

# SUBJECTIVE PART

## Question no.2:-

Discuss major economic challenges facing Pakistan and propose strategies for sustainable growth and development.

### → Introduction:-

Pakistan is not a unique case. A number of countries have encountered broadly similar economic challenges, implemented appropriate policies and have restored self-sustaining rapid growth with internal and external stability over the medium term. Pakistan cannot get out of current economic malaise and resume sustainable growth without excessive dependence on external hand-outs.

After wasting valuable time, Pakistani authorities have struggled to develop a coherent adjustment programme; policy implementation has



also remained inadequate.

→ Major challenges to economy of Pakistan:-

### 1) Defective policies of public spending:-

The effectiveness of public spending is a central issue. At present, there are several problems in structure of spending. Some of these, such as the generous subsidies provided to the non-poor and large losses made by major public enterprises, are being addressed under IMF programme.

Resources are thinly spread over a large and unwieldy number of projects, many of which have huge cost overruns and are many years behind their original completion date. Delays in the completion of priority projects and, in many cases, increases in their cost have obviously limited their potential economic return.



## 2) Low Human Development:-

The challenges to education sector are immense. It is a matter of great concern that any improvement in social indicators over most of the last decade appears to have slowed down in last two or three years, presumably, under financial pressure and slow economic growth. The crisis in education centered on the public sector not only because of its declining share in enrollment but also given the persistent problem of declining quality.

## 3) Lack of governance and development:-

Development economists and experts agree that, for economic process to become sustainable, countries must go beyond the efficient use of factors of production such as labour and capital.

Good governance and quality of governance have come to be recognized as one of the most important reasons that economic growth in



Pakistan has stalled. All political parties marked governance as a priority area in their pre-election manifestoes of **May 2013**, promising to improve quality of governance. However, none went much beyond this in indicating how they would handle the matter were they to gain power.

#### **4) Energy Crisis:-**

The most visible sign of energy shortages has been the inability of power systems to meet the growing demand for the electricity, leading to major load-shedding. This, in turn, has caused not only widespread distress to millions of the household consumers, but also loss of production in the commercial and the industrial sectors.

Quite independent of difficulties created by inadequate investment in power development is serious problem that energy sectors do not cover total costs, resulting in circular debt. Despite the entire amount having been



ceased and a sharp increase in energy prices, the sector's mounting problems increases over time.

## 5) Extremism:-

Policymakers have correctly identified the rise of extremism as serious challenge to the country's efforts to move forward politically, socially and economically. A report produced by Ministry of Interior assesses the extent of economic damage that this phenomenon has inflicted. A number of other exercises have also been carried out, including by the Institute of Public Policy, to measure economic cost of extremism.

→ Solutions to improve economy:-





## **i) Change in national psyche and mindset:-**

We as a nation are too much negative oriented and too much cynical where we find everything wrong in this country. Unless we change our mindset and unless everybody who is doing what he is supposed to do, carries out his/her task with sincerity and honesty, we are not going to go anywhere. We have to do it ourselves individually and collectively. Unless we have a positive "can do" mentality, it will be difficult to progress.

## **ii) Building up of Human Capital:-**

There is no substitute to building up human capital. Private sector, public sector, NGOs, local communities, philanthropists, etc. all have to put their hands on deck and participate in making sure that every child go to school. Every high school graduate has some technical and vocational skill. We have no choice but to



accelerate the pace to catch up with others.

### 3) Use of Technology:-

Technology is spreading like a wildfire. It can be used in order to provide banking services, information on climate/weather, agriculture, extension, health, education, etc. It is a powerful tool which can leapfrog a lot of time which we have wasted. A more holistic and the comprehensive approach that deploys technology for poverty reduction has to be put in place.

### 4) Young Labour force:-

Pakistan is one of the few countries which has a young labour force which can be harnessed for its own and global economy. Japan, Europe, USA and after 2050 China are going to aging population where the ratio of old to young people is going to increase. If we tool these young men and women properly, we can increase the female labour force participation, give



them skills and knowledge, they can become labour force for rest of the world.

### 5) Good Governance:-

As population is increasing in Pakistan, one cannot govern it by sitting in Islamabad, Karachi, Lahore, Quetta or Peshawar. One has to devolve powers, decentralize and delegate authority, provide resources to local district governments so that they can take decisions at their own.

### 6) Devising energy policy:-

It is no exaggeration to say that the present government has inherited a grim energy situation, with people revolting against unprecedented load-shedding of twelve or more hours a day. In response, it has tried to take strong measures to provide some immediate improvement in power supply while reducing burden of crippling energy subsidies on the budget.



## Conclusion:-

Pakistan is facing severe economic challenges. It is the need of the hour to implement necessary policies to overcome these challenges, so that Pakistani could live peacefully.