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TOWARDS SUSTAINABLE ECONOMIC DEVELOPMENT IN PAKISTAN

Dr. Vaqar Ahmed*

Background

The pursuit of sustainable development involves, responsible accounting of the resources which are being devoted towards economic growth and equitable distribution of benefits accrued during the growth process. At the same time this broad framework also requires us to treat our environment and natural endowments, as a shared resource between current and future generations. In doing so the current generation assumes the responsibility of safeguarding the natural resources and promoting a growth of natural capital.¹

The reforms for prudent macroeconomic management, inclusiveness and sustainability in the growth process are often challenged by on-ground realities of political economy. We briefly discuss three specific challenges here. First is the need to put in place efficient governance mechanisms which have be capacity to deliver on local aspirations. One example is that of the effort under millennium development goals (MDGs). This rather well intentioned and bold initiative has had mixed results.

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Mostly wherever countries have defaulted on their targets under each of these goals, one finds a governance gap or more specifically a) leadership’s capacity to focus on targets that can lend maximum gains in terms of human development and in turn inclusive and sustainable growth, b) missing reforms for public sector management and key ministries and departments responsible for the delivery of MDGs, and c) weak capacity of communities to demand reform of social services.2

Second, a large part of the developing world has been hit by violent conflicts of several natures. Insulating development goals, policies, programs and projects from conflicts has been very difficult in large parts of Africa and South Asia. The third subject is that of women’s safe participation in public spaces, taking action against violence against women (and marginalized groups), and enabling women to become active members of the labor force. The gender perspective in national level policies is often found missing.

Moving on from the lessons learnt under MDGs implementation, the United Nation’s Rio+20 Summit in 2012, recognized that a more comprehensive definition of human progress is only possible under the sustainable development framework. This meeting also initiated an open working group on sustainable development with the mandate to conceptualize a set of sustainable development goals (SDGs) and targets under each of these goals.

What does this imply in the context of Pakistan? The country’s most immediate socio-economic crises can be clubbed under 3-Es, i.e., energy, economy and extremism.3 These three also get exacerbated due to a large population and stock of unemployed in the country. With a rather small public sector development budget owing to reduced capacity of state to collect taxes (and spend them), this sector cannot continue to
directly provide jobs to the new entrants in the labor market. The private sector which has the potential to create jobs is not expanding at a pace enough to absorb the current stock of unemployed and also the incremental addition to the labor force every year.⁴

We discuss these challenges in detail below and focus on political economy reforms under macroeconomic management, redistribution of resources and sustainability of economic growth.

**State of the Economy**

Pakistan despite availability of both human and financial capital remained unable to fully sustain its economic growth during the long run. Box 1 exhibits that annual growth in gross domestic product (GDP) has followed a long run downward trajectory which has made it difficult for the country to provide decent jobs and reduce poverty.

The lower growth levels have also been partially attributed to the economy’s failure to attract or retain savings in a manner that these can be transformed into productive investment for future. This is also coupled with Pakistan’s lower capacity to absorb aid reflected in falling foreign savings to GDP ratio. There are large parts of the country where implementing the development programs is simply not possible given the adverse law and order situation. The state failure in these areas particularly Balochistan, southern Punjab, interior Sindh, Karachi and western parts of Khyber Pakhunkhwa, has also prevented the private sector to envisage long term business plans.

Given low levels of incentives to productively use domestic savings, large amount of potential domestic investment remains unrealized⁵ explain that the savings behavior is
insensitive to interest rate. The ongoing financial sector reforms have also not been successful in luring greater savings into the formal channels. Improved terms of trade have not impacted savings significantly. The savings rate was also not found related to the return on government investment.

Apart from the endowments of inputs for economic expansion process, growth is also determined by how efficiently a country utilizes these inputs. Usually this efficiency is measured by total factor productivity. We see in Box 1 that over a period of 1981-2007 Pakistan has had one of the lowest levels of productivity across Asia. Literature tells us that the most important determinants of productivity in a country include: education, health, institutions (and their governance), and trade openness.6

Box 1: Pakistan Macroeconomic Performance

![Graph: Annual Real GDP Growth](image)
Towards Sustainable Economic Development in Pakistan

**Fixed Investment**

![Graph showing Fixed Investment as a percentage of GDP from 1960 to 2011.]

**Domestic and Foreign Savings**

![Graph showing Domestic and Foreign Savings as a percentage of GDP from 2005 to 2013.]

- **Gross domestic savings**
- **Foreign Savings**

The state has also not been fiscally responsible. The failure to plug financial leakages from the public sector has led to unsustainable losses and ultimately prolonged incidence of debt. We observe in Box 2 that the gap between taxes and government expenditures (as a percentage of GDP) could not be narrowed in the longer run—in fact, this gap has widened in current years. The tax regime in Pakistan suffers from plethora of exemptions, concessions and preferential treatments, provided in the tax laws through statutory regulatory orders (SROs). These SROs are rarely discussed in the parliament ex ante and are usually the discretion of the government in power. The task of increasing tax collection is all the more difficult in the presence of a weak and inefficient tax administration. Tax
departments suffer from fragmented management, weak human resources, and a large scope of discretion available with tax officials.

Box 2: Fiscal Responsibility
The government urgently needs to become prudent in its expenditure management. The major items in the government's expenditure portfolio include debt servicing, salaries and
pensions of a growing public sector and defense expenditures. These, then leave little fiscal space for development spending on promoting human capital which is a fundamental ingredient of economic growth in the longer run. We observe in Box 2 that public spending on education as a proportion of Pakistan’s national income has been on a decline in recent years. The same indicator for health has barely increased.

After the 18th Constitutional Amendment, the federal government passes greater fiscal resources to the provincial governments for implementing development projects in key social sectors such as education, health and population welfare. The provincial governments however have not been much disciplined in utilization of these transfers from the federal government. None of the provincial governments have implemented results based management and framed key performance indicators which can ultimately enhance the efficiency of scarce financial resources. The 18th Constitutional Amendment and the 7th National Finance Commission (NFC) award alone cannot bring about a revolution in social sectors. In fact it is after the actualization of both these milestones that Pakistan has fallen in the UNDP human development rankings.

Government’s fiscal deficit has been on a rise since 2009. This is despite a program with the International Monetary Fund (IMF) which demanded lowering of government’s expenditures in 2007-08 and later in 2013-14. This has been an important factor in keeping inflationary pressures on the higher side. Rising domestic prices also affect a country’s export competitiveness.

In the external sector, we observe that the export receipts have not grown at a pace envisaged across various export development plans and strategic trade policy. This is attributed to lack of product and regional diversification in Pakistani exports, low levels of sophistication in production of
manufactured goods, high cost of doing business in Pakistan and the prevalent energy crisis. Over half of the exports are concentrated in textile sector which has a static demand abroad and faces stiff competition from relative new comers such as Bangladesh and Vietnam (Box 3). The high-technology exports have remained under 2 percent of the overall exports. In geographic terms the neighboring countries of Pakistan particularly Afghanistan and China have become major trading partners, however Pakistan remains relatively closed when it comes to trading with India.10

Box 3: Trade and Remittances
The role of remittances has been significant in providing stability to Pakistan's external balance. The consistent rise in receipts from abroad has helped the foreign exchange reserves and strengthened rupee which often faces downward pressures from fiscal and trade deficits. These remittances have also helped in
reducing incidence of poverty via an increase in non-farm incomes.11 12

Remittances and government transfers such as the Benazir Income Support Program (BISP) may not be enough to lessen the existing poverty and narrow various forms of inequalities. The challenge is that we really do not know how many poor exist in Pakistan. The government’s own estimate of percentage of people living below national poverty line or the headcount ratio stood at 17.2% in 2007-08 and 12.4% in 2010-11. Once these were challenged by independent estimations which claimed that the actual headcount ratio was 33%,13 the government in the Economic Survey of 2013-14 exhibited its own estimations as interim indication of poverty situation. The same government publication also claimed to have set up a technical working group on poverty to review the official methodology.

Political Economy of Missing Reforms

Pakistan has one of the longest relationships with the IMF. It has repeatedly gone back to the fund and rarely completed a structural program as per agreement.14 Why is it that the system has not corrected itself since the first time that Pakistan went into a balance of payments crisis in 1958 and resorted to standby arrangement with IMF? What are the political incentives not to bring about public sector governance, market and trade reforms in Pakistan? We deal with these questions in this section and argue that a lack of social accountability has been a critical factor in maintaining politico-economic status quo.

• System Creating Monopolies

In 2011 Planning Commission’s report “Framework for Economic Growth” had highlighted how sophisticated forms of license raj and financial exclusion have strengthened monopolies
in several sectors. The absence of competition in markets has allowed public and private sector monopolies to remain inefficient in production and reliant on public sector's fiscal support. Energy crisis which many have termed as governance rather than a supply-side crisis has also suffered due to monopolized operations. The gas marketing operations and electricity transmission endure heavy technical losses and theft. Despite loud voices to privatize power distribution companies (DISCOs) this process remains slow. Even cases where privatization of a DISCO has taken place there are complaints of collusive behavior between the state and the private sector players. It was reported that Karachi Electric Supply Corporation now K-Electric had long been receiving subsidy from the federal government even after its privatization.

In case of sectors such as fertilizer, prior allocation of gas by the government is required – a policy which has acted as a barrier to entry for new and innovative enterprises. The pharmaceutical prices have been fixed by the government, which again favor existing business entities which have already achieved economies of scale.

The provincial governments are equally responsible for creating distortions. On a daily basis low income group is hit by monopolistic prices in for example: retail markets—where parallel undocumented sector is a disincentive for retailers to become part of the formal economy; public transport—where restrictive licensing and at times lack of transparency in allocation of routes is preventing competition at local level.

- **Abuse of Public Sector Enterprises**

In a calculation presented in (or by) Saleem, a partial list of state run enterprises is causing an annual loss of PKR 500 billion to the treasury. The author had argued that as these state run
entities directly fall under the leadership of the Prime Minister therefore he was responsible for not appointing the suitable leadership and not allowing them autonomy to run these organizations purely on merit. At the time of writing this paper, 28 public sector organizations did not have a dedicated chief executive.

An independent board of directors including balanced representation from all stakeholders should be ensured for all public entities. The relevant ministry may appoint the Chief Executive but only on the recommendation of the board. The human resource units in these organizations need to be insulated from political interference when it comes to recruitment and promotions. An auditor for all public enterprises should be appointed by the Auditor General of Pakistan who in turn will present audit findings to the National Assembly and Senate Committees on Finance.\(^{18,19}\)

There is a substantial role for mature employee unions and consumers of these public sector public good and service providers. There are social accountability mechanisms which can be exercised by both these stakeholders. There should be formally documented mechanisms through which union and consumer group representatives can access the board of directors and auditors.

- **Fiscal Policy Creating Distortions in Production and Trade**

Ahmed and Rider\(^ {20} \) suggest that non-compliance with direct and indirect taxes is also leading to a tax gap of 45%. What is the incentive not to reform the taxation system? First there is a resistant to actually document the complete sources of income and wealth.\(^ {21} \) Second the political will needed to reform the tax laws (whereby evaders can be held accountable and punished) seems weak.\(^ {22} \) Third the tax administration costs are very large
and do not allow for the tax officials to fully ensure compliance. Fourth agriculture sector which almost contributes one-fifth of GDP remains largely exempt from taxation.

An analysis of past federal and provincial budgets also reveals how politically driven subsidies (through SROs) are provided through costly means. They are meant to favor select sectors, entities and individuals.

- Elusive Quest for Civil Service Reforms

Almost all political parties have mentioned this reform in their manifesto; however none have actually meant it in its true spirit. Various governments have tried to revisit the structure and incentives of public sector employees however none have actually gone ahead and tackled the issue of declining real wages of public servants, provision of perks without accountability, political intervention in recruitment and a promotion and reward system that does not regard merit.

- Markets, Privatization and Regulation

The government intervenes in markets through setting of rules and regulations, prices, import controls, taxes, duties and subsidies. A strict regime of licensing and regulatory controls until 1960s was followed by an era of nationalization of private entities in 1970s. During 1980s a process of denationalization was initiated when under selective arrangements some assets and production units were returned to the private sector. During 1990s Pakistan launched a privatization program without fully putting in place reforms that allow competition and a level playing field to all market participants.

Deregulation of markets and sectors have been relatively more successful than the privatization program in Pakistan. Successful examples include a thriving telecom sector,
engineering, construction, private schooling and health sectors. The textile sector's diversification in export destinations and sophistication in products has been achieved as a result of gradual opening of this sector to foreign competition.

The situation analysis reveals that reforms for transparency and competition in Pakistan are still not being implemented in their true spirit. The regulatory bodies remain toothless in preventing cartelization and consumer exploitation in several sectors such as electricity, cement, fertilizer, automobile and pharmaceutical. Both Competition Commission of Pakistan (CCP) and Securities Exchange Commission of Pakistan (SECP)—two apex bodies for regulation of markets in Pakistan remain without a full time chief executive at the time of writing this paper.

Market reform is closely linked with the missing reform of property rights in Pakistan (including physical and intellectual property). The difficulties in registration of physical property, its transfer and protection from illegal occupation is not allowing the growing middle class and population in general to access and retain assets.

**Future Drivers of Growth**

The conceptual clarity on what should be the way forward in reforming Pakistan's socio-economy is well documented in recent literature. Where we are missing is, to see why the decade's old political narrative is not changing despite a rise in the literacy levels, and rise of a middle class—conscious of its political rights. It is the political narrative that is currently resisting change and needs to be more inclusive. In what follows we provide a brief synthesis on current scholastic views on the future drivers of change in Pakistan's economy.
Social Cohesion

There is a compelling case that academic analyses on Pakistan’s political economy still lack a theory which can explain state and society in the country.\textsuperscript{27} We understand that military’s monopoly over formal institutions has weakened. Since 2007 judiciary, parliament, civil society organizations and media have tried to carve a space in public domain. The role of a specific class in governing the society seems weak. The military, parliament, judiciary and the civil services are multi-class institutions. While there are conflicts between institutions—this is however less of a case between classes. Some discourse was seen in past where class differences were linked with ownership of land and folk religion\textsuperscript{28} which also became a justification for land reforms at various phases in the country’s history. The decline of class politics may also be linked with weakening of trade unions paving way for middle class as a whole to lead apolitical politics.\textsuperscript{29}

The existence of non-state actors and the way they have been functioning in Balochistan, Federally Administered Tribal Areas and Karachi makes this task of theorizing state jurisdiction more difficult. Amidst all the confusion, there have been some triggers for individual empowerment.\textsuperscript{30} The access to information and cellular technology, deregulation of print and electronic media and increased number of social media subscribers has implied greater competition to perform amongst the political class particularly from urban constituencies. The right to information legislation, independent superior judiciary (relative to the past), strengthening of democratic forces (as a result of transition of power between PPP and PML-N in general elections 2013 and later the mass protest in Islamabad by PTI and PAT demanding electoral reforms), civil society organizations promoting social accountability mechanisms that
can ensure women’s safe participation in public sphere will further allow communities and individuals space for independent decision making.

This alone however will not guarantee social cohesion. A step in the right direction was 18th Constitutional Amendment and 7th NFC award. Both have yet to deliver the fruits to the poorest of the poor. While the 18th Amendment did allow the provinces to receive greater fiscal resources from the federal government, the provinces however did not follow through with the local government elections which were meant to make districts and sub-district offices more fiscally autonomous and accountable. This essentially implies that the devolution process is still not complete.31

- **Public Sector Transparency and Resource Mobilization**

Greater transparency is required to avoid distortions in the economy created through public procurement of goods and services and public investment in infrastructure and social sectors. The incidence of corruption can be lowered if the civil society starts to demand in a more organized manner that: recruitment in federal and provincial governments should be strictly through independent federal and provincial public service commissions; and audit of the public sector ministries and departments by Auditor General’s office should be made public and debated in the parliament. Based on these proceedings the civil society will be in a position to start benchmarking government’s performance and monetize corruption. Pakistan’s national accountability framework driven by National Accountability Bureau (NAB), Federal Investigation Authority (FIA), and anti-corruption departments in the provinces, should also focus on prevention in addition to their current focus on enforcement.32
The consumer associations and civil society organizations (CSOs) should play their role in keeping a check on the government expenditures. One can see encouraging examples, such as the Pakistan Social Accountability Network whose diverse membership is working towards strengthening community-based accountability mechanisms in order to improve service delivery in education, health and access to justice for the poor.\textsuperscript{33}

The public investment in social and infrastructure sectors needs to be better coordinated between the federal and provincial governments. The current structure of Public Sector Development Program (PSDP) and Provincial Annual Development Program exhibits duplication of projects in several sectors. Systems for physical monitoring of projects under completion are inadequate.\textsuperscript{34} Dedicated project directors need to be appointed for each project. The current practice of allowing additional charge to civil servants in the ministries or departments should not be encouraged. Politically motivated projects need to be checked. The Planning Commission should frame a criteria explaining basis to entertain a development proposal. The planning departments lack the practice to go down to the community level and assess if a project is really being demanded by the people.

The completion of projects under PSDP is also hampered by low levels of revenue available with the government. The lack of revenues, forces the government to resort to non-tax revenue generation measures which are distortive for productive sectors of the economy and regressive for the poor. The government needs to remove exemptions allowed in the current tax regime. Second, tax base should be broadened through inclusion of new income sources under the services sector (e.g. IT based services). Third, agriculture must not stay out of the tax net. A clear
consensus should be developed on how best to tax this sector in a manner that should not hurt the poor farmer and pose threats to food security. Fourth, none of the above three reform is possible without fully completing the ongoing tax administration reforms at the federal and provincial boards of revenue.

- **Markets and Competition**

Market development reforms are desired at macro, meso and micro level. At a macro level autonomy of State Bank of Pakistan (SBP), CCP and SECP needs to be demanded by the business community and consumer groups. It is in their interest that a level playing field should foster innovation and efficiency. The documentation of market activity can be improved through greater use of technology at Federal Board of Revenue (FBR), data warehouse integrated with the National Database Registration Authority (NADRA) to check income and wealth sources, amendments in income tax ordinance to improve administration, auditing and tax refund mechanism. The acquisition of capital is closely linked with the access to fixed assets such as land. For an efficient land market, oral transfer of land may be disallowed, land title record should be automated and centralized, computerized land record should be available at sale and purchase points, and tenancy laws may be revisited to protect small and medium property owners from land mafias.

The value of a produced good or service lies in exchange. While there have been policies to promote agricultural and industrial output, one struggles to see if enough importance has been given to: farm-to-market channels responsible for marketing and transportation of agricultural produce; wholesale and retail sector reforms that may allow faster turnover at lower cost to the producers and consumers; warehousing
improvements that can preserve perishable output and possibly allow greater export surplus; and transport sector that can fasten delivery of raw material from the port and export consignments to the port. These sectors usually clubbed under domestic commerce for the past several years have been contributing almost a quarter to the GDP. \textsuperscript{36} \textsuperscript{37}

A concerted effort is required to support start-up companies and Small and Medium Enterprise (SME) sector. Time and transactions costs involved in initial set-up of the business should be reduced. Introducing uniform zoning and building regulations can reduce time taken to obtain construction permits. Pakistani businessmen claim that the current state of business courts is a key constraint to investment. Specialized commercial courts can be helped by better capacity building of judges and lawyers in handling commercial cases. Alternative dispute resolution mechanisms should be strengthened with the help of business community. Time limits should be set by higher courts for disposal of commercial cases.

- Regional Integration

No country has ever been able to grow on a sustained basis unless it was able to produce exportable surplus and open its borders for imports of goods, services and new knowledge. In the recent past the growth in Pakistan’s exports has clearly lagged behind major South Asian economies such as Bangladesh, India and Sri Lanka. One of the key reasons identified for this is the country’s low levels of physical connectivity with the region and beyond. While Afghanistan and China are Pakistan’s key exporting and importing destinations respectively, there are low levels of trade with India and Iran.

Pakistan’s energy deficit has however forced the government to revisit its policy on regional trade. There is recent
literature suggesting that it may take several years for the new
energy generation projects to actually become part of the
national grid and therefore it seems imperative that Pakistan
should import gas through the still under construction Iran-
Pakistan gas pipeline and electricity from Afghanistan, Central
Asia and Indian Punjab through Attari-Wagah transmission
line.38.

Pakistan will also need to engage with India on initiating a
dialogue to strengthen the dispute resolution mechanism of the
Indus Water Treaty. The cooperation on water resources is
closely linked with climate change, food and energy security in
the region. The gaps in the treaty also need to be revisited on
urgent basis. For example there is no provision in this treaty on
the national response to reduction in the river flows caused by
climate change and sedimentation. The Treaty is also silent on
the issue of quality or pollution of water, watershed
management in case of rivers with catchment areas across the
border.39

Since 2011 Pakistan has twice backed away from its
commitment to grant the most favored nation (MFN) status to
India. This is not a special treatment and in fact allows trade
with a country on terms allowed to the rest of the world. The
reasons to resist this are weak as: i) India has already allowed
this status to Pakistan in 1995, and ii) Pakistan has already
allowed a more liberal trade regime to China i.e. free trade
agreement and Pakistan’s business community has adjusted to
this agreement. Not allowing MFN to India is now presenting
Pakistan as an irritant in the South Asian Association for
Regional Cooperation (SAARC) process.

Climate change-led disasters have also given neighbors a
reason to collaborate more closely on early warning systems. The
2014 floods in Jammu, Kashmir, and Punjab played havoc in
India and Pakistan. A closer collaboration between the disaster management institutions in both countries could have saved numerous precious lives.

- Getting Social Justice Right

Sustainable development has equity as one of its core objectives. This is closely linked with making the economic growth process inclusive and helping people to transition out of poverty, transitory income or consumption shocks, and disabilities. Currently the major social protection programs by the federal and provincial governments include: a) social security (Government Employees Pension Fund, Employees Old-age Benefits Institutions, and Workers Welfare Fund), b) cash assistance (Benazir Income Support Program, Zakat, and Bait-ul-Mal), c) subsidy (Punjab "Sasti Roti" Scheme, Utility Stores Corporation, Benazir Tractor Support Program, Subsidy on consumption of electricity and gas), and employment promotion program (People’s Works Program, Grant to Pakistan Poverty Alleviation Fund, Yellow Cab Scheme). It was pointed out in SDPI\(^{10}\) that there remains a room to improve targeting efficiency, extent of program coverage, degree of ease of access, adequacy of support, grievance redressal, sustainability and exit mechanism from the above mentioned program.

There are also various conditional cash transfer programs that need reform. As an example we take the stipend program for female students in Khyber Pakhtunkhwa province which has now been up scaled and made universal across the province.\(^{41}\) However point out that there is a need to strengthen the PC-I (project proposal preparation) process at planning departments. While the project proposals are being formulated there is minimum input from: educationists—responsible for spending the capital, institutions that can explain delays in disbursements,
expenditure forecasting experts, and specialists who can deepen awareness about the transfer programs. Even if a monitoring and evaluation mechanism for public sector projects is present, the feedback to the higher tiers in management is missing. The grievance redressal mechanisms are not properly documented and accessing them involves high costs. IT enabled compliant management is an innovation in some projects and should be replicated in case of other projects. The synergies with other transfer programs in the same provinces need to be created.\textsuperscript{42} There is also a need to deliver these programs in hard areas or regions hit with conflict.

Doubts have been raised over the capacity of provincial governments to sustain a plethora of social assistance, social insurance and labor market programs.\textsuperscript{43} There are however two evolving models that can augment the sustainability of these programs but have yet to be pursued at a larger scale. First is to promote volunteerism among youth and communities in a manner that the activities conducted have a linkage with job creation. Some models linking volunteerism and self-employment are explained in UN DESA.\textsuperscript{44} Second the role of corporate social responsibility (CSR) in sustaining social sector programs such as education and health has not been fully explored. Many of the public sector social assistance and labor market (job creating) programs that are hard to sustain over the longer run can find another life via cash or in-kind channeling of CSR.

Social justice should not be limited to addressing unequal patterns in income levels. Horizontal inequalities i.e. between various culturally formed groups within a society are equally important.\textsuperscript{45} Such forms of inequalities are closely linked with identity-based distinctions in a society and promote grievances among the relatively neglected and may possibly facilitate
conflict, and also explained why gender differences could exacerbate racial, ethnic, class, or nativity inequalities. Horizontal inequalities pose a challenge to Pakistan's law makers and practitioners' community. All political parties in the country are guilty of not giving enough "voice" and "effective representation" to the women and minorities in the country.

- Sustainability in Growth Process

The sustainability of growth process in Pakistan is not only in danger due to state's own lackluster approach to deal with climate change but also due to the threat posed by its neighbors. In Table 1 we see a poor environment quality in the geographical vicinity of Pakistan had pointed out how the heavy reliance of China and India on coal based production processes is adversely impacting the environment and in particular the glacial stock in Pakistan.

The lack of vision and capacity to develop state-level institutions that could design and implement policies for sustainable growth has been an important weakness in countering, adapting and mitigating the negative impacts of climate change. This challenge is closely related to the energy, food and water security in the country. The national Ministry of Climate Change which had formulated the first ever climate change policy has now been downgraded to a "division" under the Prime Minister's office. There are some overlapping roles assigned to the Planning Commission and National Disaster Management Authority (NDMA) apart from provincial environmental protection agencies.
<table>
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<th>Environment, Climate &amp; Natural Resources</th>
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<th>Education &amp; Skills</th>
<th>Health &amp; Nutrition</th>
<th>Energy &amp; Climate Change</th>
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<td>52</td>
</tr>
</tbody>
</table>

Source: Environmental Performance Index, Yale Center for Environmental Law and Policy

Table: Environmental Performance in the Neighborhood 2014
There is also a weak demand for environmental reforms from the communities. Only a few civil society organizations are involved in the capacity building of communities vulnerable to climate change. These efforts need to be scaled up given the rising fossil fuel consumption, depletion of forests, and changes in land use.\textsuperscript{52} \textsuperscript{53} The development plans and provincial industrial policies (if any) are also not in compliance with the national climate change policy. One example is the government's pursuit to engage Chinese counterparts to expand coal-based power generation capacity in Pakistan. This can threaten Pakistan's already vulnerable environment profile.

The capacities to manage natural resource endowment have weakened. Pasha\textsuperscript{54} explains that since 2000 there has been little change in the water availability at farm gate. Due to poor maintenance of canals the surface water provided by irrigation system suffers significant leakages. Private tube wells which are the main sources of ground water have increased by 58\% since 2000. Deforestation has also been rampant and almost 22\% forest area has depleted since 2000. The overall forest area now stands at 2\% of the land area. The annual cost of deforestation has been estimated to be around 2\% of GDP and increases vulnerability to floods.

The entry point for reform is essentially people's own evolving understanding about how changes in climate are responsible for decline in crop productivity, food availability, and income. Zaheer and Colom\textsuperscript{55} show that 72\% population in Pakistan feels that the government will not be able to respond to the climate challenge. A possible agenda for the development partners in Pakistan can be to strengthen the civil society's efforts towards sustainability which can act as a pressure on the state institutions. Donor organizations providing technical
assistance to the government should seek compliance of public investment with green economy principles i.e. where income and employment is driven by investments that reduce emissions and enhance energy efficiency.

8 For more on this aspect of the framework see my monograph, Ilhan Niaz, Understanding and Addressing the Administrative Aspect of Pakistan’s Civil-Military Imbalance (New Delhi: Manohar, 2015).


Chapter 6


45 Frances Stewart, “Horizontal Inequality: A Neglected Dimension of Development,” WIDER Annual Lectures 5, UNUWIDER. 2002


**Chapter 7**


Pakistan’s security has been under immense pressure since the 9/11 attacks, which led to the advent of US and NATO forces in Afghanistan, thereby exacerbating the regional security environment. The ensuing spillover of this development into Pakistan caused a severe strain on its internal security. This scenario merits a close examination of the security outlook for Pakistan in these testing times, particularly in the context of its national identity and ethos.

The Center for International Strategic Studies, Islamabad has put together the views and analyses of specialists and foreign policy practitioners on national security in this volume, edited by a dynamic academic, Salma Malik. *Pakistan’s Security Problems and Challenges in the Next Decade* examines the current and emerging challenges for Pakistan in a comprehensive manner.

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