

# DAWN

## [Software for growth](#)

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**MOST discussions on growth revival rightly focus on hardware — fiscal deficits, balance-of-payments crises, or debt overhangs. But even robust hardware cannot operate when the accompanying software — the way resources are mobilised and deployed — is malfunctioning.**

This century's defining feature is the knowledge economy's dominance. Land, labour, machinery, even natural resources — once pillars of economic power — have been overtaken by human capital, technology, connectivity and innovation as primary drivers of sustained growth. States that have prospered in recent decades are not those with abundant minerals or vast territory, but those that invested early and consistently in people: education, skills and the capacity to innovate.

At the core of this software failure is Pakistan's poor stock of human capital. Education is at the centre of any credible development strategy for two compelling reasons. First, its quantity and quality shape labour's productivity, governance quality and effectiveness of institutions. A skilled workforce plays a decisive role in attracting domestic and foreign investment; firms only commit capital if they're confident it will be productively employed. Second, universal access to basic education is essential to ensure economic growth translates into broad-based improvements in living standards rather than deepening inequality.

Studies show that each additional year of education can raise worker productivity by about 10 per cent, even after accounting for other variables. Education-driven skill formation is a key determinant of comparative advantage and export competitiveness, particularly in manufacturing. In our case, districts with higher literacy rates have better economic and social outcomes. Yet, public spending on education and skills is inadequate, poorly targeted and weakly linked to labour market needs. Had we invested more in education, vocational training and R&D over the decades, our growth trajectory would have been different.

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A second structural weakness is a missing long-term vision and sustained commitment to inclusive growth. Frequent changes in government, political instability and polarisation have forced administrations into survival mode. Policy horizons have shortened and governance is now dominated by crisis management rather than strategic planning. In contrast, China's remarkable transformation is anchored in long-term perspective planning over decades, continuously refined but never abandoned. Pakistan, by comparison, has produced many vision statements and plans, only to discard them when political leadership changes hands.

This lack of continuity has had heavy costs. Local and foreign investors are unsure of our long-term direction. Uncertainty and unpredictability are inimical to risk-taking. Had critical reforms, such as the 1991 economic liberalisation, Police Order, 2002, and meaningful LG devolution, been sustained and adapted over time, our institutional capacity and service delivery would have been far stronger today. The BISP is a rare exception, showing how continuity across governments can produce durable social gains.

Closely linked is the credibility gap between policy formulation and implementation. Pakistan is not short of sound policy documents or reform announcements, but follow-through is missing. Policies are often abandoned by successor governments, reversed by the same regime or undermined by measures contradicting stated goals. Weak inter-agency coordination exacerbates matters. For instance, while export strategies set ambitious targets, unanticipated changes in tax or facilitation regimes — such as those introduced by FBR — can negate the effort.

The investment climate is further damaged by litigation risks. Rational economic transactions, including privatisation efforts or mining concessions, have been overturned by courts after commitments were made. Similarly,

prolonged litigation often stalls tax and bank loan recovery. While judicial oversight is essential in a democracy, unpredictability and uncertainty raise business costs and deter long-term investment.

A fourth weakness is the government-private sector trust deficit. Successful economies — Japan, South Korea, China, India and Bangladesh — have been built on strong partnerships between the state and private enterprise. In Bangladesh, civil society has also played a constructive role. But Pakistan suffers from mutual suspicion. Governments accuse businesses of rent-seeking and profiteering, while the private sector sees public officials as corrupt and hostile. Absence of social capital raises transaction costs, discourages compliance and constrains growth in an economy with significant private sector potential.

Equally debilitating is the outdated structure and functioning of the public sector. The 1973 Rules of Business, inherited from a colonial era tradition, stress procedural compliance and risk avoidance rather than innovation, outcome and service delivery. Decision-making is centralised in the PM and CM offices, leaving secretaries and departmental heads without meaningful autonomy. Layers of approvals and clearances create delays, inflate costs and dilute accountability.

Financial, administrative and procurement powers are not delegated in proportion to responsibility. Division of roles among secretariats, attached departments and autonomous bodies can be unclear, leading to duplication and jurisdictional conflicts. Policy execution suffers from delays and cost overruns that undermine the economic rationale of public projects. Regulatory agencies lack genuine autonomy, while boards of public sector enterprises are constrained by ministerial interference. Rationalising mandates, eliminating overlaps, merging or closing redundant agencies and modernising rules are essential steps towards a functional state apparatus suited to today's challenges.

Finally, the accountability framework suffers from excess and deficiency. On one hand, a proliferation of oversight institutions — anti-corruption agencies, NAB, audit mechanisms, parliamentary committees, judicial activism, etc — has led to fear and inertia among honest civil servants. Decision-making has become risk-averse, and initiative is often punished. On the other hand, corruption, nepotism, inefficiency and waste are pervasive traits of administrative culture. Accountability institutions have failed to deter wrongdoing and paralysed governance.

To escape our cycle of low growth and recurring crises, firefighting must give way to fixing the underlying software. Investing in human capital, ensuring policy continuity, restoring credibility, rebuilding state-private sector trust, modernising public administration, and redesigning accountability mechanisms are prerequisites for sustained, inclusive and resilient economic growth. Without them, no amount of short-term stabilisation will deliver lasting prosperity.

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