Pakistan's Declining Human Development Index (HDI) and the Requisite Policy Reforms

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ABSTRACT

This paper is an attempt to study the Human Development Index (HDI), its components and trend over the last ten years. It has strived to understand the relationship between policy choices adopted by the policy makers to devise economic policies and their impact on the standards of living or per capita income. Similarly, it has conducted to study how the budget expenditures in the health and education sectors in Pakistan impact the key human development indicators like life expectancy and average levels of education. At a time when Pakistan faces ongoing challenges in these sectors, understanding how public spending affects human development is not doubt, of critical importance for informed policymaking. The analysis focuses on secondary data obtained from government budget reports, health statistics, and education assessments. It examines trends in budget allocations and explores how differences in funding levels affect public health outcomes and educational attainment. Research highlights that, inadequate educational funding contributes to lower mean education levels while inadequate investment in health can lead to lower life expectancy rates. The key findings suggest that prioritizing public needs, in the form of increased public spending on health and education and provision of favorable environment for sustainable standard of living, is positively associated with improvements in life expectancy and educational outcomes. This relationship underscores the importance of prioritizing these sectors within national budget frameworks. The findings encourage the policy makers to understand that strategic investments in human capital are fruitful and yield long-term benefits for the economy and society. The study is significant as it emphasizes the need for efficient allocation of resources and calls for a shift in policy priorities to improve standard of living along with up-lifting the health and education services. Hence, the research serves as a valuable resource for advocacy groups seeking increased funding for these vital areas of human development in Pakistan. This study solicited for a adopting a comprehensive approach towards public policy and investment. Moreover, it intends to supplement the existing research by establishing a relationship between policy measures including human development indicators and budgetary expenditures with a special emphasis to improvement in standards of living and fostering social and economic progress in Pakistan.

Keywords: **Human Development Index, Key Human Development Indicators, Economic Policies, Trends in Budget Allocation, Policy Reforms, Pakistan.**

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Introduction

The Human Development Index (HDI) is an important statistical measure which utilized to determine the country's general welfare, comprising education, health, and quality of life. Over the past several years, Pakistan has confronted tremendous challenges in health and education outcomes which triggered a disconcerting decline in its HDI. There is a close association between the policy choices endorsed by the sitting government and HDI, and thorough investigation of literature reveals that ruling regimes have often prioritized short-term economic gains over inclusive well-being of general population. In consequence of this, national growth suffered and inequalities in key areas of human development like access to healthcare and quality education have exacerbated to an alarming levels. This research paper examines the data of last decade to highlight the factors responsible for this decline in HDI in Pakistan and suggested some requisite policy measure that could remedies this situation. The elaborated analysis infers that poor policy decisions are the key reason for decline in HDI of Pakistan. The stagnant HDI scores over the years and slow development of Pakistan's human capital than that of its neighbors is result of devoting little significance to education, health and general welfare of common citizens. The solution to these problems lies in reconsidering policy framework and prioritizing public needs over political necessities.

Statement of the Problem

The global ranking of Pakistan in UNDP's 2023-24 Report has decreased to 164 out of 193 countries with HDI value of 0.540 as compared to its 161st rank out of 191 countries with HDI value of 0.544 in 2022-23 Report. This depicts 'low' Human Development with poor performance in terms of all three dimensions i.e. life expectancy, being knowledgeable and standard of living/GNI per capita. The consecutive low ranking of the country reflects poor governance and questions the policy choices made by the government in the education, health and economic sectors. There is a need to look into the current policies and budget allocations in health and education sector along with disposable income available to low-income brackets with a view to prioritize equitable and sustainable access of basic human needs. The policies, at both national and provincial level, if not aligned in line with HDI dimensions may not be able to improve Pakistan's HDI score in future as well.

Key Research Questions

What are the key factors responsible for decline in Human Development Index (HDI) of Pakistan?

How are the demographic indicators of HDI i.e. 'life expectancy at birth' and 'knowledgeability' determined by the policy choices of the Federal and Provincial

Governments in Pakistan? What are the policy interventions required to improve country's score?

How does the economic indicator of HDI i.e. 'Standard of living'/GNI per capital depend on economic policy choices, and what policy interventions ae required to improve it?

Scope and Significance

The scope of the study is to analyze the last ten years' trend of HDI and to understand the relationship between components or sub-indices of HDI with policy choices made by Pakistani government. As HDI is measured at national level, the study has focused at the data at Federal level and for the sake of inclusivity, all provincial data has been averaged out. The study is based on secondary research for the sake of which, already published data at national and international levels, and articles have been consulted.

The scope of study does not cover the impact of factors outside the control of policy makers. Therefore, the avenue for future research is open for analyzing impact of external factors on Human Development of Pakistan.

The significance of this study rests in its policy recommendations and its utility as an aid to comprehend and improve the areas where policy interventions could prove most effective.

Review of the Literature

The Human Development Index (HDI) is a comprehensive measure of a country's health, education and standard of living. Since 1990, when Dr. Mahboob ul Haq suggested this idea, Pakistan's HDI has been consistently reflecting low readings and has gradually petered out in previous years. The importance of HDI cannot be undermined as it is all-encompassing measure of the common well-being of the general population that is not solely restricted to economic indexes. The research reveals that negative HDI outcomes in the areas of public health and literacy are due to poor investment and funding which contributed to adverse social and economic ramifications (Sen, 1999).

Over the last ten years, The HDI data pattern of Pakistan is quiet alarming, indicating some initial progression followed by signs of stagnation and lastly heading sharply downward. Governance issues, socioeconomic disruptions, and insufficient funds allocation for public sector development are key factors to promote this trend. (UNDP, 2020).

Public health religiously calls for government investment in health care sector to increase its performance. Studies depicts that life expectancy and quality health are directly affected by low spending in this sector and it has also resulted in limited health care facilities and services to citizens (Babar et al., 2021).Such as, consistent prevalence of preventable diseases and high maternal and infant

mortality are a result of low health care budgetary allocation in Pakistan that is often too little to meet the growing needs of the population.

Allocation of adequate funds for education is crucial to strengthen the HDI indicators. Low enrollment and high dropout rates are traditional challenges of Pakistan's educational sector, especially in rural areas. Inadequate infrastructure and lack of other resources in schools due to insufficient budgetary allocation has significantly degrades the standards of education (Ali and Zafar, 2019). Allocation of funds and investment in education and skill enhancement of the workforce is essentially required to promote the various prospects of the economic growth.

The budgetary allocations are significantly influenced by the economic plans of the government. Prioritizing defense expenditure or short-term economic benefits has halted the progress of human capital development and discredited the investments in health and education sectors (Hussain, 2020). Aforementioned blinkered perception is injurious to sustainable socioeconomic progress. Economic volatility of Pakistan is marked by unemployment and high inflation which adversely affects the revenue generation and spending potential of government on essential services. Research outcomes demonstrate that those countries which prioritized education and health during economic slumps were able to ameliorate its negative implications and promoted rehabilitation on better footing. (International Monetary Fund, 2020).

Pakistan is in dire need to reassess its financial undertakings in both health and education. The reapportionments of funds from low priority areas can boost the HDI which will induce substantial progression in these domains (UNDP, 2020). The government should give due preference to the development of human capital by embracing long-term economic measures. These economic approaches must establish equilibrium between fiscal responsibilities with essential focus on investment in community based infrastructure to gear up sustainable growth (Khan, 2020). It can be inferred from the existing research that such robust policies can yield supplementary collective benefits along with strengthening the liaison between health and education. For instance, education can elevate health and literacy indicators and correspondingly, healthier populations are better placed to achieve more success intellectually and physically. (Ali et al., 2021). Accountability and effectiveness of health and education expenditures can be guaranteed by constituting robust evaluation and monitoring systems. Effective policy implementation and enhanced public trust can be secured through transparent management of public exchequer. (Human Rights Commission of Pakistan, 2022).

The decline in the HDI in Pakistan is closely linked to the government's budgetary choices in health, education and broader economic policies. Increasing funding, focusing on long-term strategies and developing integrated approaches are essential to reverse this trend. Future efforts should also explore innovative financing mechanisms and policy frameworks to support sustainable human development in Pakistan.

Research Methodology

It is a secondary research based on analysis of already published work. The study has relied primarily on qualitative tools and a little on quantitative tools to analyze trend analyses and correlation between the policy choices and sub-indices of HDI i.e. Life Expectancy, Education levels and GNI/capita.

Brief Overview of HDI and its importance

The Human Development Index (HDI) is a composite measure created by the United Nations to measure and compare the overall well-being and development of countries. In 1990, introduced by Pakistani Development expert, Dr. Mahboob-ul-Haq and subsequently, adopted by the United Nations Development Program (UNDP), the HDI combines three dimensions: health, measured by life expectancy at birth; Education, measured by average and/or expected years of education and the standard of living represented by gross national income per capita adjusted for purchasing power parity. As opposed to the traditional measures of progress, which focused on economic development only, the HDI was designed to provide a broader understanding of development beyond economic indicators, emphasizing the importance of human well-being.

Historical Context

Pakistan's HDI has remained in the LOW category (UNDP, 2024) with slight improvements since 1990 – 2022 as shown in the chart 1.1 given below. It is visible from the chart that the performance of the country has remained quite dismal since 2014.

Chart1.1

Trends in Pakistan's HDI 1990 – 2022
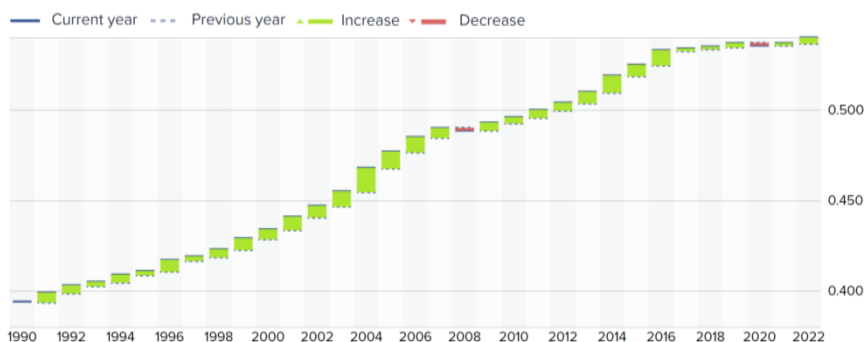
Over the past decade, Pakistan's HDI has been facing fluctuations corresponding to the country's complex socio-economic landscape. In 2010 Pakistan's HDI score was 0.515 which moved to 0.510 in 2014. With slight ups and downs, it still lies in the LOW category of Human Development. Table 1.1 has laid down HDI values over the last 10 years.
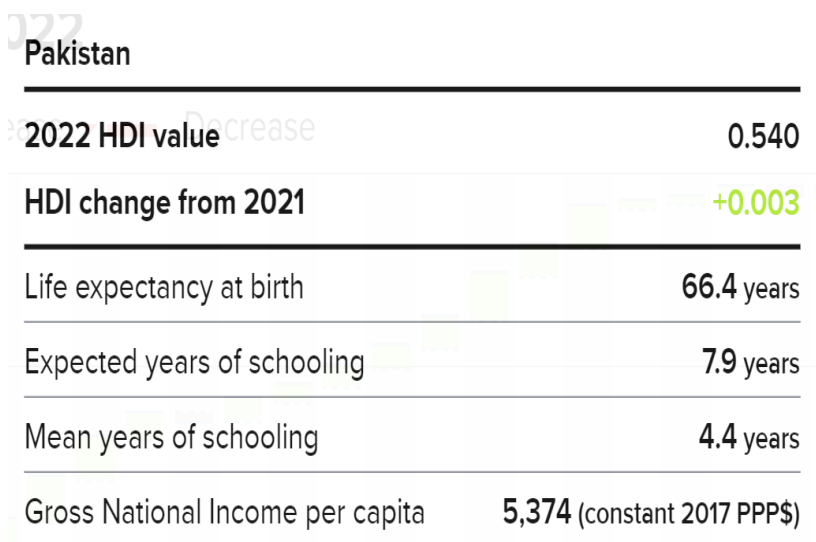
Table 1.1 (UNDP, 2024)

YEAR	HDI SCORE OF PAKISTAN	HDI RANK OF PAKISTAN
2014	0.510	146
2015	0.519	147
2016	0.525	147
2017	0.533	147
2018	0.534	147
2019	0.535	152
2020	0.537	154
2021	0.536	154
2022	0.537	154
2023	0.544	161/191
2024	0.540	164/194

Analysis
Current HDI Standing

The Human Development Report, 2024 has published Pakistan's HDI 2022 data along with its constituent indices as shown in chart 1.2.

Chart 1.2

Pakistan	
2022 HDI value	0.540
HDI change from 2021	+0.003
Life expectancy at birth	66.4 years
Expected years of schooling	7.9 years
Mean years of schooling	4.4 years
Gross National Income per capita	5,374 (constant 2017 PPP$)

As shown in the chart, Pakistan's life expectancy at birth is 66.4 years. An individual aged 25 has 4.4 years of schooling while a new born is expected to get an average 7.9 years of schooling which is below middle level of education in Pakistani context. Similarly, Gross National Income (GNI)/capita is $5.374.

The above statistics could be more meaningful if we draw their comparison to other countries. To start with, Table 1.2 provides a glimpse of top 5 global participant countries w.r.t HDI values.

Table 1.2 (UNDP, 2024)

HDI Rank	Country	SDG 3 Life expectancy at birth	SDG 4.3 Expected Years of Schooling	SDG 4.4 Mean Years of Schooling	SDG 8.5 GNI/capita $ (2017 PPP)
1	Switzerland	84.3	16.6	13.9	69,433
2	Norway	83.4	18.6	13.1	69,190
3	Iceland	82.8	19.1	13.8	54,688
4	Hong Kong, China (SAR)	84.3	17.8	12.3	62,486
5	Denmark	81.9	18.8	13.0	62,019

There is a marked difference between the current standing of Pakistan and top 5 best performers, in all sub-parameters of HDI. However, a comparison with two of our neighboring countries, Iran and India, would be more meaningful as given in table 1.3.

Table 1.3 (UNDP, 2024)

HDI Rank	Country	SDG 3 Life expectancy at birth	SDG 4.3 Expected Years of Schooling	SDG 4.4 Mean Years of Schooling	SDG 8.5 GNI/capita $ (2017 PPP)
78	Iran (Islamic Republic of)	74.6	14.1	10.7	14,770
134	India	67.7	12.6	6.6	6951
164	Pakistan	66.4	7.9	4.4	5374

Chart 1.3 (UNDP, 2024)

Life Expectancy (Years)

	Pakistan	Iran	India
Life Expectancy	66.4	74.6	67.7

Chart 1.4 (UNDP, 2024)

GNI PER CAPITA $

	Pakistan	Iran	India
GNI PER CAPITA	5374	14770	5374

Countries

Gross National Income Per Capital $

■ GNI PER CAPITA

Chart 1.5 (UNDP, 2024)

Knowledgability (Years)

	Pakistan	Iran	India
Exp Schooling	7.9	12.6	7.9
Mean schooling	4.4	10.7	6.6

■ Exp Schooling ■ Mean schooling
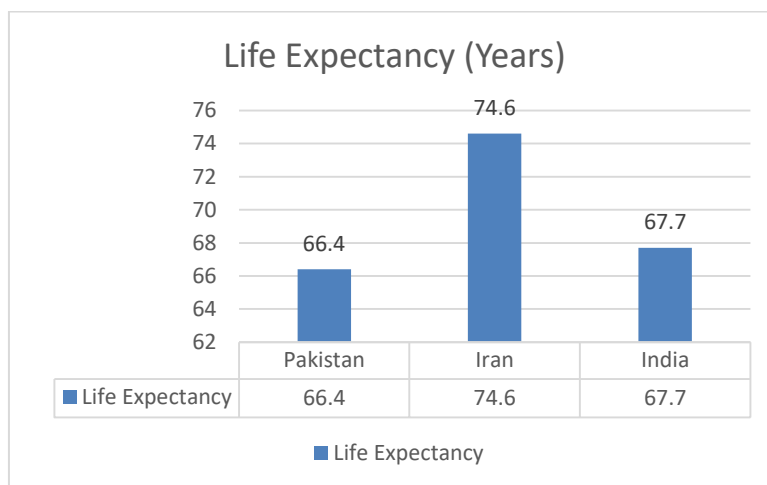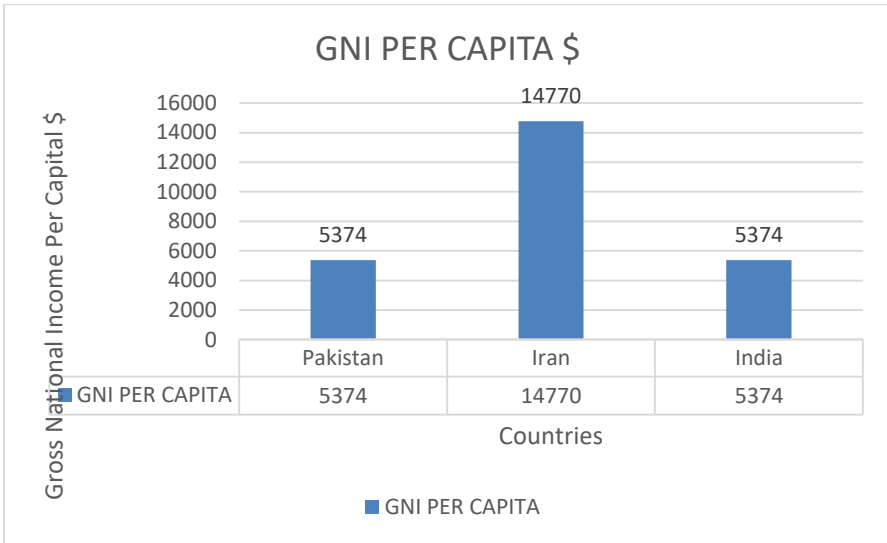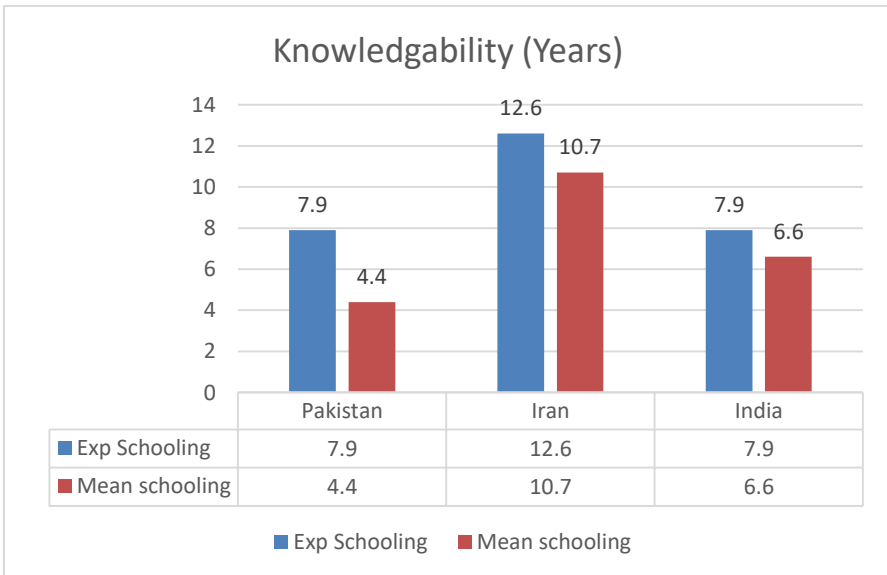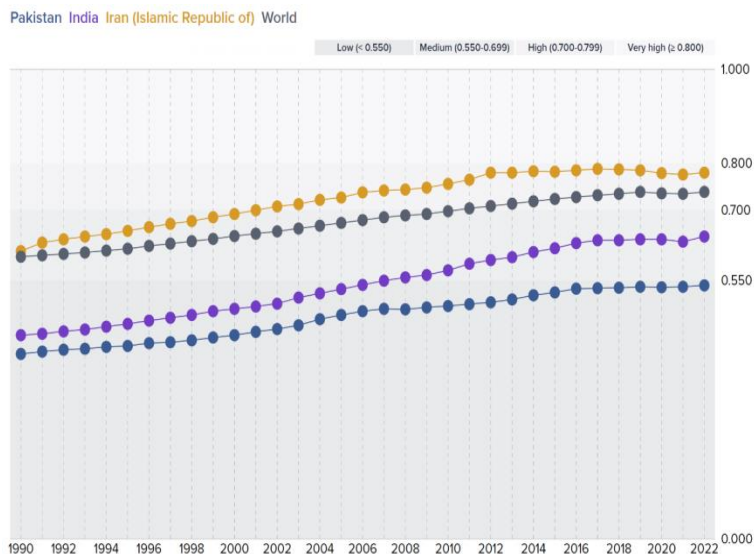
The Chart 1.3, 1.4 and 1.5 clearly establish that Pakistan lags behind its two neighborly countries in terms of all three indicators including Knowledgeability, Life Expectancy and GNI per capita ($). This sorry state of affairs is not specific to the current year but is common throughout all the previous years as evident from Chart 1.6.

Chart 1.6 (UNDP, 2024)

The above chart shows that Pakistan's HDI has been lower than those of the global average, Iran and India since 1990. Although there was not much difference between the status of India and Pakistan in 1990, the difference has widened considerably over the course of time.

The stagnant HDI levels of Pakistan require detailed analysis of the underlying causes. The concept of social contract in a state means that citizens of Pakistan merit access to health, education and basic standards of living enjoyed by the residents of other nations. However, somehow the state has not been able to provide the requisite basic amenities to the citizens resulting in low human development.

Analysis of Policy Choices contributing to the decline in HDI

The public policy is an effective instrument to affect the lives of citizenry. The government has limited resources to allocate to an unending list of anticipated expenditures. However, it ought to choose the necessities over unnecessary expenditures. The analysis of public budgeting and expenditure over the last 10 years in Pakistan, however, shows otherwise. The underlying causes are evident by the following analysis.

Budget Allocations and Challenges in Health sector affecting life expectancy

The study shows that health is a low priority for the Pakistan govt. After the 18th amendment, the subject of health has been devolved to the provinces. The spirit of this move has been to improve the provision of health facilities; however,

the performance of the provinces has shown that they do not accord the subject of health its due importance. The Chart 1.7 has summarized the performance of federal and provincial governments in the Health sector.

Chart 1.7

Years		Current Expenditure	Development Expenditures	Total Expenditures	Percent of GDP
Table 11.4: Federal and Provincial Health Expenditures					Rs million
2017-18	Federal	16721	18129	34850	1.1
	Punjab	173992	44906	218898	
	Sindh	77399	6342	83741	
	Khyber Pakhtunkhwa	44587	12909	57496	
	Balochistan	16334	5148	21482	
	Pakistan	329033	87434	416467	
2018-19	Federal	16853	10278	27131	1.0
	Punjab	187943	30982	218925	
	Sindh	91929	6216	98145	
	Khyber Pakhtunkhwa	46995	8675	55670	
	Balochistan	19434	2473	21907	
	Pakistan	363154	58624	421778	
2019-20	Federal	11439	12856	24295	1.1
	Punjab	220854	40403	261257	
	Sindh	115303	3815	119118	
	Khyber Pakhtunkhwa	58289	15132	73421	
	Balochistan	22030	5290	27320	
	Pakistan	427915	77496	505411	
2020-21	Federal	41309	9613	50922	1.0
	Punjab	221469	52705	274174	
	Sindh	150668	4057	154725	
	Khyber Pakhtunkhwa	56179	20778	76957	
	Balochistan	24981	4511	29492	
	Pakistan	494606	91664	586270	
2021-22	Federal	153030	9530	162560	1.4
	Punjab	258860	152367	411227	
	Sindh	177735	10047	187782	
	Khyber Pakhtunkhwa	95302	28865	124167	
	Balochistan	27362	6320	33682	
	Pakistan	712289	207129	919418	
2022-23 (P)	Federal	31397	4495	35892	1.0
	Punjab	303056	147554	450610	
	Sindh	199474	5158	204632	
	Khyber Pakhtunkhwa	111368	10980	122348	
	Balochistan	22012	7685	29697	
	Pakistan	667307	175872	843179	

The above facts establish the low priority accorded to health over the last five years as the highest percentage of budget accorded in 2021-22 couldn't exceed 1.4% of the budget.

Budget Allocations and Challenges in Education sector impacting average years of schooling

The dilemma of Education in terms of both access and quality has been no different than that of Health. The policy choices of our governments over the last ten years are evident from Chart 1.8.

Chart 1.8 (Macrotrends, 2024)

Year	Education Spending (% of GDP)	Annual Change
Pakistan Education Spending - Historical Data		
2022	9.40%	1.59%
2021	7.82%	-2.98%
2020	10.80%	-0.80%
2019	11.59%	-0.60%
2018	12.19%	0.13%
2017	12.06%	0.62%
2016	11.44%	-1.74%
2015	13.19%	1.89%
2014	11.30%	-0.21%
2013	11.51%	0.47%
2012	11.04%	0.12%

The analysis establishes that poor policy choices leading to low budgetary allocations to health have led to poor health outcomes and low HDI scores.

Economic Challenges and Standard of Living

The economic policy choices in Pakistan have prioritized short term gains over the long term economic growth. The resultant facts are obvious. The chart 1.8 shows the last ten years data of per capita GNI in Pakistan.

Chart 1.8

Pakistan GNI Per Capita - Historical Data		
Year	**GNI Per Capita (US $)**	**Annual % Growth**
2022	$1,560	6.12%
2021	$1,470	3.52%
2020	$1,420	-9.55%
2019	$1,570	-2.48%
2018	$1,610	8.05%
2017	$1,490	6.43%
2016	$1,400	6.06%
2015	$1,320	3.13%
2014	$1,280	3.23%
2013	$1,240	8.77%
2012	$1,140	8.57%

The regressive tax policy of the government, increasing inflation levels over time and lack of concern for conducive environment to investment or conduct business have shown poor policy choices to be responsible for GNI per capita to be consistently below par.

Findings

Recognizing key factors contributing to Pakistan's Declining HDI

The above analysis has established that following factors are responsible for declining HDI.

Health has been a low priority for Pakistan's federal and provincial governments as evident by low budgetary allocations and resultant poor health outcomes. The low category in HDI on part of Life Expectancy is a product of policy choice of Pakistan.

Education has also been a low priority as evident by low budgetary allocations and resultant poor Knowledgeability. Low category in HDI on part of Mean years of Schooling and Expected years of schooling is a result of poor policy choices of Pakistan.

Economic Policy Choices in taxation and establishing conducive environment have resulted in poor standard of living as evident by low GNP per capita.

Identification of Policy Gaps

The following policy interventions are required to improve HDI status of Pakistan.

A Unified Education and Health Policy need to be adopted at Federal level to ensure equitable growth across all provinces and sectors of Pakistan.

Both federal and provincial development policies must dedicate a minimum of 20% development budget for health and education combined. This must exclude the salaries and administrative expenditures.

The widening of tax net, however clichéd it might sound, is the ultimate solution. The tax policy must be a progressive one and ultimate burden on lower middle and low income groups needs to be rationalized.

The economic stability has to be number one priority to improve environment for businesses leading ultimately to improved standard of living.

Recommendations/Pragmatic Strategies for policy interventions

A Unified Education and Health Policy needs to be adopted at Federal level to ensure equitable growth across all provinces and sectors of Pakistan.

Both federal and provincial development policies must dedicate a minimum of 20% development budget for health and education combined. This must exclude the salaries and administrative expenditures.

The widening of tax net, however clichéd it might sound, is the ultimate solution. The tax policy must be a progressive one and ultimate burden on lower middle and low income groups needs to be rationalized.

The economic stability has to be number one priority to improve environment for businesses leading ultimately to improved standard of living.

Conclusion

The study has concluded that decline in HDI of Pakistan is a result of poor policy choices. The choice to accord low priority to health, education and standard of living of common citizens has led to stagnant HDI scores of Pakistan and slow development of Pakistan's human capital than that of its neighbors. The solution lies in revising policy framework and prioritizing public needs over political necessities.

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