

# BTI 2014 | Pakistan Country Report

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	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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**Key Indicators**

Population	M	179.2	HDI	0.515	GDP p.c.	\$	2890.6
Pop. growth <sup>1</sup>	% p.a.	1.7	HDI rank of 187	146	Gini Index		30.0
Life expectancy	years	66.3	UN Education Index	0.397	Poverty <sup>3</sup>	%	60.2
Urban population	%	36.5	Gender inequality <sup>2</sup>	0.567	Aid per capita	\$	16.4

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

## Executive Summary

During the review period, Pakistan dealt with a series of crises. The debate over the responsibilities and political supremacy of individual institutions – the Supreme Court, the presidency, the prime minister and the cabinet, as well as the army – was an ongoing struggle. Various armed rebellions challenged the state, such as activities by the Tehrik-i-Taliban Pakistan (TTP, or Pakistan Taliban) in tribal areas, the rebellion in Baluchistan, the deteriorating security situation in Karachi and overall sectarian violence. These events affected Pakistan’s economic development, which during the review period saw no noticeable improvement.

Civilian institutions, such as the government, the judiciary and the army, were embroiled in various controversies over their respective roles and responsibilities. Despite internal struggles, the government was able to complete its term of office. Moreover, despite the persistent conflict, the army has shown no inclination of staging another coup d’état. Yet neither the government nor the parliament holds political power over the armed forces, as the armed forces are largely autonomous and play an important role in foreign policy decision-making, especially vis-à-vis the country’s relationship with India and Afghanistan. The army during the review period declared terrorism to be Pakistan’s main challenge, thereby shifting its main security focus from its traditional enemy, India, to domestic concerns.

The security situation in Pakistan remains a challenge. Fighting between the armed forces and the TTP in tribal areas on the Afghani border has also led to further attacks on the TTP and its allies in other provinces. Additionally, the armed rebellion in Baluchistan grew in intensity and has led to severe human rights violations. The security situation in Karachi, Pakistan’s biggest city and economic hub, has deteriorated following clashes between different armed groups and the armed forces’ attempts to combat them. There was a marked increase in sectarian violence perpetrated by militant Sunni groups against Shi’a groups and other religious minorities. Militant Sunni groups also have links with the TTP and al-Qaeda cadres.

The country's economic situation worsened during the review period. Although GDP growth increased from 3% in 2011 to 3.7% in 2012, the government did not achieve its target of 4.2%. The population is suffering under inflationary economic conditions and with a severe energy crisis which has also affected the capital, Islamabad. In reaction to gas and power shortages, citizens have rioted against government institutions in many cities. A lack of economic reforms, for instance the government's failure to broaden the tax base, rising energy import bills and dwindling foreign direct investment, has caused an increase in Pakistan's total debt to more than PKR 15 trillion, accounting for more than 68% of GDP in 2012. One positive economic development was that Pakistan granted India most-favored nation (MFN) status in January 2013. This change should increase trade between both countries and should help to increase societal and political interaction.

## History and Characteristics of Transformation

Pakistan's political development, since independence in 1947, has been shaped by three different struggles. The first struggle was the conflict between the military and democratic forces over the country's political system; the second was the conflict among different ethnic groups over issues of participation and autonomy in the newly created state; and third was the controversy over the role of religion in state and society.

Authoritarian rule maintained by the bureaucracy and the military after the first coup in 1958 could not bridge the gap between eastern and western Pakistan. The first parliamentary elections in December 1970 brought an overwhelming victory to the eastern Pakistan-based Awami League (AL). The military and political leadership of western Pakistan was not interested in transferring power, which led to a civil war in eastern Pakistan. The Indian intervention in December 1971 resulted in the defeat of the Pakistani army and the independence of eastern Pakistan, which then became the state of Bangladesh.

Zulfikar Ali Bhutto, founder of the Pakistan People's Party (PPP), became president and after the promulgation of the new constitution in 1973, became the first prime minister of the new state of Pakistan. He propagated the concept of Islamic socialism to increase the legitimacy of the new state. But land reforms were delayed so the country's feudal structure continued, and the nationalization of banks and key industries did not yield economic results. The new state of Pakistan was faced with similar threats as smaller ethnic groups resented the dominance of the Punjab. After protests against rigged elections in 1977, the army under General Muhammed Zia-ul-Haq again took over the government.

Zia-ul-Haq pursued a policy of Islamization of state and society to broaden the legitimacy of his regime. He benefitted from Pakistan's geostrategic importance after the Soviet invasion of Afghanistan in December 1979. As in the 1950s, Pakistan became again for American foreign policy a key state in the containment of the Soviet Union and a main recipient of Western assistance. The Afghan mujahedeen were trained by Pakistan's Inter-Services Intelligence (ISI) to

fight the Soviet Union in Afghanistan. In this period, Pakistan was also able to nurture its nuclear program. Zia-ul-Haq promoted a liberal economic policy and open Pakistan to the global economy. After he died in a plane crash in August 1988, Benazir Bhutto, who led the PPP after the death of her father, won the elections in November that same year.

Pakistan's second period of democracy, from 1988 to 1999, was marked by the interference of the armed forces and internal power struggles among the main political parties. The military supported Nawaz Sharif and his Pakistan Muslim League-Nawaz (PML-N), which became the main contender against the PPP. Because of the power struggle between the two parties, no elected parliament, neither by the PPP (1988 to 1990 and 1993 to 1996) nor by the PML-N (1990 to 1993 and 1997 to 1999), could finish its term of office. The army remained the most important domestic arbitrator and dominated security and foreign policy, especially vis-à-vis India and Afghanistan.

Pakistan became internationally isolated during the 1990s. In 1990, the United States imposed sanctions because of Pakistan's nuclear program, so that the former ally turned into a pariah overnight. A nuclear test in May 1998 and a military coup in October 1999, which installed General Pervez Musharraf to power, further increased Western sanctions. Pakistan's status as a frontline state was renewed after 9/11, as the subsequent war against terror put Pakistan in a decisive position as part of American foreign policy. Pakistan initially gave up its support for the Taliban regime and received massive military and economic support in return.

Musharraf's rule was opposed by the PPP and the PML-N, but supported by religious parties. He initiated a policy of economic liberalization and gave more freedom to private media. Pakistan allowed Afghani Taliban, which fought North Atlantic Treaty Organization-International Security Assistance Force (NATO-ISAF) troops in Afghanistan, safe havens in tribal border regions. Because of Pakistan's support for the United States, the Pakistani Taliban started to fight the military and promoted a policy of "Talibanization" of state and society in Pakistan. In 2007, the domestic crisis in Pakistan was heightened first with a siege of the Red Mosque in Islamabad by radical Islamists and further by General Musharraf's attempt to sack Chief Justice Iftikhar M. Chaudhry, which initiated the lawyers' movement as the main domestic political opposition that culminated in Musharraf's proclamation of a state of emergency in November 2007. In February 2008, the PPP won parliamentary elections under Asif Ali Zardari, the husband of Benazir Bhutto, who was assassinated in December 2007 during the election campaign. In September 2008, Zardari was elected president after Musharraf stepped down. The 2008 global financial crisis and the 2010 floods created an economic crisis from which Pakistan has not yet recovered.

Among the few political achievements during the review period was the 18th constitutional amendment, passed in 2010, which transformed Pakistan again into a parliamentary democracy, transferring power from the president to the prime minister, and gave the provinces more autonomy.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

More than 60 years after independence, the state's monopoly on the use of force is still challenged by a variety of non-state actors in different parts of the country. The most serious challenge during the review period was by the Tehrik-i-Taliban Pakistan (TTP) with their attacks on army and state institutions in tribal regions, and also in Khyber Pakhtunkhwa (KP) and the Punjab. The Pakistani army has deployed more than 140,000 soldiers in the fight and has suffered more than 4,000 casualties as of the time of writing. Security forces have gained control over most of the tribal areas, but are reluctant to start a major operation in Northern Waziristan, which is regarded as a militant stronghold. The tribal population is also affected by infighting among different militant groups. A similar threat to the state is posed by militant Sunni groups such as the Lashkar-e-Jhangvi (LeJ), that call for the Islamization of state and society and that are responsible for attacks on the Shi'a minority in parts of Pakistan. A different challenge comes from separatist Baluch groups that are fighting for an independent state, attacking military installations and gas pipelines. Paramilitary organizations such as the Frontier Corps are accused of human rights violations and are believed responsible for a large number of missing persons. The Supreme Court has taken up the issue, and the government has announced large-scale support to address the grievances of the Baluch population.

The various conflicts culminated in armed clashes in Karachi, the economic hub of Pakistan. The year 2012 was the deadliest in Karachi in the last two decades, with more than 2,000 people killed as a result of fighting among different ethnic groups, criminal gangs and political parties. Karachi is home of the Mohajirs community, descendants of Indian migrants in 1947, which have their own identity and are represented by the Muttahida Qaumi Movement (MQM). Karachi has also the largest Pashtun population, which leads the secular Awami National Party (ANP) to demand a greater share in political representation vis-à-vis the other communities. In recent

Question  
Score

Monopoly on the  
use of force  
3

years, the city has also seen a growing Talibanization in some quarters, which has added a new conflict dimension to already existing battle lines.

The debate over state identity is shaped by different concepts. Muhammad Ali Jinnah, as the founding father of Pakistan, preferred a moderate and modern Muslim state, whereas more religious parties have always pushed for a stronger Islamization of state and society. In contrast, ethnic groups have demanded greater autonomy or even independence, such as in eastern Pakistan or Baluchistan. The military has also used Islam to broaden its legitimacy and has nurtured the conflict with India to strengthen the identity of the state. Religious parties have never played an important role in democratic elections. Recent surveys show a growing trend for religious ideas which is interrelated with economic development and the creation of a middle class. Islam in Pakistan is highly fragmented; a majority of the population is Sunnis, while 15% to 20% is Shi'a. Moreover, the Sufi tradition (holy men) has great attraction in the rural areas.

State identity

5

In addition, ethnic grievances between the Punjabi majority and Sindhis, Pashtuns and Baluchis have led to various conflicts.

The preamble of the constitution defines Pakistan as an Islamic republic, in which sovereignty comes from Allah and is “exercised by the people of Pakistan within the limits prescribed by Him.” The tension between the will of a god and the will of the people has created various controversies between liberal and religious segments of society. The constitution gives preference to Muslims, whereas members of religious minorities are barred from various official positions. Shari’ah laws were introduced but remains to a large extent under the control of civilian courts, so that secular principles override religious law when both are at variance. The anti-blasphemy provision of the criminal code is often used against religious minorities and political opponents. Various militant religious groups are agitating for stronger Islamic rule and are responsible for attacks against the Shi’a or the Ahmadiyya minority. Prominent victims were Governor Salman Taseer and Minister for Minority Affairs Shabaz Bhatti, who both were assassinated in January and March 2011, respectively. The Pashtun and Baluchi tribal populations in rural areas follow their own legal codes, which include tribal and Islamic traditions.

No interference of religious dogmas

3

Pakistan maintains a bureaucratic apparatus for all administrative duties; yet suffers from a low level of implementation and poor state of delivery. The bureaucratic activity is limited by limited public resources and the politicization by political parties, which use the public administration and corporations to provide jobs to loyal individuals. Salaries are low, which results in rampant corruption. Many public services, such as health care, are formally free but can only be used through a system of informal payments. The army is regarded as the most effective institution in the country, but is also plagued by corruption and interference into politics.

Basic administration

4

The 18th constitutional amendment shifted the power focus from the center to the provinces. However, what is lacking is a concept of how to implement the provisions which gave more autonomy to provincial governments over health care, labor issues and education. Provincial administration is mostly overstaffed as a result of partisan favors, and is therefore often characterized by a lack of professionalism. Remote areas such as Baluchistan and interior Sindh are traditionally beyond the reach of the state. Because of constitutional regulations, there exists hardly any basic administration in the federally administered tribal areas (FATA). The main weaknesses of state administration are in policing and tax collection. In both areas public confidence is low and corruption is widespread. National and provincial governments have been reluctant to introduce far-reaching reforms in either area. Basic administration has slightly improved in the period under review, but remains highly deficient

## 2 | Political Participation

The 2008 parliamentary elections were regarded to be free and fair by most national and international observers. The next election in 2013 will be the first government switchover after a complete parliamentary term in the history of the country. Election results are often marred by pre-poll rigging, threats by militant groups and illegal practices by candidates.

Free and fair  
elections

6

The election commission has received greater independence and will bar candidates for the 2013 elections who have not paid taxes, who hold dual nationality or who have faked educational degrees. A code of conduct should set guidelines for election campaigning. A new delimitation of constituencies in megacities such as Karachi is necessary but has to be postponed because of security reasons. Minority groups hold 10 seats in parliament, and 60 seats are reserved for women.

The 18th amendment has shifted the constitutional balance in favor of the prime minister. The president now has only a symbolic function as the head of state. But President Zardari still exercises strong political influence, as he is the acting party chief of the ruling Pakistan People's Party (PPP). The Supreme Court pressed the government to act against President Zardari on corruption charges. But as the government was not willing to follow court orders so that Prime Minister Gilani was forced by the Supreme Court to step down in summer 2012. The power of the government in foreign and security matters especially vis-à-vis India, Afghanistan and the United States is constrained by the interests of the army. There is no civilian control over the military; for instance, there is no parliamentary oversight over defense expenditures or intelligence organizations. In rural areas, feudal and tribal structures still hold important veto powers against state authority.

Effective power to  
govern

2

The right of association and freedom of assembly are guaranteed by the constitution. The large number of non-governmental organizations (NGOs), which address a range of issues from children's and women's rights to issues pertaining to HIV/AIDS as well as religious and environmental issues, are proof of these freedoms. The party system includes mass parties, such as the Pakistan People's Party (PPP) and the Pakistan Muslim League-Nawaz (PML-N), regional parties like the Awami National Party (ANP) and the Muttahida Qaumi Movement (MQM) and religious parties such as Jamiat-i Ulema-i Islam (JUI) and Jamaat-i Islami (JI). The long march of the moderate cleric Muhammad Tahir-ul-Qadri, who challenged the government in January 2013, articulated a variety of economic and social grievances but which still remained peaceful underlines that the right of association is possible in Pakistan even amid difficult political circumstances. Even as oppositional groups are not systematically disabled. The problems of implementation in effective association and assembly rights have more to do with the general weakness of the state's monopoly on the use of force, de facto constraints on these rights in areas under de facto control by powerful conservative forces (i.e., landowners, military) and, of course, the widespread problems of criminal and political violence.

Association /  
assembly rights  
5

The liberalization of electronic media under General Musharraf brought an enormous expansion of the media sector. Today, more than 100 TV channels are registered, including five major stations in English. There are a large number of vernacular newspapers, the circulation of which is much higher than that of English newspapers, restricted mostly to the urban middle classes. Twenty-four-hour news channels and daily talk shows are now part of Pakistan's political life, and have increased the pressure on politicians with regard to accountability.

Freedom of  
expression  
4

There are no outright media prohibitions in Pakistan, with the important exception of some religious matters. A number of media outlets are openly hostile to the government, and ruling parties are able to articulate their opinions. However, freedom of expression is threatened by several factors. Blasphemy laws can also be used against the press, so that on occasion, the government comes under political pressure to act against parts of the media. Social networks like Facebook or YouTube are partly banned over sensitive content. Media freedoms and the work of journalists are also threatened by domestic conflicts, internal warfare and counterinsurgency measures. Pakistan belongs to a list of the most dangerous countries for journalists. The Committee to Protect Journalists declared Pakistan to be the most dangerous country for journalists in 2010 and 2011. A United Nations report ranked Pakistan as the second-dangerous country for journalists in 2012, and Reporters Without Borders placed Pakistan in terms of safety for journalists in rank 159 of 179 countries. The Press Freedom Index ranked Pakistan 151 for 2011 – 2012. In 2012, nine journalists and one media employee were killed in Pakistan, of a total of 88 journalists worldwide. In 2011, 10 journalists were killed.



Journalists and the media are threatened both by militant groups and by security agencies. The Tehrik-i-Taliban Pakistan (TTP) threatened to attack all media outlets who decided to write positively about Malala Yousafzai, a 15-year-old girl who was shot because she had spoken against the Taliban. Journalists are also threatened by security forces. Saleem Shahzad, an investigative journalist, was allegedly killed by security forces in May 2011 because he had worked on sensitive stories, such as the role of Islamists in the armed forces.

### 3 | Rule of Law

Separation of powers has for a long time been marred by the political power struggle between political parties and the military. Since 2008, the Supreme Court, headed by Chief Justice Iftikhar M. Chaudhry, has become more vocal with various suo moto initiatives that have challenged the government and the armed forces. The parliament is generally the weakest state institution. Domestic affairs such as the Swiss Bank case illustrate that state institutions must struggle for their respective institutional roles. In this case, the Supreme Court forced the Pakistan People's Party-led government to write a letter to Swiss authorities with the goal of reopening a series of corruption cases against President Zardari. The government under Prime Minister Gilani refused this request, arguing that the president enjoyed constitutional immunity. Therefore, the Supreme Court forced Prime Minister Gilani to step down on contempt of court in June 2012. The separation of powers in the government has therefore improved. But the armed forces are still beyond the authority of the government or the parliament. The Supreme Court enjoys great public respect and is supported by the main opposition parties in its struggle against President Zardari and parts of the media. However, this is not because opposition parties actually support the idea of separation of powers and horizontal accountability per se, but because they see it as a chance to weaken the government and their political opponents.

Separation of powers

4

The judiciary has always been split along political lines, and judges have even legitimated military interventions with the doctrine of necessity in the past. A number of judges and lawyers were active in the struggle against General Musharraf. Since 2009, the judiciary under Chief Justice Chaudhry has become more independent. After a conflict with the government over the nomination of judges, a compromise was reached in 2010. A judicial commission will propose names of potential candidates who then have to be confirmed by a parliamentary commission, which consists of members of both houses and opposition parties. However, the independence of the judiciary below the level of the Supreme Court is heavily impaired by de facto pressure from powerful economic and political actors as well as insecurity caused by crime and high levels of corruption.

Independent judiciary

3

The working of the courts is hampered by a lack of resources and qualified personnel, insufficient territorial operability and scarce resources as well as corruption,

especially on the lower levels. At the end of 2012, around 1.6 million cases were still pending in all levels of the courts. Moreover, judges tend to use legal instruments such as contempt of court against critical views reported in the media. The overload of the system has promoted a call for “speedy justice.” This has benefitted the Pakistani Taliban especially in the Swat Valley, even if public opinion is not in favor of such groups.

Corruption has increased under the democratic government, and has touched prominent political personalities such as President Zardari or the son of former Prime Minister Gilani. The National Accountability Bureau (NAB) is the main institution that fights corruption, but its ability is limited because of a lack of resources and political interference. The government has installed a system of ombudsmen, for instance in the health care sector, to address grievances and malpractice issues. The Supreme Court and the Election Commission are also involved in investigations of members of parliament and provincial assemblies over issues of fake educational degrees and tax evasion. The Election Commission has set up a code of conduct for the forthcoming election that strictly regulates the use of official resources during the campaign. In February 2013, the Lahore High Court asked President Zardari to quit his position as co-chairman of the Pakistan People’s Party, as his holding the position ran contrary to the apolitical function of the presidency.

Prosecution of  
office abuse  
3

Despite Pakistan’s civilian government, civil rights are curtailed for many reasons. Violent conflicts in different parts of the country, an increase in sectarian violence against religious minorities and the inefficiency of state institutions and security agencies have severely restricted civil rights.

Civil rights  
2

While there are limited spaces where civil rights are honored, not least thanks to an activist judiciary, many civil rights violations can be attributed to non-state actors; and state actors (such as the police and the courts) have been too reluctant defend these spaces. For example, traditional feudal and tribal structures in rural areas deprive women, minorities and marginalized groups of basic rights and freedoms. In parts of rural Sindh and Punjab, feudal landowners maintain their own private militias, courts and prisons. The tribal segments of the Baluchs and Pashtuns follow their own traditional legal codes, which are not necessarily in accordance with modern civil rights. Moreover, religious freedom for minorities is limited because of the threat of blasphemy charges. In urban areas like Islamabad and Karachi, people can also be subject to infringements of civil rights by the land mafia.

#### 4 | Stability of Democratic Institutions

Part of the 18th amendment included a fundamental reform of the interplay between democratic institutions that has reinstated, to a large extent, the constitution of 1973. The executive powers of the president have been stripped so that the office only enjoys a ceremonial function. The prime minister is the most important political figure in Pakistani government. Overall, during the review period the performance of Pakistan's parliament was lacking. In February 2013, 176 bills were still pending in the National Assembly. Democratic institutions such as the presidency and the Supreme Court constantly struggle with each other, while the armed forces remain mostly outside civilian control. The provincial assemblies have also not been very successful, partly because of the country's instable security situation and partly because the new responsibilities between the central government and the provinces in many areas are still not clear.

Performance of  
democratic  
institutions  
3

Elected institutions are constrained by veto powers, namely landlords and the military. Recent constitutional changes should strengthen the democratic process overall. The controversy between the president and government vis-à-vis the Supreme Court can also be understood as a conflict over their respective functional roles. The chief of army staff (COAS), General Ashfaq Kayani, who will presumably retire in November 2013, has always underlined the professional character of the armed forces and has publicly supported democratic elections, showing no inclination for overt political interference. The movement of Tahirul Qadri that challenged the government in January 2013 has not found support within the main opposition parties.

Commitment to  
democratic  
institutions  
3

#### 5 | Political and Social Integration

Pakistan's party system is characterized by competition between the Pakistan People's Party (PPP) and the Pakistan Muslim League-Nawaz (PML-N) which shaped the political landscape after 1988. There are several important regional parties, including the Awami National Party (ANP) in Khyber Pakhtunkhwa and the Muttahida Qaumi Movement (MQM), which represents the Mohajir community of urban Sindh. Moreover, there are many religious parties such as the Jamiat-i Ulema-i Islam (JUI), the Jamiat-i Ulema-i Pakistan (JUP) or the Jamaat-i Islami (JI). Their constituencies are mainly from urban areas, and in parts of Khyber Pakhtunkhwa and Baluchistan. Parties are mostly centered on personalities or dynasties, such as the PPP which is linked to the Bhutto dynasty, or the PML-N which is dominated by Nawaz Sharif and his family. Inner-party democracy is therefore hardly practiced. New parties such as the Pakistan Tehrik-e Insaaf (PTI) of Imran Khan and religious parties like the JI have introduced elections to increase inner-party democracy. Programmatic issues hardly play a role and inner-party democracy is seldom

Party system  
4

practiced except for in the JJ; election victories are mainly used for political patronage. The PTI is trying to address issues important to the urban middle class, but have not yet been successful in elections. Free and fair elections are the exception rather than the rule in Pakistan. The voter-list manipulation, vote buying and insufficient control of voting in rural areas are the most common problems.

Pakistan supports a wide variety of non-governmental organizations that focus on a range of social grievances. However, these NGOs can hardly be described as interest groups, in the sense of business associations that try to aggregate sector-specific interests vis-à-vis parliament. Civil society organizations include well-known institutions such as the Human Rights Commission of Pakistan (HRCP), the Citizen Police Liaison Committee, Lawyers for Civil Rights and the Women's Action Forum. Moreover, many interest groups are supported by the middle classes and are focused in urban centers. Besides many liberal-leaning groups, there are also many religiously conservative groups, such as the Majlise Sautul Islam (MSI) which aims to improve the curriculum in religious schools (madrasahs). The digital revolution has facilitated the work of such groups. The impact of interest groups on political parties is difficult to assess because of their strong dynastic character.

There is few if any reliable survey data on the approval of democratic values in Pakistan. Nevertheless, the democratic protest movements against military rule, the poor performance of religious parties and the liberalization of the media indicate high support for a democratic system. So far, political parties do not live up to these expectations, which may mar the image of democracy in the long-term. Voter turnout, which was 44.5% in the 2008 elections, may not be a good indicator considering issues of security in many parts of the country.

There is no reliable survey data on the breadth or stability of social capital and trust in Pakistan. Anecdotal evidence and few qualitative studies indicate that social capital is mainly provided by family networks, caste-like structures (biraderi), tribal and clan affiliations or religious associations. Many NGOs have also contributed to social capital with their activities. Prominent examples like the Edhi Foundation have turned into effective service providers. Moreover, the willingness to support the victims of the 2010 floods has also demonstrated a great deal of solidarity among fellow citizens. There are a variety of social support programs like Bait-ul-Mal, the Benazir Income Support Program (BISP) or religious taxes such as zakat which may help to broaden the idea of social capital in the long term.

Interest groups  
3

Approval of  
democracy  
n/a

Social capital  
4

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Question  
Score

Socioeconomic  
barriers  
3

Pakistan has still not recovered from the economic and financial crisis of 2008 and the impacts of floods in 2010. GDP growth increased from 3% in 2011 to 3.7% in 2012; yet these figures are below the government target of 4.2%. Debt has increased and the devaluation of the rupee against the dollar reached a new high of PKR 100 to \$1 in February 2013. These economic developments have seriously affected the government's financial room for maneuver.

Development is therefore stagnating on a low level. Pakistan ranks 145 of 187 in the U.N. Human Development Index (HDI) and is still categorized as a country with "low human development." The Economist Intelligence Unit (EIC) puts Pakistan on rank of 75 of 80 countries in its index that considers the "best place to be born" in 2013.

In 2008, World Bank figures stated that 60.8% of the population lived on less than \$2 per day. Newer figures are not available; but considering the country's prolonged economic problems, it is rather unlikely that this figure has improved. The rate of female youth literacy in 2009 was only 61%, which is below Bangladesh. Female labor participation (above 15 years old) was only 22% in 2010, lower than both India and Bangladesh. The ratio of female-to-male primary enrollment in 2011 was only 82% and 73% on the secondary level. Both figures are among the lowest in the world.

Pakistan is still characterized by regional disparities in its provinces. Socioeconomic development lags in Baluchistan and parts of Khyber Pakhtunkhwa. Special development problems exist in the federally administered tribal areas (FATA) because of the tense security situation. FATA and Gilgit Baltistan have special constitutional arrangements which limit state development activities. Moreover, minorities and marginalized groups like Ahmadis, Hindus, Christians and Sikhs are even more affected by development deficits.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	161819.0	176477.5	210741.1	<b>231181.9</b>
GDP growth	%	3.6	3.5	3.0	<b>4.2</b>
Inflation (CPI)	%	13.6	13.9	11.9	<b>9.7</b>
Unemployment	%	-	-	-	-

Economic indicators		2009	2010	2011	2012
Foreign direct investment	% of GDP	1.4	1.1	0.6	<b>0.4</b>
Export growth	%	-3.3	15.7	2.4	<b>-13.4</b>
Import growth	%	-15.1	4.3	-0.1	<b>10.0</b>
Current account balance	\$ M	-3993.4	-1354.0	-2234.0	<b>-2072.2</b>
Public debt	% of GDP	61.3	61.7	60.3	<b>62.1</b>
External debt	\$ M	56328.6	58488.2	60181.8	-
Total debt service	\$ M	3478.5	4311.3	2958.6	-
Cash surplus or deficit	% of GDP	-4.8	-5.0	-6.5	<b>-7.8</b>
Tax revenue	% of GDP	9.3	10.0	9.3	<b>9.8</b>
Government consumption	% of GDP	8.1	8.0	7.9	<b>8.3</b>
Public expnd. on edu.	% of GDP	2.7	2.4	-	-
Public expnd. on health	% of GDP	0.8	0.8	0.7	-
R&D expenditure	% of GDP	0.46	-	-	-
Military expenditure	% of GDP	3.2	3.3	3.1	<b>3.0</b>

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

## 7 | Organization of the Market and Competition

The Planning Commission stated a clear commitment to market based competition in its “Framework for Economic Growth” in 2011. Pakistan ranks 105 of 125 countries on the Global Innovation Index (GII). The government has identified the poor standards of Pakistani firms in education, training, goods, market efficiencies and technological readiness. Some 70% of Pakistani firms are classified as “small.” The aspiration for business people to expand in scale seems to be low because of the costs involved. Competition is distorted because of corruption and the special role of the military, which is the largest entrepreneur in many fields. Because of this special status, the military is for instance allowed to take land for reasons of national security.

General Musharraf initiated a policy of privatization of public sector enterprises (PSEs). State companies, such as the Karachi Electric Supply Company and Pakistan Telecommunications Company, have been privatized. However, the privatization of Pakistani Steel Mills was stopped by the Supreme Court after allegations of corruption. The Planning Commission has underlined the need for fundamental

Market-based competition

5

Anti-monopoly policy

5

reforms of PSEs in 2011 to increase productivity and to cut down public subsidies. The industrial sector is not yet open so there is more need for reforms to improve competitiveness. There may be resistance against such reforms as PSEs are used for political patronage. These mechanisms also work on the provincial level, where reforms may not be regarded as urgently necessary.

Pakistan has in recent years liberalized its trade but subsidies for export items like cotton and leather have remained. According to 2010 World Bank reports, the overall tariff rate for all products was 14.78%. As a consequence of the 2010 floods, the World Trade Organization (WTO) approved a waiver for the duty-free access of 75 Pakistani products to the European Union for two years in 2012. Also in 2012, the European Union granted Autonomous Trade Preferences (ATP) to Pakistan to support economic reconstruction.

Liberalization of  
foreign trade

7

The Pakistani government finally decided to grant India most-favored nation (MFN) status in January 2013. India already granted Pakistan MFN status in the 1990s. This liberalization should normalize bilateral relations and boost trade between the countries. Most informal trade between India and Pakistan prior to the status change was organized over third-parties such as Dubai or Afghanistan.

Governments in Pakistan have often stressed the need to introduce interest-free banking because of religious reasons. Some banks have tried to establish interest-free banking, but there is no intention to change the overall banking system in this direction. Banks in Pakistan are mostly state-owned and were not affected by the 2008 – 2009 global financial crisis. But Pakistani banks have their own problems, mainly with faulty banks loans, which may require large-scale depreciations because of non-existing securities. An IMF report 2012 urged the government to look more closely into the problem of nonperforming loans and to strengthen regulation and oversight over the banking sector. The bank capital-to-assets ratio remained nearly constant at 9.7% (2011) compared to 9.8% in 2010. The percentage of nonperforming loans to total gross loans has further increased, from 14.7% (2010) to 15.4% (2011). Bank failure may cause contagion effects with highly unpredictable outcomes.

Banking system

5

## 8 | Currency and Price Stability

Inflation in Pakistan has increased sharply as a consequence of the global financial crises, the 2010 floods and the following economic downturn. Inflation has increased as well as a consequence of rising energy imports. Rising food prices also cause severe problems for the poorer segments of society. The government has projected inflation to be at 10.5% for the fiscal year 2012 – 2013, which was the sixth consecutive year of double-digit inflation rates. The situation has only slightly improved since 2009, when inflation was at 13.6%.

Anti-inflation /  
forex policy

3

Pakistan's economic macrostability has further worsened, with the result that the country is heading toward another balance of payment crisis. According to the IMF, the new indebtedness has increased from 7.0% to 7.5% of the gross national product (GNP). Currency reserves are below \$9 billion and foreign direct investment has declined, mainly because of security issues and infrastructural shortcomings. In contrast, an increase in remittances can be listed as a positive development. In October 2011, an IMF assistance package for Pakistan failed to be delivered as the government was unwilling to introduce reforms, such as a revised general sales tax, and to expand the tax base by including rural incomes. The GDP/tax ratio has even fallen from 11% to 9% in recent years, which is among the lowest in the world.

Macrostability  
3

## 9 | Private Property

Private property is protected by both secular and religious law. Despite problems in rural areas, even Islamic scholars have ruled out large-scale land reforms in favor of the poor. Land distribution continues to be unequal, with 5% of large landholders possessing 64% of the total farmland. The privatization of state enterprises that started under General Musharraf has fostered economic growth. In various cases, deregulation was accompanied by corruption charges that then brought the process to a standstill. Corruption of the lower courts or political interference can create problems in property rights cases. The military enjoys special privileges with regard to the acquisition of land. Foreign investors, for instance from the Middle East, have acquired huge swaths of land with legal protections from the state, especially in Baluchistan. In 2012, it took 21 days and 10 procedures to register a new company, which was better than an average of 27 days according to the World Bank's Doing Business Index. To register property, in 2012 50 days and six procedures were necessary, which corresponds with the global average.

Property rights  
6

Because of economic crises and heavy public sector subsidies, the government is promoting more private enterprise. The government plans to reduce its impact in the energy sector and in infrastructure to make these areas more attractive for private investment. In recent years, foreign direct investment has decreased over security concerns and energy issues in many parts of the country. The government has not been able to diversify and to strengthen small and medium enterprises (SMEs), so that its focus is often on existing textile companies for export.

Private enterprise  
6

## 10 | Welfare Regime

Pakistan has developed a variety of social programs. Religious taxes like zakat are used for social welfare schemes. Larger welfare programs like Bait-ul Mal or the Benazir Income Support Program (BISP) have always been politicized. Reports about corruption and the misuse of funds are not uncommon. The allocation for BISP was

Social safety nets  
3



PKR 70 billion for the financial year 2012 – 2013. At present, BISP gives cash assistance of PKR 1,000 to each of some 5.5 million families, which constitutes 18% of the total population. The program therefore covers nearly 40% of the population that lives below the poverty line. The organized sector has its own social welfare scheme for employees.

Pakistani society at large has shown a strong sense of solidarity, despite the country's difficult economic situation. This became obvious during the 2010 floods, when many private and civil society initiatives were started to support victims. In contrast, there were numerous reports of corruption and malpractice in the distribution of international assistance by different state agencies.

Expenditure for social and poverty-related programs dropped from 9.3% of total central government spending in 2008 to 6% in 2011, but increased to 8.2% in 2012.

Public health expenditure was 2.2% in 2010. Because of the 18th amendment, the management of health care services will be transferred to the provinces in the future. At present, there are various pilot projects to introduce a national health insurance scheme in cooperation with private insurance companies, for instance in Khyber Pakhtunkhwa and Punjab. Because of widespread corruption in the health sector and limited regulations, the main responsibility for social services remains with families.

Equal opportunity is not an established concept in Pakistani society. The marginalized role of women and religious minorities limit these groups' capability for upward social mobility. The educational system is split between government, private and religious schools. Women have lower literacy rates than men, and also lower school enrollment rates, especially at the secondary level at only 73%. The socioeconomic situation of religious minorities such as Hindus and Christians is below the national average, thereby limiting their opportunity for upward mobility. Moreover, members of religious minorities are barred from some official positions. Achievement is more dependent on an individual's family background rather than on merit. The army is an exception, as members from lower-middle classes can also reach high military positions.

Equal opportunity  
3

## 11 | Economic Performance

Pakistan as of the review period has not recovered from the economic downturn. GDP growth is too weak to support long-term development, as the country's population growth is estimated at 1.8% per year since 2008. Because of security issues and infrastructure deficits, the attractiveness of Pakistan as a destination for foreign direct investment (FDI) has sharply decreased. In 2008, the net inflow of FDI was \$5.44 billion; by 2011, FDI had fallen to \$1.31 billion. The agricultural sector, the largest employer in Pakistan, is still characterized by low productivity because of highly

Output strength  
3

unequal landholdings and the dominance of feudal structures, especially in Punjab and Sindh. Pakistan's economy is still supported by textile exports. The government has not been able to introduce a policy of diversification of the industrial sector.

Public debt was 60.2% of GDP in 2011, and showed only a minimal decline from 61.6% in 2010. The latest available figure for unemployment was 5.0% in 2008. However, unemployment figures are expected to be considerably higher by the time of writing, as a result of negative economic developments and larger participation in the informal sector.

## 12 | Sustainability

Most environmental issues still have low priority in public debate, although large parts of the population are affected by environmental problems. The most serious issues are decreasing water resources, rising air pollution (especially in urban areas) and river pollution, which affects human health. There are pollution regulations for private cars, but trucks and buses are exempt. Sewage systems are mostly lacking, especially in rural areas, and an overall environmental consciousness on the part of the population is only slightly developed. The government is not able to pursue large-scale investments in environmental projects because of economic issues. In February 2013, the government presented its first National Climate Change Policy.

Environmental  
policy  
4

Pakistan's educational sector is characterized by low effectiveness and increasing fragmentation. The children of the societal elite attend expensive and high-quality private schools while a majority of students attend poorly equipped government schools; the poor and religious segments of society send their children to the growing number of religious schools (madrasahs). Because of rising radicalization, especially after the events of 9/11 and the growing number of students in religious schools, the government has pursued various reforms to register madrasahs and to improve their curricula.

Education policy /  
R&D  
3

The deficits of the educational sector are evident in a total literacy rate of 55% among adults in 2009. Literacy levels for women and marginalized groups are even lower.

Total public spending on education was 2.4% of GDP in 2010. As a consequence of the 18th amendment, responsibility for education will shift more to the provinces, similar to health care services. Higher education will probably not be included in this devolution. Since reforms under General Musharraf, there have been successful efforts to internationalize Pakistan's universities. Expenditure in research and development totals only 0.46% of GDP, a figure that again illustrates again the government's limited capacity to invest in future-oriented sectors. So far, educational policy has not made social barriers more permeable but has rather strengthened them instead.

# Transformation Management

## I. Level of Difficulty

Pakistan faces various structural constraints that impede its political and economic transformation. The armed conflict in Afghanistan has for a number of reasons spread to a substantial part of Pakistani territory, primarily because of the successive policies of Pakistani governments. Federally Administered Tribal Areas (FATA), large territories of Khyber Pakhtunkhwa and Baluchistan, Karachi and even parts of southern Punjab are now part of the focus of Afghanistan-Pakistan (AfPak) policy. Pakistan suffered unprecedented flooding in the summer and autumn of 2010, which affected more than 20% of Pakistan's territory. Rail and road infrastructure were largely destroyed in affected areas, as were crops, houses and entire villages. Adding to widespread poverty, a lack of efficient state institutions in many rural areas, a demographic imbalance resulting from decades of massive population growth, a low level of adult literacy and large-scale discrimination against women in rural areas and one quickly forms an impression of the daunting tasks faced by President Zardari and Prime Minister Gilani in the period under review.

Structural  
constraints

8

Pakistan's high level of constraints is to some extent alleviated by a flourishing civil society in all major cities. The country is home to many NGOs, both domestic and international. The level of participation in public debate is fairly high in urban areas, and it extends to all age groups. Aided by a vibrant and untamed private electronic media, people of all classes and educational backgrounds can read and take part in criticism leveled against the government and authorities, including the armed forces. Debate however is hampered by a lack of solid education among many of the newly mobilized urbanites, and by a lack of trust among people of different political or religious creeds and viewpoints. In rural areas, the situation is even worse. Here, a lack of education, the limited reach of mass media and general social constraints restrain the expansion of the public sphere. In addition, in these areas (which constitute the largest part of the nation) civil society traditions are extremely weak.

Pakistani politics have always been somewhat confrontational. The initial cleavage within Pakistani society emerging in the early decades after independence set apart the middle-class elites of the independence movement from local political forces and vested interests of western Pakistan (at that time) that had no particular interest in nation-building or social development. Recurring interference by bureaucratic and

military elites set a new dividing line between pro-establishment and anti-establishment forces. Pakistan's political climate is dogged by a culture of distrust, fostered by repeated coup d'états and an escalation of the terrorist violence that spilled over from Afghanistan. Although sectarian violence has affected Pakistan for two decades now, the surge of terrorist violence and suicide attacks of recent years has no precedence. Additionally, bonds of solidarity between Pashtun tribes on either side of the Pakistan-Afghanistan border limit the effectiveness of military operations and border control in that area. The escalation of conflict in the province of Baluchistan and the deep distrust held by the local population of mainstream Pakistani society further aggravates the conflict scenario.

The poor performance of the Pakistani state in delivering basic public goods and services in the education, health care and security spheres is partly compensated by the flourishing tradition of civil society to a certain extent. National and international non-governmental organizations (NGOs) often provide education, social services and legal advice to the marginalized segments of society. The development of electronic media has further strengthened NGOs' advocacy capabilities, for instance by creating international audiences for the grievances of their target groups. Civil society also encompasses charity organizations by religious parties or even militant groups, such as the Jamaat-ud-Dawa (JuD), which is regarded to be the civilian and charity branch of Lashkar-e-Taiba (LeT), accused of several terrorist attacks vis-à-vis India. The activities of these groups in the aftermath of natural disasters such as the 2010 floods have created fears of rising extremism among affected communities. However, this has not yet come to pass.

Civil society  
traditions

7

Conflict levels have risen in recent years. Two circles of conflict can be differentiated: one among the institutions of the political system which fight for supremacy, and another among militant groups that challenge the political system as a whole.

Conflict intensity

9

With regard to the first circle, the review period witnessed several confrontations between the presidency, the government and the judiciary over the interpretation of the constitution. The Supreme Court forced the withdrawal of Prime Minister Gilani as the government refused to write a letter to Swiss authorities to reopen a corruption case against President Zardari. The Supreme Court has also challenged security forces over missing persons in Baluchistan.

With regard to the second circle, sectarian violence and the deteriorating security situation in Karachi have, in addition to the existing conflicts with the Tehrik-i-Taliban Pakistan (TTP) in tribal areas and neighboring regions in Khyber Pakhtunkhwa and the rebellion in Baluchistan, further marred Pakistan's security. Attacks carried out by militant Sunni groups against the Shi'a minority in different parts of the country have resulted in hundreds of victims. With some 18 million people, Karachi accounts for nearly 10% of Pakistan's total population and for 57%

of national tax revenue. Increasing migration has aggravated the already explosive mixture of gang warfare, land grabs, drug and human trafficking, religious extremism, political rivalries and tensions between different ethnic communities, sharpened by extreme poverty, in the outskirts of the city. In 2012, Karachi experienced its deadliest year in two decades, with more than 2,000 people killed.

## II. Management Performance

### 14 | Steering Capability

The government has shown no planning for the prioritization of political or economic agendas. Instead, the government's main priority seems to be political survival. The fight against militants in tribal areas is hampered as neither the army nor the government wants to take political responsibility. The authorities have also failed to properly address the energy crisis, with regular load shedding even in the capital, Islamabad. Energy problems have also led to riots in smaller cities, where the shortages are much more acute. Another area in which the government has lacked prioritization was the broadening of the tax base, which was strongly demanded by the donor community but finally rejected by the government.

In the review period, prioritization was further hampered through ongoing debates over the proper implementation of the 18th amendment, between the central government and the provinces. In the health care sector, while central institutions have first been dissolved, it became clear that for instance, the registration of drugs could not be managed by the individual provinces but instead requires a federal agency.

The fact that India was finally granted most-favored nation status by Pakistan, a move that was also conceded to by the army, can be seen as a positive development.

Pakistan's position in international social indices, like the Human Development Index, specify that the government's implementation of policies is still a major weakness. Implementation is further hampered by the impact of the 18th amendment to the constitution. Because the provinces are now also responsible for more policy fields, some of them are faced with a lack of bureaucratic capacity. Moreover, new legislative regulations will further slow down implementation. In contrast, provinces like Punjab are managed relatively well, at least with regard to infrastructure development.

Policy learning is mostly focused on political survival and in the maintenance of power. One obvious example is the case of President Zardari, who did everything

Question  
Score

Prioritization  
3

Implementation  
2

Policy learning  
3

possible to avoid a re-opening of a series of corruption cases against him. His efforts resulted in the demission of Prime Minister Gilani.

In August 2012, the army chief of staff declared that Pakistan's main threat comes from within. This statement was regarded as a major change from the army's previous security strategy, which focused on external threats vis-à-vis India. But such changes should not be overestimated, as the army still refuses to take action against militant groups such as Lashkar-e-Toiba (LeT). The group is officially banned, but its leaders are still allowed to hold public speeches. The army is also reluctant to fight the Afghan Taliban and the Quetta Shura, which have their safe havens in tribal areas.

## 15 | Resource Efficiency

A high level of corruption and mismanagement shows that Pakistan's efficient use of assets is low. Resource management is further hindered by the politicization of institutions, which often leads to the creation of new institutions rather than to strengthening existing ones. The Benazir Income Support Program (BISP) was established, among other things, to increase the political clout of members of parliament of the Pakistan People's Party (PPP). It would have also been possible to reform or strengthen already existing social welfare schemes. But these schemes were considered to be established by the "wrong" political party. The devolution of powers following the passage of the 18th amendment will challenge provincial governments to use assets efficiently.

Efficient use of assets

3

As a result of the 18th amendment, which includes among other things the abolition of the concurrent list, policy coordination is faced with new challenges. Lengthy negotiations between the central government and the provinces will be required to demarcate responsibility boundaries in areas such as health, education, labor and so on. The main coordination body between the center and the provinces is the Council of Common Interest (CCI) and the Ministry for Inter-Provincial Coordination (IPC). The Seventh National Finance Commission (NFC) has given the provinces more financial opportunities to implement their own policies. Policy coordination can also be hampered by coalition politics. The Muttahida Qaumi Movement (MQM), which represents the Mohajirs of urban Sindh, has threatened several times to leave the government or to join forces with opposition parties over specific issues. Coordination of policies is further complicated by political rivalries between the ruling party/coalition in Islamabad and opposition parties from the provinces.

Policy coordination

3

Pakistan is infamous for corruption. President Zardari is often referred to by Pakistanis as "Mister 10%" and has been constantly embroiled in a fight with the Supreme Court over the reopening of corruption cases in Switzerland, despite his constitutional immunity. Members of the political elite, for instance the son of former Prime Minister Gilani, have been accused of involvement in a PKR 7 billion drug

Anti-corruption policy

2

scandal. Bureaucrats and military officers are also involved in various corruption scandals. Those in the business community also have to deal with demands for extortion money in addition to general corruption, which in general degrades public services such as health care and education. The National Accountability Bureau (NAB) is the main institution in the fight against corruption, but it is often manipulated on political grounds and restrained by political interference. The government has also introduced the system of ombudsmen in the health sector not only to improve performance but also to provide better transparency. Since both institutions lack adequate funding and qualified personnel, their long-term impact may be limited.

## 16 | Consensus-Building

The consensus over democracy has somewhat improved in the review period but remains fragile, and is likely to be challenged. This consensus is also shared by moderate religious parties, even if they in general promote a stronger Islamization of state and society.

Consensus on goals  
4

The military under General Kayani has declared several times that it will not interfere in the political process and that it is in favor of democratic elections. However, this does not imply that the government has achieved supremacy over the armed forces. The army needs to be given political responsibility by the parliament for casualties in the fight against various militant groups. The army has therefore declared that parliament should decide whether to pursue a military operation in North Waziristan, which is regarded as the main safe haven for Pakistani and Afghani Taliban groups. Some of the Afghani Taliban groups are still regarded as useful instruments by the armed forces, for strategic designs vis-à-vis Afghanistan and India.

There is rarely consensus over political goals. While the need for economic reforms is always emphasized rhetorically, no government is willing to bear the responsibility for structural reforms. The refusal to implement IMF proposals, which would have increased the tax base, indicates a continuing hypocrisy by all political parties.

Because of a lack of political supremacy, the army has remained an important anti-democratic actor even though the present leadership shows no inclination toward open political interference. Landlords and segments of the civilian bureaucracy are also important anti-democratic actors. More dangerous anti-democratic actors are militant groups such as the Tehrik-i-Taliban Pakistan (TTP) who have repeatedly attacked the state and its institutions. The main demands of the TTP are that Pakistan should end its cooperation with the United States in the war in Afghanistan and that Shari'ah law should be introduced in Pakistan. Linked to the TTP are various religious militant groups that carry out attacks against religious minorities, with the goal of establishing an orthodox Sunni state. Militant Baluch tribes, which are

Anti-democratic  
actors  
4

separatists and seek an independent state of Baluchistan, can also be regarded as anti-democratic actors.

There are few institutions to conduct peaceful conflict management. Institutionally, the Council of Common Interest (CCI) acts as the main coordinating political body between the center and the provinces, as part of the implementation of the 18th amendment. The judiciary can hardly act as a mediator as it has actively participated in political conflicts, such as in the conflict between the government and President Zardari. Radical Islamic groups such as the Tehrik-i-Taliban Pakistan (TTP) or Lashkar-e-Jhangvi, responsible for sectarian attacks against religious minorities, can hardly be reconciled. In January 2013, the TTP offered to begin peace talks with the government but simultaneously has continued its attacks on state institutions. Previous settlements with Pakistani Taliban groups have not been successful. The bad economic situation does not allow the government to address economic grievances.

Cleavage /  
conflict  
management  
3

In certain urban enclaves and with respect to social NGOs, Pakistan enjoys a high level of active participation of different civil society groups which address a variety of social problems. Some of them are politically very vocal. Some examples include the lawyers' movement which demonstrated against General Musharraf's rule, or the movement of Tahirul Qadri which demonstrated against the government in January and February 2013. Most civil society groups do not have links to political parties, are single-issue based and therefore hardly have the potential to influence political decision-making. One notable exception is the Human Rights Commission of Pakistan (HRCP). The expansion of electronic media has helped civil society to broaden its activities. It nevertheless remains difficult for civil groups to influence policymaking. In the public sphere, they have to compete with the (hidden) power of interest groups, such as the army or the clergy. Furthermore, the mass media is trying to shape the political agenda, at the expense of parliament and civil society.

Civil society  
participation  
3

There is no policy of reconciliation in Pakistan. Political parties have always cooperated when it was opportune for political interests. Reconciliation would be necessary vis-à-vis religious minorities, which are threatened by the attacks of militant Islamic groups. In the past, moderate Islamic scholars have cooperated and passed fatwas which condemned, for instance, suicide bombings. Reconciliation would also be necessary vis-à-vis alleged human rights violations of security forces in Baluchistan, which have resulted in many missing persons cases.

Reconciliation  
4

## 17 | International Cooperation

Because of the worsening economic situation, Pakistan is increasingly dependent on the international community. But the experience with reconstruction efforts after the 2010 floods has shed light on consistent problems and irregularities, so that the

Effective use of  
support  
4



effective use of support cannot be regarded as efficient. The creation of the Friends of Democratic Pakistan in 2008 which assembled the biggest donors and Pakistan's most important international allies, such as the United States and China, in a forum to coordinate international policies has failed to bring any substantial results or improvements. Although Pakistan is due for another balance of payments crisis, the government has preferred not to implement IMF proposals.

Pakistan has achieved some credibility because of its long tradition as a contributor to United Nations peacekeeping missions. But Pakistan mostly enjoys only limited confidence on behalf of the international community because of its tacit support and toleration for militant groups that operate in India and Afghanistan. The main reason for this issue is the lack of supremacy of the government over the armed forces, which directs foreign and security policy vis-à-vis international neighbors. The recent rapprochement with India and the granting of most-favored nation status may be a first step to overcome the hostility toward India in the long run. Pakistan's reluctance to break up the safe havens of Afghani Taliban groups in tribal areas and the double standards vis-à-vis the peace process in Afghanistan will continue to nurture mistrust not only with Afghanistan but with most members of the international community.

Credibility

3

Pakistan is a member of various regional organizations, such as the South Asian Association for Regional Cooperation (SAARC) and the Economic Cooperation Organization (ECO), and it enjoys observer status in the Shanghai Cooperation Organization (SCO). Regional cooperation within SAARC has long been withheld as Pakistan insisted that the Kashmir conflict had first to be resolved before any meaningful cooperation with India could start. Because of the altered security scenario and economic challenges, Pakistan has changed its position and is now willing to start economic cooperation with India. Although Afghanistan, Pakistan and India are all members of the South Asia Free Trade Area (SAFTA), Pakistan is still reluctant to allow direct trade between India and Afghanistan via its territory.

Regional  
cooperation

5

## Strategic Outlook

The strategic outlook for Pakistan does not leave much room for optimism. Economic and security issues have worsened in the review period. The country's next balance-of-payment crisis is around the corner; structural reforms of the economy overall or of the energy, health care, and education sectors specifically are long overdue; the country's tax base has not been expanded; and foreign direct investment has dwindled as security concerns scare investors away. Attacks carried out by the "Pakistani Taliban," the Tehrik-i-Taliban Pakistan (TTP), have increased, sectarian violence has intensified, and security in Karachi has worsened. Moreover, the government has not been able to improve the situation in Baluchistan, despite the existence of reform proposals. Long-term challenges, such as population growth and the growing youth bulge, are also not adequately addressed through government policies.

The most serious concerns in Pakistan during the review period are the lack of political will to introduce reforms and the societal inflexibility that prevents upward social mobility. Members of the political elite have fallen flat in their duties to encourage economic development, illustrated especially by politicians' refusal to improve tax collection, which would have an immediate impact on their own resource base. The elite rests on the facts that Pakistan is too big and is armed with nuclear weapons so thus it is not in the interest of the international community to let the country fail.

There have been some positive developments during the review period. The implementation of the 18th amendment is still a work in progress, but once in force will shift the country's political focus to the provinces. With elections announced for May 2013, this first democratic, governmental change can also be regarded as a success. But it may not necessarily result in better policies, as the next government will be confronted with the same structural constraints.

Another positive development was the non-interference of the armed forces in politics, even though the army remains apart from civilian government control. It has kept its privileges, yet still needs political legitimacy (which is granted by democratic forces) in the fight against the TTP and other militant groups, actions which also affect the civilian population. It remains to be seen how far the next army chief of staff in November 2013 will follow General Kayani's course. The retirement of Chief Justice Chaudhry in December 2013 may hopefully end the Supreme Court's controversies with the civilian government. Yet the government's practice of muddling through on a low level is likely to continue for years to come.

Pakistan's next government faces serious challenges. To revive the economy, the energy sector will require special attention, governance mechanisms have to be improved at all levels and corruption has to be curbed. Economic reforms should include the broadening of the tax base and the reduction of subsidies. The new government and the armed forces will need to find consensus in how to cope with the security situation, especially in Baluchistan and tribal areas. In addition to

the strengthening of democratic institutions, one challenge will be to complete the process of decentralization that was started with the passage of the 18th amendment.

To deal with difficult economic and security issues, the next government also has to rethink its foreign policy, especially vis-à-vis India and Afghanistan. The main challenge will be to formulate a coherent foreign policy under the supremacy of the elected government, so that relations with the country's immediate neighbors are no longer dominated by the security interests of the armed forces, or by non-state actors.