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SUSTAINABLE HUMAN DEVELOPMENT IN PAKISTAN: ANALYSING THE DEVELOPMENTAL LIMITS OF NEOLIBERAL REFORMS

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Abstract

The concept of sustainable human development (SHD) measured generally through the Human Development Index gained prominence in the 21st century. It signals a paradigm shift in development thinking, from one entirely fixated on achieving pure economic growth towards prioritising sustainable human development-oriented growth. The GDP, however, is still regarded as the driver of economic growth and human development. Pakistan, just like other developing nations, continues to face challenges of mass poverty, unemployment, poor social and development indicators and low levels of economic growth. Its latest ranking as per the UNDP Human Development Report 2025, 168 out of 193 countries exemplifies its underperformance on this front. Pakistan's development efforts continue to remain closely tied with implementing neoliberal reforms and promoting export-oriented industrialisation. Its current approach to development is largely focused on implementing IMF-based structural adjustment reforms. Moreover, the pressures posed by neoliberal globalisation and global economic restructuring further dims the prospects of achieving sustainable human development. This paper critically examines the impact of neoliberal reforms on SHD. By employing Mahbub-ul-Haq's theoretical perspective of Sustainable Human Development, centered upon four pillars: productivity, employment, equity and sustainability, the study analyses Pakistan's development trajectory in the light of critical development questions. The significance of the study lies in critically analysing Washington Consensus (WC), the dominant development paradigm promoted by the IFIs for achieving economic growth and sustainable development in Pakistan. Moreover, the study highlights structural constraints faced by Pakistan in pursuing SHD goals by critically evaluating the detrimental impacts of three major neoliberal economic reforms (trade liberalisation, privatisation, and public sector retrenchment) from the standpoint of Haq's theorisation of SHD. It finds that neoliberal economic reform agenda not only produces counterproductive outcomes for Pakistan's SHD profile but also proves as inadequate framework for achieving sustainable economic growth, ultimately jeopardising Pakistan's long-term economic development trajectory.

Introduction

Sustainable development heralded a new phase of development in the twenty-first century. The world governments unanimously agreed to the post-2015 sustainable development agenda envisioned through *"Transforming Our World: The 2030 Agenda for Sustainable Development"*. The 2030 Agenda for Sustainable Development outlines 17 Sustainable Development Goals (SDGs) with 169 indicators to be achieved by the year 2030. The SDGs represent firm commitment of all countries and peoples to collabourate in key areas; people, planet, prosperity, peace and partnership, to combat global challenges that threaten the survival of humanity (Transforming Our World: The 2030 Agenda for Sustainable Development, n.d.). Recent UN report indicates that progress on achieving the 2030 Agenda on Sustainable Development goals remains slow given the sluggish pace of implementation (United Nations Department of Economic and Social Affairs [UN DESA], 2025). The attainment of sustainable development in practice continues to remain a challenge for developing countries as their development agenda remains dominated by neoliberal economic policies. The neoliberal policies of privatisation, trade liberalisation and reduction in government spending virtually affect the implementation and achievement of SHD goals, raising serious concerns regarding their social, environmental and economic sustainability (Kumi et al., 2013).

Pakistan's economic profile, according to International Monetary Fund (IMF), highlights the country's significant potential for economic growth. Pakistan is currently ranked as the 42nd largest economy in terms of nominal GDP, signifying its immense potential to become an emerging middle-size economy (Statistics of the World, 2025). Pakistan's future economic outlook seems promising as it appears to be in its 'take-off' stage, expected to climb up the ladder from low-income to middle-income countries (Yousuf, 2022). However, due to persistent structural constraints such as macroeconomic volatility and low productivity, the country falls short of realising its economic potential. Structural adjustment programs (SAPs) have costed social welfare and human development in Pakistan (Gera, 2007). Stabilising macroeconomic indicators in an attempt to implement SAPs has consumed Pakistan's focus away from achieving sustainable human development. The reason why SAPs continue to negatively impact overall growth and social sectors is primarily associated with the premature liberalisation which resulted in fortifying inequalities and structural imbalances. In addition, prevalence of other developmental challenges comprising mass poverty, unemployment, poor social and development indicators, low levels of economic growth and rising inequalities further complicate Pakistan's growth trajectory. Latest UNDP Human Development Index ranks Pakistan at 168th place out of 193 countries (United Nations Pakistan, 2025). Although Pakistan's HDI value increased from about 0.43 in 1999 to 0.544 in 2025, however, its performance when compared with regional counterparts (India, Bangladesh, and Bhutan) continues to lag behind.

As the country gears up for pursuing economic development, it appears to be committing yet again what are called the "*sins of the development planners*" as hypothesised by Mehbub ul Haq (The Poverty Curtain, 1976). Pakistan's development agenda, as outlined in Pakistan's Vision 2030, is encumbered with deep structural limitations which miss the mark of expanding its export performance; increasing economic productivity; managing fiscal fragility; and achieving energy security. Another critical and underemphasised dimension is human capital development, signified by low investments in health, education and skill development sectors, thus, limiting the country's transition towards a knowledge-based, competitive economy. The heart of the problem emanates from closely tying its developmental efforts with IMF-prompted neoliberal policies aimed at promoting export-oriented industrialisation. Pakistan is currently under its 25th IMF program since 1988, in dire hopes to rescue its crippling economy from the ventilator (Dawn, 2020). Instead of addressing structural problems, Pakistan's economic agenda is preoccupied with implementing SAPs (Hafiz A. Pasha, 2019). Since the 1980s, it is on its toes to carry out SAPs-packaged neoliberal policies (liberalisation, privatisation and deregulation) and pursue outward-looking strategies. There has been a stark contrast observed in growth patterns of the pre-neoliberal and post-neoliberal reforms especially with regards to human development. Productivity, employment alongside equity and sustainability form the foundations of human development paradigm, yet the current development trajectory is farther away from considering these vital development questions. Moreover, the pressures posed by neoliberal globalisation and global economic restructuring further dims prospects of achieving sustainable human development. Where neoliberalism has reinforced structural inequalities and underdevelopment (Saleem, 2002), it has also endangered sustainable human development. Pakistan's integration into the world economy has not been strategic enough to avert the pressures posed by neoliberal globalisation.

As Pakistan's economy contracts and its GDP shrinks further (Shahbaz.Rana, 2020), it is expected to negatively impact sustainable human development. It has been established that human skills, enterprise and the institutions that produce them play a critical role in the development process of any country (Haq, 1995), yet we observe that the strategies employed for achieving SHD remain overshadowed by economic strategies entirely fixated on achieving economic growth. This study examines Pakistan's approach to development where the government development focus is largely preoccupied with implementing SAPs, managing fiscal deficits, and implementing neoliberal policies. The policies are short-term remedies to chronic development problems, especially considering fast-tracking progress of SHD. By employing Haq's *Sustainable Human Development Paradigm*, the study aims to critically analyse the adverse repercussions of three major Washington Consensus (WC) economic policies which are trade liberalisation, privatisation, and public sector retrenchment. The study intends to analytically evaluate the impacts of these neoliberal prescriptions for Pakistan's economic growth and SHD.

Theoretical Framework

In order to develop nuanced understanding of the problem identified, the study employs Sustainable Human Development Paradigm developed by Mehbub-ul-Haq. His human development approach draws from welfare economics and aligns with Amartya Sen's capability approach. In his seminal work, *The Poverty Curtain*, Haq while admitting limitations of classical growth models for achieving SHD in the case of Pakistan, lays the idea of a welfare state that places emphasis on ensuring equality of opportunity not only within nations but also between them. He is of the view that there is no permanent escape from exploitation, either it will be the free market engaged in capitalist exploitation through unfettered capitalism or it will be the state itself exercising state tyranny through communism (Mahbub ul Haq, 1976). Both the structures cannot be entirely entrusted for the kind of human-centric development that is desired. A welfare state, therefore, prioritises economic growth for people-centered development.

His proposition regarding the *seven sins of development planners* stands out most influential and still relevant considering the course of Pakistan's economic development. Profoundly based on his experience as a distinguished development practitioner, he points out a number of functional gaps in Pakistan's development planning and implementation which derailed SHD. Firstly, he described the importance of developing practical growth models instead of theoretical ones, intended for realising human development goals. Practical growth models have to ensure linkage between two aspects; micro-planning and macro-planning, which implies that any development project selection has to be carried out strictly in light of broader development planning and not otherwise. In other words, the micro and macro levels of development planning must be in seamless alignment.

Second, the prevalence of excessive controls in the economy may result in discouraging the pace of overall economic growth. Without sufficient growth, achieving human development goals remain unrealistic. Therefore, economic growth must be improved by eliminating unnecessary and excessive controls intended for private investors while also facilitating growth through efficient state institutions. Bureaucratic and administrative controls need to be replaced by indirect general control in the form of progressive taxation by expanding and upgrading fiscal mechanisms. Haq strongly advocated for deploying a kind of revenue system in which the government intentionally prioritised spending in those specific sectors which directly improve human conditions and target mass poverty. Third, Haq cautioned that developing countries must avoid falling for *investment illusion*. They must refrain from developing false hopes that the received investment capital would be enough to deliver on their desired development targets. The reality he draws from is that a great deal of developing countries' productive capital remains underutilised. Developing countries, instead of relying on new infrastructure and productive capital, should maximise use of their existing productive capital. Instead of blaming on limited productive capacity and productive (physical) capital, they should concentrate on investing in human capital.

Fourth, developing countries, instead of getting impressed by their developed counterparts and frequently changing development strategies, should formulate development strategies better aligned with their development conditions and goals. Switching development approaches might appear attractive and viable but it yields disastrous outcomes in the long-run as changing development strategies time and again can render development processes unsustainable. By highlighting this point, Haq proposes *indigenisation* of development processes, ones that are better suited to the home country's ground realities and at the same time, responsive to local needs. Fifth, the development planning and implementation mechanisms should be in harmony with each other rather than divorced from their functions and operations. Sixth, human resource development forms an integral part of SHD as theorised by Haq. Owing to their huge population sizes, developing countries, especially South Asian countries, have surplus supplies of labour. This huge population can either be reduced to a liability or can be transformed into an asset. This transformation requires investing in those specific development projects which directly improve productivity levels, thus enhancing human capital. Lastly, equitable development must follow increased economic growth rates. In other words, increased GDP levels have to trickle down in a manner ensuring income distribution across all strata of society. Ignoring income distribution aspects seriously impact SHD.

Furthermore, Haq's perspectives on development focus on equitable growth, institutional reforms, people-centered development, and restructuring of political and economic power relations. He identifies the prevalence of mass poverty as the main concern for development planners formulating development strategies in the developing world. The new development strategy is premised on three important aspects which include direct attack on mass poverty, rejecting mixed economy and limiting reliance on foreign development assistance. In his influential book, *Reflections on Human Development*, Haq further broadened scope of the sustainable human development paradigm. By identifying four essential components; equity, sustainability, productivity and empowerment, he theorises that the link between economic growth and income or wealth distribution is not automatic and therefore has to be consciously created through deliberate public policy. A conscious public policy is prerequisite for translating fruits of economic growth into people's lives (Haq, 1995). A conscious public policy is built on proactive role played by public institutions which formulate and implement public policies. Haq describes sustainable development as a process in which economic, fiscal, trade, energy, agricultural, industrial and all other policies are designed to bring about development that is economically, socially and ecologically sustainable (Haq, 1995). Through this definition, he recommends circumventing economic, social and ecological debts.

Methodology

The study is mainly analytical and explanatory, based on qualitative research methodology in combination with quantitative data from authentic primary sources (economic surveys, policy drafts, official documents, reports).

Analysing Pakistan's Experience with Neoliberal Economic Agenda

Pakistan started pursuing neoliberal policies of privatisation, liberalisation and deregulation as a part of its intense privatisation and liberalisation programs introduced under Nawaz Sharif's government in 1990s. Sharif's economic agenda promoted aggressive privatisation and liberalisation of the economy which had been previously nationalized by Zulfiqar Ali Bhutto, a socialist democratic stalwart. The aim of adopting neoliberal polices rested upon Sharif's vision to turn Pakistan into the next South Korea by encouraging a greater role of the private sector in boosting economic growth. A pioneering move was made when dozens of state-owned enterprises starting from the Muslim Commercial Bank (now MCB Bank) were privatised through wholesale privatisation. The liberalisation of economy was basically intended to reduce government subsidies and decrease the role of government in national economy as prescribed by WC. In this way, Sharif expanded the role of private sector and sought rectification in social sector. The economic liberalisation was deemed necessary for stabilising economy and revitalising economic growth. However, the pace of the reform process became slow due to the absence of coherent policies of the forthcoming governments. Soon the country was faced with macroeconomic instability and recurrent foreign exchange crises.

In addition, the continued reluctance of the government to pursue a clear policy served to worsen the crises raising unemployment, inflation, and stagnation in the industrial activity, particularly in the public sector (Shafqat, 1996). The crisis drove the government to adopt SAPs in order to stabilise the economy and boost economic growth. However, relying on the ill-conceptualised logic of increasing growth through SAPs to reduce poverty and increase employment rates could not yield desirable results and ultimately, the GDP fell sharply to 4 percent from 6 percent followed by high incidence of poverty and unemployment. The debt crisis worsened further due to stagnated exports and persisting fiscal and external deficits. Poverty doubled and Pakistan was ranked as the worst performer in terms of human development. Pakistan continued to experience stagnated growth and high levels of unemployment. The adoption of SAPs during the 1990s had slowed down positive trends of poverty eradication of the past two decades and somehow worsened them. Since the adoption of SAPs, almost every single macroeconomic indicator which had some poverty reducing impact began to worsen to the extent that it rendered poverty reduction completely an irreversible phenomenon in Pakistan (Zaidi, 1999).

The Musharraf regime took serious steps to address economic challenges such as high external debts, high fiscal deficit, low revenues, rising poverty and unemployment (Umair, 2014). As a result, the situation improved relatively due to government's sound economic management and indicators started improving as inflation fell, FDI increased, employment rates improved and rising poverty was curbed. However, this could not be sustained over a longer period and soon an era of stagflation returned. Unsustainable economic policies led to economic slowdown, massive unemployment and rise in poverty. The double digits of inflation became unbearable for the poor pushing forty percent of population below poverty line (Syed Fazl-e-Haider, 2018). The Gillani Administration was at the brink of sovereign default when it finally decided to approach the IMF again for tackling economic crisis. The new deal called for further reduction in government expenditure and revitalising revenue collection (Pakistan Seeks IMF Loan Deal, n.d.). What it called for was strict compliance with the IMF reforms and strong action to carry out structural reforms in order to revamp economic growth and secure macroeconomic stability. However, the damage had already been done and the economic situation was to only worsen from this point onwards as the economic crisis spiraled out of hand. The economic crisis continued to worsen in 2013 as the Sharif Administration yet again approached the IMF in hopes of achieving macroeconomic stability, however, the growth rate could not jump beyond 4.3 percent (Anumita Raj, 2013). The balance of payment (BOP) crisis continued to haunt macroeconomic stability in the coming years assuming a more serious concern for Pakistan's economy and development.

1. Impact of Trade Liberalisation

The WC policy of trade liberalisation proposes liberal trade regime for the promotion of economic growth. It suggests liberal trade regime for imports and FDI through elimination of trade protectionist measures and associated government regulations. It sets forth 'economic openness' consistent with free market ideology as advocated by neoliberal school, whilst also encouraging tariff rationalization and market-oriented reforms to improve export competitiveness. After the failure of *Import-Substitution Industrialisation* (ISI) strategy in the 1960s and 70s, outward-looking development strategies to boost economic growth and development earned preferential policy status in the developing countries. Trade liberalisation, in place of protectionism, became favorable since it not only improved resource allocation but also facilitated economic efficiency. The evidence suggests that the developing countries such as

South Korea, Turkey, Mexico and Brazil were able to achieve high economic growth rates and economic development only when they adopted liberalisation based on outward-looking strategies (Dornbusch, 1992). However, in these cases, the most important aspect which often gets underestimated is that these countries enacted deliberate and conscious liberalisation policies, thereby, liberalising their trade regimes in a *discriminating* manner, thus avoiding hasty liberalisation. This suggests that they employed strong state intervention coupled with *phased liberalisation*, fully attuned to domestic and international factors and conducive to their export-promotion goals.

Trade liberalisation (trade openness) has adversely impacted SHD in Pakistan. According to neoclassical school, trade openness in the economy results in higher economic growth (GDP), which stands accurate based on review of evidence. Trade liberalisation policy facilitates in improving export performance by directly increasing exports. In case of Pakistan, cotton remains a significant agricultural export commodity (see Table 1). Till the period of 1990s, Pakistan focused on increasing exports of raw cotton and cotton yarn as a source of foreign exchange. This strategy, however, began to transition in favor of value-addition gradually in the 1990s (International Monetary Fund, 2001). Based on an empirical study, the impact of trade liberalisation on export of cotton lint over the period of 1971-2008 in Pakistan, a positive relationship between trade openness and increase in export of cotton lint is found (Anwar et al., 2010). Although the assumption that trade openness leads to higher exports and, in turn, to higher GDP rate does not always stand. As cotton lint is a primary commodity, its value in international trade does not earn much, so the assumption that preference for open trade alone can be relied upon for increasing exports requires reconsideration. The important factor in trade liberalisation equation remains the 'category of exports' being exported. The types of exports determine the success of export-promotion strategy of a country by facilitating increased GDP levels. Pakistan's export performance in terms of 'export category' for the fiscal year 2023-24 highlighted that manufactured goods contributed over 62 percent while primary commodities and services sector contributed around 17.5 percent and 20.3 percent of total exports respectively (Pakistan Bureau of Statistics, 2025). However, although manufactured goods dominated Pakistan's export composition, it is important to note that these products mostly fell into low-to-mid value manufacturing, clearly illustrating that value-addition and export category upgradation remains limited, hence, impacting the country's export diversification drive.

Table 1: *Pakistan's Export Composition by Economic Category FY2024*

Economic Category	Share of Total Exports (%)	Key Components
Manufactured Goods (Semi & Fully Manufactured)	62.3%	Textiles & apparel (largest share), leather goods, sports goods, surgical instruments, chemicals
Primary Commodities	17.5%	Rice, cotton lint (raw), cotton yarn, fruits & vegetables, fish, spices, minerals
Services Exports	20.3%	IT & software services, business services, transport, financial services

Note. Authors' own calculations based on data from *Annual Analytical Report on External Trade Statistics of Pakistan* (PBS, 2025).

Another problem with export-promotion strategy is of devaluation or depreciation of currency. Devaluation by a developing country for the sake of making its exports more attractive in global markets might only complicate the issue. Since it is a type of indirect taxation, it directly affects the common people who are mostly relying on fixed incomes (Ahmad, 2019). Devaluation, in an attempt to promote exports, may end up increasing inflation, directly affecting people by reducing their purchasing power, limiting their affordability, in turn, causing indirect poverty to surge. Export-oriented development strategies come with many associated pathologies for developing countries as systematically documented by Tom Palley in his article, *Domestic Demand-Led Growth: A New Paradigm for Development.* He argues that trade liberalisation and export-promotion has not only shifted the focus of developing countries away from development of the domestic markets but it has also entangled them in a "race-to-the-bottom competition" with each other. Simultaneously, it has hurt workers in the developing world by exposing them to competition with workers in the industrialized world. By creating an environment of excess capacity and deflation, it has also given way to global economic instability, particularly hurting developing countries (Palley, 2002). Export-oriented development only paves way for aggravated pressures on the country's local development especially hurting its SHD landscape. Pakistan's case aptly illustrates this dynamic. In an effort to improve the country's export competitiveness, its currency depreciation policy led it to cause high domestic inflation as it remained heavily reliant on costly imports such as fuel, fertilizer, machinery and other consumer goods. Considering the period between 2020 and first quarter of 2025, the Pakistani Rupee depreciated more than 70 percent against the dollar, causing record domestic inflation, reducing purchasing power, increasing cost of living for low income households, thus contributing to increased poverty. World Bank poverty assessment of the period 2020-24 corroborates the fact that as a result of combined economic shocks, including the 2022 floods, post-pandemic inflation, and currency depreciation, approximately 10-13 million more people were pushed into poverty (World Bank, 2025). The progress in poverty reduction reversed as the poverty rate increased from 18.3 percent in 2021-22, to 25.3 percent in 2023-24 (The Nation, 2025).

Moreover, trade openness and financial liberalisation lead to higher FDI which facilitates job creation, skills development, and income growth generation, driving improvements in SHD. Considering Pakistan's case, however, trade liberalisation, despite having a positive impact on GDP growth rate, could not result in poverty alleviation, which is an important pillar of SHD (Athukorala et al., 2011). Empirical research suggests that despite strong contribution of Chinese investment in promoting Pakistan's economic growth, it still remained far from achieving structural transformation (Zhang et al., 2025). This explains how the country remains entangled in *investment illusion* trap, exactly what Mehbub-ul-Haq advised to be cautious about. FDI, especially the one flowing in through the CPEC initiative, is consistently relied upon for physical capital (infrastructure) development; energy production and technology transfer. Though these are equally important objectives for economic development, however, a human-centric economic growth model has to envision moving beyond mere physical (capital) development towards realizing structural transformation and human capital development. SEZs in Pakistan continue to be capital-intensive instead of employment-intensive. Dominance of low-value or low-technology (LT) manufacturing (98 percent), such as basic textiles and clothing, keeps the country from actualizing structural change as manufacturing in these SEZs remain focused on *reprocessing* instead of high-value production (Rasiah & Nazeer, 2015, p. 214). To illustrate, in 2021, 49 percent of exports from the Karachi Export Processing Zone (KEPZ) came from the reprocessing of used clothing (State Bank of Pakistan [SBP], 2021). Despite the fact that Pakistan's industrial sector has failed to achieve functional and vertical upgrading and is still confined to basic, resource-based textile exports like yarn and cloth, the industry has seen minimal progress in moving toward high-value sectors like electronics and specialised industrial machinery that have enabled structural upgrading in other countries like South Korea and Malaysia.

At the same time failure to direct FDI flows into employment-generative and labour-intensive projects not only impacts job creation and income generation but also contributes toward high unemployment and poverty, consequently, having a negative impact on SHD. Amongst the key reasons behind underdevelopment of Special Economic Zones (SEZs) in Pakistan has been weak planning and coordination of FDI flows coupled with ineffective engineering of *specialized clusters*, reducing SEZs operations to enclave-style development processes and limiting social development spillovers. Analysis of Pakistan's SEZs/EPZs (Export Processing Zones) shows that they not only face significant challenges in generating large-scale employment opportunities but also remain restricted to low-value manufacturing. There exists a strong disparity in terms of job-creation when Pakistan's performance is compared with regional peers such as Bangladesh. For example, during the same period (2011-2012), Pakistan's EPZs employment rate was about 3,500, whereas Bangladesh's EPZs generated around 33,987 jobs, far exceeding Pakistan's EPZ employment level (World Bank, 2020, p. 8). Even as of June 2021, SEZs-based employment across seven operational zones in Pakistan was recorded about 34,100, representing a negligible share of only about 0.05% of national employment generation, predominantly concentrated in KEPZ, accounting for 30,000 (PBS, 2021). Moreover, reported data also suggests there is a persistent gap between projected and actual employment generation. For instance, four SEZs (Rashakai, Dhabeji, Allama Iqbal Industrial City and Bostan) were predicted to create 1.47 million jobs, yet most zones, due to partial operationalisation, could not materialise employment at scale (*The Express Tribune*, 2021). Similarly, Hub SEZ, which was projected to stimulate over 90,000 jobs, also fell short of achieving predicted employment outcomes (China Pakistan Economic Corridor, 2020). In a similar vein, minerals and mining-focused SEZs in remote areas such as Balochistan, largely utilise extractive and capital-intensive models, employing very limited local population.

The impact of trade liberalisation on environment also has to be considered while exploring the linkage between environmental aspects and SHD. Trade liberalisation has negatively impacted environment in developing countries like Pakistan. In order to increase production, they have indulged in overexploitation of natural resources, clearing land and creating export-supporting infrastructure to facilitate export promotion. The *scale effect of trade* has adversely affected the environmental resource base in developing countries (Qureshi, 2008). The environment issue has exacerbated in the absence of environmental regulation and lack of environmental policies. While the policy of trade liberalisation in Pakistan, abiding by the neoliberal trade logic, facilitated increase in rate of exports, it also ended up magnifying environmental externalities which were packaged into these exports (Khan et al., 2001). The study also concluded that while considering the state of implementation of environmental regulations in Pakistan, exports induced by trade liberalisation only lead towards higher environmental degradation in the country. The development of export-industries (textiles, leather, chemicals, cement) have also made the industrial pollution problem worse, as they are among the biggest sources of air and water pollution. Empirical studies suggest that trade openness has led to an increase in carbon dioxide (CO_2) emissions primarily through the expansion of pollution-intensive manufacturing sector (Khan et al., 2023). Furthermore, untreated effluents from textile dyeing, leather tanning industry and other industrial processes have contaminated ground water in Punjab's textile belt and industrial area of Karachi, thus reducing the availability of safe drinking water and causing water-borne diseases. Fertilizer use and overdrawing groundwater resources have increased with trade-driven production, which has come at the expense of sustainability of agriculture and food security. These environmental impacts have collectively led to an increase in respiratory diseases, health-care expenditures, and declining productivity levels, decreasing life expectancy and overall well-being. Hence, it is clear that trade liberalisation without adequate environmental regulation causes harmful impacts on SHD despite its positive economic outcomes associated with export-led growth. As mitigating costs of environmental damage remain extremely high in the Global South, Pakistan continues to be adversely affected in terms of increasing ecological debts.

2. Impact of Privitisation

The motive behind WC policy of privitisation of State-Owned Enterprises (SOEs) has been to combat inefficiency and economic mismanagement of the public sector thereby making it efficient enough to deliver public services. The objectives of privitisation have been to improve economic performance; free up government resources earlier wasted through subsidies; increase revenues for managing fiscal deficits and to increase competitiveness by relying on private sector as the engine of growth. The results of the privatization programme in Pakistan have been mixed, and there is little evidence that it has been consistently successful in improving the delivery of public services and fostering equitable development. The transformation of policy regime did little in overcoming economic strains essentially because privitisation came to be seen as an end in itself rather than a means to an end. While it has been established that there have been insignificant effects of privitisation on economic growth especially considering data of GDP levels in developing countries, there is positive evidence to suggest that privitisation does produce successful outcomes when adopted in a competitive market environment rather than in a monopolized one (Cook & Kirkpatrick, 2003). This shows the importance of having an active and competitive private sector in making privitisation policy successful in the long run especially when it comes to achieving the objectives of privitisation which are essentially all directed at increasing social welfare standards. The privitisation policy in Pakistan could not achieve desired objectives as the focus remain fixated on privatizing (process as an end) state-owned enterprises rather than improving the overall public service delivery (process as a means towards supporting SHD).

The results of the privatization programme in Pakistan have been mixed, and there is little evidence that it has been consistently successful in improving the delivery of public services and fostering equitable development.

This flawed approach rendered Pakistan's privitisation policy in shambles as it not only failed to improve public service delivery but also widened wealth gap. The empirical evidence suggests that incase of privitisation in developing countries, the distributional impacts of privitisation are also worthy of attention. In other words, private ownership alone does not automatically generate economic benefits in developing economies; pre-conditions such as sound regulatory framework and an appropriate process of privitisation are important for achieving a positive impact. Important aspects relating privitisation, such as the presence of well-designed and sequenced reforms; the implementation of complementary policies; the creation of regulatory capacity; attention to poverty and social impacts; and strong public communication, often seem to lack in developing countries (Estrin & Pelletier, 2017). In case of Pakistan, the programme concentrated on ownership transfers rather than improving structural efficiency and social protection. For instance, the privitisation program, introduced under Prime Minister Nawaz Sharif in the 1990s, in accordance with his vision of promoting free-market principles, increasing private ownership and attracting huge levels of FDI, only resulted in transferring huge amount of national wealth, SOEs, in the hands of a small economic elite which was composed of country's big business tycoons. For instance, Mian Mansha and group, including his close business allies, ended up with five of eight privatized cement units which accounted for 45% of the total industrial assets privatized by Nawaz Sharif (The Nation, 1997). This not only led to the widening of income inequality (income disparity) but also created monopolised markets where *competition* boiled out with the passage of time as the businesses soon entered cartelisation and monopoly market indirectly distorting resource allocation, thereby, neither contributing to economic growth nor welfare.

The privitisation process carried out in Pakistan continues to remain a controversy as there have been constant allegations raised by civil society groups and opposition parties. There are ongoing concerns that privatisation has had more benefits for the big business groups and affected consumers and workers through job rationalization and higher tariffs, thus making essential services less affordable. It is the continuation of this policy that is reflected in the government's sale of 24 state-owned enterprises (SOEs) such as Pakistan International Airlines (PIA), power distribution companies and financial institutions as part of the ongoing structural reform process. However, despite multiple attempts at privatisation, the SOEs-related estimated losses over the last ten years have been reported to be around Rs. 5.5 trillion, pointing to the fact that the issues of governance and efficiency have not been resolved by privatisation (Monitoring Report, 2025). Similarly, the Finance Division's quarterly SOE review for 2025 showed net losses of Rs. 343 billion in the first half of FY2025, underscoring persistent fragilities of public enterprise management (*Profit by Pakistan Today*, 2025). This has also been evident from past instances of privitisation of key public utilities such as KESC or K-electric (Karachi Electric Supply Corporation) and PTCL (Pakistan Telecommunication Company Limited), which in their post-privitisation phase ended up performing poorly mainly due to the absence of a fair regulatory framework. Ill-thought privitisation policy not only ended up increasing burdens for the government as it failed to generate significant revenues but also could not improve public service delivery. As far as SHD is concerned, privatisation focused on fiscal targets, and not on universal access, affordability, employment protection and effective regulation, may lead to an increase in socio-economic differences, thus reducing the developmental impact of economic reforms.

3. Impact of Reduced Government Spending

Another important policy of structural adjustment is fiscal austerity or government retrenchment, also referred to as belt-tightening. The reduction of government spending limits its borrowing capacity thus controlling fiscal deficits. It is complemented by increasing taxation and reduction in government-sponsored programs. WC prescribes achieving macroeconomic stability through tight fiscal policy as it helps resume economic growth rate which has been stunted in the developing countries through their adoption of statist development strategies. It advocates that macroeconomic stability is necessary for spurring economic growth. However, based on evidence from developing countries which implemented SAPs, this policy prescription stands ineffective as they were constrained in higher growth rates in their post-reform period. Growth remained sluggish despite achieving macroeconomic stability. Pakistan's economy had been facing macroeconomic imbalances from the time it went to agreement with IMF in 1988. The rising fiscal deficit continues to remain the main reason behind the government's reliance on SAPs. From the time Pakistan implemented SAPs, it has not been able to achieve macroeconomic stability given the fiscal deficit continued to become unmanageable. As the fiscal deficit touched a new peak of 8.5 per cent of GDP, it was followed by stagnated investment rates and declining social development expenditure (Sushil Khanna, n.d.).

Due to poorly managed fiscal policy, the fiscal crisis deepened further. This reduced the government's capacity to spend on social development. It has been established that some sort of public expenditure is necessary to give impetus to the private sector to make rudimentary investments. In other words, government spending tends to complement private spending. Government development spending such as in infrastructure, energy etc., has a positive impact on private investments. Private sector is always reluctant to make the first move in the field because they tend to minimize the risks of investments, however, if the government makes the first move in an attempt to supply the public goods such as roads, electricity etc., this boosts up the confidence of the private sector and in turn stimulate investment and growth cycle. But in case of Pakistan, the government found itself bound to cut development expenditure instead managing non-development (defense) expenditure. Despite decline in military spending from 7 percent in 1988 to 5.5 per cent in 1996 of GDP, development sector spending could not get its desired share. Development expenditure declined sharply from 7 percent to 4.3 percent of

GDP during the same period. Under IMF fiscal discipline compulsions and a "resource-constrained environment", Pakistan's development expenditure through the Public Sector Development Programme (PSDP) continues to remain constrained (Ministry of Planning, Development & Special Initiatives, 2025). This trend continues as IMF-induced fiscal consolidation imposes serious constraints on development (education and health) spending, remaining at about 2.4-2.5 percent of GDP, directly impacting social development and economic growth.

Taxation is an important aspect of fiscal policy. It aids government in revenue generation to avert fiscal crises. However, heavy taxation does more harm than good. It increases costs of production, making businesses expensive and may affect the purchasing power of consumers, thereby, slowing down the growth cycle. The adoption of expansionary fiscal policies for pro-poor development which is also complemented by modernization of tax regime system leads to increasing tax base and revenue generation, advancing social development (Saad-Filho, 2007). However, in case of Pakistan, heavy taxation without increasing tax base has only increased problems for poor people as increase taxation puts additional burdens on their already fixed incomes. The heavy taxation policy as prescribed by the IMF failed in part due to government's inability to modernize the tax system. IMF-prompted fiscal adjustment could not improve the economic condition; however, it did adversely affect social development in Pakistan. The macroeconomic balancing could not stimulate growth as the growth rates stagnated in the 1990s and one of the reasons was the declining development-oriented public expenditure which eroded any stimulus for the private sector. Najy Benhassine, World Bank Country Director for Pakistan, highlighted the need to reform Pakistan's inefficient tax system, saying that "comprehensive fiscal reforms" are perquisites for sustainable and inclusive economic growth (World Bank Group, 2024).

Furthermore, decrease in government spending can hurt long-term development especially if they limit infrastructural development projects. Austerity measures may jeopardise long-term development by postponing or canceling key investments in infrastructure, which are needed to boost productivity, jobs, and human development. In this regard, the allocation for Public Sector Development Programme (PSDP) was also cut from Rs 1.4 trillion in the federal budget for FY2024-25 to Rs 1.0 trillion in FY2025-26, with the rationale being that the reforms implemented under the IMF program aim to provide a greater margin of fiscal consolidation, thereby reducing investment in critical sectors such as transport, energy, education, and water infrastructure. These cuts hinder economic growth, business investment and job creation, and limit access to key public services, which negatively impact SHD, especially for low-income and marginalized populations. Lohano, while empirically studying the adverse impacts of stagnation and retarded growth on reducing farm and non-farm incomes of rural households in rural Sindh, concluded that the absence of basic rural infrastructure caused a decline in overall agricultural growth, thus rising rural poverty levels (Lohana, 2009). Similarly, an empirical study of Southern Punjab emphasised the significance of improved infrastructure in facilitating market access for the poor in combating rural poverty (Chaudhry, 2009). This is especially pertinent given that infrastructure investment has a strong multiplier effect on jobs, productivity, regional connectivity and access to education and health care, and that an investment cut could have significant impact on SHD.

Synthesis of Key Findings

a) Pakistan's performance in terms of human development progress remains far from satisfactory. There is a need for revisiting development approach which not only focuses on achieving macroeconomic stability and growth rate, but also translating improved economic gains into sustainable development. Structural aspects of the economy need to be fixed first hand so that the overall trajectory of SHD can be duly prioritised.

b) From Mahbub ul Haq's Human Development perspective, the adoption of reforms must be carried out keeping in view their effects on Pakistan's economic condition and sustainable development trajectory especially in areas of poverty alleviation, income distribution and public services delivery.

c) While open trade policy aimed at export promotion facilitates economic growth, it also exposes the country's industry and its labor to global pressures, thus impacting its local market development. Hence, in order to maximise benefits of trade openness, reliance on manufactured and value-added exports must be accorded strategic priority.

d) Financial liberalisation can have adverse effects on growth, increasing economic vulnerability to external shocks. Therefore, it must be pursued keeping in view its overall effects on economic growth and stability. Instead of treating it as a policy end, it ought to be viewed as a means toward realising economic growth and stability.

e) Privatisation must be adopted with an aim of improving organizational efficiency; increasing competitiveness; generating revenues and improving overall public service delivery.

f) Relying on SAPs-led macroeconomic stability for spurring growth rates and achieving SHD has proven to be rather misleading. Henceforth, indigenous policy planning, deliberate state action, and robust private sector framework must be designed to realise beneficial processes of neoliberal economic policies.

g) The key is to focus on transforming the gains earned through macroeconomic stabilisation into sustainable economic growth which can be directed towards sustained poverty alleviation efforts.

h) Prioritising an efficient and progressive tax system is critical for delivering the intended dividends of broader policy reforms, building investor confidence and attracting FDI.

i) Without having a clear vision on localisation (e.g. domestic JV development, supplier development programs, workforce indigenisation), FDI inflows, especially in SEZs remain vulnerable to being enclave-style development processes. In such circumstances, SEZs could generate jobs mainly in the low-value assembly and basic processing jobs, but not necessarily in further upgrading industrial productivity.

j) Reduced fiscal space especially in key social sectors (health, education, development infrastructure and social protection) results in decreased development expenditure which impacts long-term human capital formation and weakens progress on SHD.

Conclusion

To conclude, the achievement of sustainable human development goals has become challenging for a developing country like Pakistan. The neoliberal economic policies have adversely impacted the achievement of SHD goals. The adoption of SAPs-promoted WC policies of liberalisation, privitisation and fiscal austerity did more harm than good. Though these neoliberal policies were conditioned upon loan agreements, these polices in the presence of structural problems fell short to achieve their stated targets. The growth rates in the post-reform period remained sluggish as the economy continued to experience repetitive financial crises. The recipe for growth and development prescribed by the IMF in the form of implementing SAPs proved ineffective because IMF itself treated these polices as ends in themselves rather than the means to achieving sustainable growth and development. The government's total focus revolved around implementing SAPs in order to increase growth rates.

However, it has neither been able to achieve higher growth nor an equitable distribution of wealth, leading to dire consequences for the achievement of SHD. Pakistan's economic development has long been overshowed by neoliberal economic agenda, though there is policy rhetoric about achieving SHD goals, but in practice, its policy orientation remains misguided and poorly planned. Therefore, it must learn from its past development experiences in resolving the structural economic lags that hamper its economic performance. This in part depends on how the country plans to engage with globalising processes, leveraging from emerging regional economic trends and translating them into localised sustainable development gains. To achieve this end, state's proactive role is paramount in crafting public policies which are tailored towards not only consolidating economic growth but also realising sustainable human development.

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