Policy Brief

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Pakistan's Human Development at a Crossroads: Investing in People beyond Cash Transfers

Dr. Uzma TABASSUM & Dr. Munazah NAZEER

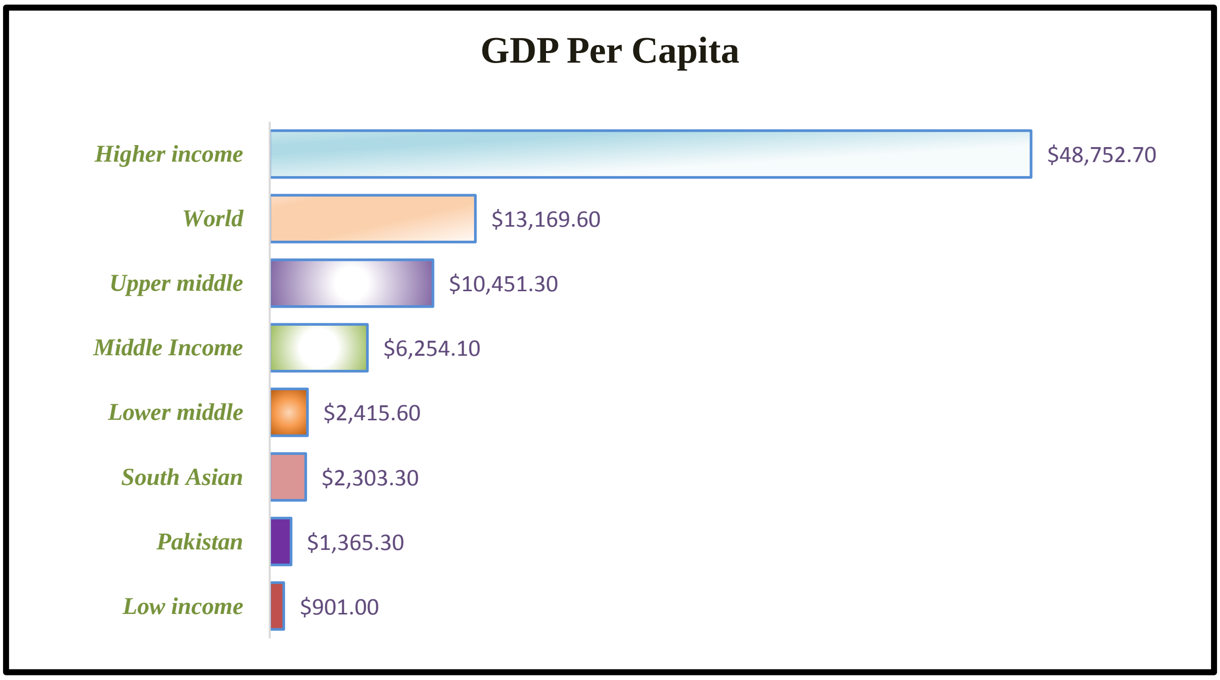
Key Outcomes

- Pakistan's Human Development Index fell from 164th in 2022 to 168th in 2023, underscoring a widening gap between income growth and real human well-being.
- Poverty remains stubbornly high at 25.6% in FY2025, revealing deep structural weaknesses in the labor market and limited opportunities for low-income workers.
- The average Pakistani child receives only 7.9 years of schooling—well below regional and global standards—reflecting persistent dropout rates and underfunded education systems.
- Public investment in education has declined to a historic low of 0.8% of GDP in 2024–25, constraining progress in learning quality and access.
- Health outcomes remain poor, with life expectancy at just 67.6 years—far behind Bangladesh and the global average—due to inadequate and uneven health spending below 3% of GDP.
- Modest gains in income have failed to translate into improved living standards, signaling a structural disconnect between economic growth and human development.
- The Benazir Income Support Programme has expanded substantially, yet nearly 90% of transfers remain unconditional, offering short-term relief without building productive capacities.
- Pakistan's lagging performance across education, health, and income dimensions highlights a critical human development crisis rooted in chronic underinvestment and policy fragmentation.

Background

The social sector remains the cornerstone of the sustainable development, shaping the capabilities of individuals and strengthening community resilience. In Pakistan, progress across key social indicators have shown mixed trajectory- demonstrating progress in some areas while highlighting persistent structural challenges in other. This analysis provides comprehensive assessment of the Pakistan's performance in key social domain, with a particular emphasize on human development progress and the role of social assistance in improving welfare outcome.

Figure-1: GDP per capita across Regions



Source: Author Illustration using data from World Development Indicator (WDI)

As of 2023, the average Pakistani's Gross Domestic Product (GDP) lags behind nearly every global income group - from lower middle to upper income countries and surpasses only the world's poorest economies. This stark reality underscores Pakistan's troubling distance from global economic progress. This limited share of good & services directly translates into widespread poverty, as millions of Pakistanis struggle to gain employment and afford even the most basic-necessities. When a nation's average income cannot keep pace with global standards, the result is not just economic disparity; it is a deepening poverty trap that holds back human development, opportunity, and dignity.

Poverty in Pakistan, although gradually declining over the past decade, remains critical concern particularly in rural and underserved areas. As of the first half of the FY2025, the national poverty rate measured at the official poverty line estimated to have stagnated at 25.6% showing minimal change from 25.4% in the FY2024 as per World Bank's Pakistan update 2025. This stagnation reflect a broader structural challenge within the labour market. Key sector that typically absorb the large share of low-income workers such as-agriculture, construction and low productivity services have experience weak growth, translating into limited income gain for the poor during this period.

Human Development Trends and Regional Comparison

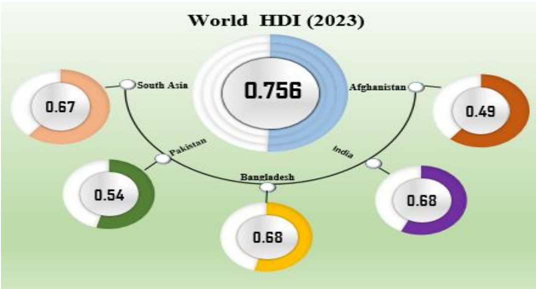
Pakistan's development trajectory continues to face serious setbacks, with stagnating progress in key areas such as income, education and health. In 2023, Pakistan ranked 168th out of 192 countries on the Human Development Index (HDI), falling further from its 2022 position of 164th. With a low HDI value of 0.54, the country remains in the 'low human development ' category. A significant 19-point gap between Pakistan's Gross National Income (GNI) per capita rank and its HDI rank highlights how modest income gains are not translating into real improvements in quality of life. This mismatch reflects deep-rooted structural poverty, where limited purchasing power and weak public services continue to hinder human development for millions.

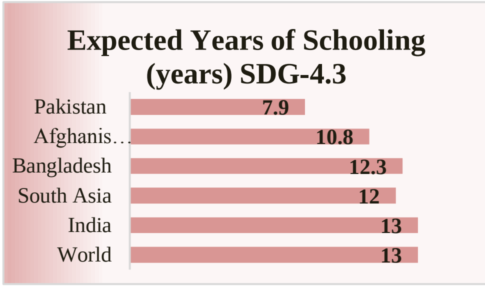
Pakistan remains significantly behind among its regional peers across critical dimension of HDI and this gap is not just marginal, it is structural cause by fundamental problems within the country's system. Pakistan performance in education remains alarmingly weak and lags behind its neighbors with only 7.9 years a school age child expected to spend in education, that is lower even than Afghanistan that stand at 10.8 years and significantly behind Bangladesh (12.3 years) and India and the global standard (13.0 years). In term of mean years of schooling, which reflect the actual average years of education of a country's population aged 25, & above. Pakistan shows just 4.3 years of actual schooling on average again falling short of India (6.9) and Bangladesh (6.8) and global average of 8.8 years. These gaps highlight persistent issues of school dropout, poor learning environment and underfunded educational infrastructure.

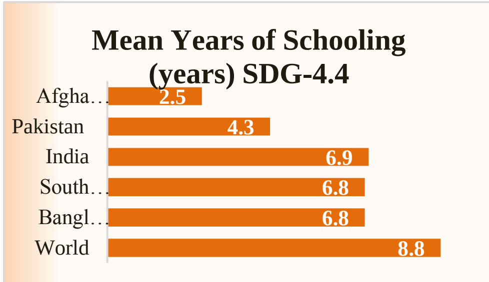
In the health sector, Pakistan performance remains below when compare to its peer countries in the region as well as average regional and world performance. With a life expectancy of 67.6 years, Pakistan trails Bangladesh (74.7 years) and the world average (73.4 years). Even war-torn Afghanistan has made remarkable strides, reaching 66 years, narrowing the gap with Pakistan.

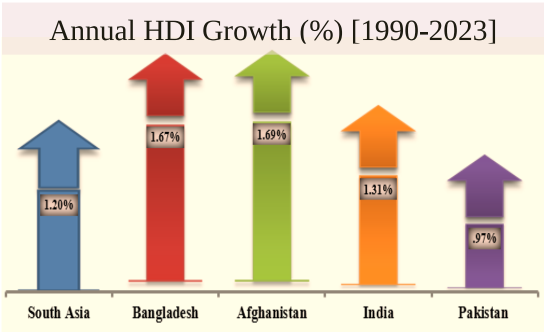
As of the GDP per capita, the GNI per capita is reported as $5,501 (PPP 2021), lower than India ($9,047), Bangladesh ($8,498), and far behind the global average of $20,327. This low level of income not only reflect sluggish economic growth but also signals limited purchasing power, restricted access to basic services and poor living standard for the large proportion of population. More importantly, despite the marginal gain in GNI from last year the decline in the HDI ranking indicate that the income growth is not translating into real improvement in human well-being.

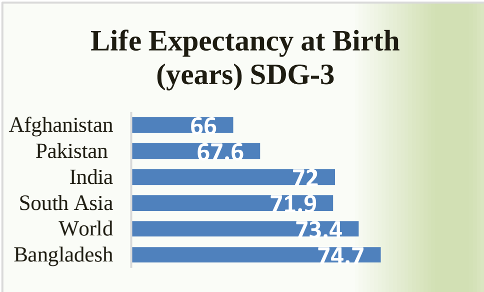
Human Development at a Crossroad: Pakistan Regional and Global

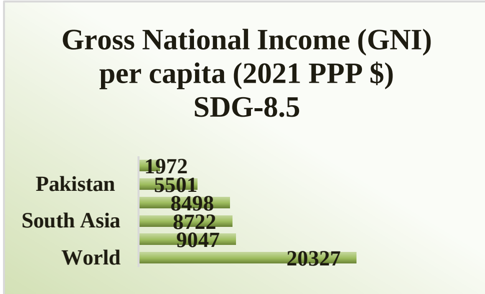


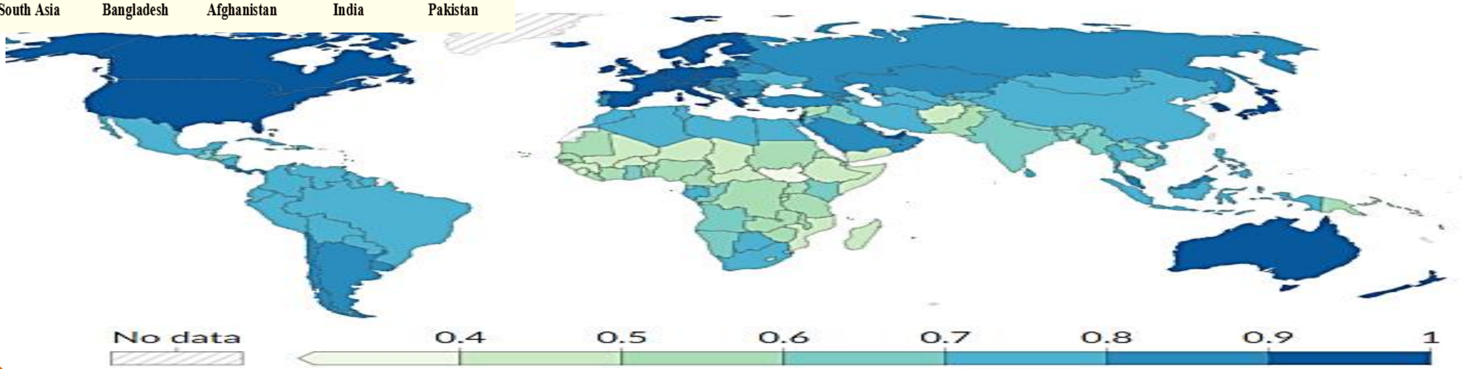












Public Investment in Education and Health Sector

Although Pakistan urgently needs to prioritize education as the foundation of human development, the reality of public spending reveals the opposite trend. Despite repeated policy commitments, expenditure on education has followed a worrying downward trajectory over the past decade. For most years, allocations have remained below 2.5% of GDP, already among the lowest in the region, and by 2024-25 (Jul–Mar) they had dropped drastically, to just 0.8% of GDP, the lowest level in more than ten years. This chronic neglect of education is widening Pakistan's learning gap with its neighbors, leaving schools underfunded, classrooms overcrowded, dropout rates persistently high, and the quality of learning environments severely compromised.

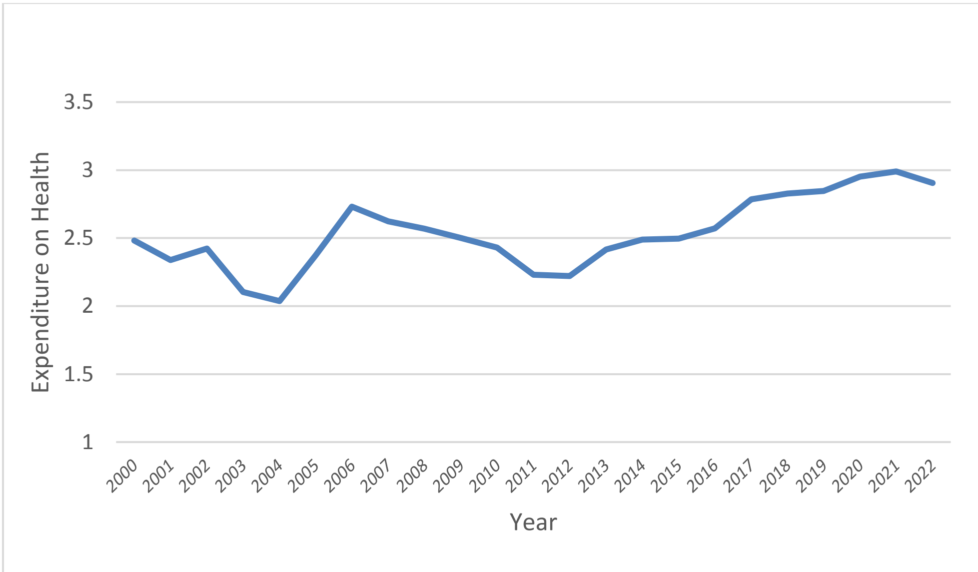
Figure-2: Pakistan's Public Expenditure on Education (% of GDP)

Source: Author Illustration

In addition to the education sector, Pakistan's spending on health has also remained inadequate, limiting progress in human development. As shown in the figure, public expenditure on health has fluctuated between 2.49% and 2.99% of GDP from 2015 to 2022, without achieving any meaningful upward shift. The share peaked at 2.99% in 2021, partly due to COVID-19 related emergency allocations, but quickly receded to 2.90% in 2022, reflecting the absence of a sustained policy commitment. Despite relatively modest health expenditures, the comparison above indicates that Pakistan remains behind neighboring countries in critical health outcomes, with persistent gaps in longevity and overall wellbeing compared to global standards.

Limited resources, combined with inefficiencies in service delivery and inequitable access, especially for rural and marginalized communities have prevented improvements in maternal health, child nutrition, and preventive care.

Figure-3: Pakistan's Public Expenditure on Health (% of GDP)

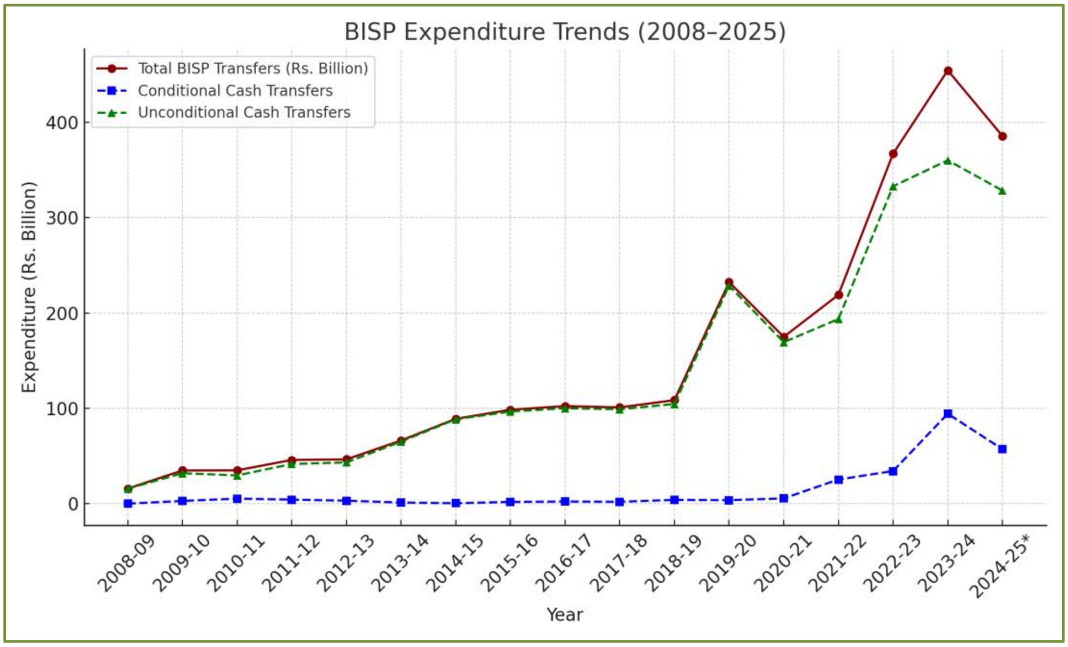


Source: Author Illustration

Social Protection Landscape

Building on the challenges of underinvestment in education and health, Pakistan has sought to strengthen its social safety net through the Benazir Income Support Programme (BISP). Since its launch in 2008, BISP allocations have risen sharply, reaching rupees 454 billion in 2023-24 before moderating to rupees 385 billion in 2024-25 (Jul-Mar). However, the composition of transfers shows that nearly 90% of total disbursements (Rupees 2.3 trillion out of rupees. 2.6 trillion) were unconditional cash transfers (UCTs), with limited developmental impact. Conditional transfers (CCTs), which can incentivize education and health outcomes, remain a very small share of the program.

Figure-4: BISP Expenditures Trends (2008-2025)



Source: Author Illustration

Conclusion and Policy Recommendations

Pakistan's human development trajectory reveals a persistent disconnect between economic expansion and genuine improvements in people's well-being. Despite moderate-income growth, progress in education and health remains alarmingly slow, reflecting decades of systemic neglect in social sector investment. The declining HDI ranking underscores a structural crisis where growth has failed to translate into enhanced human capabilities. This situation demands a paradigm shift—from short-term welfare measures to a comprehensive human capital development framework grounded in sustainability, equity, and institutional accountability.

A coherent national policy must center on human capital as the foundation of development, positioning education and health not as expenditure items but as strategic investments in productivity and long-term stability. Education spending should be progressively raised to meet regional benchmarks, ensuring universal access, improved learning outcomes, and gender parity. The health system requires a similar transformation, prioritizing preventive and primary care, equitable service delivery, and nutrition-focused interventions that strengthen population resilience.

Social protection policies should evolve from consumption-based safety nets to capability-enhancing instruments. Reforming the Benazir Income Support Programme into a more integrated model of conditional cash-transfers, linked to school attendance, maternal health, and skill formation, would generate multiplier effects on household welfare and labor productivity. Moreover, an evidence-driven governance structure is equally vital. A robust framework for transparency and accountability is essential, ensuring that resources are not only disbursed but also translated into measurable outcomes, that lift Pakistan's population out of the cycle of poverty and underdevelopment.

Concisely, Pakistan's path to inclusive growth depends on repositioning its social sector as the engine of transformation, shifting focus from unconditional cash transfers to capability building, from relief to resilience, and from short-term fixes to structural reform. Pakistan overcome the barriers of low human development and unlock its full demographic potential only through sustained, coordinated, and transparent investment in people.

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