

Economic Security: Challenges and options for Pakistan

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Abstract

In the current age of Globalization, where economies and democracies are extremely progressive, some states have still a flawed system of governance. Unfortunately, the state of Pakistan is one among these countries facing multifaceted and multilayered challenges. Due to the reason governance has become an enigma. Apart from the issues of governance, security and stability weak economy is also the outcome. This paper is an attempt to highlight the economic challenges in Pakistan and to develop a framework for efficient governance with stable institutions where actual spirit of democracy should be realized that lies in decentralization of power. It has also explained that states with weak political and economic institutions do not provide stable and suitable environment for sustainable development. The paper emphasized on the changing role of state, to act as a linking pin of processes of planning, consultation, negotiation and decision making involving diverse players. The methodology is qualitative in combination with explanatory and critical research strategies. This research combination will helpful to identify the social, political and economic variables. It is also helpful to build a structure, used to explain a phenomenon and to predict future behavior.

Key words: Globalization, economic challenges, institutional stability, suitable environment

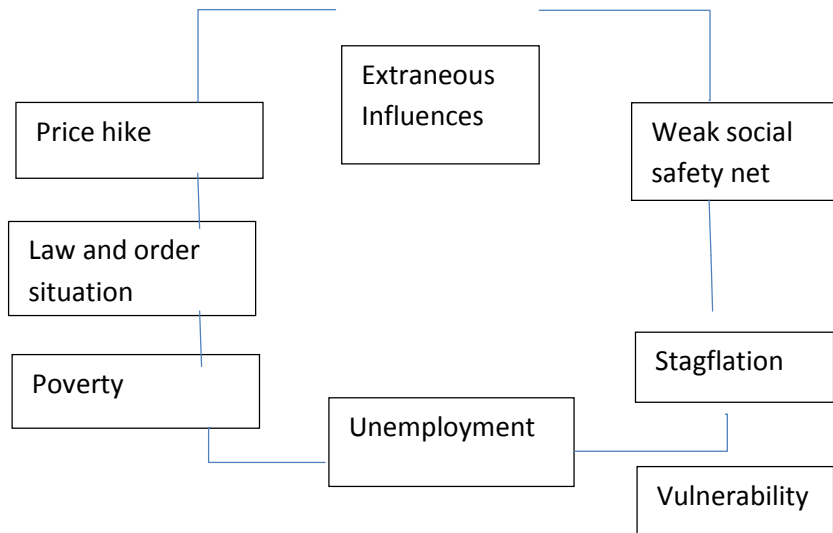
The state of Pakistan is confronting multiple challenges since its birth. These challenges are exhaled from a complex and rapidly changing internal and external environment. Most of the external challenges are related to its foreign policy and much emphasized defense policy. All the challenges have direct link to the issue of Pakistan's national security. Although the traditional national security parameters were only revolved around the defense policy and foreign relations but the new national security patterns are involved internal threats. (Rizvi, 2012, p.9). The internal threats can be sound as social, political and economic. Despite the fact, that the three realms have their own jurisdiction but one can influence the other. The security and well-being of a state depends on proper functioning of social, political and economic life which further dependent on the state's institutions.

Under the parameter of national security, this paper will deal the economic aspect and the changing role of the state institutions to overcome the challenges.

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1. Economic Challenges of Pakistan.

The economic condition of Pakistan is fragile. It remained challenging since its birth. From the last 69 years, the economic environment is affected by various domestic and global factors, which not only pressurizing the state from above but from below as well. Resultantly, the economy moved towards a substantial decline in all the areas. At present overall economic progress is slow. Inflation is nearer to double digit (Ahmed, 2014,P.I), there is deficit in balance of payment, the state usually facing low level of foreign reserves and increased public debt. For overhauling the economy, a strong psychological and physical policy is required which show the ability to reduce the risk of bankruptcy and save the homeland, citizen and their way of life. Economic security is also referred to in terms of human security. If individuals have buying power and economic opportunities, it means the economic system has the capacity to give self-reliance otherwise it has severe implications on social and political life. The economy is a prime factor for building up a sound and healthy society because in the contemporary world every thing revolves around the economic aspect. Economic issues in Pakistan can be viewed in the following figure to show the relevance with social health of a state and its citizens.



Source: Figure adopted from khan, M.E.(2013) Human security in Pakistan. Lahore BPH printer (p.83)

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In the above figure some important issues are highlighted, creating economic insecurity and its negative out come in Pakistan. It also indicates that the government needs proper planning and institutional build up to overcome. For a better understanding of economic issues in Pakistan it is summarized into three areas.

1. Policy Problems
2. Management lapses
3. Domestic environment

1.1 Policy Problems.

Owing to the fact, that Pakistan is a developing nation and have less capacity to follow the standards of globalized economy, there are various flaws in its basic economic policy. Due to the policy problems following issues are influencing the economy negatively.

1.1.1. Fiscal Deficit

Usually annual fiscal policy is made to achieve certain objectives for economic growth. These objectives include, reduction of poverty, job opportunities and development of human and physical infrastructure unfortunately, due to regular fiscal deficit. These objectives are not achieved. The reasons behind are imbalance in revenue and expenditure and a frequent change in governments fiscal policy, security risks and power shortage at domestic level, while the global financial environment also did not play a conducive role. The global financial crisis which was erupted in late 2007, its consequences can be seen in the developing economies which obstructed the central bank's ability to manage the economy. All these domestic and global factors became a cause of degeneration in investment rate, unemployment and poverty and the basic aim of stabilizing economic growth is yet to be achieved.

1.1.2 Low export growth and excess of imports.

It is any unusual fact that 80% of Pakistan's imports in 2007 and 2008 were financed by its export earnings. Initially from 1960s import substitution industrialization policy was made (Noman, 1988.P.74) under this policy it was tried to set up local industry that would have the ability to produce those goods locally which were being imported earlier. Resultantly, with the collaboration of foreign power a large capital goods producing unit such as steel mill was set up in the first tenure of Pakistan People's Party. Lately, due to various regional and international issues, the exports of manufactured goods from Pakistan drastically reach on the lowest ebb. First, when Pakistan faced cessation of

foreign aid as a punitive measure against its armed action in East Pakistan. Second, when Pakistan made its nuclear tests and third, after the incident of 9/11. The effects of 9/11 incident are still very significant. From the developed market, the demand for export became slow down especially from the Muslim countries. Pakistan was also included (Zaidi, 2008. P.6) although the state of Pakistan is continuously trying to explore new markets for its exportable items but international response is not sufficiently favorable. In contrast to export items, the import of goods is increased substantially. In Pakistan, people usually prefer to use import items in their daily life which has widened the gap between export earnings and import expenses. According to the Pakistan economic survey (2011-12) the trade deficit expanded because the growth rate of imports

1.1.3 Low domestic savings.

According to Dr. Ishrat Hussain, former governor of State Bank of Pakistan, "We consume 85 rupees and save on 15 rupees, out of one hundred". (Hussain, 2009) it means a very little amount is available for investment. According to him the required rate of saving should be 25% for only 06% annual growth. Other regional contenders, like India and China have much high rate of savings that is 25 and 50% subsequently.

1.1.4 Low percept Income

According to economic survey of Pakistan 2011-12, precipitate income of Pakistan was \$1372. In 2013-14 the figures are not drastically changed (Pakistan economic survey 2011-12 P.ii). Precipitate Income has a strong relationship with the population's growth rate. Today the approximate population of Pakistan is 170 million so the precipitate income is too low to meet the demands.

1.1.5 Burden of External and internal debt

To facilitate the development process, governments used to borrow from domestic and external sources. An effective and efficient policy can adjust the borrowing in repayment and economic growth otherwise it can plague economic development. Growing debt burden domestic and foreign both has remained the biggest problem. From 1980s onwards Pakistan's economy is continuously struggling to equivalent debt to its GDP. During Afghan war from 1980s to 1990s and after the incident of 9/11, a huge amount of debt was written off and rescheduled in the back drop of Pakistan's support to USA in war against terrorism (Zaidi, 2008, p.8). The debt burden has been lifted for a short span. In the year 2004-05 highest growth rate was observed. Exports

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crossed the figure US\$ 17 billion for the first time.(Zaidi, 2004,p.). Unfortunately in the following years, the economy could not maintain the same pace.

Since the fiscal year 2007 some substantial changes have been observed in Pakistan debt dynamics. Due to countless domestic issues, and unfavorable global economic environment the debt position of Pakistan is influenced greatly. The fiscal and current account resulted in deficits. Fiscal deficit is remained a great challenge to Pakistan's economy. Because of this situation the economy of Pakistan is mainly rests on international financial institutions (IFIs), on foreign countries / donors and on the remittances from overseas Pakistanis (Rizvi,2012, p.188). Due to security situation and energy crisis, foreign direct investment (FDI) reaches at its lowest ebb. The situation is challenging on both the sides public debt position and external debt is in declining position. Following figure shows the external debt liabilities to Pakistan from 2008-2013

Figure external debt

Figure 1.1

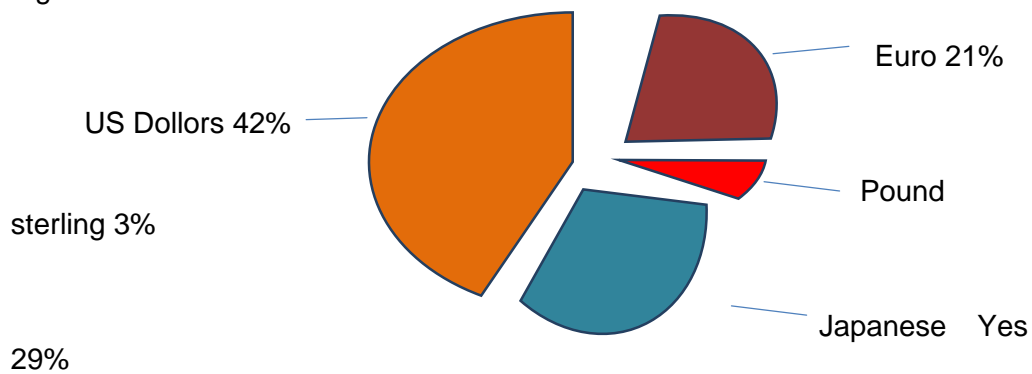
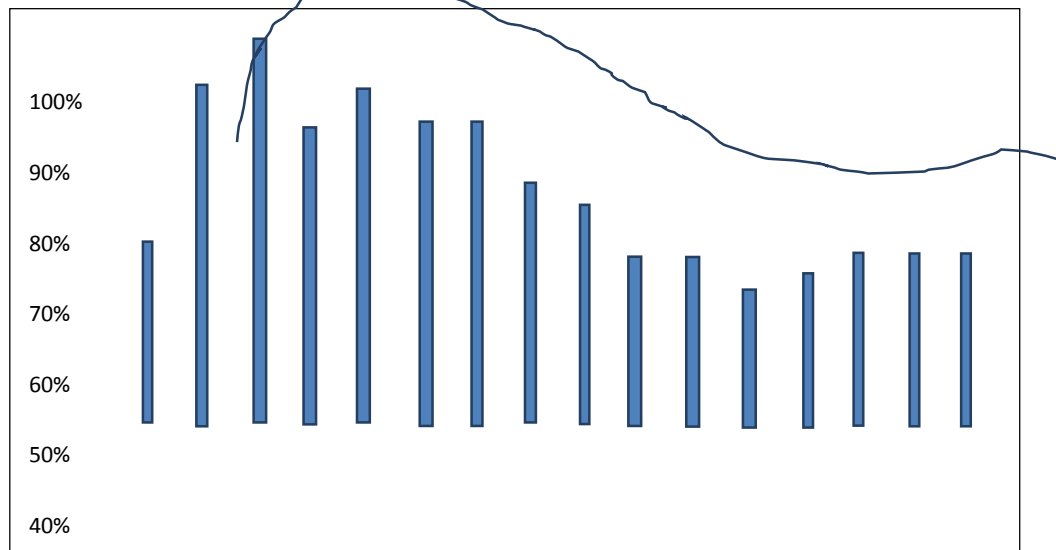


Table 1.1: Pakistan's Public External Debt Servicing

Year	Actual amount paid	Amount rolled over	Total
2008	3,182.6	1,200.0	4,382.6
2009	4,747.4	1,600.0	6,347.2
2010	4,607.0	1,723.0	6,330.0
2011	3,947.7	1,488.0	5,435.7
2012	4,507.7	1,543.0	6,050.7
2013	4,602.1	700.00	5,302.1

Source: state bank of Pakistan and Debt policy coordination office staff calculations

Figure 1.2: Public debt (as percent of GDP)



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1.1.6 Over dependence on agriculture and small industrial sector

Pakistan's economy is highly dependent on agriculture sector, and it is central to economic growth and development. Main reason is that about 61% of population is the resident of villages where agriculture is the main source of income. Unfortunately agriculture sector did not adopt the new techniques. In most of the areas of the four provinces of Pakistan old and traditional methods of cultivation and farming are still in practice. It contributes 21.4% to GDP and it employed 45% of labor force. (Pakistan Economic Survey, 2012-13, P.17) During the fiscal year 2012-13 and 2013-14, the agricultural sector showed a growth rate of 3.3% despite having old techniques and remained central to the economic activity

Table 1.2: Agriculture growth percentage

Sector	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Agriculture	3.4	1.8	3.5	0.2	2.0	3.5	3.3
Crops	4.4	-1.0	5.2	-4.2	1.0	2.9	3.2
i) Important Crops	6.5	-4.1	8.4	-3.7	1.5	7.4	2.3
ii) Other Crops	2.1	6.0	0.5	-7.2	2.3	-7.7	6.7
iii) Cotton Ginning	-0.8	-7.0	1.3	7.3	-8.5	13.8	-2.9
Livestock	2.8	3.6	2.2	3.8	3.4	3.9	3.7
Forestry	2.7	8.9	2.6	-0.1	4.8	1.7	0.1
Fishing	0.8	8.5	2.6	1.4	-15.2	3.8	0.7

One of the reasons of this over dependence is the small industrial sector as compared to the other developing states. Although Pakistan had marked a structural shift towards industrialization or manufacturing because it is also a main source of economic development, but could not replace the formal. In the fiscal year 2013-14 the target was 6.1% but it had contributed only 3.1% share of GDP, which is negative growth rate. Overall its share in the economy is 13.2% of GDP and 13.8% of total employed labour force. There are various reasons behind this poor performance including the strategically and technical weaknesses but at present energy crisis and deteriorated law and order situation has the main role. Due to the reason, it is impossible for the exporters to meet their targets so exports are confined to raw material only. And we have to pay much more on finished value added products. In 2012 European Union announced a duty waiver on 75 products and GSP Plus

status was also operationalized in 2014 that was a positive sign for the development of industrial sector in Pakistan.

Managerial Lapses.

Proper management of economy can ensure economic security. Apart from policy problems, there are various managerial issues, hampering Pakistan's economy.

1.2.1 Mismanagement in Collection of Taxes

Raising public revenue is a serious issue in Pakistan. Due to consistent failure in the generation and improvement of revenue the economy of Pakistan is heavily relying on borrowing. (Chaudhary and Hamid, 2001, p.25) The government used to adopt cosmetic measures and adhoc policies to improve taxation, but always failed to get desired result. For economic growth the importance of tax revenue cannot be ignored. In Pakistan government is failed to develop a strong policy for the collection of taxes that is why only one percent people in Pakistan are taxpayer. The social services structure is also dependent on taxation. Almost half of the population is derived from basic necessities of life. They are facing poor health and sanitation facilities, even basic education is not in their reach. The tax performance is consistently being poor day by day. The most important institute for tax collection is the federal board of revenue (FBR). The tax collecting machinery including FBR are not following proper policies to widen the tax net, they are allowing tax evasion and tax exemption at a massive scale. According to a report from Express Tribune, "from years the land owning class has been evading taxes to the tune of over \$1.2 billion a year (Haafiz, 2012)

Apart from the exemption of agriculture sector, there are number of statutory regulatory order (SROs) to give tax exemption to various kinds. According to custom's intelligence report 2013, these SROs were used negatively. It was also reported that about 4,000 manufacturing units who had received tax exemption for importing raw material, did not exist (Farooq and Zaidi, 2013, p.42). According to Pakistan Economic Survey 2012-13 the national exchequer had lost 119,706.3 billion rupees in the fiscal year alone because of just 15SROs issued between 2004 and 2009 (p.59).

It is also noticed that there are specific internal conflicts among the officers of FBR who belonged to two groups (customs group and income tax groups) is also a source of inefficiency. The problem in the structure and working of FBR allows the institution to perform badly. The net impact is the loss of a huge

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amount of revenue. Government should focus on the issue to formulate an equitable national tax policy.

1.2.2 General Poverty and low living standards.

Generally, poverty is considered as the base of economic insecurity. According to United Nations reports, poverty is not a missing feature of the landscape of the developed economies. The ratio varies in developed and developing world. The prescribed yard stick to measure poverty in the world remained changing time by time. Once, it was a dollar-a-day per person valued at the 1985 prices then revised to 1.08 dollar per day based on the 1993 price index after that it was replaced as 1.25 dollar per day based on 2005 price index. At present, in most of the countries US dollar 01, is considered a basic standard to measure poverty and around 1.4 billion people are living in (United Nations, 2010, p.1). In Pakistan's economy, poverty is also a major stumbling block. The planning commission of Pakistan presented national poverty line in 2000-01, on the basis of certain human development indicators. The Physical need of an adult person per day is 2350 calories per day at Rs. 748.57 per capita per month. (Khan 2013, p.85). In Pakistan there are several reasons of poverty, on one inside it is the result of the poor and ineffective policies of the government and on the other side people by themselves are also responsible for this phenomenon. The government of Pakistan is completely failed to create a balance between its resources and population. The population's growth rate is at the highest end. Although the state institutions are planning and working for this cause but there are lots of irritants in the way of executing and implementation of this policy. Political Parties and religious groups can help government by using their influence and by socializing people about this issue but they are not doing this job. Resultantly poverty is increasing day by day Government is failed to provide the shelter, schools for basic education, Hospitals for health issues, job opportunities for educated people. Health environment and security of life is also not possible. For the reduction of poverty, state and society both has to make a strong collaboration to determine their future needs. Government has to control rising prices of food commodities. Social security networks and social protection of public and private sector should be made possible. Economic opportunities should be increased on equal footings so that every strata of society could explore them.

1.2.3 Unemployment and brain drain

Unstable and mismanaged economic system is the major reason of unemployment. In Pakistan the ratio of unemployment is 7.4%. One of the major reasons behind this increased phenomenon is the inappropriate

education policy of the government which is not objective oriented. New educational institutes including professional and technical are opened and have many branches but these are not properly linked with the existing industries except few. A large number of educators are passing out every year and they have no space in the market. This is a great lapse of the government policies that they cannot bridge between the market requirement and educational policy. Following table can highlight the rate of unemployment year by year

Table 2.1: Unemployment rate in Pakistan 2005-2011

Unemployment rate (%) population	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Male	5.2	4.2	4.0	4.2	4.1	4.8
Female	9.6	8.6	8.7	9.0	9.2	9.0
Total	6.1	5.1	5.0	5.2	5.3	5.7

Source: (khan, 2013, p. 88)

Due to weak policies of the government, unemployment is increasing day by day that results in brain drain. Educated people who do not find jobs are migrating to abroad for better future. The state of Pakistan is in need of skilled and educated learned people. Proper and in time policies can stop this brain drain.

1.2.4 Inappropriate Use of Natural resources.

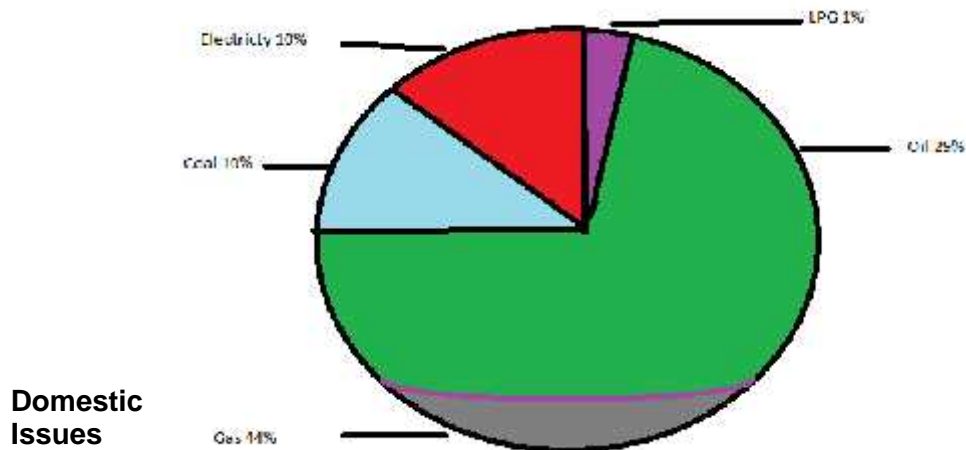
In Pakistan, there is no shortage of natural resources, it is endowed with huge potential including precious metals, industrial minerals rock salt and coals. The problem lies only in the limited exploration. Pakistan lacks modern management, adequate capital and appropriate technical knowhow in this field, which is the main reason of backwardness in this area. The government is required proper policy planning for mapping in different parts of the country. Most of the natural resources especially mineral deposits are concentrated in the province of Baluchistan. Huge reservoir of natural gas, gold, copper and petroleum are available in Baluchistan. Baluchistan was contributing nearly 56% to Pakistan's natural gas output till 1995, but gradually this ratio is declined and now it reach almost 5.81% of country total output . This is because of the deteriorated law and order situation and inappropriate policies of the government

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1.2.5 Energy Crisis and water shortage

Persistence of energy crises and water shortages is an important issue, which has become a challenge for the state of Pakistan. It is one of the important reasons of slowing down the economy. On rational ground energy crisis in Pakistan is seriously an outcome of mismanagement and vision less planning. Energy requirement are enhancing day by day but the generation capacity of existing power plants is not enough. The situation is getting worse because of inefficiency of Public utility companies, high distribution losses, nonpayment of electricity bills and the circular debts. Due to energy crisis, our industry is at high loss. They are unable to execute their orders in time. So a major portion of manufacturing industries is shifting to nearby stages especially in Bangladesh. On this issue serious concerns of the government is needed because new large storage are needed. Our dams are silting but not a single new large reservoir is constructed after Tarbella dam. Rain water loss is also a great issue because there is not adequate management and after every year or two due to excess of rainfall, floods further worsen the situation. Apart from this situation, international Oil prices are also fluctuated widely. Among all the vulnerable states, Pakistan has no exception. It remained under great stress because Pakistan use Oil in electricity production. The erratic situation has not only made major dents in the economy of Pakistan but also abraded the purchasing power of the poor strata of society. Statistical report of Pakistan Economic Survey on energy consumption by source brought into light that gas and Oil has largest share.

Figure 3.1: Share of Source in Energy Consumption



A well-functioning economy needs to have Political stability in the state. Unfortunately, the state of Pakistan has become a state in crisis (Cohen,

2012, p.xi) there are numerous issues, influencing directly the economy and causing economic growth slowdown.

1.3.1 Political Instability

Political instability is the major reason of deteriorated economic situation in Pakistan. Since its inception, political institutions are not working continuously. Due to the reason a coherent and integrated policy to manage national economy has remained a dream. Apart from the fact, that in global economic environment market forces have become so strong and able to develop rules of the game but in Pakistan, government still has decisive authority, due to the reason, Pakistan's economic stability is dependent on its political stability there are various reasons of this instability which hampering the economic conditions some are as follows,

- A. Frequent use of article 58/2B off and on dissolved the representative governments. These governments did not complete their political terms. Resultantly, economic policies are managed on adhocism, short terms planning did not contribute towards sustainable economic development.
- B. Frequently military intervention into Pakistan's politics is another reason of economic insecurity. Although it is presumed that military governments have contributed a lot towards economic prosperity, but it has been seen clearly, that these government have introduced certain cosmetic measures, which showed an artificial growth rate. The economy of Pakistan is still facing its negative impact.
- C. Confrontational Politics is another reason which used to tumble down the market. Confrontation among various political parties on national issues and lack of trust on government policies are the major factors creating hindrances towards a national economic policy leading towards prosperity.

1.3.2 Law and Order situation

Poor law and order situation and increased insecurity is another important irritant in the way of investors from all over the world. Foreign investors and MNCs are relocating to invest in Pakistan. From the last ten years the ratio of foreign investment decreased due to the negative image of Pakistan and growing concerns of foreigners towards their security. The internal disorder is increased since Pakistan's participation in war against terrorism. Instances of organized violence by different militant outfits have increased especially in the Province of KPK and Punjab.

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1.3.3 Poor governance and implementation issues.

Bad governance is also a major reason behind economic instability In Pakistan. Government is badly failed in managing its education, health agriculture, industry, trade policy and other departments. According to the reports of Transparency international Pakistan has been ranked at the lowest number among the most corrupt nations of the world. Overall indicators of governance are also show negative trends (Mughal, 2014, p.41). According to world democracy audit scores and Ranking 2010, Pakistan is as follows.

Topics		
World democracy audit overall ranking	1-150	108
Political rights	1-7	6
Civil liberties	0-1	5
Freedom of press	0-100	95
Corruption	0-150	117

Source: <http://www.worldaudit.org/countries/Pakistan/htm>.

Weak and deteriorated political system with the problems of good governance, automatically derail the economic system. Major reasons of Poor economic governance can be summarized as,

1. Since long, government lacks expertise and capability to manage human resources.
2. All the governments had short term economic objective limited to managing fiscal affairs only.
3. Inability of leadership to run the government posts especially its economy.
4. Centralization of decision making
5. Inappropriate policy of taxation and inability to enhance potential taxable areas.
6. Excessive reliance on external funding without proper planning (Yusuf, 2012, p 271)

1.4 Poor Social Indicators

There is a strong link between social indicators and economic development. Social indicators include literacy rate fertility rate, infant's mortality ratio, access to basic services, etc. Among other Asian countries Pakistan is lagging way behind. The literacy rate in all the provinces of Pakistan is not as much as it is required. Pakistan is spending only 1.8% of GDP on education. Health condition is also very poor. Many people are fighting continuously against

malnutrition. Average life expectancy in Pakistan is not more than 65 years. Infant mortality rate is enormously high, comparing to other South Asian countries. All these issues cumulatively create an environment which is not conducive for economic development.

2. Prospects for Economic Security

The above mentioned factors present a very bleak situation for economic development. Despite all these issues, the economy of Pakistan is considered a potential economy because it is growing. In agriculture, Pakistan is the third largest rice exporter of the world. Pakistan is one of the leading cotton producing countries. At this time industrial sector is gradually rising and about 40% of labour force is engaged in agriculture, while in the past the ratio was 70 to 75%. Pakistan has also placed on third position as for as the milk producing countries are concerned. Fisheries of Pakistan once again placed itself in the European Market and it has got the status of GSP plus. These are health indicators for a growing economy. Now the question arises how to overcome the challenges and enhance our potential. For this purpose state has to evolve a multi-pronged strategy which would be able to change the overall behavior and mindset, of the nation and to enhance the capacity of the institution to diagnose, suggest and then implement the plan properly.

Following are the key points in this regard.

2.1 Change in National attitude and mindset.

The most essential element for a strong strategy is to change the set attitude. It is too much cynical that in Pakistan everything perceives negatively. This mindset should be changed and it is possible when we can highlight the positive image. We have to rely on ourselves and should not wait for a savior. Everybody has to feel their responsibilities and should carry them. Unless we have a positive approach it will be difficult to progress.

New role of state and policy parameters.

In most of the developing countries still state is performing its central and traditional role meeting the demands from local regional and transnational level. In this age of globalization, where state has many competitors, holding central power and authority is difficult to maintain. In Pakistan state remains central to the wellbeing of its citizens and in the management of social and economic development. It means that now state is to call upon to act as linking pin among various processes include planning consultation, negotiation

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and decision making because of the involvement of diverse players, state and non-state actors at different levels of governance

A state with weak political and economic institutions cannot provide a stable and conducive environment to attract foreign investment or the promotion of economic growth and for fully integration with the world economy Pakistan needs to modernize its public sector and should enhance its capacity for policy analysis, policy formulation and policy implementation. For this purpose, it is necessary to build up

- a. Diagnostic capacity
- b. Strategic capacity for the design, the conduct, for monitoring and evaluation of program of reforms.
- c. Office bearer must hold deep knowledge, knowhow and range of skills in order to be able to design, implement and evaluate effective national policies.
- d. To conduct the consultation and negotiations at both national and sub-national level, in order to elicit, articulate, promote and defend the public interest.

This requires professionalism in public policy and development leadership skills and strategic planning capacity, program implementation in human resources, management and development.

Under this defined new role, following policy parameters are necessary to opt for economic security.

Appropriate Policy for revenue generation or mobilization

In Pakistan an important reason of fiscal deficit is low revenue collection. There is dire need to widen the tax net and improve tax collection strategy. For this purpose it is necessary to remove exemptions and concessions to various personalities. National saving rates should be increased. By tightening enforcement and compliance, tax revenue could be enhanced. This should also carry out proper audits and supervision of tax administration.

Focus on building human capital

Human capital is the actual power of state. Those countries which are proper and developed, did not compromise on human capital. It means that state will ensure to provide, better education facilities proper health care system and a conducive social and political environment to develop. Pakistan is in need to join hands with private sector, NGOs and various local groups to ensure that no child will be left behind. Proper education will enhance their ability to perform

and provision of level playing field for all rich and poor will be helpful for the development of human capital.

Appropriate use of youth potential

In Pakistan the ratio of young men and women is going to rise. Most of the developed societies are facing the problem of aging population. To create balance these countries are giving attractions to the young educated and skilled people of Asian countries, Pakistan has no exemption. Due to low wages, and widely spread unemployment, the young and skilled people are going abroad. It is necessary to create opportunities for the youth, and to equip them properly. Inadequate employment opportunities could cause social upheaval. Efforts towards the building up of this potential could be fruitful if the state has proper demographic record of each and every group in the state. Unfortunately, in Pakistan authentic demographic record is not available because of huge gaps in the census. After 1998, government did not issue even single senses report, which is an essential part of policy formulation

We make estimates due to the reasons neither the resource allocation policy is successful nor its distribution policy. The census department should show their concern on this issue.

Security, stability and decentralization

Issues of governance, security and stability are hampering the economy of Pakistan. Strong institutions and well-functioning governing structures foster economic growth. Pakistan should improve security situation and institutional stability. This is possible when actual spirit of democracy should be realized that lies in the decentralization of power. Concentration of power causes abuse and decentralization promotes and enhances efficiency, accountability and responsiveness. Devolution of power to local or district government will create capacity building at lower level. Civil services will be more efficient and responsive to meet the needs of the commoner's. Under the hierarchy of the government, local government will also be accountable before provincial government and provincial before the federal. Following the jurisdiction of the government and institutions will create a system of checks and balance to avoid unwanted penetration and interference.

Conclusion

After a long discussion about challenges facing Pakistan's economy and the new role of the state to overcome these challenges one can argue that national security of Pakistan can be strengthened if there is economic security which must be at the heart of national security policy.

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