The Impact of Government Expenditures on Economic Development in Pakistan

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Abstract

The unconventional relationship between increased government spending and stagnating economic growth in Pakistan needs a thorough evaluation of fiscal policy effectiveness. Despite public spending averaging 18% of GDP between 2000 and 2020, Pakistan's development metrics such as poverty (24.3%), unemployment (5.8%), and human development rankings (154th on HDI) remain unacceptably low (World Bank, 2021; UNDP, 2020). This study tackles this mismatch by examining how structural inefficiencies in budget allocation and governance limit Pakistan's growth potential. The goals are threefold: (1) to assess trends in Pakistan's fiscal policy composition, (2) to identify institutional hurdles to expenditure effectiveness, and (3) to propose measures to better align spending with developmental aims. The research study takes a mixed-methods approach, integrating quantitative analysis of budget data from the Pakistan Economic Survey and World Bank BOOST database with qualitative reviews of policy documents and institutional audits (Ministry of Finance, 2021; World Bank, 2022).Findings reveal that while nominal spending increased significantly—education budgets grew 16-fold misallocation (80% of education funds diverted to salaries) and corruption (20–25% leakage in health budgets) diluted impact (ASER, 2022; Transparency International, 2021). Furthermore, defense and debt servicing consumed over 50% of federal resources, crowding out social sector investments. Policy implications emphasize governance reforms, including an Independent Fiscal Council to depoliticize budgeting, performance-based allocation models, and sectoral

rebalancing to prioritize human capital. These measures, grounded in Pakistan's subnational successes like KP's Sehat Card program, offer a roadmap to transform fiscal policy into a catalyst for sustainable development.

Introduction

There has been much discussion among academics and policymakers on the role of government spending as a driver of economic growth, especially when it comes to emerging countries like Pakistan (Musgrave, 1959; Gupta, Davoodi, & Alonso-Terme, 2002). This study conducts a thorough analysis of Pakistan's fiscal policy framework and its developmental effects over the course of two pivotal decades (2000–2020), a time when the nation's public spending priorities were shaped by major political shifts, economic reforms, and outside shocks. (State Bank of Pakistan. 2022). Consistent increases in government spending have failed to produce equivalent improvements in economic growth and human development indicators (UNDP, 2020; Pakistan Bureau of Statistics, 2021), creating a paradox in Pakistan's economic development trajectory. Despite having a population of over 220 million and an average GDP growth rate of 4.5% during the study period, the country suffers from unemployment (5.8%), persistent poverty (24.3% of the population lives below the poverty line), and poor human development rankings (154th on the HDI) (UNDP, 2020; PBS, 2021). The fact that government spending during this time averaged 18% of GDP makes this contradiction even more baffling, showing that the true problem is not the number of resources, but how well they are spent and used.

This research has numerous implications. First, it coincides with a pivotal moment in Pakistan's fiscal history, as the nation negotiates its 23rd IMF program and its external debt is expected to hit $130 billion in 2023 (IMF, 2022). Second, it offers a comprehensive, long-term study that links spending trends to development results in several sectors, addressing significant gaps in the research that has hitherto concentrated on either one sector or shorter time periods. Third, the study uses an integrated analytical methodology that integrates qualitative evaluations of institutional and governance elements that mediate the relationship between spending and results with quantitative expenditure data.

Three basic concerns that are essential to comprehending Pakistan's development challenges are addressed in this study:

1. How has Pakistan's fiscal policy framework evolved since 2000 in terms of the amount, direction, and composition of government spending?

2. What are the primary political, institutional, and structural factors responsible for the continued disparity between developmental outputs and expenditure inputs?

3. In the particular context of Pakistan, what evidence-based institutional and policy changes could improve the developmental impact of public spending?

The study uses a mixed-methods approach in its methodology, combining quantitative analysis of spending data and development indicators with qualitative analysis of policy documents and institutional structures. Reports from the Pakistan Economic Survey, publications from the State Bank of Pakistan, federal and provincial budget documents, and World Bank databases are examples of primary data sources. Four main expenditure categories are thoroughly examined under the analytical framework: general services (military and administration), economic services (agricultural and infrastructure), social services (health and education), and transfer payments (social protection and subsidies).

The study's time frame **(2000-2020)** includes number of significant changes in Pakistan's political and economic environment, including the aftermath of 9/11 and Pakistan's participation in the War on Terror, the country's 2008 transition to democracy, the historic 18th Amendment to the Constitution, which granted the provinces significant authority in 2010, and several cycles of IMF stabilization programs. Understanding changes in spending priorities and the constraints on development spending necessitates an awareness of these contextual aspects.

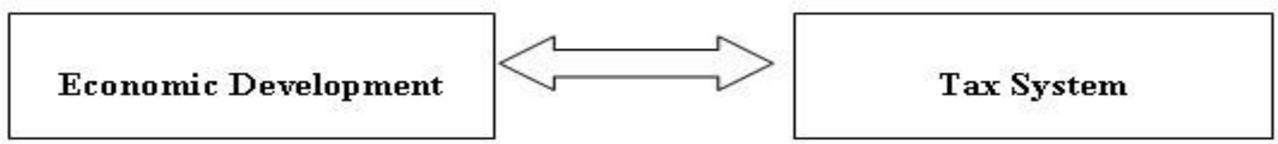
Literature Review

There has been much discussion among various schools of economic thinking over the theoretical underpinnings of government spending's contribution to economic growth. Keynesian economics emphasizes fiscal policy's countercyclical function, particularly its ability to stimulate aggregate demand during recessions by raising public spending. This method was particularly visible in Pakistan during the 2008 global financial crisis, when the government significantly expanded social security spending through initiatives like the Benazir Income Support Programme (BISP). The limitations of strictly Keynesian techniques in developing country contexts were highlighted by the fact that, while these measures provided immediate relief and helped mitigate the worst effects of the crisis, their long-term developmental effects were hampered by structural design flaws and execution issues (World Bank, 2010).

Endogenous growth theory offers another important perspective, emphasizing infrastructure development and the formation of human capital as major drivers of long-term economic growth (Romer, 1990). The Higher Education Commission reforms in Pakistan from 2002 to 2008 provide an intriguing case study of this method, as they doubled university enrollment rates and demonstrated how targeted public spending in higher education may have a significant impact. But when complementing curriculum development and labor market alignment reforms fell behind, leading to significant skills mismatches, the experience also exposed serious limitations. According to World Bank data from 2021 (World Bank, 2021), almost 30% of Pakistani university graduates are still unemployed since their degrees don't fit the demands of the labor market. This highlights the significance of comprehensive policy initiatives that go beyond straightforward spending increases.

Pakistan's experience provides some support for Wagner's Law, which holds that public spending increases organically as economies improve. Between 2000 and 2020, national spending did rise from 12% to 18% of GDP, but the nature of this increase points to more serious structural problems. Over 50% of federal fiscal resources were continuously used for defense and debt (State Bank of Pakistan, 2020), service during this time, pushing out development spending in ways that defy Wagner's theories regarding the nature of spending growth. This distortion reflects what Musgrave (1959) called "displacement effects" the permanent alteration of expenditure priorities in ways that may not be in line with the best development paths due to crises (in Pakistan's case, ongoing security concerns and growing debt pressures).

Figure 1.1: Tax System's Role in Economic Development



The effectiveness of spending is the subject of conflicting empirical research from developing nations, with governance quality appearing as a key mediating component. The effectiveness of health spending might be decreased by up to 30% due to corruption, according to cross-national research by Gupta et al. (2005). This finding is especially pertinent to Pakistan, where Transparency International estimates indicate that 20–25% of development funds are usually misused. Similarly, a comparative study on agricultural spending in Asia by Fan et al. (2008) showed average returns of 0.3% GDP growth for every 1% increase in expenditure. This study highlighted the significant opportunity costs of Pakistan's agriculture sector, which has historically received only 0.5% of GDP despite employing 40% of the workforce.

The literature on Pakistan demonstrates even more complex institutional issues that limit the efficiency of spending. The potential effects of raising education spending were seriously undermined by the thorough field research conducted by Andrabi et al. (2017), which revealed that teacher absenteeism rates in rural Sindh reached 40%. According to Malik's (2015) thorough examination of health spending, 60% of rural health clinics often experience medicine stockouts due to systematic supply chain inefficiencies. Despite having much higher per capita health spending, Pakistan's consistently high stunting rates (40%) above Sub-Saharan African standards, indicating serious systemic inadequacies in expenditure use. These micro-level inefficiencies compound into macro-level disappointments.

There are still a number of important gaps in the body of knowledge regarding Pakistan's spending problems. First, despite the fact that defense spending often accounts for 20–25% of federal resources, few studies sufficiently analyze the military's disproportionate position in budget formulation procedures. Second, little is known about the provincial differences that arose after the 18th Constitutional Amendment devolved social sector responsibilities. Punjab's educational results improved after devolution, but Balochistan's declined precipitously, indicating that subnational capacity differences might be more significant than choices about how to allocate resources. Third, in order to inform effective policy responses, a far more thorough examination of the political economics of expenditure decisions is necessary, especially the preference for highly visible infrastructure projects over less tangible but possibly more influential investments in human capital.

Framework of Analysis

An improved Public Expenditure and Financial Accountability (PEFA) methodology is used in this study to methodically assess the efficacy of Pakistani government spending. Policy alignment, operational efficiency, and the institutional environment are the three interrelated factors that the analytical approach looks at in order to predict expenditure outcomes. This multifaceted paradigm enables a thorough evaluation that goes beyond straightforward input-output analysis to comprehend the intricate processes by which financial decisions have an impact on development or don't.

The coherence between spending trends and Pakistan's declared development aspirations, as expressed in important policy documents such as Vision 2025 and its pledges to the Sustainable Development Goals (SDGs), is assessed by the policy alignment dimension. Significant discrepancies are shown by this study. For example, whereas Pakistan promised to raise education spending to 4% of GDP by 2015 (SDG 4), real allocations never went over 2.5 percent. Similarly, despite constitutional pledges to provide universal health coverage, health spending steadfastly stayed below 1% of GDP. The medium-term expenditure frameworks (MTEFs) and their practical application are specifically used to analyze these misalignments. The efficiency study evaluates input-output linkages using sector-specific metrics:

Education:

Standardized evaluations of educational results (PASEC, ASER) are utilized to analyze spending per student. Following adjustments for administrative costs and losses, the study focuses on the efficiency of resource distribution, assessing the proportion of educational funds that genuinely make it to classrooms.

Health:
To evaluate health expenditures per person, key indicators such as mortality rates, the prevalence of diseases, and vaccination rates are utilized. Emphasis is given to the composition of health expenditures, investigating patterns of geographic distribution as well as the proportion of preventive care compared to curative care.

Infrastructure:
In related projects, the expenses for construction are standardized on a per-kilometer basis, while maintenance costs are determined as a percentage of the initial investment. Instead of solely emphasizing the initial capital outlays, the research particularly examines the total lifecycle expenses of major infrastructure initiatives.

Social Protection:
Through a detailed analysis of targeting efficiency (including inclusion and exclusion errors) and the administrative expenses relative to the total program budgets, the transfer amounts are assessed in connection with their impact on poverty alleviation.

The institutional environment assessment investigates four key factors that influence the effectiveness of expenditures.

Procedures for creating budgets:
Assessing the degree to which elite-driven allocation patterns are balanced against participatory decision-making, focusing particularly on the impact of non-elected institutions on fiscal priorities.

Implementation capacity:
Reviewing the capability of municipal and provincial governments to implement development initiatives, including their proficiency in managing human resources, procurement processes, and monitoring systems.

Oversight mechanisms:
Evaluating the effectiveness of civil society monitoring, auditing bodies, and legislative oversight in ensuring accountability for expenditures.

Political economics factors:
Analyzing how political cycles, interest group influences, and patronage networks shape spending decisions and their implementation.

The data ecology for this analysis is sourced from various complementary materials:

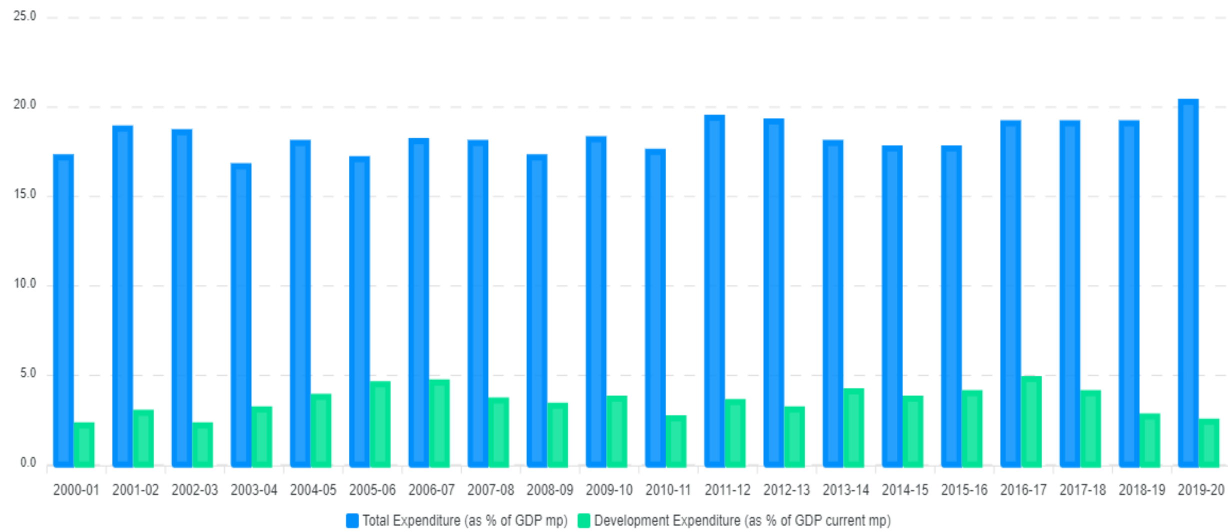
Quantitative data encompasses sector performance reports, provincial financial accounts, Pakistan Social and Living Standards Measurement (PSLM) surveys, and the World Bank's BOOST spending database.

Qualitative data includes evaluations of policies, assessments by development partners, sessions of the Public Accounts Committee, and reports from the Auditor General.

Case studies: A comprehensive examination of Sindh's social protection initiatives, Khyber Pakhtunkhwa's health card program, and Punjab's educational reforms to extract lessons applicable in other contexts.

Results and Discussion

Several important conclusions from the analysis help to explain Pakistan's persistent underperformance in converting government spending into positive development outcomes:
In nominal terms, education spending grew sixteen times from Rs. 54 billion in 2000 to Rs. 902 billion in 2020.

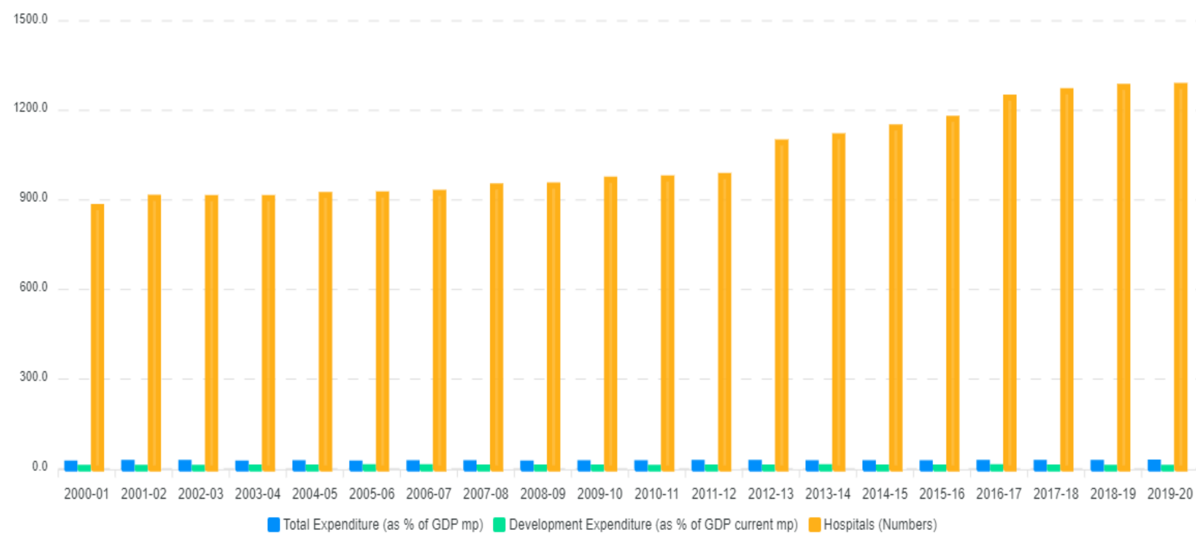


While overall education spending rose, development investment (for real school improvements) remained modest, as seen in this graph. This explains why 75% of pupils are still unable to read correctly after 20 years and 16× more money (ASER 2022). More money was spent on bureaucracy than on better teachers or classrooms.

This development, however, conceals serious structural inefficiencies in allocation; salaries account for around 80% of education budgets, leaving little money for teacher training, classroom infrastructure, or instructional materials. As a result, learning outcomes are still woefully low even though primary enrollment rates have increased to 90%. 75% of Class 3 children, according to ASER (2022) evaluations, are unable to read a text at the Class 2 level, indicating structural shortcomings in the quality of education. Punjab's performance-linked disbursement system, which was implemented in 2018, is compared provincially. shows possible solutions—under this model, teacher attendance increased by 25 percentage points—but political opposition has hindered the expansion of similar reforms across the country.

Patterns of health spending show even more concerning inefficiencies. Stunting rates are still among the highest in the world at 40%, even though nutrition programs only account for 15% of health budgets. Transparency International's (2021) clinic-level audits pinpoint a primary cause:

over 35% of allotted medical budgets are wasted to various types of corruption and leakage. The potential of well-designed programs is demonstrated by the successful example of KP's Sehat Card program, which decreased out-of-pocket health expenses for participating households from 60% to 20%. However, federal adoption of this approach has been hindered by financial limitations and interprovincial coordination issues, limiting the strategy's benefits geographically.



This graph illustrates Pakistan's shortcomings in health spending:

The majority of the money was lost to bureaucracy or corruption, as overall spending (blue) increased but development spending (green) remained low.

The number of hospitals (orange) hardly changed → No money was spent on expanding care. This explains why despite increased funding, health outcomes (such as 40% stunting rates) remained poor.

Investments in infrastructure offer a paradoxical combination of remarkable tangible results and dubious financial returns. 60% more highway capacity was made possible by projects associated with the China-Pakistan Economic Corridor (CPEC), however 40% of the country's road network remains in poor condition due to inadequate maintenance practices (NHA 2022). The $12 billion cyclical debt buildup is a major drain on fiscal resources that could otherwise be used to fund development projects, making the energy sector a prime example of how politicized tariff-setting and inadequate planning may jeopardize even large investments. A comparison with Bangladesh shows some interesting differences: although Bangladesh made a smaller initial infrastructure investment, its more stringent maintenance regulations have improved long-term asset usage and financial returns.

Fiscal Years	Expenditure on Education (as % of GDP)	Expenditure on Health (as % of GDP)
2000-01	1.6	0.7
2001-02	1.9	0,7
2002-03	1.7	0.7
2003-04	2.1	0.6
2004-05	1	0.6
2005-06	1.7	0.5
2006-07	1.5	0.4
2007-08	1.5	0.4
2008-09	1.6	0.5
2009-10	1.6	0.5
2010-11	1.6	0.2
2011-12	1.8	0.2
2012-13	1.9	0.6
2013-14	1.9	0.7
2014-15	2	0.7
2015-16	2	0.7
2016-17	2	0.8
2017-18	2.1	1.1
2018-19	2	1
2019-20	1.9	1.1

The concerning gap between sectoral spending and developmental results in all significant sectors of public spending from 2000 to 2020 is gathered up in Table.

Explanation of Expenditure on Health and Education in Pakistan (2000–2020)

The data on government expenditure as a percentage of GDP for both health and education from FY 2000-01 to FY 2019-20 reveals several important trends that help evaluate the state's investment in human capital and its potential implications for economic development.

Education Expenditure: Modest and Stagnant Growth

Government spending on education ranged between **1.0% and 2.1%** of GDP over the 20-year period. A notable increase was seen in **2003-04 (2.1%)**, followed by a sudden drop in **2004-05 (1.0%)**, suggesting fluctuations potentially linked to policy shifts or fiscal constraints. From **2012-13 onwards**, spending remained somewhat stable at around **2.0%**, peaking at **2.1% in 2017-18**, indicating a slight but insufficient upward trend.

Compared to international benchmarks (UNESCO recommends 4-6% of GDP), Pakistan's education spending remains significantly low, which can hinder improvements in literacy, skill development, and long-term economic productivity.

Health Expenditure: Consistently Underfunded

Health spending has historically remained low, fluctuating between **0.2% and 1.1%** of GDP. The lowest recorded expenditure was **0.2% in 2010-11 and 2011-12**, signaling severe underinvestment in the health sector during those years. A gradual increase is observed after 2012-13, reaching **1.1% by 2019-20**. While this reflects some progress, the overall levels remain far below the WHO recommendation of 5% of GDP. Chronic underfunding in health services contributes to poor health outcomes, low labor productivity, and vulnerability to public health crises, all of which constrain economic development.

General Trends and Economic Implications

Both sectors have been **consistently under-prioritized**, with education and health expenditures **rarely exceeding 3% of GDP in total**. Limited investment in human capital restricts economic mobility, reduces labor force quality, and undermines inclusive development. Moreover, irregular patterns of spending indicate **policy inconsistency**, making long-term improvements in human development challenging.

Relevance to Economic Development

Investing in education and healthcare is essential for achieving sustainable economic growth. The development of human capital significantly contributes to productivity, innovation, and inclusive economic progress. Evidence indicates that Pakistan's inconsistent and insufficient investment in these areas could be a critical structural obstacle to its economic potential. To enhance development, it is necessary to:

Establish a long-term fiscal plan that commits to higher and more stable funding for social sectors, ensure efficient utilization of the funds allocated, Implement institutional reforms to enhance governance in the delivery of education and healthcare.

Although social security programs like BISP have shown quantifiable progress in reducing poverty (receiving households' poverty rates have decreased by 7%), they suffer from significant exclusion errors (35% of eligible households remain uncovered). Although the biometric targeting procedures of the more current Ehsaas program have improved accuracy (92% correct targeting), coverage is limited to only 30% of the eligible population due to severe budgetary restrictions. The fact that these programs were created as pure cash transfers rather than as all-encompassing social safety nets that may alleviate multifaceted poverty further limits their potential developmental effects.

The primary limitations on the effectiveness of expenditures are found to be cross-cutting institutional issues:

Fragmented decision-making:

The management of the education system across 18 federal and provincial ministries results in crippling accountability gaps and coordination problems.

Inadequate supervision mechanisms:

Parliamentary committees usually take three to five years to evaluate Auditor General findings, which makes them essentially useless as tools for accountability in real time.

Political meddling in implementation:

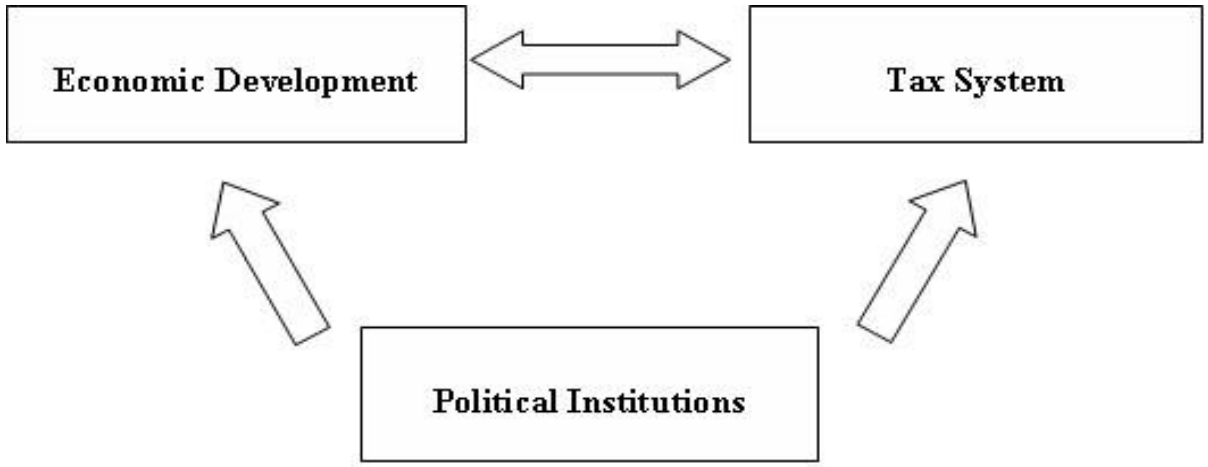
As part of political patronage systems, around 60% of development money are frequently redirected to legislators' constituency development projects with dubious developmental impact. The figure 1.2 tells us this,

Tax Issue: There is never enough money for hospitals and schools since the government only collects 9% of GDP in taxes, compared to 15% in other nations.

The problem with politics is that instead of allocating funds where they are most needed, politicians embezzle them for their own projects and locations.

Army Problem: Even in times of economic hardship (such as during COVID), military spending always comes first.

Figure 1.2: Interlink ages Between Tax Systems, Political Institutions, and Economic Development



Capacity deficits:
Despite sufficient funding, provincial health authorities' inadequate supply chain management and procurement skills result in shortages of chronic medications.

One special and little-studied limitation is the military's institutional control over financial procedures. Even in times of budgetary crisis, defense spending is practically unavoidable; during the COVID-19 epidemic, when social sector spending was drastically reduced, it was kept at 3.5% of GDP. Approximately 35% of federal income are consumed by security-related expenses, including military pensions, which has a significant crowding-out effect on spending on development.

Comparative Analysis of Bangladesh's Human Capital Investments and Economic Transformation

Though Pakistan has faced challenges in converting social sector expenditures into developmental progress, Bangladesh offers an opposite account: a resource-limited South Asian country that has emphasized investment in education and health as sources for economic transformation. This section investigates how Bangladesh's strategic investments in SDG 4 (Quality Education) and SDG 3 (Good Health and Well-being) boosted human capital metrics while also driving inclusive and long-term economic growth. By comparing the paths of both countries, we can gain meaningful lessons and policy recommendations for Pakistan.

Case Study: Bangladesh's Strategic Spending in Education and Health

Education Sector: Investment, Reforms, and Outcomes

From 2000 to 2020, Bangladesh raised its public education expenditure from 1.7% to 2.9% of GDP (World Bank, 2022). Although this percentage may seem modest, the focused efforts on enhancing the quality of elementary and secondary education, promoting girls' education, and expanding vocational training have yielded remarkable results.

Notable accomplishments include: The net enrollment rate for primary schools rose from 80% in 2000 to 98% by 2020 (UNESCO, 2021).

Reaching gender equality in primary and secondary education occurred as early as 2005, positioning Bangladesh as a leader in female education globally (UNDP, 2020).

In line with SDGs 4.1 and 4.3, the government expanded access to technical and vocational education, resulting in a 2.5-fold increase in enrollment at technical training institutes between 2010 and 2020.

In accordance with SDG 4.4, initiatives such as the Skills and Training Enhancement Project (STEP) have equipped hundreds of thousands of young individuals with skills for employment, thereby enhancing their absorption into the labor market.

These efforts in human capital development have yielded noticeable economic outcomes: the GDP per capita (in constant USD) has more than tripled, rising from $483 in 2000 to $2,024 in 2022 (World Bank).

Poverty rates declined from 48.9% in 2000 to 18.7% in 2020, with much of the decrease ascribed to higher household incomes as a result of increasing educational attainment and female workforce participation. Furthermore, Bangladesh's literacy rate increased from 45% to 76%, accompanied by improved learning outcomes as measured by standardized examinations, particularly in math and language.

Health sector: targeted investments and developmental gains

Bangladesh's health spending has also seen substantial gains, rising from 0.7% of GDP in 2000 to 2.5% by 2020. While still below the WHO's 5% target, the impact per dollar invested has been significant thanks to effective targeting and community-based strategies.

Key results include:

Maternal mortality rate (MMR) decreased from 434 per 100,000 live births (2000) to 173 (2020), in line with SDG 3.1. The under-five mortality rate decreased from 92 per 1,000 live births to 29, meeting SDG 3.2 targets.

Universal health coverage has been gradually expanded through programs like as Community Clinics and the Essential Services Package, which provide primary care to rural people. Bangladesh was one of the first countries in South Asia to implement performance-based health financing, which increased openness and accountability in the local health system. DTP3 vaccination coverage topped 95%, and malnutrition rates, particularly stunting, fell from 50% to 28% over two decades, meeting a major SDG 3.8 target.

This improvement in health indices immediately boosted economic production, particularly among women, and helped to reduce absenteeism, raise life expectancy (from 63 to 73 years), and increase labor participation.

Comparative Insights: Bangladesh vs. Pakistan

The contrast between Pakistan and Bangladesh demonstrates how governance quality, sectoral prioritizing, and institutional consistency influence development outcomes, even when resource levels are comparable.

Metric	Bangladesh (2020)	Pakistan (2020)
Education Spending (% of GDP)	2.9%	1.9%
Health Spending (% of GDP)	2.5%	1.1%
Literacy Rate	74.7%	58%
Primary School Enrollment	98%	90%
Maternal Mortality (per 100,000)	173	186
Under-5 Mortality Rate	28	67
Stunting (under-5)	28%	40%
GDP per Capita (USD)	2,024	1,285
Poverty Rate	18.7%	24.3%

While both nations faced political instability, population growth, and fiscal restrictions, Bangladesh surpassed Pakistan on nearly every significant SDG 3 and SDG 4 metric, resulting in increased economic resilience and growth.

Establishing Causal Pathways: How Investments Boosted Growth

Human Capital Accumulation

Bangladesh has effectively integrated education policies to economic planning. By boosting technical and vocational education, it linked skill supply with labor market demand, increasing labor force participation and decreasing underemployment. Pakistan's continuous mismatch between degrees and jobs (for example, 30% unemployed graduates) exemplifies what Bangladesh avoided by establishing tighter feedback loops between academia and industry.

Gender-inclusive Development

Female empowerment via education and access to healthcare was a crucial contributor to Bangladesh's success. Initiatives such as school stipends for girls and maternity health subsidies enhanced retention rates, resulting in a generation of educated, healthy women who contribute to home income and national GDP. In 2020, Bangladesh had a 38% female labor force participation rate, compared to 22% in Pakistan.

Community-Based Models

Bangladesh preferred decentralized, community-based delivery approaches for both education and health. Local engagement enhanced service quality and accountability in a variety of settings, including community clinics and school management committees. Pakistan's top-down, bureaucratic practices have resulted in inferior results despite increased nominal allocations.

Governance and leakages

According to Transparency International (2021), Bangladesh has decreased development money leakage to less than 10%, compared to 20-25% in Pakistan's health and education budgets. Bangladesh achieved better value for money by digitizing disbursements and implementing public audit systems.

Alignment with the SDGs

SDG 4: Quality Education

Bangladesh's achievements are in strong alignment with:

Target 4.1 (completion of primary and secondary education): almost complete primary school completion. Target 4.3 (equal access to affordable technical/vocational education): expanded TVET initiatives. Target 4.4 (employment skills): From 2015 to 2020, initiatives like STEP equipped over 250,000 youth with training.

SDG 3: Good Health and Well-Being

Bangladesh has shown progress through the following achievements:

Target 3.1: The maternal mortality rate has dropped to 123 from 434. Target 3.2: The under-five mortality rate has decreased by more than 60%. Target 3.8 aims to enhance universal health care with over 18,000 community clinics, catering to approximately 60 million individuals each year.

In contrast, Pakistan has repeatedly struggled to meet even half of its targets, indicating that merely allocating resources is not enough without proper alignment and accountability.

Policy Implications for Pakistan: Learning from Bangladesh

Bangladesh's strategic and sustained investments in education and health provide practical lessons for Pakistan. These lessons include deep structural and governance changes that must be considered if public spending is to yield real developmental progress.

Increase allocations through accountability.

While Pakistan has repeatedly underpaid its education and health sectors, increasing investment alone is insufficient. The actual lesson from Bangladesh is found in the accountability structures that govern resource distribution. Pakistan should increase education spending to at least 4% of GDP and health spending to 2%, in accordance with its international commitments under the Sustainable Development Goals (SDGs 4 and 3). However, these increases must be supported by the implementation of effective tracking and audit systems to monitor how monies are spent. For instance, real-time digital dashboards could be created to track budget execution at the district level. Publicly available data on how much money each school or clinic receives and how it is used can help communities keep local politicians responsible. Third-party audits, citizen-led budget reviews, and leakage detection technologies can also help to prevent widespread misuse of development funds, which now characterizes much of Pakistan's social sector spending.

Prioritize technical and vocational education.

One of the most visible triumphs of Bangladesh's education reforms was the expansion of technical and vocational education and training (TVET), which directly boosted young employment and economic production. In contrast, Pakistan's existing educational approach is significantly geared toward academic degrees, many of which do not meet job market requirements. As a result, many university graduates stay unemployed or underemployed.

To solve this, Pakistan's higher education and technical institutions must revise their curricula in collaboration with companies and employers. Agencies such as NAVTTC (National Vocational and Technical Training Commission) and HEC (Higher Education Commission) should work together to create market-oriented training programs in IT, renewable energy, health technology, agriculture, and logistics.

Furthermore, integrating vocational training into secondary school curricula, particularly in rural regions, can provide students with practical, job-ready skills earlier in their education. Public-private partnerships can assist build apprenticeship models, as demonstrated by Bangladesh's Skills and Training Enhancement Project (STEP), which raised employability and income levels for thousands of young people.

Increase female-centered human capital investments.
Bangladesh's development strategy demonstrates that investing in women's education and health enhances gender equality while simultaneously providing significant economic rewards. Higher female literacy and maternal health lead to delayed marriages, lower fertility rates, healthier offspring, and more women entering the labor, all of which boost GDP.

Pakistan should explore introducing tailored, female-focused interventions to address ongoing gender disparities in education and healthcare access. This could include:

Conditional Cash Transfers (CCTs) offer financial incentives to disadvantaged families to retain girls in school, particularly throughout secondary school, when dropout rates are highest.

Mother health vouchers or stipends are used to encourage institutional births and prenatal visits, lowering mother and infant mortality.

Mobile health units and telemedicine services are being deployed in rural and distant locations to reach women who would otherwise be unable to access doctors or midwives.

Furthermore, steps must be taken to guarantee that public schools and clinics are safe, accessible, and friendly to women and girls. Hiring more female teachers and health workers can also help break down cultural and societal obstacles to access.

Embrace Decentralized Governance to Improve the Provision of Services

Bangladesh's achievement demonstrates the effectiveness of community-based service delivery. Bureaucracy and political influence have caused delays and inefficiencies in Pakistan's centralized education and health systems. Giving district-level management boards control over finances, personnel decisions, and performance monitoring can help enhance service quality. However, this decentralization must be accompanied by training and resources to increase local capability.

Implement SDG tracking and accountability.

Pakistan's progress toward the SDGs remains uneven. A Parliamentary SDG Oversight Committee should be formed to align budgets with SDGs 3 and 4, define measurable performance goals, and publish yearly progress reports. Furthermore, SDG indicators should be utilized to assess public officials' performance. This transition from symbolic commitment to tangible tracking can greatly enhance outcomes and resource utilization.

Bangladesh's example demonstrates that planned and accountable investments in human capital may lift millions out of poverty and drive long-term economic prosperity. Despite starting from similar economic bases, its constant emphasis of education and health, which is linked with global goals and delivered through efficient delivery models, has enabled it to surpass its peers. For Pakistan, this comparative research confirms that progress is about how and where money is spent, not just how much. Lessons from Bangladesh provide a road map: invest early, invest wisely, and invest in people.

Conclusion and Recommendations

The results of this study paint a distinct but difficult picture: Disappointing development results in Pakistan are caused by structural inefficiencies in the allocation, management, and use of fiscal resources rather than a lack of them. Multiple levels of dysfunction are revealed by the investigation, ranging from micro-level implementation failures at the frontlines of service delivery to macro-level misalignments between spending patterns and development priorities. These issues are made worse by institutional structures that maintain fragmentation and inadequate accountability, as well as by a political economy that frequently puts short-term political advantages ahead of long-term developmental effects.

To change Pakistan's expenditure effectiveness, three key reform areas stand out as being crucial:

A thorough overhaul of governance

The creation of an Independent Fiscal Council to uphold fiscal regulations and depoliticize budget creation procedures

Performance-based budgeting models are being implemented nationwide, building on Punjab's successful education sector experiment.

Improving parliamentary supervision by requiring impact studies and implementing real-time spending tracking systems

Reforms to the civil service to establish merit-based, professional bureaucracy free from political meddling.

Strategic Sectoral Rebalancing

A gradual rise in education spending to 4% of GDP with required quality-focused allocations (at least 30% for learning assessments, teacher preparation, and instructional resources).
Health budgets should be fundamentally restructured to favor last-mile delivery and preventative care, based on KP's Sehat Card program. Dedicated infrastructure maintenance funds should be established, accounting for at least 5% of project expenditures, with legally required use standards. The social protection system should be rationalized into a single national framework with graded benefits and broader coverage.

Institutional Capacity Strengthening

Prolonged provincial capacity-building initiatives that emphasize supply chain management, project implementation skills, and procurement to reduce leakage and ghost workers, biometric systems are being implemented nationwide for service delivery and wage payments.

All development projects costing more than Rs. 100 million must undergo mandatory social audits with methods for citizen input. Public finance management systems are being digitalized to improve transparency and cut down on processing delays.

The political challenges to implementing these reforms are substantial but not insurmountable. Pakistan's own subnational experiments (Punjab's education reforms, KP's health cards, Sindh's biometric payment systems) provide proven models that can be scaled nationally with appropriate adaptations. The current fiscal crisis also creates a perverse opportunity - the urgent need for structural reforms to satisfy international financial institutions could provide the necessary impetus to overcome resistance from entrenched interests.

By changing their support frameworks from limited macroeconomic conditionality to more comprehensive governance and institutional reform packages, international development partners can contribute positively. Instead of developing parallel implementation systems, technical assistance programs should concentrate on developing sustainable domestic capacities. Above all, any future finance or debt relief agreements should contain legally binding pledges to prioritize and defend development spending through legislative or constitutional protections. Recognizing that Pakistan's spending problems are ultimately governance issues is necessary for the future. Spending more won't produce better fiscal results; instead, spending differently—with more accountability, more openness, and an unwavering focus on quantifiable outcomes. The results of this study indicate that, despite the difficulty of the work, it is necessary to pursue it with vigor and resolve because of the possible benefits, which include increased development and better living conditions for millions of Pakistanis.

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