.



Figure 29: Ratio of Jobs Created to the Number of People Entering the Working-Age, circa 2010-2018



Source: Leon et al (2024).

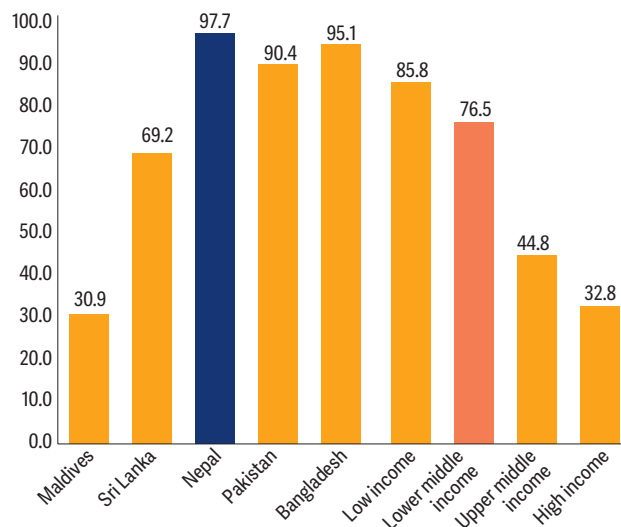
Why does Nepal have low labor force participation rates?

Nepal faces a tough employment challenge: there just aren't enough quality jobs. Most of the available work is low-paying and concentrated in the informal sector, where workers lack security and benefits. Between 2010 and 2018, only 4 out of 10 new working-age individuals were able to find a job, as job creation hasn't kept pace with the growing number of young people entering the labor market (Figure 29).

Today, a staggering 82 percent of Nepal's workforce is in informal employment, far higher than regional and global averages (Figures 30 and 31). For people like Sujata's father, who works informally on his small farm, this comes with a heavy cost. Informal workers like him earn, on average, 29 percent less than those in formal jobs, even when they have the same skills and education. This "wage penalty" makes it nearly impossible to get ahead or improve their lives. For families like Sujata's, it means a constant struggle to make ends meet, with few opportunities to break free from the cycle of poverty.

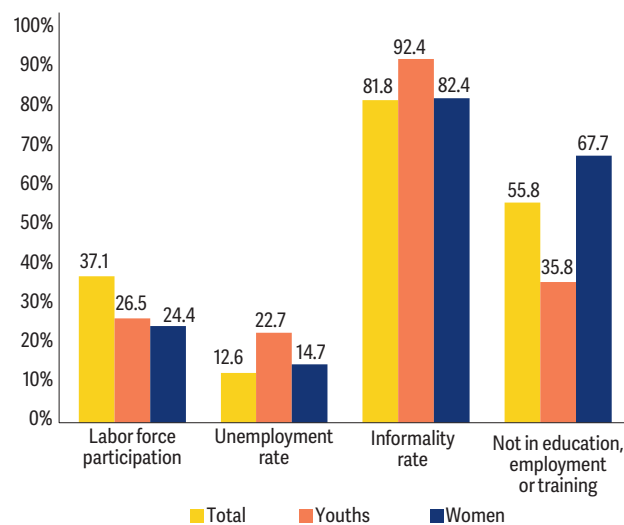
Women participate heavily in the informal labor market as they bear the burden of household chores and childcare responsibilities. About two-thirds of Nepali women are engaged in unpaid work essential for their households, such

Figure 30: Percentage of informal workers among the total employed working-age population (15-64) in Nepal, circa 2022



Source: Own elaboration based on Global Jobs Indicators Database (JOIN) and World Development Indicators. The data for Nepal is estimated using the NLSS 2023/24 following the government's definitions.

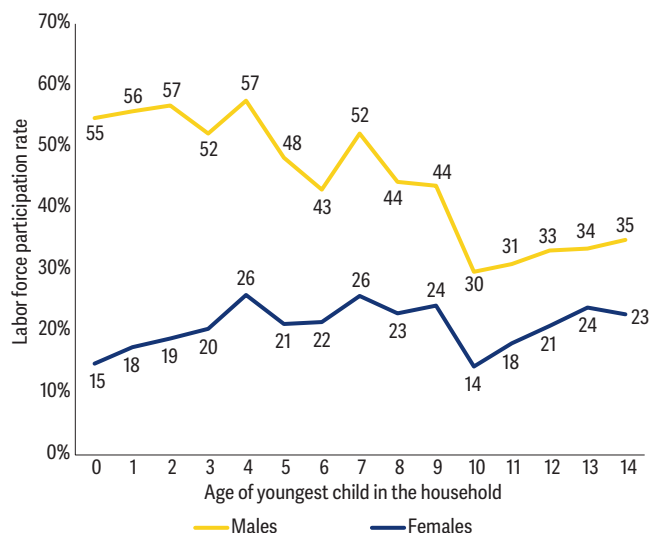
Figure 31: Selected Labor market Indicators in Nepal, 2023-2024



Source: Own elaboration based on microdata from the NLSS 2023/24. All labor market statistics use the Government of Nepal's definitions. Notes: (1) Youth are those aged 15-24. (2) Labor force participation measured as percentage of the working age population defined as those aged 15+. (3) Informality rate computed as percentage of total employment among the working age population. Informal employment includes employers, own-account workers and contributing family workers who are employed in informal sector establishments, as well as employees and paid apprentices / interns who do not have paid annual leave or sick leave benefits and whose employers do not contribute to their social security. Informal sector establishments comprise those employed in enterprises that are neither incorporated nor registered with authorities (including those employed in private households).



Figure 32: Labor Force Participation Rates by Age of Youngest Child in the Household and Gender in Nepal, 2023-2024

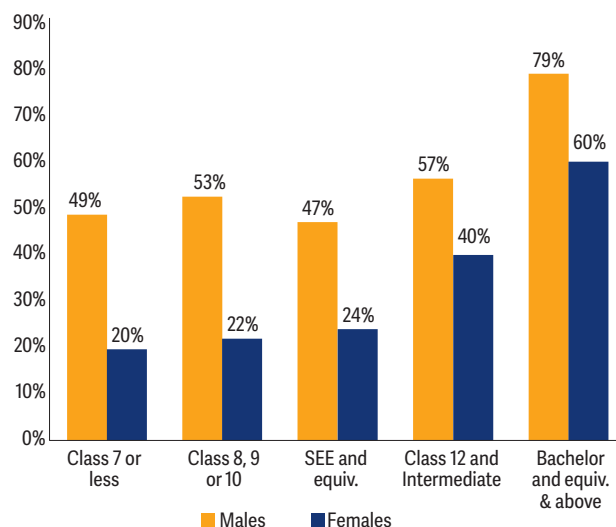


Source: Own elaboration based on the NLSS 2023/24. The labor force participation rates use the Government of Nepal/ILO definitions for labor market statistics. Working age population are those aged 15+.

as cooking, cleaning, and caring for children. This situation is exacerbated by the scarcity of dependable childcare services and the inadequate maternity and leave policies in the workplace. The absence of reliable childcare services often leaves women with no choice but to remain at home to look after their young ones, which hinders their ability to pursue formal jobs (Figure 32). Moreover, the gap in paid employment between men and women is particularly wide among those with less education. For instance, women with minimal schooling, like Sujata's mother who didn't finish primary education, rarely find opportunities in the formal labor market (Figure 33).

While microenterprises – like Sujata's family's ginger farm – and SMEs offer a promising path for job creation, they face significant challenges. Limited access to capital severely restricts their ability to grow and create jobs. Without adequate financial support, these businesses struggle to expand, which in turn limits their potential to contribute meaningfully to the country's employment needs. Take Sujata's father's ginger farm, for example. He has a small plot of land, but without the funds to expand or improve the business, he can't grow his operations. His dreams of a thriving farm that could provide jobs for the community

Figure 33: Labor Force Participation Rates by Gender and Level of Education in Nepal, 2023-2024



Source: Own elaboration based on the NLSS 2023/24. The labor force participation rates use the Government of Nepal/ILO definitions for labor market statistics. Working age population are those aged 15+.

remain just that—dreams. The entire family, along with the people who could have been employed on the farm, are caught in a struggle to make ends meet.

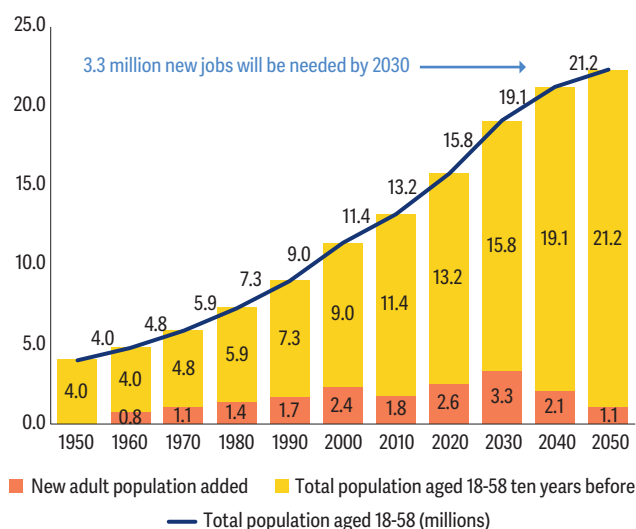
This lack of access to capital not only limits the potential of businesses like Sujata's but also hinders Nepal's ability to fully harness its demographic dividend. If the country is to meet the needs of its growing workforce, expanding support for these enterprises is crucial. But the challenges don't stop there. Limited knowledge about business and labor market regulations, combined with a slow and complicated registration process, makes it even harder to start or expand a business. For aspiring entrepreneurs like Sujata's family, navigating these hurdles can feel like an impossible task, leaving many stuck in the same position year after year. Unlocking the full potential of Nepal's microenterprises and SMEs will require overcoming these barriers and fostering a more supportive environment for growth and job creation.

Nepal's heavy reliance on informal employment has significant economic repercussions. Informal workers in South Asia, on average, earn 61 to 65 percent less than their counterparts in the formal sector.⁸ This earning penalty not only

8 For India, see Kumar and Pandey (2021). For Bangladesh, see Rahman, Bhattacharya, and Al-Hasan (2019).



Figure 34: Number of working-age population (18-58) in Nepal (in millions), 1950-2050



Source: Own elaboration based on World Population Prospects (2022). 2022-2050 values correspond to the medium variant.

affects individual workers and their families, trapping them in cycles of poverty, but also hinders the overall economic growth of the country. The predominance of informal work also limits productivity, reduces tax revenues, and exacerbates income inequality, all of which pose long-term challenges to Nepal's economic development.

Jobs are scarce, and the few available are primarily low-quality jobs concentrated in the informal sector.

If the number of available jobs does not improve, participating in the labor force will become even more challenging in the future, given Nepal's demographic trends. Nepal's working-age population is expected to expand significantly by 2050, presenting a window of opportunity to accelerate economic growth – a phenomenon known as the demographic dividend. However, this demographic changes also mean that Nepal will need to create 6.5 million jobs over the next 30 years to accommodate the influx of young people entering the working-age (Figure 34). Achieving this will be difficult if job creation continues at the same pace as in the past decade, but lessons can be learned from East Asian countries that successfully converted their demographic dividend into a labor dividend. (Box 4).

Box 4. Harnessing the demographic dividend: Lessons from Korea

Over a 40-year period, South Korea underwent a transition in which fertility declined rapidly, the age structure started to change, and the total dependency ratio (TDR) declined to yield a large share of the population of working-age adults. The TDR is the ratio of total dependents (ages 0–14 and 65+) to those in working ages (ages 15–65). This transition created a window of opportunity to accelerate economic growth, and South Korea undertook policy measures across sectors to harness this opportunity and translated this into growth in GNI per capita:

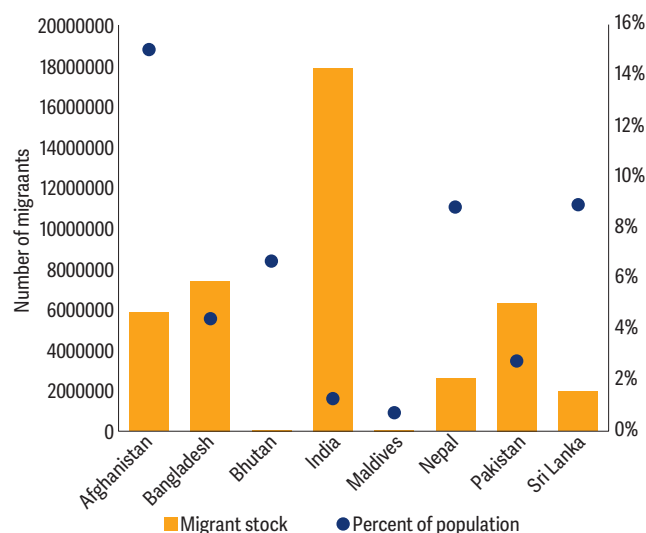
- **Comprehensive population policy leading to rapid decline in dependency ratios.** Implemented through public and private sectors: (i) Comprehensive family planning programs; (ii) Investments in training of providers on supply of contraceptives; (iii) Increases in CPR among married couples; (iv) Mothers' clubs.
- **Shifting the education and skills development strategy resulting in a higher skilled labor force.** From compulsory primary education to "Production oriented education" to provide people with knowledge and skills needed for economic development.
- **Comprehensive economic plans.** (i) Investments in labor-intensive sectors (agriculture, manufacturing, chemical, iron, steel); (ii) Investments in infrastructure and rural construction programs; (iii) Creation of favorable business environment brought in foreign direct investments (FDI).

It should be noted that South Korea made the deliberate decision to enact both family planning and economic growth policies at the same time (1962), enabling the two efforts to be mutually reinforcing and possibly more effective than if they had been sequentially implemented.

Source: World Bank (2020).



Figure 35: Number of Migrants and Their Share of The Population in South Asia, 2020



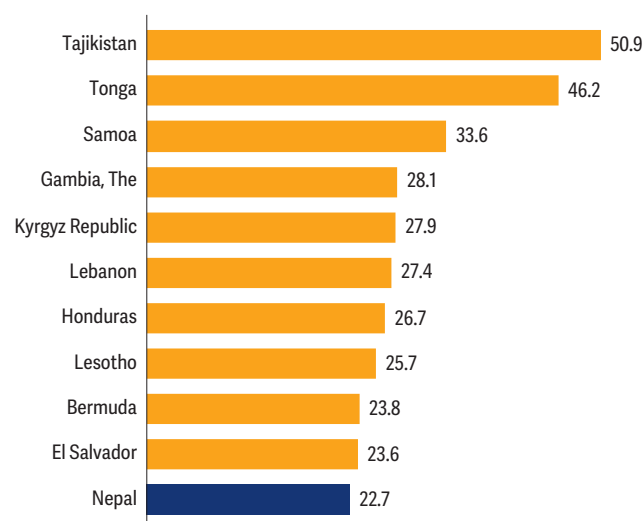
Source: United Nations Department of Economic and Social Affairs, Population Division.

With few job opportunities at home, many young Nepali men look abroad for work, hoping for better pay and a brighter future. Over the years, migration has surged. In 1990, there were about 750,000 Nepali migrants; by 2020, this number had grown to a staggering 2.6 million—around 8 percent of the population and one of the highest migration rates in South Asia, second only to Afghanistan (Figure 35).

The money these migrants send back home—remittances—has become a financial lifeline for millions of families. Today, remittances account for nearly a quarter of Nepal's GDP, positioning the country among the top global recipients (Figure 36). While migration comes with its own set of challenges, remittances have been the single biggest driver of poverty reduction in Nepal over the past decade. These funds have enabled families to invest in education, healthcare, and housing, helping lift many out of poverty and improve their quality of life.

Yes, this progress comes at a trade-off. Nepal's labor force—both skilled and unskilled—has been working abroad largely contributing to other countries' development. Take Sujata's uncle, for example. He has been working in Dubai for years

Figure 36: Countries With the Largest Share of Remittances as % of GDP, circa 2022



Source: World Development Indicators.

and often urges her father to join him. But Sujata's father hesitates. He worries about the uncertainties of life abroad: the unfamiliar culture, the challenges of a different work environment, and the heartbreak of being far from home. His dilemma reflects the tough choices many Nepali workers face—between seeking better wages abroad and staying close to their families.

For those who eventually return, reintegrating into Nepal's workforce is another challenge. Without sufficient programs to support their transition, many struggle to find jobs that match their skills and experience. This gap in reintegration support prevents Nepal from fully benefiting from the knowledge and human capital its workers have gained overseas. Addressing this issue is critical if Nepal is to harness the potential of its workforce and ensure that migration becomes a true catalyst for long-term economic development, not just a temporary solution.

The scarcity of (good) jobs fuels migration, leading to a significant influx of remittances. This results in Nepal's human capital being largely utilized abroad.



IV. Conclusion: How can we support young Nepalis to achieve their full potential?

The NHCR shows the status quo will not suffice. Limited access to high-quality education and healthcare is already holding back today's children, preventing them from building the human capital they need to rise above poverty and unlock their full potential. For today's workforce, opportunities are few and far between, and the jobs available are of low quality. This limits the ability of workers to fully utilize the human capital they have. Without substantial policy changes, the situation is only set to worsen for Sujata's generation.

On top of this, Nepal faces a mounting series of social and environmental challenges—rising air pollution, the threats of climate change, pandemics, and demographic pressures—that will further hinder efforts to build and leverage human capital. If left unaddressed, Nepal's current trajectory could jeopardize Sujata and her peers' future and put the country at risk of losing its lower-middle-income status—and failing to reach its goal of becoming an upper-middle-income country by 2030.

To avoid this bleak outcome, Nepal needs transformative investments and urgent action. The stakes are high, and the window of opportunity is narrowing. Achieving meaningful progress will require a fundamental shift in how the country invests in human capital and how it fosters its utilization. Public investments in education, health, and social protection must be increased and strategically used to change the course of Nepal's human capital trajectory and lay the foundation for a more prosperous future for all.

The NHCR provides a roadmap for this transformation, offering a set of recommendations aimed at amplifying human capital accumulation and utilization in Nepal. These recommendations, outlined in Table 1, represent a critical starting point for policymakers and stakeholders. Implementing them will be crucial for ensuring that Sujata and future generations of Nepali workers have the chance to fulfill their potential, nurture their talents, and contribute to building a thriving Nepal for all.

**Table 1:** Policy Recommendations for Human Capital Accumulation and Utilization

Policy Area	Recommendation	Key Actions
Invest More and Better in Education, Health, and Social Protection	Increase Public Spending for Education and Health	Increase government expenditure on education and health to align with Nepal's income level and national objectives and meet global recommendations. In 2022, government expenditure on education as % of GDP in Nepal was 3.7%, which is lower than the average expenditure in low-middle-income countries (4.3%) and far from the 6% recommended by UNESCO. Government expenditure on health as % of GDP was 2.1% in 2022, below the average expenditure in low-middle-income countries (3.9%) and below the WHO's recommended 5% for achieving universal health coverage.
	Enhance Equity and Efficiency in Social Sector Allocation of Human Resources and Public Spending	<i>Equity:</i> Allocate education and health resources more equitably across provinces, prioritizing those with lower human capital outcomes, such as Madhesh, Karnali, and Sudurpaschim. This involves increasing per-student and per-capita funding to meet the greater needs of these provinces. Equity should also drive the distribution of human resources—ensuring a more balanced allocation of teachers and healthcare providers would help reduce the extremely high student-teacher and population-to-healthcare provider ratios in these underserved areas. It would also address the shortage of qualified subject teachers in rural areas. <i>Efficiency:</i> Conduct a joint review of programs, such as the basic health service package, the national health insurance program, the social security fund, and the employee provident fund, to identify specific policy and delivery duplication (such as target beneficiaries and service being provided) and modalities to reduce those. Coordination across these schemes will reduce administrative overhead and improve resource allocation. Establishing a single, accountable institution for social protection to oversee policies, programs, and systems can enhance coordination, efficiency, and effectiveness across initiatives. For education, optimize school networks to better align with current and projected enrollment patterns. This could involve consolidating underutilized schools in areas with declining student populations.
Strengthen Regulatory Foundations and Capacity for Local Service Delivery	Strengthen Governance Frameworks and Improve Local Service Delivery	Approve the Federal Education Bill and build capacity to implement the Public Health Service Act, 2018, and its Regulations, 2020. Clarify the roles and responsibilities of federal, provincial, and local governments to improve accountability in delivering education, health, and social protection services. Leverage the role of provinces in enhancing human capital outcomes by supporting provincial institutions in coordinating and delivering health and education services, as well as managing trained human resources at the local level. Empower local governments by granting greater autonomy to tailor spending decisions based on their unique needs, backed by data. Introduce performance-based grants to incentivize results and explore integrated service delivery models at the local level to streamline efforts and optimize resources. Strengthen coordination in planning, budgeting, and monitoring across all levels of government to ensure efficient and effective service delivery. Invest in capacity building of all actors across the service delivery chain.
Accelerate Progress to Reduce Stunting	Set Provincial Stunting Reduction Goals Addressing Regional Disparities in Human Development	Establish and monitor provincial-level targets, with a focus on lagging regions such as Madhesh, Karnali, and Sudurpaschim, where stunting rates are disproportionately high and impact the poorest populations the most. Design interventions specifically to target the most vulnerable groups, including low-income households, to reduce disparities and improve outcomes in these underserved areas.



Policy Area	Recommendation	Key Actions
	Enhance the Linkage of the Child Grant Program with Nutritional Outcomes	Integrate “cash plus” elements into child grant program by providing additional health and nutrition services, along with social and behavioral change communication interventions for beneficiaries. These measures can enhance the overall effectiveness of cash transfers to improve nutrition outcomes. Additionally, review the adequacy and scope of the child grant to support improving nutritional outcomes, particularly for vulnerable populations.
	Strengthen Maternal-Child Health Services	Expand access to targeted nutrition and maternal-child health services by focusing on increasing the number of beneficiaries, particularly among poor and vulnerable populations, while also improving the availability and quality of services. Strengthen the targeting and monitoring of at-risk groups to ensure effective delivery and allocate additional financing to support program expansion. Tailor interventions to address the unique needs of local communities, ensuring they are relevant and effective.
Prioritize Building Foundational Skills	Foster Young Children’s Readiness to Learn Foundational Skills	Foster young children’s readiness to learn foundational skills by expanding access to quality early learning opportunities for preschool-aged children, with a focus on reaching the poorest and most disadvantaged communities. This includes establishing kindergartens integrated with primary schools to ensure a seamless transition to formal education, as well as promoting community-based programs that leverage local resources and cultural relevance. Strengthen home-based parental support initiatives to equip parents and caregivers with the knowledge and tools to support their children’s early cognitive, social, and emotional development. Additionally, invest in training early childhood educators, developing culturally and linguistically appropriate teaching materials.
	Enhance Foundational Literacy and Numeracy Skills	Adopt proven cost-effective approaches such as targeted teaching, structured pedagogy and differentiated learning strategies tailored to students’ varying needs. Equip school leaders and teachers with the resources, training, and funding required to implement and sustain these interventions effectively. Regularly monitor student progress using a combination of classroom-based assessments, diagnostic tools, and national large-scale assessments aligned with global proficiency standards. Use the data generated to identify learning gaps early, guide instructional improvements, and inform policy decisions. Additionally, enhance the availability of high-quality learning materials, such as textbooks, workbooks, and digital resources, especially in underserved schools and communities. Strengthen collaboration between schools, parents, and communities to create a supportive learning environment, and encourage local ownership of foundational learning initiatives.
Increase Productivity and Employability	Facilitate Youth Transition to the Labor Market and Leverage Demographic Opportunities	Leverage the ongoing demographic transition by addressing the challenges posed by a large cohort of unskilled youth, particularly those Not in Employment, Education, or Training (NEET). Conduct in-depth analyses of NEET data, utilizing existing surveys and collecting new data, to better understand the characteristics, barriers, and opportunities for enhancing the skills, productivity and employability of this group. Use these insights to design targeted programs and policies that focus on youth education, skills training, and reskilling to enhance their employability in both domestic and foreign labor markets. Encourage the integration of reskilling programs with evolving market demands to prepare youth for better job prospects and support lifelong learning and career mobility.



Policy Area	Recommendation	Key Actions
	Build Public-Private Partnerships for Skills Development	Foster collaboration with private sector stakeholders to develop demand-driven training programs that align technical and vocational education, as well as tertiary education systems, with the evolving needs of domestic and international labor markets. Establish partnerships to co-finance skills development initiatives, ensuring a productive and future-ready workforce. Expand and enhance on-the-job training opportunities, apprenticeships, and entrepreneurship programs to provide workers with practical and hands-on experience that directly translates to workplace readiness. Prioritize equipping workers with skills essential for the future of work, including green and digital skills, alongside 21st-century competencies such as critical thinking, communication, and adaptability.
	Expand Labor Market Information and Access to Employment Opportunities	Institutionalize and strengthen Employment Service Centers (ESC) at the local level to serve as hubs for career guidance, skills development, and job placement services. Integrate career counseling into schools to prepare students for transitions into the labor market and ensure that ESCs provide targeted support for jobseekers, particularly youth and returning migrants, to enhance their employability and facilitate smooth labor market integration. Expand labor market programs through ESCs, such as microenterprise development initiatives that support entrepreneurship and self-employment opportunities. Scale up public works programs to provide short-term employment while addressing local infrastructure and community development needs. Strengthen apprenticeship programs and introduce subsidized job placements to help jobseekers gain work experience and build skills relevant to high-demand industries. Incorporate digital platforms into ESC operations to improve access to job matching services and labor market information.
	Promote Quality Job Creation	Facilitate private investments in Micro, Small, and Medium Enterprises (MSMEs) to drive growth, spur innovation, and create job opportunities. Establish and scale up business incubation centers to nurture startups and MSMEs, providing them with critical support such as training, access to funding, and connections to industry networks. Promote public-private partnerships to foster collaboration between private investors, educational institutions, and development agencies to enhance innovation and ensure entrepreneurs have the resources and knowledge needed to succeed.
	Create Flexible Opportunities for Women to Participate in the Labor Market	Expand access to childcare by implementing subsidized, community-based, and on-site childcare programs to reduce barriers to women's participation in the workforce. Encourage formal workplaces to adopt family-friendly policies, such as parental benefits, accommodations for safe work during pregnancy, designated rest times for new mothers, and breastfeeding facilities at the workplace. Strengthen government initiatives aimed at supporting women as microentrepreneurs. This includes revising institutional arrangements across all levels of government to improve the implementation, coordination, and monitoring of the Micro Enterprise Development and Poverty Alleviation Program.
	Reduce the Burden of Non-Communicable Diseases (NCDs) to Increase Productivity	Implement comprehensive strategies to reduce the burden of NCDs and improve workforce productivity. Prioritize high-quality interventions focused on prevention, early diagnosis, and affordable treatment to address the growing prevalence of NCDs. Promote community-based awareness campaigns to encourage healthy lifestyles, such as balanced nutrition, regular exercise, and tobacco and alcohol cessation. Strengthen primary healthcare systems to deliver preventive care and screening programs, ensuring early detection and timely management of NCDs. Foster partnerships with the private sector to enhance innovation in NCD management and expand outreach through digital health solutions, such as telemedicine and mobile health apps.



Policy Area	Recommendation	Key Actions
Promote Resilience of People and Social Services	Develop a More Resilient Education System	Strengthen the education system's ability to withstand and recover from natural disasters and other disruptions. Improve school infrastructure by retrofitting existing facilities to be disaster-resilient and mobilizing funding to establish temporary learning centers during emergencies. Develop and promote e-learning modules, digital platforms, and offline educational materials to ensure the continuity of education during unforeseen school closures, such as those caused by pandemics or natural disasters. Train teachers to effectively deliver remote and blended learning to minimize learning losses and maintain student engagement.
	Strengthen the Resilience of the Health System	Enhance the health system's capacity to prevent, detect, and respond to disease outbreaks and other emergencies while building climate-resilient health infrastructure. Expand and strengthen disease surveillance networks, including sentinel sites, to improve early detection. Upgrade laboratory networks to enable timely and accurate diagnoses. Equip local governments with emergency preparedness plans and train rapid response teams to respond effectively to crises. Maintain stockpiles of essential vaccines and medicines to ensure availability during emergencies. Retrofit health facilities to withstand natural disasters such as floods, landslides, and earthquakes. Additionally, train key healthcare personnel and develop digital tools for emergency response coordination and communication.
	Institutionalize Shock-Responsive Social Protection	Institutionalize shock-responsive social protection systems by implementing guidelines and establishing an integrated social registry. This registry would enable the efficient identification of eligible populations during crises, ensuring timely and targeted support. Strengthen institutional capacity to implement adaptive social protection measures that can respond flexibly to shocks such as natural disasters, economic downturns, or health emergencies.
	Expand Social Protection for Informal Sector Workers	Accelerate the rollout of the Social Security Fund to include informal sector workers, who are often the most vulnerable during economic and social shocks. Design tailored benefits that address the specific needs of informal workers, such as health coverage, unemployment benefits, and old-age pensions. Simplify enrollment processes and promote awareness campaigns to encourage participation among informal workers, thereby enhancing their social and economic security.



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