

Public spending on health, education and social assistance in South Asian countries

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As many South Asian countries experienced changes in government and strong economic growth since the early 2000s, poverty and social exclusion started to receive growing attention. Many governments in the region strengthened their commitments to ensure equal access to basic healthcare, education and an adequate income. However, the path towards concretising government promises into population well-being has been uneven across South Asia. Structural challenges such as those related to poverty, inequality, demography, security and environmental threats require sustained public investment. While government efforts have improved, they are hindered by gaps in budgetary and institutional capacity.

Compared to other regions, South Asian governments spend less on health, education and social assistance as a share of gross domestic product (GDP), but there is a great heterogeneity within the region. When adding up government GDP shares spent on these three sectors, Bhutan and Maldives have the highest public social spending. Bhutan devotes comparatively more public funds to education than other South Asian countries (7 per cent of GDP). Maldives spends relatively more than its peers on health (8 per cent of GDP) and India on social assistance (1.5 per cent). At the other end of the spectrum, Bangladesh has the lowest share of spending on both health (0.4 per cent) and education (2 per cent), and Bhutan spends the least on social assistance (0.3 per cent).

Universal health care, as described in the Sustainable Development Goals, has two important dimensions: service coverage and financial protection. Despite some improvement in health outcomes, government spending remains low in most South Asian countries. In Afghanistan, Bangladesh, India, Nepal and Pakistan, the burden of health care financing is essentially borne by households: out-of-pocket spending corresponds to over half of total health expenditures. In contrast, the government is responsible for over 70 per cent of health care financing in Bhutan and Maldives, and 43 per cent in Sri Lanka (where out-of-pocket payments are mainly made by richer households). Life expectancy tends to be higher, and child and maternal mortality rates lower, in countries where the government spends more on health. Maldives and Sri Lanka are the only countries that have achieved the SDG mortality rate targets, while others (Afghanistan in particular) still have a long way to go, especially regarding investment in maternal and child health care.

To improve school intake, completion and learning, it is crucial that South Asian governments direct the appropriate funds to the education sector. Despite overall low public spending as a share of GDP, of the three social sectors considered in Bloch (2020), education is typically the one receiving the most public funding in the region.

However, similar shares of spending on education can lead to completely different outcomes. Afghanistan and Maldives both spend around 4 per cent

of GDP on education, but while over half of the population of Afghanistan is illiterate and school enrolment remains low, the Maldives has one of the best outcomes in the region. Sri Lanka has the second lowest spending in the region (2.8 per cent of GDP), which contrasts against its outstanding outcomes. Pakistan, Bangladesh and India have some of the lowest shares of spending (2.9, 2 and 3.8 per cent of GDP, respectively), and there is much room for improvement. Pakistan's education indicators are the worse in the region—the country harbours around half of the over 20 million out-of-school children in South Asia of primary and lower secondary age. Finally, Bhutan and Nepal spend relatively more on education (6.6 and 5.2 per cent of GDP respectively), and their outcomes are encouraging.

Regarding expenditure on social assistance programmes, India, Nepal and the Maldives are the only countries in South Asia where public spending exceeds 1 per cent of GDP. Data also suggest that much needs to be done to expand coverage and adequacy of social assistance programmes in the region. Even in countries where legal coverage has expanded, a huge share of the population remains excluded from social safety nets, and informality remains an obstacle to contributory social protection. Except for Bangladesh, India and Sri Lanka, social assistance programmes in South Asia do not always benefit the poorest deciles most. While social protection is crucial to protect the population from poverty and vulnerability, its impact on poverty reduction in most South Asian countries is estimated to be relatively low. Naturally, these findings should not overshadow the merits of specific programmes that might be more progressive and effective for poverty reduction, such as Pakistan's BISP.

Fiscal consolidation is a priority for all governments in South Asia, as the combination of low domestic revenue generation, inadequate spending and deterioration of economic conditions continues to lead to increasing fiscal deficits and weak macroeconomic buffers, which in turn affects the capacity of countries to allocate resources to social sectors. However, South Asia is the fastest-growing region in the world, and even countries with tight budgets have the potential to increase investment. This expansion should be carried out so that the allocation of funds is sustainable and frequent, and that the provision of services is not disrupted. There have been efforts to improve social spending, but tax collection remains underutilised as a financing mechanism in the region, and there is great scope for improvement and reprioritisation of expenditures. These measures should be complemented by efforts to strengthen governance and accountability in the management of public resources.

Reference:

Bloch, C. 2020. *Social spending in South Asia: an overview of government expenditure on health, education and social assistance*. Research Report No. 44. Brasília and Katmandu: International Policy Centre for Inclusive Growth and UNICEF Regional Office for South Asia.