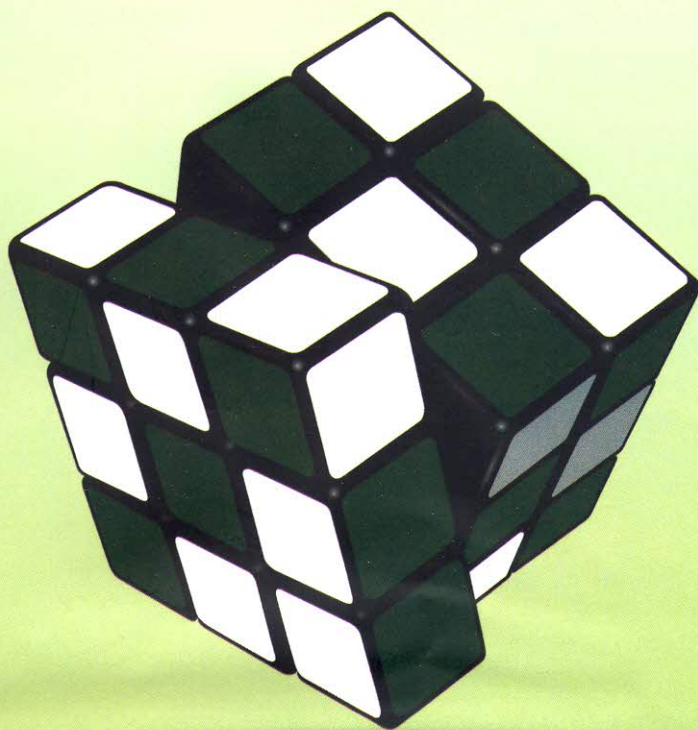


Pakistan's Security Problems & Challenges

in the Next Decade



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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 the 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 Pakhtunkhwa, 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

