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COUNTRY CASE STUDY: PAKISTAN

PAKISTAN STATE–SOCIETY ANALYSIS

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PAKISTAN STATE–SOCIETY ANALYSIS
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ACRONYMS

ANP  Awami National Party
CNG  Compressed Natural Gas
DGPC  Directorate General Petroleum Concessions
EC  European Commission
FANA  Federally Administered Northern Areas
FATA  Federally Administered Tribal Areas
FC  Frontier Corps
FCR  Frontier Crimes Regulation
GDP  Gross Domestic Product
ICS  Indian Civil Service
IDA  International Development Association
IMF  International Monetary Fund
ISI  Inter-Services Intelligence
JUI  Jamiat Ulema-e-Islam
LoC  Line of Control
MMA  Muttahida Majlis-e-Amal
NFC  National Finance Commission
NWFP  Northwest Frontier Province
ODA  Official Development Assistance
PEMRA  Pakistan Electronic Media Regulatory Authority
PML-N  Pakistan Muslim League (Nawaz)
PML-Q  Pakistan Muslim League (Q)
PPP  Pakistan People’s Party
PTV  Pakistan Television Network
SNEs  Statements of New Expenditures
SSA  State-Society Analysis
SSAF  State-Society Analytical Framework
TMAs  Tehsil Municipal Administrations
WoT  War on Terror
EXECUTIVE SUMMARY

The analysis in this report originates from the application of the 'State-Society Analytical Framework' (SSAF), a methodology developed by the Democratisation and Transitional Justice Cluster of the Initiative for Peacebuilding (IfP), to the Pakistani context. Structured around three main analytical dimensions, SSAF aims to identify the underlying causes of weak interaction between state institutions and citizens, and to achieve a thorough understanding of the complex power dynamics that characterise state-society relations.

The picture emerging from the exploration of how deep structures, formal and informal institutions, and the current context, shape the nature of the Pakistani state and its interaction with society, besides being very complex, is somewhat bleak.

The current state of affairs in Pakistan, characterised by a situation of extreme fragility, where resilience ¹ both at the state and societal levels seems reduced to minimal terms, needs to be understood in light of the complex interaction throughout history among various formal and informal factors.

To begin with, the more recent colonial history of the country has left some unmistakable marks on its formal set-up and the way people have interacted with it. The traumatic partition between India and Pakistan, and the artificial line separating Pakistan from its western neighbours, are just two of the more “visible” signs of the colonial heritage. But equally important to understanding modern-day Pakistan and its troubles in achieving a sustainable process of political development, are some less visible long-term effects of the colonial rule, such as the creation of a strong civilian bureaucracy and military class, and the establishment of semi-autonomous buffer zones along the western borders, where tribal leaders enjoyed virtually complete control of internal tribal affairs.

Those imported models of social and political organisation had to be inserted on a pre-existing structure that was still very feudal and vertically organised in nature, resulting in the strengthening of elite interests which continue to dominate the country's political and economic life. The working logic of the social system is based on a vertical, personalised and patron-client centric approach to politics and service delivery. The need to recognise and endorse formal rules is widely accepted, also as a consequence of increasing pressure by the international community, but eventually the resulting regulations and institutions are regarded as mere facades to protect and justify the real deals happening behind them. The level of institutionalisation, in other words, may be relatively acceptable by outsiders' standards, but it really carries little value if these formal rules are easily changed and arbitrarily enforced, as has often been the case in Pakistan's history.

Pakistan's society does not show, so far, the capacity to counter the existing elite alliances in control of the distribution and access to power in the country. There is an evident lack of strong horizontal networks (other than those of Pakistan's elites) organised around shared interests and issues. Most of the hope in possible medium-term reforms is currently placed in the middle class, urban-based and educated, which until the recent global financial turmoil was growing with a steady pace. It remains to be seen, though, to what extent this new class will succeed in being an agent for change. The increased social and political consciousness of the

¹ The term resilience is here used in accordance with the acceptation suggested by the NYU Center on International Cooperation and the International Peace Academy in their research paper for the OECD Fragile States Group (NYU CIC and IPA (2008). From Fragility to Resilience: Concepts and Dilemmas of Statebuilding in Fragile States. Research Paper for the OECD Fragile States Group). In that paper, resilience is defined as the capacity of the state and its society to withstand shocks or stress in virtue of their ability to meet and manage reciprocal expectations, especially with regard to the negotiated establishment of common capacity, institutions, legitimacy and effective processes.
emerging middle class is also leading to a redefinition of gender relations, often proscribed within perceived religious and societal limits, but nevertheless contributing to the increased visibility of women in the workplace, particularly in the civil bureaucracy, and of late even in the military.

In the midst of all this, the military continues to maintain a firm grip on the political, and partly, economic power of the country. Its position of vantage, built around a rhetorical mix of military-led nationalism and Islamisation of society, has been progressively strengthened through a tight control of the political processes in the country, and also through the establishment of a solid and independent economic base. The military is the dominant power broker in the country, and unless growing international and national pressure is exerted on it, it will do everything in its power to maintain its position of almost absolute control over the country’s destiny.

The irony about the Pakistani case is that, while the political executive may look considerably powerful in consideration of the few checks and balances it has to face, in terms of its capacity to formulate and implement policy, and to deliver services, it is actually quite weak. This limited capacity to operate effectively and to build the necessary legitimacy to justify its dominant position in Pakistan’s society, represents one of the biggest risks in terms of the country’s long-term stability. The legitimacy vacuum left by an elite that is completely unresponsive to the needs of the majority of the population, threatens to be filled by actors and ideologies that can mobilise masses very effectively, though not necessarily along a progressive path. The current surge of religious extremism in the country needs to be understood in this context.

Finally, the international community seems to have become increasingly aware of the concrete dangers lying ahead of Pakistan’s future developments. The risk here is that security considerations will prevail over the need to engage in a long-term process of genuine democratisation and building of substantive citizenship for most Pakistanis. The EU in particular seems to have started setting some clear priorities in terms of democratisation, governance and human rights. It remains to be seen the degree to which these intentions will be eventually achieved, given the fast diminishing operating space in Pakistan for the civilian international community.

This report aims at providing the relevant kind of context analysis for international actors to engage with Pakistan on a constructive, long-term basis, and with a view on the need to achieve genuine democratisation. It is, however, just a first step in a process that ideally should see these same international actors actively engage with the results of the analysis and reflect on their meaning with regard to the strategies that they have been implementing, or are planning to implement, in Pakistan.

**Keywords:** Pakistan; State-society relations; Governance; Democratization
INTRODUCTION

This State-Society Analysis (SSA) aims to identify the underlying causes of weak interaction between state institutions and citizens, for such a faulty situation is often believed to be at the root of a country's internal fragility and of the emergence of violent societal conflicts. In its pursuit of a thorough understanding of the complex power dynamics that characterise state-society relations, the SSA moves along both the formal and informal dimensions of this interaction. It looks at deeply embedded political, economic and social factors, and how these help to shape the “rules of the game”. It then explores the ways in which these factors and rules influence the incentives and opportunities for current actors, and how they shape current events and circumstances, as well as potential developments in the near future. And eventually, as the main objective of this IfP “democratisation” cluster is to identify and support ways to improve people’s participation in political decision-making in conflict-prone and affected contexts, the SSA also aims to recognise those actors and processes that could bring about progressive change in Pakistani society.

Given its “quick scan” nature, the State-Society Analysis is not intended to be a particularly exhaustive assessment of governance in Pakistan. It is rather meant to structure existing knowledge in a format that allows for an immediate insight and overview of the main governance-related issues and actors at stake. In addition, it is intended to provide useful indications to the international community, and particularly the EU, to reflect on the utility of “standard” approaches, to identify critical areas in which attention can be deepened, and eventually to support more dynamic and institutionalised bargaining between state and society.

This report is organised around the three dimensions of the State-Society Analytical Framework.2

The first section explores the “Foundational Factors”: the geographical, social and economic factors that fundamentally shape the state and political system in Pakistan. These include Pakistan’s geography, climate and geopolitical position. They also include historical aspects of state formation, sources of state revenue and Pakistan’s social system.

The second section explores the “Rules of the Game”: the formal and informal institutions that shape the quality of governance in Pakistan, particularly for poor people. We first explore Pakistan’s formal framework of governance, before examining the ways in which informal “rules of the game” tend to predominate. In particular, we explore the nature and character of political competition; the distribution and exercise of power among various actors within society; and the relationships between state and society. A final part in this section tries to discern those broad trends that have the greatest impact on governance and, in particular, on the way important groups are sharing and exercising power.

The third section briefly explores Pakistan’s current state of affairs and the key actors (individual or institutional) that shape it (the “Here and Now”). Its purpose is to help identify actual and potential triggers of instability, as well as positive change.

Box 1: Defining Institutions

In this context, formal institutions refer to clearly defined (written) laws and rules, stretching from the constitution down to simple procedures governing the work of minor bureaucrats and private employees. The term informal institutions, on the other hand, refers to unwritten rules, norms, expectations and processes. These institutions are understood locally, but as a general rule, they tend to be somewhat difficult for outsiders to apprehend (or work within).

2 For a complete overview of the framework, consult the Initiative for Peacebuilding (IfP) website at: http://www.initiativeforpeacebuilding.eu/resources/State_Society_Analytical_Framework.pdf.
STATE-SOCIETY ANALYSIS OF PAKISTAN

FOUNDATIONAL FACTORS

What factors have shaped the history of state formation in Pakistan? Has the internationally recognised government historically been able to exercise authority over the whole of its national territory? This section maps out a range of foundational factors, including: the impact of topography on Pakistan's governance; the persistent challenges to its territorial integrity; the political impact of Pakistan's geo-strategic significance; the difficulties faced by successive governments in forging a unified nation-state; the basis of state revenues; and social systems.

GEOPOLITICAL POSITION

Pakistan is at the geo-strategic cross-roads of South Asia, the Middle East, Central Asia and China. The geo-strategic insecurities created by Pakistan's historically strained relations with India and Afghanistan have played a key function in how the role of the state has evolved. They have also contributed to the militarisation of Pakistani politics.

Concerning Pakistan's fragile and problematic relationship with India, their geographic vicinity has been characterised by three outstanding issues:

- The consequences of partition: The traumatic separation of West and East Pakistan from the rest of British India produced deep-rooted scars and mistrust that still characterise relations between the two countries. During the partition process, hundreds of thousands died in widespread communal violence and millions were made homeless.

- The Kashmir conflict and its after-effects: In 1947, only a few months after Pakistan declared independence, the country was engaged in the first of four wars with India. The Dogra princely state of Jammu and Kashmir became bitterly contested by the two countries. The dispute was triggered by the presence of a Hindu ruler with obvious friendly inclinations towards the Indian government on the one hand, and a predominantly Muslim population that was looking for support from Pakistan on the other. Three wars over the disputed territory (1947, 1965 and 1999) have created a situation whereby India administers approximately half of Kashmir and Pakistan one third of it. The remaining part of the original Dogra state is under Chinese control, the result of a 1962 conflict between China and India. Pakistan has been repeatedly accused by Indian authorities of harbouring and supporting militants who carry out incursions across the Line of Control (LoC), which demarcates the territories, although the intensity of such incursions seems to have decreased since a 2003 ceasefire. Pakistan's official position on the issue of Kashmir has been the long-standing demand that a plebiscite be held in the territory under UN Resolution 47 (1948).³

- Tensions over sharing water: Kashmir is again central to Pakistani-Indian tensions concerning reciprocal disagreements over water usage. Serious long-term water shortages facing both countries, which are expected to worsen due to global warming, have been compounded by interventions such as the barrage constructions

on the Jhelum River and the Baglihar Hydropower Project on the Chenab River. As a consequence of these rows, the World Bank-mediated Indus Water Treaty (1960), which regulates the distribution of the water of the Indus and its tributaries between India and Pakistan, and provides a mechanism for resolving water disputes, has been frequently appealed to.

Pakistan's relations with its other significant neighbour, Afghanistan, have been equally characterised by structural tensions and attempts to impinge on the other's internal affairs, especially by Pakistan. Pakistan has always considered India a threat to its independence and stability, and to counter-balance this threat, over the last two decades it has attempted to exert influence on Afghanistan's domestic affairs. Certain sectors within the military have come to think of Afghanistan as providing strategic depth in case of an attack from the eastern border.

In spite of the substantial geographic barriers separating the two countries, Pakistan's western border has always been porous. Uncontrolled flows of people and goods (legal as well as illicit) have traditionally taken place between Afghanistan on one side, and the tribal belt of the Federally Administered Tribal Areas (FATA), the districts of Dir and Chitral in the Northwest Frontier Province (NWFP), and Baluchistan on the other side. These areas, and especially FATA, have also been historically characterised by a "light footprint" of the colonial administration. Caught in the 19th century "Great Game" with Russia, the British colonial rulers utilised the territory currently falling under FATA as a buffer zone between India and Central Asia. They did that, among other measures, by allowing local Pashtun tribes to maintain a certain degree of autonomy from the central colonial rule. The same tribes have been questioning the legitimacy of the Durand Line since it demarcated Pakistan and Afghanistan in 1893, as they felt that it artificially separated them and the ethnically related tribes on the other side of the border. Upon independence, Pakistan inherited the area from the British rulers without bringing any fundamental changes to the governance system. FATA is governed directly by the federal government, under a more draconian law than is used in "settled districts". Government tax collection, policing and judicial systems effectively do not exist in FATA. Instead, FATA is administered by civil servants known as Political Agents, who govern in consultation with tribal maliks, or elders.

Since the onset of the global War on Terror (WoT), FATA has been at the centre of the US and Pakistan's security forces' attempts to rein in the influence and striking capabilities of the Taliban operating on both sides of the border. The region is believed to have become a safe haven for a core group of nationally and internationally networked terrorists, a training and recruiting ground for Afghan Taliban, and, increasingly, a hotbed of indigenous militancy that threatens the stability of Pakistan's own state and society.

Finally, similarly to what has already been noted in the case of India, tensions over sharing water are also expected to emerge in the near future with regard to Afghanistan. A number of rivers are shared, including the Kabul River, on which a dam has been proposed. A 1921 Afghan-Pakistan water treaty has recently been the subject of renegotiation attempts.

Since independence, Pakistan's leaders have also utilised Pakistan's strategic position to bolster and legitimise their regimes. As a staunch ally against the Soviet Union and socialist-leaning India, Pakistan was showered with assistance from the US throughout most of the Cold War. The Soviet invasion of Afghanistan

4 World Bank arbitration was sought to solve this dispute. However, although some of the objections Pakistan raised over the design of the project were helped by the institution's intervention, the post-completion ramifications of the project are believed to still haunt Pakistan's irrigation system. See: K. Kiani, 'Protest lodged with India over reduced water flow', Dawn, 16th September 2008. Available at http://www.dawn.com/2008/09/16/top1.htm.


6 "Strategic depth" refers to the Pakistan Army's doctrine that they can retreat and re-group in Afghanistan in case of an attack from the eastern border.

7 'Pashtun tribes straddle the Pakistani-Afghan border, and the vast majority of Pashtuns live outside the FATA. This ethnic group numbers approximately 40 million, and subdivides into units of varying size, primarily based on kinship ties'. See: D. Markey (2008). Securing Pakistan's Tribal Belt. Council on Foreign Relations, Center for Preventive Action. CSR No. 36. p.5.

8 These are districts with standard administrative features and are not ruled by special decrees. All regions outside the tribal areas (which are federally administered) and Azad Kashmir are settled districts.

9 Ibid. p.3.

in 1979 and Pakistan's willingness to back the Afghan resistance served to increase the country's strategic importance and the inflow of military and other assistance. Pakistan's 1998 successful nuclear test in the hills of Chaghai in Baluchistan further increased the country's strategic significance, but the sanctions imposed by the international community temporarily reduced aid. This trend was swiftly reversed, however, following 9/11 and President Musharraf's decision to allow Pakistan to become a frontline state in the WoT and the NATO-led invasion of Afghanistan.

**Pakistan's involvement in Kashmir and both Afghan wars has contributed to greater instability at home.** Support to the Afghan Mujahedeen and the clandestine war in Kashmir has strengthened the power and autonomy of elements of the armed forces (particularly Pakistan's military intelligence agency, the Inter-Services Intelligence directorate, or ISI) and created a substantial cadre of committed, armed and trained *jihadists*. The most recent Afghan conflict, the Iraq war and the broader WoT have provided Al Qaeda and other extremist groups with the rhetoric to turn these *jihadists* and new recruits against the Pakistani state itself.

Similar to the ethnic Pashtuns' uneasiness with the territorial demarcation imposed by the Durand Line and their historically conflict-prone relationship with the central authorities, further down the 2,640km-long border between Afghanistan and Pakistan is another ethnic group that has been characterised by similar issues. The Baluch are the principal ethnic group in the sparsely populated province of **Baluchistan**. The scarcity of water in the region has determined the semi-nomadic lifestyle of the 18 major tribes that constitute this ethnic group, which is spread across Afghanistan, Iran and Pakistan. Although reliable figures are lacking, the total population of this ethno-linguistic group is estimated to amount to between 10 and 15 million people, with 60 percent of them living on Pakistani soil. The strong sense of a common ethnic identity that cuts across international borders, and historical claims to political independence of at least one of the original princely states which is currently a part of Pakistan's Baluchistan, have been further compounded by difficulties with the country's central government, which is perceived as perpetuating a relationship which is inequitable and exploitative. Although a regional component in the struggle of the Baluchi people of Pakistan for increased political and fiscal autonomy has not clearly emerged so far, its impact on the stability and legitimacy of the central state has been relevant, as witnessed, among others, by the five major military operations that the province has faced after becoming part of Pakistan.

While the Baluchi have been struggling for decades with the central government in Islamabad to safeguard their identity and on issues of provincial autonomy, their position as the largest ethnic group in the province has come under pressure from population displacements across the border with Afghanistan, as well as internal migration from NWFP and Punjab. The profound instability that has afflicted Afghanistan since 1979 has had substantial spillover effects in Pakistan, including Baluchistan. It is estimated that the Baluchi comprise some 40 to 60 percent of the province's population, while the Pashtun are believed to form between 28 and 50 percent. Whatever the real figures, there is a tangible and growing intolerance among the Baluchi regarding the presence of Pashtun refugees from Afghanistan. The provincial capital, Quetta is currently believed to have a Pashtun majority, with numbers varying between 800,000 and 1.4 million. There are indications that the Taliban have established a foothold in Baluchistan, traditionally a moderate society. Elements close to the Baluchi nationalist movement believe the "Talibanisation" of the province has enjoyed the support of the state – especially of the military – as a way to ‘weaken the [Baluchi] national democratic movement’.13

Pakistan's historical relations with **Iran** have largely been characterised by less confrontation than those observed with India and Afghanistan. Domestic and international political developments, however, have had different effects on the two countries' reciprocal relationships. During the monarchy in Iran, relations were broadly friendly and based on common interests. However, the Iranian Revolution and Pakistan's support to the hardline Sunni Taliban movement in Afghanistan contributed to the creation of a sectarian-inspired fissure between the two countries, which has further widened with the increasing influence of Sunni Saudi Arabia on Pakistan. Pakistan's close relationship to the US since the Russian invasion of Afghanistan is another crucial factor that negatively affected relations with Iran. Current discussions to realise an Iran-Pakistan-India gas pipeline have at least contributed to a rapprochement between the two countries.

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11 The most recent data for Pakistan is from a 1998 population census, which was carried out by the Ministry of Population Welfare.  
12 The current Afghan president and his family also lived for some years in Quetta.  
13 Interview with a member of the Baluchistan National Party, Quetta, 13th September 2008.
Prior to the US-led military intervention in Afghanistan in 2001, and certainly before the subsequent shift in Washington’s security focus to the tribal areas of Pakistan, China entertained an almost undisputed special relationship with the Pakistani state, mainly based on the two countries’ common hostility towards India. Such a friendly relationship was evidenced, among other things, by China’s support to what was then known as West Pakistan in the conflict that led to the creation of Bangladesh (then known as East Pakistan) in 1971, as well as by its ‘supply of nuclear and missile technology to Pakistan’ from the late 1970s. More recently, and in line with its known pattern of global “soft power” expansion, China has been making stealthy but steady inroads into Pakistan’s economic landscape. Attracted by the presence, especially in Baluchistan, of considerable deposits of natural resources (e.g. gas and minerals) and by the prospects of counter-balancing US presence in the region, China has been very active in offering its technical and financial support to the development of heavy infrastructure projects in the country (e.g. the Gwadar port and related rail links). Its careful and economic cooperation-based approach has won a fast and growing acceptance of its presence by the majority of Pakistan’s population. However, where its intervention has intertwined with internal stability problems, China has often been the target of local rejection and even hostility. For instance, in spite of its valued role in building a thermal station and in improving the irrigation system in the province of Baluchistan, as soon as it became involved in gas explorations, exploitation of natural resources and the development of the equally contested port of Gwadar, it immediately became the target of local hostility.

In spite of the fact that they do not share borders, Pakistan’s geopolitical position cannot be fully understood without taking into consideration its relations with the US. As already emphasised, the terrorist attacks on the US in September 2001 represent a watershed in the way in which the two countries are mutually linked. After about a decade of moderate and sometimes even discordant relations following the conclusion of the Afghan-Russian war, the US “rediscovered” the strategic importance of Pakistan and reverted to a significant – especially in military terms – engagement with the South Asian country. Pakistan was promptly enlisted as a key ally in the US-led global counter-terrorism efforts. The regional and global security dimension immediately dominated the nature of the relationship, with other concerns, such as Afghan stability, democratisation, the Kashmir problem and economic development, becoming functional to the achievement of the broader security objective. In practical terms, since 2002 the US has channelled more than one billion dollars a year to the Pakistani armed forces for a wide range of security-related activities (not including covert funds).

**GEOGRAPHY AND CLIMATE**

Pakistan’s geography has contributed to the challenge of governing parts of the country. The mountainous character of Baluchistan, FATA and much of NWFP, and the extended desert areas in southern Punjab, eastern Sindh and parts of Baluchistan, pose significant challenges to transport, communication, the delivery of goods and services, and the provision of administration and security. Along with the geo-strategic interest of creating a buffer along the Afghan frontier, these logistical difficulties have contributed to the state’s historical policy of indirect rule, most notably in FATA. Historically, the state has been less able and (to an extent) less willing to deliver basic services to these rugged, remote and sparsely populated areas – even though the state extracts significant resource wealth from some of these regions. They remain the poorest and most marginal parts of the country. As described in the previous section, they are also the regions in which the state’s authority is most directly challenged.

The province of Baluchistan, once again, represents the classical example of a skewed relationship between the country’s centre and the periphery in terms of resource extraction and redistribution. In addition to the already raised geo-physical constraints of the province, Baluchistan has to deal with a redistributive system that is linked to the size of its population in relation to that of the rest of the country. While its land area amounts to about 43

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15 Ibid.

16 China’s main sectors of cooperation with Pakistan are: agriculture, manufacturing, infrastructure, mineral, energy, information and communication technology, and education. For more information, see: ‘Pakistan, China agree to improve economic ties’, Dawn, 26th November 2006. Available at http://www.dawn.com/2006/11/26/top7.htm.

17 In 2006, for example, at least six Chinese engineers were killed in violent attacks by alleged Baluchi nationalist militants. See: ‘Man held for Chinese engineers’ murder’, Dawn, 5th July 2006. Available at http://www.dawn.com/2006/07/05/top15.htm.

18 For example, the 1998 nuclear stand-off between Pakistan and India, and the international sanctions that followed.

percent of the country’s total, its population is a mere six percent of Pakistan’s. And since ‘the National Finance Commission (NFC), a constitutional body responsible for distribution of revenue, follows a population-based criterion for allocating resources to each province, Baluchistan finds itself in a perennial state of shortage of funds’.20

The scarcity and distribution of key resources has affected the distribution of power in Pakistan. Land ownership is skewed in many parts of the country. This has provided rural elites with their fundamental source of wealth and power and has sustained the “feudal system”. Pakistan’s past efforts at land reform have had a limited impact in creating a more equitable distribution of resources or denting the power of landed elites.

The scarcity and distribution of water also shapes power relations in Pakistan. As noted in the previous section, control over the headwaters of the Indus and other rivers remains a chronic source of tension between India and Pakistan. Provincial governments continue to squabble over water rights, while at a local level the capture of irrigation by elites and upstream communities and farmers is a frequent source of conflict.

Canal irrigation systems in Pakistan are characterised by inequitable distribution of water resources, with landowners whose holdings are located at the heads of canals typically appropriating more than their fair share of irrigation water, to the detriment of farmers whose holdings lie at the tail end of the canal irrigation system. Influential landlords have also been known to tamper with outlets and divert additional water to their holdings. The government has tried to overcome problems such as these by encouraging Irrigation Department authorities in the provinces to form water users associations with representation from farmers of all income classes – those with large landholdings as well as those farming subsistence landholdings. The associations are required to draw up plans and accords for water sharing, and to appoint committees to oversee the implementation of the accords. In practice, these associations tend to be dominated by large farmers and have not been effective in controlling inequitable distribution.

POLITICAL HISTORICAL BACKDROP

Understanding Pakistan’s governance challenges requires a long-term historical perspective. Some theorists, for instance, argue that the character of the Pakistani state has been partially shaped by a history of rule by “outsiders” from Central Asia, Afghanistan and Britain. They argue that this history has led people to see the state as an outside entity, responsible for overarching administration and security and demanding allegiance, but with little political participation at the grass-roots level. In this context, local leadership provides services like dispute resolution and, where necessary, acts as an intermediary between communities and state functionaries.

The colonial legacy deriving from the British Empire’s strategic interests along its westernmost borders in South Asia, and from its institutional design of the administrative apparatus and civil service, has been regarded as central to the limited level of access to political and economic power, and to a lacking sense of political community. As already pointed out in the discussion on the historical strategic importance of Pakistan’s tribal belt, the 19th century “Great Game” with Russia determined for instance the establishment of the FATA as a buffer zone between India and Central Asia. Local Pashtun tribes, which had grown accustomed to the incursions of foreign invaders for hundreds of years, were entitled to maintain a certain degree of autonomy from the central colonial rule. So long as they did not interfere with British military access to Afghanistan and strategic control of the frontier that ran from the state of Chitral to Baluchistan, the tribal leaders (i.e. sardars) enjoyed virtually complete control of internal tribal affairs; and they even enjoyed British subsidies. By reinforcing the power and autonomy of the tribal chiefs, the British laid the foundation of subsequent conflicts between the areas where the social structures were strongly tribal-based (Baluchistan, FATA and parts of NWFP included) and Pakistan’s central authorities. The same tribes gained a celebrated reputation for their independent posture, as demonstrated among others by their questioning of the legitimacy of the Durand Line since its demarcation. Used as they were to a minimal degree of interaction with central authorities, it was inevitable that any attempt to bring those politically remote populations under the fold of central government regulations and institutions would be met with determined resistance.

20 This in spite of the fact that the NFC allows for a subvention for NWFP and Baluchistan on the basis of greater development needs in these provinces. However, this amount is not considered sufficient. See: Pakistan Institute for Peace Studies (PIPS) (2008). Balochistan: Conflicts and players. Islamabad, Pakistan: PIPS.
In order to counter the fierce Pashtun opposition to British rule, in 1848 the colonial authorities enforced a set of laws known as the Frontier Crimes Regulation (FCR) in the six Pashtun-inhabited frontier districts of FATA. The legislation was an attempt to integrate the British and local tribal systems, and was clearly devised as an instrument for subjugating and disciplining the Pashtun tribes along the Durand Line that are nowadays part of FATA. One of its most awkward provisions was the possibility for the authorities to resort to collective punishment, in case the crime occurring within a tribe's territory could not be attributed to an individual culprit. The FCR is still enforced in modern-day Pakistan, although it covers "only" about 1/20 of the FATA territory (i.e. roads, government-controlled areas such as forts, military posts, etc.).21 The restrictive measures of the FCR are further enhanced by the Pakistani Constitution itself, which, through Article 247, provides that no Act of Parliament applies to FATA, unless the president so desires. In fact, only the president is authorised to amend laws and promulgate ordinances for the tribal areas, and this despite the presence of popularly elected tribal representatives in the National Assembly. On the ground, the FCR is administered by the Political Agent, a federal civil bureaucrat, who represents the Governor of the NWFP and who runs the local administration in each agency. The Political Agent simultaneously performs executive and judicial functions.22 The Agent has the discretionary power to impose economic blockades or sieges of "hostile" or "unfriendly" tribes, and to inflict fines on whole communities where certain crimes took place.23 Concerning his judicial powers, the Political Agent can deliver jail sentences which cannot be challenged in superior Pakistani courts. The current government, however, has shown some signs of its desire to abolish the FCR. In his inaugural speech, Pakistani Prime Minister Yousaf Raza Gillani announced that his government was to abolish what he called the "obsolete" FCRs.24 A certain degree of caution is nevertheless required, as previous Pakistani governments also announced reform plans of the Regulation, but none were ever implemented. And the fact that FATA has become one of the central fronts in the global WoT has not encouraged attempts to promote decentralised administration in those areas.

Box 2: The Indus Water Treaty

Born out of eight years of World Bank-mediated talks between Pakistan and India, the 1960 Treaty determined the division of control of six rivers originating in Jammu and Kashmir between the two neighbouring countries. The three eastern rivers (Ravi, Sutlej and Beas) were allotted to India, while the remaining three western rivers (Jhelum, Chenab and Sindh) went to Pakistan. Although the Treaty is the only accord that has withstood three wars between the two countries since independence in 1947, recent food and energy shortages have added new threats to the survival of the treaty. During a visit to Jammu and Kashmir on 7th October 2008, Indian Prime Minister Manmohan Singh launched the start of a controversial 450-megawatt Baglihar hydropower project on the Chenab River. Due to the likely obstruction of the flow of the river to fill the 317m-wide dam, the Pakistan irrigation authorities estimate the drying up of 405 canals and 1,125 distributaries, affecting 13 million acres of agricultural land on which rice, wheat, sugar cane and fodder crops are grown. In addition, the hydropower needs of the nation are also in danger, as proven by the fact that since early October 2008, the biggest power generation centre on the Tarbela Dam has been working at one-tenth of its capacity, allegedly owing to the reduced water flow from the Chenab River.

The central administration's control of the tribal areas is not only characterised by repressive actions. Exploiting local administrative systems introduced by the British government, such as the Malik and the Lungi systems, the government has often resorted to the distribution of allowances and other economic incentives to certain tribal leaders in return for loyalty and facilitating the spread of their authority over the region. Recent attempts by the government to win over local alliances in their war against the Taliban and foreign insurgents are part of this incentives-based strategy and have been possible due to the specific legal framework provided by the FCR.

23 In accordance with the above mentioned ‘collective responsibility’ principle.
25 Maliks used to work like mediators between the colonial administrations and the Qaum, or tribe. The title of Malik is hereditary. The Lungi system is a slightly lower form of Malik, whereby the title is not hereditary.
The British approach to security concerns at the westernmost borders of its Asian empire was also reflected by the way colonial authorities devised the establishment of the powerful Indian Civil Service (ICS). To begin with, the heavily bureaucratic apparatus became, since the second half of the 19th century, increasingly dominated by Hindus. The suppression of the Indian Mutiny of 1857, which was perceived by the British to be led mainly by Muslims, resulted in the marginalisation of Muslim elites, with Hindus filling the vacuum in the newly constituted civil service. Muslim representation in the service remained relatively low, and upon independence, some former British colonial bureaucrats were reappointed to the civil service because of the paucity of personnel. In general, the structure of the civil service remained largely unchanged from colonial times, and continued to be characterised by strong central control and an emphasis on the maintenance of law and order, rather than on the provision of services – a deficiency that was felt most keenly in the less developed regions of NWFP and Baluchistan, as well as interior Sindh and southern Punjab.

Parliamentary democracy was also inherited from the British. And with it came the rise to political prominence of the rural elites, since they had the power and money to influence the results of the elections. Repeated military takeovers have ensured that democratic systems of representation, even when they are in place, continue to be manipulated by the army and the civil bureaucracy. This systemic dysfunction has continued unabated till today.

Pakistan's leaders have always faced a fundamental problem of nation- and state-building. Pakistan's traumatic birth, the impact of its division between East and West, the bloody secession of Bangladesh, and its insecure boundaries (explored above) have all challenged the idea of Pakistan as a unified nation-state with fixed boundaries and shared identities. This idea has been further challenged by the autonomous histories and strong ethnic identities of each of Pakistan's four provinces. The provinces have in fact been structured around four main ethnic groups: the Punjabis, Sindhis, Baluchis and Pashtuns, each of which is characterised by a variety of sub-groups based on ethno-linguistic, occupational and caste divisions. In Baluchistan and Sindh, in particular, these divergent histories and identities have been harnessed by nationalist and secessionist movements directly challenging the federal government.

Successive Pakistani leaders have seen generating nationalism and building a shared national identity as central tasks. To do so, they have relied on two key strategies: guaranteeing state security and promoting Islam as a unifying factor. To begin with, threats to state security posed by external actors (i.e. India) and internal actors (e.g. Baluchi separatists) have helped to strengthen the hand of the military and to legitimise their periods of rule. The military’s dominant position in the country's governance system was partly the result of the confrontation with India over Kashmir immediately after partition. The same confrontational dynamics also determined the politicisation of the two dominant ethnic groups within the armed forces: the Punjabis and the Pashtuns, who developed their reputation for bravery and loyalty under the British rule (see Box 3).

The attempt to create a unified nation-state out of East and West Pakistan strained governance processes from the very beginning. These strains were logistical – governing two regions separated by 1,000km of hostile territory was always going to be difficult. They were also fundamentally political. For nearly a decade, the constitutional assembly was unable to draft a constitution that was acceptable to both wings of the country. The electoral process was also continually put on hold, partly out of fear that the East might dominate the legislature. The situation finally came to a head with the secession of East Pakistan in 1971.

The Kashmir conflict has shaped Pakistan’s antagonistic relationship with India. It has also contributed to the military’s dominance of domestic politics. Divergent views over Kashmir strained civil-military relations as early as 1947-8 and contributed to Pakistan's first alleged coup attempt in 1951.

Box 3: Punjabi Dominance?
Punjabis constitute about 62 percent of the country's population. However, they appear to exercise an even greater influence over national affairs than these numbers would indicate.

The Pakistani Army, for instance, has a preponderance of Punjabi personnel – a legacy of the colonial policy of designating some groups as “martial races” and disproportionately recruiting them into the British Indian Army. According to some estimates, 75 percent of Army personnel are from three districts in northern Punjab; a further 20 percent belong to three or four districts in NWFP; while the remaining 5 percent comprises people from other regions. Ethnic Sindhi and Baluchi do not usually run into more than a few hundred.
Since then, the looming threat of war with its larger neighbour has ensured that the army held a pre-eminent place within the Pakistani state and has received a disproportionate share of state resources.

The real and perceived threats have thus been used by successive governments as a means to unite the Pakistani people in shared opposition to common enemies. Besides, this strongly security-oriented approach has been applied by the country's ruling elite in its attempt to achieve a political order, whereby the state provides security and basic administration, and expects citizens to accept its authority, without necessarily participating in governance.

The "securitisation", or militarisation, of Pakistan is apparent from the fact that in the 61 years of the country's independence, there have been three coups (1958, 1977 and 1999), with direct military or military-dominated civilian governments being in power for a total of 37 years. As clearly indicated by one of the interviewees, each return of military rule has meant an almost total collapse of the fragile process of developing a functioning and sustainable democracy in Pakistan.26

Successive governments have also used Islam instrumentally as a means to strengthen the nation-state and to bolster their power base. Created in 1947 as an independent homeland for Muslims of the Indian sub-continent, according to the vision of its founder, Muhammad Ali Jinnah, Pakistan was meant to become a modern Muslim democracy rather than a theocratic state. However, immediately after the death of Jinnah in 1948, key political and religious leaders began to lobby for Pakistan to be declared an Islamic state, in part to counter the rise of nationalism in East Pakistan. Islam, it was argued, was the glue that would hold Pakistan together. This aim was partly realised when the Objectives Resolution was passed in 1949. The resolution adopted by the Constituent Assembly represented the first big step in the framing of a constitution for Pakistan. It proclaimed that the future constitution of Pakistan would not be modelled on a European pattern, but on the ideology and democratic faith of Islam. For instance, some of its principles would recognise that: a) while universal sovereignty rested with Allah, the State of Pakistan was entrusted to exercise it within certain limits; and b) Muslims would be enabled to order their lives in the individual and collective spheres in accordance with the teachings and requirements of Islam. After nine years of efforts, the constitution drafting process came to a successful end and Pakistan was proclaimed an Islamic republic.

Since the mid-1970s, Pakistani leaders have particularly drawn on Islam as a means to challenge opponents and build electoral support and legitimacy for their regimes. In particular, when General Zia ul-Haq took over as the Chief Martial Law Administrator on 5th July 1977, Islamisation was given a new boost. Doubts exist about General Zia ul Haq's sincerity with regard to enforcement of Islamic principles, but his slogan did give him the support of the religious right, effectively neutralising the street power of Zulfiqar Ali Bhutto's Pakistan People's Party (PPP). In his first address to the nation, Zia ul-Haq declared that Islamic laws would be enforced and that earnest attention would be devoted towards establishing the Islamic society for which Pakistan had been created. General Zia wanted to bring the legal, social, economic and political institutions of the country into conformity with Islamic principles, values and traditions. In 1979, Zia ul-Haq's Government introduced the Hudood Ordinance for the first time in Pakistan, which prescribed Sharia-based punishments for the use of liquor, theft and adultery. The media was also targeted; television especially was brought under the Islamisation campaign. Arabic news bulletins were introduced on both television and radio, and female anchor persons were required to cover their heads with veils. In the armed forces, the status of the religious teachers was raised to that of a Commissioned Officer. This was done to attract highly qualified individuals from the universities and religious institutions. The effects of this state-led Islamisation of society are clearly visible in today's Pakistan, with religious extremism on the rise and certain sectors of the military allegedly siding with extremist elements and homegrown Taliban.

SOCIAL SYSTEM AND ITS FOUNDATIONAL IMPACTS ON POLITICS AND THE ECONOMY

Pakistan is on course to becoming the world's third most populous country by 2050. Its estimated population of 165 million people27 is unevenly distributed in its territory. According to the 1998 population census,28 the

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26 Interview with Dr. Humayun Khan, Former Ambassador and Foreign Secretary, Peshawar, 12th September 2008.
politically and economically dominant province of Punjab was also the one with the biggest share of the national population, 56 percent. It was followed respectively by Sindh (23 percent), NWFP and FATA (16 percent), and Baluchistan (5 percent). The overall population density was estimated at 166 people per km², though huge differences existed among the four provinces. Punjab emerged again on top of the list, with a density of 358 people. It was followed respectively by the NWFP (238), Sindh (216), FATA (117) and Baluchistan, with an extremely low density of 19 people per km².

The ethnic composition of the population reflects broadly the above-mentioned population distribution across the four provinces. The Punjabis are estimated to amount to about 45 percent of the population; the Pashtuns are the next ethnic group with about 15 percent, followed by the Sindhis (14 percent) and Baluchis (4 percent).29

The religious composition of the country's population is rather uniform, with a 96 percent majority Muslim population; the remaining 4 percent are equally divided among Hindus and Christians. However, interesting differences among the provinces emerge. While the NWFP (including FATA) and Baluchistan show percentages of Muslim population close to 100, Punjab has a relevantly high percentage of Christians (2.3) and Sindh an even greater percentage of Hindus (6.5).30 Up to three-quarters of the Muslim population is probably Sunni, while according to unofficial estimates, the share of the Shia minority is around one-fifth.

In Punjab, biradri (clan or caste) networks provide a ready source of social and political affinity, which can also be exploited for political purposes. In other parts of the country (Baluchistan and NWFP), tribal structures with hereditary leaders (e.g. maliks and sardars) prevail, and structure social and political interactions. More in general, ethnic background, tribal affiliations and religious denominations or sects have been used to achieve a sort of traditional caste system. Caste and social stratification can greatly differ among the various ethnic and religious groups in Pakistan. The caste system in Pakistan creates a social divide whereby lower castes (or classes) are often severely persecuted by the upper castes. Within this system, a particularly disadvantaged position is held by women from the lower castes, who are frequently persecuted for attempting to break the shackles of the local, restrictive system.

The large dependency of the country's economy at the time of partition on agriculture, contributed to the rise of the landowning class as an elite group within society. Pakistan's politics to date continues to be dominated by rural-based elites, who have been able to parlay control over land, tenants and customary loyalties (e.g. biradri) into political power. These “feudal” elites are central to the patron-clientelist character of politics described below. The post-independence period, however, also witnessed the rise of another elite group – that of the industrialists, many of whom were originally Indian Muslims who had migrated to Pakistan and who quickly controlled most of the country's industry and commerce.

Islam is a fundamental feature of Pakistan's socio-cultural landscape. Around 96 percent of Pakistanis are professed Muslims. In many contexts, Islam cuts across other divisions in Pakistani society. But in recent years, sectarian tensions (Shia versus Sunni) have divided communities and in many cases led to violence. Moreover, extremism has gained converts and influence in Pakistan, and increasingly provides a platform for socio-political mobilisation and violence.

Significant segments of Pakistani society are socially (and hence politically) excluded. Landless labourers, tenants, certain biradri and religious minorities are widely discriminated against by both state institutions and local elites. Gender relations in Pakistan are highly inequitable and women are often systematically disadvantaged.

Unlike most countries, there are more Pakistani men than women, and men are more likely than women to live past the age of 60. There are also serious disparities in male and female status and achievements in health and education: the male adult literacy rate is 67 percent, while female literacy is 42 percent.31 Women have more difficulty than men in securing basic services, justice and employment. For instance, while aspects of the

29 The remaining 22 percent is constituted, among others, by the Seraikis (originally from the southeastern areas of Pakistan) and the Muhajirs (residing mainly in Sindh and Punjab).

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Hudood Ordinance have recently been repealed, women remain at a systematic disadvantage in some legal proceedings.

There are few cross-cutting social classes or groupings which could provide a check to either the elite or an alternative to locality-based networks, or provide a platform for the development of issues-based politics. Pakistan's relatively small industrial working class was relatively well organised (and unionised) in the early 1970s. But the decline of state industries and the increased informallisation of the economy have undermined the role of and membership in the unions.

The bulk of Pakistan's population is poor and socially and politically excluded. An estimated 75 percent of Pakistanis live on less than two dollars a day. Pakistan's poorest people are unorganised; there are few effective organisations or widespread social movements representing informal sector workers, agricultural labourers, tenants or the landless. Unemployment and underemployment remain a chronic problem in rural and urban Pakistan. Pakistan, however, has a growing and educated urban middle class – primarily in central Punjab, Sindh and parts of NWFP. This middle class has the potential to provide a more issues-based focus to Pakistani politics, and to demand greater accountability from service providers and elected officials. The degree to which this group's interests coalesce around a different sort of politics remains to be seen, however.

**SOURCES OF REVENUE**

Pakistan's state treasury depends on taxes on domestic production and consumption, rather than on royalties or taxes on trade, for the bulk of its revenue. At 10.5 percent, the tax-to-Gross Domestic Product (GDP) ratio in Pakistan is among the lowest in the world, particularly for middle-income countries. The government has ried to reduce this historical overdependence on indirect taxes, and the related regressiveness of the tax system since the beginning of the 1990s. While throughout most of the 1980s direct taxes only accounted for about 18 percent of the total tax revenue at the federal level, during the fiscal year 1996–97, that percentage had already shot up to 30 percent, and estimates for the fiscal year 2007–08 put that share at around 40 percent. Over 60 percent of the revenue coming from indirect taxes is generated by sales taxes, while the remaining 40 percent is generated by customs and excise taxes.

The low effective tax base of most taxes is another problem affecting the federal tax system. Wide-ranging exemptions, concessions and rampant tax evasion strongly reduce those bases. For example, it is estimated that less than one percent of Pakistanis pay income tax and less than 60 percent of imports actually pay duty. Consequently, tax rates have been gradually raised, eventually causing a vicious cycle between a tax-base erosion and an increase of tax rates. The indirect taxes used to generate the bulk of government revenue are regressive, in that they have a far greater impact on the consumption patterns and livelihoods of lower-income households. On the other hand, the fact that the majority of Pakistanis are now paying taxes (even if indirectly), raises the possibility that some citizens will begin to see themselves as taxpayers and begin raising questions about tax and expenditure issues. Taxes are collected in all parts of Pakistan except FATA and the Federally Administered Northern Areas (FANA), which are excluded because they are considered economically backward.

As also explained in Box 4 about Baluchistan, the federal government is responsible for about 93 percent of total tax collection. The bulk of federal government taxes are put into a common fund known as the divisible pool. In 2008, 48 percent of the total tax revenues were allocated to the divisible pool for distribution to the four provinces through the awards announced by the National Finance Commission (NFC). The rest was allocated to the defence and the federal government's own budgetary needs, and to debt servicing. Especially the NWFP and Baluchistan complained about a lack of consultation in deciding the shares of the total tax revenues to be allocated to defence and foreign debt purposes. The latest award of the NFC, which was finalised in 2006, stipulated that the share of the divisible pool accruing to provinces would increase by one percent every year till

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32 These include: income, corporation, wealth and property taxes.
34 With widespread reports of tax avoidance among the wealthy and middle classes.
the announcement of the next NFC. According to the 1973 Constitution, NFC awards are to be announced every five years. In practice, however, this schedule has hardly been respected and there was even a gap of 17 years between the 1991 award and the previous award of 1974.

**Box 4: Baluchistan and Mineral Resources**

The extraction of natural resources and the redistribution of the revenues that they generate, plays a central role in the problematic relationship that exists between the federal government and the province of Baluchistan. The province has huge natural reserves of minerals, and its gas fields supply 45 percent of Pakistan’s total gas requirements (down from 70 percent a decade ago), generating US$1.4 billion annually in revenues. Coal reserves are believed to be sufficient to cover to a great extent the country’s future energy requirements, and almost 353 companies were engaged in coal mining in the province in 2006. Other important mineral reserves in the province include gold, copper and chromite.

About 20 percent of the province’s total revenues are derived from federal direct transfers, including excises, royalties and surcharges on gas and oil. Overall, federal receipts amount to about 93 percent of the province’s total revenue receipts.

Baluchistan’s long-standing complaints towards the federal government centre primarily around the revenue-sharing formula determined by the National Finance Commission (NFC). According to this mechanism, a divisible pool of resources is created at the federal level through the contribution of the four provinces. The proportion of each tax that flows into the pool is supposed to be determined every five years. The resources collected within the divisible pool are then redistributed to the provinces in accordance with the awards assigned by the same NFC. While the divisible pool shows an increasing trend (for the NFC 2006, it was estimated to be around 45–50 percent of the total federal tax revenues), the central government at the same time has regularly showed a lack of willingness to further share tax revenues with the provinces.

In particular, the Baluchi argue against the currently enforced distribution formula, which places considerable emphasis on the size of the provincial population. They rather advocate for a composite formula that takes into consideration factors such as territorial extension, and the overall development and poverty situation of the province. According to the current formula, Baluchistan was due to obtain a mere five percent of the divisible pool by the 2006 NFC award.

However, there are other complaints concerning the federally-led extraction of revenues from the mineral activities in the province. For instance, experts in the gas sector point to the relevant difference in the price of gas extracted in Sindh or in Baluchistan. While in the first case the buying price for the government has been fixed at Rs 60 per million cubic feet, in Baluchistan the same unit of gas yields just Rs 27. According to the same experts, no logical justification can be found for this price difference.

And finally, Baluchi nationalists have consistently protested the fact that the natural gas network does not extend to most parts of the province. In general, the whole gas sector in the province and its fields have been put under strict central control since the 1970s. Former president Musharraf, for instance, issued an instruction according to which no further explorations could take place in the province without prior permission by the army or by the Frontier Corps (FC). In 2008, the Directorate General Petroleum Concessions (DGPC) awarded licenses to nine companies for the exploration of up to 20 oil and gas blocks in the province. However, the unstable security situation has prevented them from proceeding. While some of those companies were trying to involve disgruntled local stakeholders in the process, some sources within the provincial government alleged that the federal authorities were part of the stalemate, as they did not want to run the risk that the Baluchi nationalists might end up enjoying the benefits of economic development in the province.

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With the implementation of the Devolution of Power Plan and the introduction of the Local Government Ordinance in 2001, the government has devolved various functional assignments to the local tiers of the administration, yet without making the necessary arrangements for these tiers of government to obtain proper finances. There has been no systematic approach to capacitate and encourage the provinces to generate their own revenues, thereby condemning the provincial governments to a long-term administrative and financial dependence on the centre. As also indicated in Box 4 about Baluchistan, the federal government generates about 93 percent of the total country’s revenues, while its share in total expenditures is only 72 percent. The provinces are therefore left with only seven percent of the total revenues, while they account for around 28 percent of the aggregate expenditure. The argument behind the higher collection by the federation is based on the achievement of equity, efficiency, economy and the federal government's ability to levy and collect. But provincial and local governments are thus left with lesser opportunities to generate their own resources, because the available resources are already exhausted. Therefore, this results in dependency of provinces on the federation for resource transfer.

Negligible government revenue is derived from natural resource rents, such as oil or mineral wealth. The only major natural resource that Pakistan produces is natural gas, which is barely enough to meet domestic consumption needs. While production of natural gas was still expected to meet internal demand during the year 2007–08, a widening gap between domestic supply and demand was foreseen for 2009. More precisely, the Planning Commission estimated that Pakistan was to face a shortfall in gas supplies rising from 1.4 billion cubic feet per day in 2012 to 2.7 billion cubic feet in 2015, and escalating to 10.3 billion cubic feet per day by the year 2025.

Natural gas is used in households to produce cement and fertiliser, and to generate electricity. Additionally, it is used in the transport sector in the form of compressed natural gas (CNG). In 2008, 27 private and public sector companies were engaged in oil and gas exploration and production activities. Natural gas has also seen its share in the national energy consumption mix steadily increase during the last decade. Its share has in fact risen from 29 percent in the year 1996–97 to 41 percent 10 years later. The share of crude oil has undergone a parallel decrease during the same period, dropping from 48 percent to 29 percent. The two state-owned natural gas utilities collectively posted pre-tax profits of just over five billion Pakistani rupees (Rs) in 2007 (US$65 million).

The reserves of crude oil in the country at the beginning of 2008 were estimated at 339 million barrels. According to 2005 data, this figure would place Pakistan at a low 53rd position in a global ranking. Nevertheless, the country has been extracting crude oil at an increasing pace. Between July/March 2007–08 and the corresponding period of the previous year, the average crude oil production showed an increase of 5.54 percent, reaching 70,166 barrels per day. During the previous year, the daily consumption of crude oil was about 233,000 barrels. Domestic production of oil, therefore, accounts for about 30 percent of the domestic demand. As to the geographical distribution of oil extraction, the northern region of the country has a slight advantage over the southern region, though its limited volume has not to date caused any specific internal tensions concerning exploitation and redistribution issues.
In terms of the contribution of the main sectors of the economy, agriculture accounts for 21 percent of GDP, industry contributes 19 percent, while the services sector contributes 60 percent.\textsuperscript{44} In absolute terms, Pakistan is one of the largest recipients of foreign aid in the world. However, it is not an aid-dependent country. Official Development Assistance (ODA) accounts for only around two percent of Pakistan's GDP.

The Pakistani military has periodically received substantial outside financial and other support from the US and other allies. Since 2001, the US has channelled about one billion dollars a year to the Pakistani armed forces to finance counter-terrorism operations (not including covert funds). More precisely, about 74 percent (or US$8.9 billion) of the total amount of US assistance that reached Pakistan between 2002 and 2008 was in the form of security-related programmes.\textsuperscript{45} Such a large influx of outside funding for the military has the potential to further distort the accountability between the government and its citizenry.

The forceful liberalisation of sectors of the Pakistani economy from government control, particularly in services and consumer goods, which was undertaken since the launching of the structural adjustment programmes in 1988, stimulated a significant influx of foreign direct investment in Pakistan. Its amount rose from a tiny US$10.7 million in 1976/1977 to US$1,296 million in 1995/1996, thus growing at the annual compound growth rate of 25.7 percent.\textsuperscript{46} Despite the fact that it declined to US$950 million in 1996/1997 and it remained at those levels up to 2003/2004, the following year it increased again by almost 100 percent and kept growing at sustained levels until 2007/2008. Last year, there was a sudden decrease of 25 percent, whereby foreign direct investments have settled to a level of US$5.2 billion.\textsuperscript{47} While this rising trend in foreign investments has contributed to aggregate growth in the economy, it has yet to contribute to noticeable poverty reduction or to significantly boost government revenues.

And finally, remittances from Pakistanis living overseas have been growing year after year and provide many Pakistani households with a significant source of supplementary income. Between July 2004 and July 2008, remittances doubled, rising from a level of about US$330 million to one of US$660 million. However, during the last few months the global financial crisis has had an impact on these flows, suddenly bringing the remittances level down to about US$460 million.\textsuperscript{48} More generally, workers' remittances should be treated carefully, as they hold the dangerous potential to reduce citizens' demands for government-provided social protection and in parallel, to relieve government institutions from their responsibilities to provide the expected services and social protection to their citizens.

THE RULES OF THE GAME

This section investigates the formal and informal factors that shape state and society and the interaction between them. These factors are relatively fluid in the medium term. In Pakistan it is often the informal “rules of the game” that trump the formal. Behind the façade of the state and its laws and procedures, it is socio-economic structures and networks, cultural norms and expectations, and the exercise of personal power that shape governance and inhibits transparency. This section shows that substantive power in Pakistan tends to lie with a small elite and its military allies. This patrimonial elite has been able to use its control over economic and social resources to maintain their position of authority in successive Pakistani governments. Once in power, elected and military officials have been able to use their formal positions of authority to advance their personal fortunes and those of their clients and patrons.

THE FORMAL FRAMEWORK

Pakistan has a relatively comprehensive legal framework for governance, based on British civil law. The constitution enshrines checks and balances between the executive, legislative and judicial branches of government. The written rules and procedures for civil service performance, transfers and promotions are clear

\textsuperscript{47} Ibid.
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Pakistan has signed up to a range of international conventions (including some, but not all, related to human rights). Some national legislation has been amended to reflect these international legal norms. As already pointed out in the previous section, since 2001 the Local Government Ordinance has provided a legal framework for substantive decentralisation through elected representation and service delivery at the union council, tehsil49 and district levels.

In practice, however, aspects of the formal framework of government are contradictory, selectively enforced and lack legitimacy. Provisions within the legal system contradict each other and provide openings for abuse. For instance:

- There are inherent contradictions between Sharia and civil law, both of which are enshrined in the constitution. This is particularly true when it comes to family law.
- Freedom of speech and the right to information are legally protected, but other laws have been used to curb these rights in order to restrict criticism of specific state policies and the armed forces.
- Article 17 in the constitution protects the right of association and assembly, but it is alleged that the government has used an 1886 law, Article 144 of the Code of Criminal Procedure, to pre-empt perceived threats to public order.

Pakistan's legal framework has never been stable. The constitution has been abrogated and fundamental legislation has been moulded by successive Pakistani leaders to suit their needs. The country's first constitution was only enacted in 1956, after nearly a decade of deliberation, only to be suspended two years later by Ayub Khan's coup. Since then, two entirely new constitutions have been written, in 1962 and 1973. In addition, despite the fact that the constitution can only be amended with a two-thirds majority of parliament, elected and military leaders have found it relatively easy to amend it to suit their purposes. The 1973 constitution, for instance, has been amended 17 times. The judiciary has given approval to each of these changes. It has also legitimised each of Pakistan's military coups through application of its "doctrine of necessity" (see Box 5).

Nevertheless, the 1973 constitution, through Chapter 1 (Articles 8-28), still upholds fundamental rights, such as those concerning the basic security of a person, including safeguards against arbitrary arrest, detention, forced labour and slavery. Furthermore, essential freedoms, such as the freedom of movement, assembly, association, trade, speech, and religious expression, are embedded in the constitution, as well as the right to private property and the principle of equal access to public places and services. Gender equality is in principle safeguarded by the constitution, although there are discriminatory laws within the Pakistani legal framework, such as the Law of Evidence and the Hudood Ordinance.

Pakistan is also a signatory to a number of international human rights conventions, such as the conventions on the Rights of the Child, on the Elimination of All Forms of Racial Discrimination, on the Prevention and Punishment of the Crime of Genocide, against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, the International Covenant on Economic, Social and Cultural Rights, and the International Covenant on Civil and Political Rights. At the same time, however, it has not yet signed key conventions such as the Convention on the Elimination of All Forms of Discrimination against Women, and the Intentional Convention relating to the Status of Refugees.

Apart from decreeing Islam as the state religion, the constitution does not provide any specific status for religious representatives or institutions, and similarly traditional institutions are not covered by the constitution.

Constitutional amendments have not been the only means of Pakistan's elected and military leaders to make policies and to govern. They have also relied on decrees rather than parliamentary law-making. According to the Human Rights Commission of Pakistan (HRCP), 70 ordinances were issued in 2007 alone, "a number of them only a day before the National Assembly was due to meet"50 Some of these were ordinances that had to be reissued, as they had lapsed, and the National Assembly had not yet debated them.

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49 Administrative division and entity of local government subdivided into a number of union councils.
This use of ordinances and other directive forms of government has systematically weakened parliament. It has also weakened the legitimacy of many policies and directives. Formal rules made by directive are not the product of any negotiated settlement or substantive consultation with citizens and their representatives (parliament). As such, there is a danger that these policy changes may lack legitimacy in the eyes of citizens and parliament. In this context, even the most well intentioned reforms may have little broad support and are subject to reversal by subsequent regimes (as was the case with earlier military-led decentralisation efforts in the 1960s and 70s). There is a real risk that reforms created by processes that are broadly seen as illegitimate may be seen as illegitimate themselves.

As to the existing legal provisions regulating the right to own and trade land, and in particular land inheritance procedures, it is interesting to point out the blatant discrimination against women. While they enjoy the right to inherit the family's land according to Islamic law, their permitted share is just half that of their male siblings. In practice, even this inheritance may not accrue to them, as feudal families in Sindh and south Punjab in particular often require women of marriageable age to forfeit their right of inheritance in favour of brothers or other male relatives.

On paper, there are a number of rules governing public sector employment, and entry to and promotion within the civil service is relatively routinised. The political independence of civil servants at all levels, however, has been eroded over the past several decades. Most senior civil servants enter the system through a comprehensive exam process. But, in the 1970s, Zulfikar Ali Bhutto created a system of lateral entry into the civil service, through which he could directly appoint supporters to the bureaucracy. Loyalty to the political leader, rather than efficiency considerations, was considered as crucial for an appointment in the civil service. In terms of the institutional political framework, the constitution that was prepared and approved in 1973 under the civilian government of Zulfikar Ali Bhutto, envisaged a prime ministerial system with the president as a ceremonial head of state. In 1985, the then President General Zia-ul-Haq introduced the Eighth Amendment to the Constitution, which, under Article 58 2(b), gave the president the power to dismiss the national assembly if a situation has arisen in which the Constitution, which, under Article 58 2(b), gave the president the power to dismiss the national assembly if he feels that the prime minister no longer holds the confidence of the House, or if 'a situation has arisen in which the Government of the Federation cannot be carried on in accordance with the provisions of the Constitution and an appeal to the electorate is necessary'. The amendment essentially tilted the balance of power in favour of the president. The Thirteenth Amendment passed in 1997 by Nawaz Sharif's second government stripped the president of these powers, and once again turned the president into a figurehead. However, the Seventeenth Amendment of 2003 promulgated by President Musharraf brought back Article 58 2(b), which remained in the Constitution as of the end of November 2008, in spite of increasing pressure for its removal by mainstream political parties. President Zardari was accused by the Pakistan Muslim League-Q and Jamaat-i-Islami of yet another volte-face, following the previous failure to honour the commitment to reinstate deposed Chief Justice Iftikhar Mohammad Chaudhry. Those parties doubted Mr Zardari's sincerity to go ahead with what his Pakistan People's Party and its allies had pledged to do in their election manifestos and the famous Charter of Democracy signed by assassinated PPP leader Benazir Bhutto and [the Pakistan Muslim League (Nawaz), or] PML (N) chief Nawaz Sharif in 2006.'

Box 5: The Doctrine of Necessity

This principle became an accepted legal norm after a ruling of the Supreme Court of Pakistan confirmed the validity of the use of non-constitutional emergency powers by the then governor general in 1954. Ghulam Mohammad had dissolved Pakistan's first constituent assembly, apparently in an attempt to counter a bill passed in the Assembly curtailing his powers as governor general. This move was subsequently challenged in court by Maulvi Tamizuddin, the speaker of the Assembly. The Supreme Court relied on Bracton's maxim, 'that which is otherwise not lawful is made lawful by necessity', to support its ruling in the governor general's favour.

51 Interview with Dr. Humayun Khan, Former Ambassador and Foreign Secretary, Peshawar, 12th September 2008.
The **budgetary process** is initiated by individual departments, which make demands for grants and appropriations and send these to the Finance Ministry. The Ministry then holds discussions on Statements of New Expenditures (SNEs) – new categories of expenditure proposed by departments. The discussions start by March/April. The budget is finalised by May, printed and presented to Parliament generally in the first week of June. Its approval normally takes place before the fiscal year ends on 30th June. Budgets are subsequently allocated across localities by the various departments (e.g. Education, Health, etc.). Funds are supposed to be transferred in three or four tranches, starting from the second week of July (which is the start of the fiscal year). In practice, however, the transfer of funds is random and unpredictable, leading to serious budgeting difficulties at the local level.

**Macro-economic management** in Pakistan has recently shown some signs of weakening, after clear improvement had been achieved during the last few years. The World Bank’s International Development Association (IDA) Resource Allocation Index, for instance, awarded Pakistan for the year 2007 a score of 3.5 for macro-economic management, lower than the average value of 3.7 calculated for all the other 74 IDA borrowers.54 Financial management systems are, however, largely in place at the federal and provincial levels, but have not yet been implemented at the local level. Budgets are well publicised in the press and civil society, but parliamentary debate on the budget is limited. Debate begins only two days after the budget is presented, limiting the ability of parliamentarians to analyse it. The overall period for debate is short and the opposition tends to use the budget sessions to raise unrelated but long-standing grievances with the government.

Due to persistent privatisation and liberalisation policies, there are no **state-owned enterprises** in Pakistan that can show large revenues. Most of them have been already privatised, while the remaining ones are either in the process of being privatised, or are being restructured. The private sector is therefore penetrating all sectors of the country’s economy, with the only exception of the defence and security industry, which is still kept under government control.

The **media** has also undergone a deep privatisation drive. Out of about 50 TV channels and networks in Pakistan, only one is state-owned (i.e. the Pakistan Television Network, or PTV). While liberal policies have promoted impressive growth in this sector, former president Musharraf tried to place some restrictions on the way the newly born media outlets operated, by promulgating the notorious Pakistan Electronic Media Regulatory Authority (PEMRA) Ordinance in 2007, which has since expired.

Finally, given the already mentioned problematic relationships between the Punjabi-dominated centre of the state and its more peripheral levels of governance, it is essential to shed some extra light on the institutional framework that has emerged throughout the years, and that has officially aimed at creating a more accountable and effective **local governance system**.

The allocation of responsibilities between the federal and provincial governments is specified in the 1973 Constitution. In the event of any conflict between the legislation of the two tiers of government, that of the federal government prevails. The service functions to be performed by the federal government include: defence; external affairs; currency, coinage, and legal tender; foreign exchange; foreign loans and foreign aid; nuclear energy; stock exchanges; national planning and economic coordination; national highways and strategic roads; geological and meteorological surveys; censuses; railways; exploitation of minerals and natural gas; and development of industries.

The weak financial position of provincial governments and their overwhelming dependence on federal grants and transfers greatly dilutes their ability to perform several of their functions. Provinces have sole responsibility for: law and order; justice; provincial highways; urban transport; secondary and university education; agriculture extension and provision of inputs; irrigation and land reclamation; industries; and mineral resources.

In August 2001, following a year of local elections, the government implemented the **Local Government Plan** (announced a year earlier) and created three levels of local government, entailing political, financial and administrative devolution. Each province was divided into district governments, tehsil municipal administrations

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(TMAs) and union administrations, with the last representing the smallest local government unit with its councillors directly elected by the people at the village and town level. The three layers were expected to function as autonomous local bodies with their own responsibilities, financial shares and revenue sources.

These new responsibilities entailed a process of transfer of human and financial resources from the province to local governments, as well as a series of amendments for relevant laws, rules, systems, procedures and processes. Given the complexity of the task, the transfer of powers is still evolving. The new mandates clearly posed many challenges for the newly created local governments, which were faced with heightened public expectations on the one hand, and large capacity gaps to handle these responsibilities on the other. The new structure has shaken up administrative relationships, including placement of the local administration under an elected council headed by a nazim (mayor or head of the local government), and relative autonomy of local governments vis-à-vis the provincial government.

The local government system was based on the premise that locally-managed basic services will improve responsiveness to local needs and facilitate improved service delivery, as it provided a range of opportunities for enhancing political commitment and greater accountability to the public. Some (expected) problems did emerge, however, such as politically-based transfer and non-merit-based recruitment of staff. In addition, the district government budget often barely covers the expenses for the fixed obligations to operate the existing services transferred to them. And eventually few allocations were made to the new local governments from the development budget.

**Political competition**

Political competition is fundamentally skewed by the pervasive role of the military in Pakistani politics. The military has directly or through military-dominated civilian governments, ruled Pakistan for over half of its history. To a great extent, the army comprises a “state within a state”. The military's power is pervasive in the political, and increasingly in the economic, sphere. Even when the military is not directly governing, it has tended to overshadow civilian regimes and to circumscribe their actions, particularly with regard to foreign policy and the domestic allocation of resources. Its ability to destabilise or dethrone governments has hung like the sword of Damocles over all elected governments, and on three occasions during the country's post-independence history (1958, 1977 and 1999), during the country's post-independence history, the military has effectively taken over power through a coup d’état.

While the constitution guarantees universal suffrage for all Pakistanis, in practice it has been difficult for some to exercise their right to vote. In parts of the country (e.g. FATA) women have been informally but systematically barred by communities from voting in national and local elections. Elections are often marred by violence, with the opposition and less powerful groups facing particular difficulty in mobilising voters in some constituencies. And even after elections, parties that are in government, especially at the provincial level, may be faced by serious threats to the personal security of their representatives. A case in point is provided by the quite unexpected result of the Awami National Party (ANP) at the February 2008 elections in NWFP. Probably due to five years of disappointing government by the Muttahida Majlis-e-Amal (the United Action Front, or MMA), an alliance composed of four religious parties, the secular and socially oriented ANP obtained almost 40 percent of the seats at the provincial assembly and went on to form a coalition with a couple of other parties. However, a campaign of deadly attacks against its members, carried out by alleged religious extremists, made it nearly impossible for the party to perform its regular legislative tasks. More broadly, the requirement that voters must have a computerised identity card effectively excludes many of Pakistan's poorest and most marginal communities, like the landless labourers in Sindh and southern Punjab, and nomads in NWFP and Baluchistan.

Politics in Pakistan is fundamentally a game for elites. Pakistan's economy and political system have historically been dominated by a relatively small number of powerful families. Land-owning families in southern Punjab and northern Sindh in particular have been able to dominate local and regional politics, and extend their dominance to the national level. Their political power is rooted in their control over land and their ability to deliver voting blocks based on tenants, clients and shared biradri. It also stems from their ability to link “horizontally” with other elite families. In addition to these families, there are a growing number of military-industrial elites in politics who have used their access to state resources to build economic and political fortunes.
Elites still exercise a strong hold over elections at all levels. Decentralisation has created real scope for bringing elected officials and administrators into closer contact with the people they are supposed to serve. While this is the case, evidence is mounting that the decentralisation process has been partially captured by local elites. As pointed out on different occasions during a field visit to Quetta, local elections are often perceived as rigged, with local power brokers being elected due to the financial resources they are able to mobilise, and allegedly due to informal support from the local military authorities. As a consequence of those skewed electoral processes, it was not unusual to find elected representatives to the various layers of the local government system who were known for their illegal, if not criminal activities. Another complaint with regard to the implementation of the local government system referred to the weakening of the civil administration vis-à-vis the elected representatives, and to the parallel undermining of the provincial government’s capacity to fulfil a coordinating and overviewing function. These perceptions were particularly strong among mid-level politicians, who felt that the central government’s strategy was to work with local-level authorities (without party affiliations) in an effort to bypass and weaken provincial governments. In that regard, one could conclude that decentralised institutions, at least in those areas where law and order are under the control of the federal government and with a strong military presence, have not led to a devolution of power, but to a consolidation of control by the centre of the local levels of government.

Politics in Pakistan is personalistic and patrimonial in character. Political parties in Pakistan have become personalised fiefdoms and, with the exception of Jamaat-e-Islami, show few signs of internal democracy. Votes are seldom won through appeals to broad-based or cross-cutting socio-economic identities or interests, and politicians are seldom elected on the basis of policy proposals and manifestos. Instead, political parties and political leaders rely on patron-client networks to garner votes. Local-level social and economic ties are mobilised and support is given to patrons in exchange for the real and perceived benefits it may bring to one’s self, family, village or biradri. Once in power, patrons can use their position within the formal system to reward their clients with contracts, jobs or development resources. In these circumstances, those who enter politics or the civil service are expected to use their position to advance their kin, biradri, clients and patrons.

There are two sorts of accountability that shape public behaviour in Pakistan. There is the formal accountability set down in legislation and codes of conduct in which civil servants and elected officials are ostensibly accountable to their electorate and to consumers of government services. And there are informal forms of accountability, through which elected officials and civil servants are held “accountable” to bend the formal rules in favour of their own patrons or influential clients. In many circumstances, this socially embedded form of accountability is seen as more legitimate and trumps formal rules and procedures.

Once in power, leaders at all levels of Pakistani politics devote an extraordinary amount of energy and resources to excluding their rivals from power. The most obvious example of this tendency was found in the bitter rivalry between Benazir Bhutto and Nawaz Sharif, each of whom used the state’s authority to undermine the other. Anti-corruption bodies in particular have been utilised by successive governments for political ends and have served to undermine political opposition. This was particularly the case under Sharif, but the National Accountability Bureau (NAB) has also been criticised by some for selective prosecution.

Both civilian and military regimes have attempted to maintain their position through manipulating the institutions of the state in their favour. Since the first military coup, for instance, leaders have attempted to colonise the civil service and judiciary with their supporters. Pakistan’s first and second military leaders, Ayub and Yahya Khan, dismissed 1,300 and 300 civil servants, respectively. The country’s first democratically elected prime minister, Zulfikar Ali Bhutto, dismissed over 1,300 civil servants. The practice of lateral entry (described above) also provides a way for leaders to gain influence over the civil service. According to some analysts, there are signs of possible tensions rising on the political horizon of Pakistan between a civilian bureaucracy that has been increasingly marginalised and the political class. Used to represent the country’s intellectual elite, in virtue also of

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55 Jamaat-e-Islami is the only political party on record that holds elections for the post of Amir (or leader) and other party offices. All other parties do a show of holding elections, but the election results always consist of a unanimous vote in favour of the current head.

56 While economic ideology played a role in the politics of the 1970s, it has been largely absent from mainstream politics. The most significant exception to the ideological vacuum in politics has been the Muttahida Majlis-e-Amal (MMA) and other fundamentalist Islamic parties, whose success has hinged on conservative Islamic ideology and anti-American sentiment.
a state organisation inherited from the British colonial period, civil servants have found themselves sidelined in a political game led primarily by the other two members of the so-called establishment: the military and the rural elite. The steady economic expansion of the last few years and the related growth of an educated urban middle class, however, could offer this traditional elite group new avenues for engagement in the political arena by building alliances with these newly emerging actors.

**DISTRIBUTION AND EXERCISE OF POWER**

To what extent does Pakistan’s political executive share power with other parts of the government and groups within society? And if indeed power is being shared, how is that taking place? To address these questions, this section briefly explores the relationship between the executive and the judiciary, provincial and local government authorities, civil society, the media and outside actors (e.g. donors and multilaterals).

Pakistan’s political executive has a history of sharing very little substantive power with other branches of government and groups within society. The formal and informal structures of the state have tended to centralise power in the hands of the prime minister, military leader, or president. Different leaders, for instance, have used the constitution to assert their political supremacy over other organs of government. As mentioned earlier, under Zia’s regime, the president was granted the right to dismiss the National Assembly in the Constitution’s Eighth Amendment (1985). This prerogative was rescinded under Nawaz Sharif in the Thirteenth Amendment, only to be asserted again by Musharraf in the Seventeenth Amendment, albeit with the condition that the Supreme Court would have to ratify such a move.

Historically, policy-making has not been consultative. Policies have tended to be drafted and deliberated on at the executive level, then enacted by ordinance or presented to parliament for approval. Usually, there are few openings for parliamentary, let alone private sector or civil society, consultation during the policy-making processes.57

The most important power holder within the country has undoubtedly been the security apparatus. As already emphasised, military rulers have been the final arbiters of Pakistan’s destiny for the most part of its post-independence history. The armed forces have been historically dominated by Punjabis, and have represented landed and industrial interests. They have regarded their dominance of Pakistani politics as a duty based on the need to safeguard the territorial integrity of the country in the face of external threats and of lingering ethnic, linguistic and religious fissures.

At the same time, military rulers have also made sure that their deep involvement in the politics of the state and their domination of all other state institutions goes hand in hand with a growing presence in the country’s economy. The development of such strong commercial interests and capital, which ‘is used for the personal benefit of the military fraternity […]’, but is neither recorded nor part of the defence budget, has often been considered a key factor in the military’s interest ‘in remaining in power or in direct/indirect control of governance’.58 Since 1954, the year in which the first welfare foundation was established, the military in Pakistan has developed a complex internal economy that has escaped the normal accountability lines that the state reserves for its defence industries. The military economic empire has a fairly decentralised structure, operating in all the three main segments of the economy: agriculture, manufacturing and services. As an organisation, the military is directly involved in

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57 However, there are recent instances such as the setting of electricity tariffs where consultation has been more substantive – partially due to donor pressure.

public-sector companies and in cooperatives. For instance, it has created the largest goods transportation company in the country, and is the largest contractor for the construction of roads and for the collection of tolls. Cooperative ventures are normally small- and medium-sized, and are carried out by the various military commands. The most visible level of the military’s economic structure, however, is represented by four welfare foundations,\(^5\) which engage in business ventures as diverse as bakeries, farms, schools, private security firms, commercial banks, insurance companies, radio and television channels, and fertiliser, cement and cereal manufacturing plants. Although military personnel tend to downplay the military’s influence over them, they are all controlled at the top by senior generals or members of the Ministry of Defence (MoD). Finally, there is also a substantial portion of the military’s economic activities that is fundamentally hidden from the public eye and that conveys benefits to its active or retired individual members. The distribution of such benefits does not necessarily happen on an institutional basis, but it is rather dependent on each individual’s capacity to establish and exploit connections with the military organisation in order to create personal wealth. The benefits accruing to these individuals include: the provision of land and housing; the provision of jobs, especially after retirement (as further explained in the following paragraph); and the concession of exclusive business opportunities. In theory, the MoD is positioned at the apex of the military economic system and should act as the main controlling authority for the defence establishment. In practice, it is used by the three military services\(^6\) ’as a forum to negotiate economic opportunities and the monopolization of resources’.\(^7\)

The Pakistani military’s economic interests were further promoted by a complex process of integration and exchange of reciprocal favours between President Musharraf and the military, which was set in motion after the 1999 coup. Retired generals, for instance, were regularly placed in key positions of authority within the government and national companies. ‘The army’s business interests now span banking and insurance, cement and fertilizer, electricity and sugar’.\(^8\) This system of rewards in exchange for loyalty was apparently extended to include the lower-ranking officers and soldiers. Jobs, other opportunities and rewards such as land, were regularly promised after five years of service.

Besides its symbiotic relationship with those civilian elites representing the country’s political power, the army, in a classic case of collective and state-led over-plundering, has also been cultivating a union of interests and intents with religious actors, which dates back to the partition of 1947. Religion was then used to justify the separation from Hindu-dominated India, and soon after Islam became a useful tool in the hands of Pakistan’s ruling civil and military elite. At home,

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\(^5\) The Fauji Foundation, the Army Welfare Trust, the Shaheen Foundation and the Bahria Foundation.

\(^6\) Army, Navy and Airforce.


\(^8\) Z. Mian, ‘Pakistan under siege’, Foreign Policy In Focus, 22nd August 2007. Washington DC, US. Available at http://www.fpif.org/ fpiftxt/4490.

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**Box 7: Patronage and Corruption Lexicon**

- **sifarish** – Supplication or request to someone in a position of power to do you a favour that you may or may not be eligible for.
- **approach** – Used sometimes as an Urdu noun as in ‘I don’t have an approach’ or ‘I used an approach’. Signifies someone with power who can help you gain access to a service.
- **haram kori** – Living off ill gotten gains.
- **rishwat** – Illegal payment, bribe.
- **dada girī** – Patronage.
- **aqarba panwari** – Nepotism.
Islam was used ‘to co-opt and reward the clergy of all Muslim sects to keep the secular, democratic political parties at bay. Internationally, the Pakistani government showcased its Islamic credentials to prove its allegiance to the anti-communism cause’.63 A convergence of conservative interests had taken place according to a pattern that is still clearly recognizable in current day Pakistan’, argues Marco Mezzera of the Clingendael Institute. ‘Musharraf’s political party, the Pakistan Muslim League (Q), and the military establishment at large, both kept looking for political alliances with Islamic parties (some of them openly pro-Taliban) in order to resist challenges to their power by more secular parties such as the PPP’.64 As a result of this regressive alliance, religious parties managed to win the 2002 general elections and become major coalition partners, respectively, in NWFP and Baluchistan, two provinces where “Talibanisation” has been rampant.

In terms of civilian oversight of the military’s budget, it is relevant to note that military expenditure is not subject to parliamentary scrutiny, and as a matter of fact no government has ever tried to reduce the military budget. However, according to retired General and former Chief of Army Staff Jehangir Karamat, a parliamentary defence committee was involved in the discussion of the 2008 federal budget. In addition, he referred to other civilian oversight mechanisms in place, such as the Defence Council, under the MoD; the Defence Committee of the Cabinet, which could be convened by the prime minister at any time; and the Public Account Committee, charged with overseeing general expenditures and financial matters. Nevertheless, he eventually conceded that although the oversight mechanisms were formally in place, their implementation had been particularly lacking. For instance, the Defence Committee of the Cabinet had never been convened during the Musharraf government.65

The judiciary does not have a strong history of independence. Since 1958, the year Ayub Khan, the first military ruler of Pakistan took power, the judiciary has been effectively integrated into the country’s notorious “establishment”, playing a subservient role to the demands and wishes of the military and political class.66 The Supreme Court has done little to challenge the authority of the executive or military, and (as highlighted above) has given sanction to military rule in the past through the doctrine of necessity. As the 2007 events testify, however, the judiciary and the bar associations do have scope to assert themselves against the executive. Chief Justice Chaudhry showed parts of the judiciary class, and especially young lawyers from district courts, that it was still possible to take a stand against the establishment, and in particular against the military regime. As soon as his responsibilities as head of the Supreme Court led him to deal with public litigation cases, such as human rights violations, environmental cases, and cases concerning missing persons, his zealous work started affecting the (feudal) interests of the most powerful segments of Pakistani society. On the other hand, he also sent a strong message to those other segments of society that had been facing regular abuses of power. And as a result, during his tenure as chief justice between June 2005 and March 2007, 30,000 additional cases were filed at the Supreme Court. This was as many as the number lying idle at the Court at the beginning of his mandate. This unprecedented collision between the judiciary and the executive came to a head on 3rd November 2007, when President Musharraf declared emergency rule and dismissed Chief Justice Chaudhry for a second time (the first time was on 1st March 2007). Eventually the two principal causes of confrontation, says the HRCP, ‘were the Supreme Court’s zeal to pursue the cases of disappearance and its resolve to test General Pervez Musharraf’s bid for re-election as President on the touchstone of the constitution’.67 In spite of Chaudhry’s removal from office, reconfirmed even under the new civilian government, the lawyers’ movement that sprang from this case, and the spontaneous support that it received from other sectors of society across the country, indicated a society in transition, where potentially a new sense of awareness of the need to guard against abuses of political power and to protect the principle of “due process” was being forged.68

With regard to the broader issue of access to justice, most Pakistanis face significant barriers. Some of these barriers are related to the limited capacity and reach of the formal justice system. But others relate to the ways in which informal institutions impinge on the legal system. Access to justice is largely determined by one’s social-

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66 Interview with Mr. Athar Minallah, lawyer, Islamabad, 9th September 2008.
68 Interview with Mr. Athar Minallah, lawyer, Islamabad, 9th September 2008.
economic status and corruption is widespread. Informal, customary systems of justice (e.g. jirgas and vigilante justice) thrive in the void left by the failure of the formal system. And, as observed in the above-mentioned case of Chief Justice Chaudhry, these illegal customary systems are often inextricably intertwined with the feudal social structures that form the basis of political power in Pakistan. It is therefore not surprising that the government has maintained an ambiguous relationship with the jirga system. On the one hand, it did not respect those jirga decisions that opposed military action in Swat in 2007. And ‘some sections of the administration’, notes the HRCP, did not respect the jirga verdicts that violated the Protection of the Women Act and action was initiated against jirga members who had sanctioned vani/swara transactions. On the other hand, however, Pakistan fully supported a joint jirga with Afghanistan to solve a variety of bilateral issues; an officially-sponsored jirga was established in 2007 for the maintenance of peace in North Waziristan; in the same year, the NWFP Assembly’s Standing Committee on Home Affairs was presented with a demand to grant legal status to the jirgas; and finally there seems to be widespread tolerance on the part of the state about jirgas and gathering of elders delivering judgements in all kinds of criminal cases.

The relationship between federal and provincial governments has been uneasy and lopsided in favour of the centre. The federal government ensures that the provinces have limited capacity and mandate to raise their own revenues, and to set and implement provincial-level policies. Decentralisation has also strained the relationship between the federal and provincial levels. All three of Pakistan's decentralisation efforts have taken place under military regimes. They should therefore partly be seen as a tactical mechanism for legitimising central rule and bypassing existing political structures (including the provincial authorities).

It is also important to note that in parallel to the formal institutional framework provided by the 2001 local government system, there are still many customary institutions functioning throughout the country, and especially in the tribal areas. In FATA, for instance, the local government system has not yet been implemented. A separate ordinance has been drafted and is awaiting promulgation. Meanwhile, interference in local matters is kept to a minimum. The tribes regulate their own affairs in accordance with customary rules and unwritten codes, characterised by collective responsibility for the actions of individual tribe members and territorial responsibility for the area under their control. The government functions through local-level tribal intermediaries, the maliks (representatives of the tribes) and lungi holders (representatives of sub-tribes or clans), who are influential members of their respective clan or tribe. All civil and criminal cases in FATA are decided under the Frontier Crimes Regulation 1901 by a jirga. Although the jirga mechanism enjoys widespread favour in those areas, as well as within some government circles, corruption has begun to enter the system. It is reported that the poor and more vulnerable segments of society cannot afford to convene a jirga. There is also the grievance, now voiced more frequently, that in most cases jirga decisions favour the richer or more influential party.

Some Islamic groups and leaders possess significant political power. As highlighted previously, successive governments have sought to build their support and legitimacy through engagement with religious leaders. Changes to the school curriculum, the Hudood Ordinance, and support to jihadist groups in the Afghan and Kashmiri conflicts have all contributed to the Islamisation of the political space in Pakistan. Military regimes have, in particular, counted on the implicit political support of some religious political parties. For instance, Musharraf's half-hearted efforts to control religious extremism, mainly made in response to international events and pressure, can be attributed to 'his dependence on the religious right, particularly his coalition partner in the Baluchistan government, the Jamiat Ulema-e-Islam (JUI), which runs the largest network of Deobandi madrasas'. As previously noted, Musharraf, as well as other military leaders in the past, needed these religious allies to counter civilian opposition, primarily in the form of the PPP and PML (N), which dominated politics during the democratic interlude of the 1990s. Moreover, in restive areas such as Baluchistan, the military regimes' strategies of creating conservative alliances with religious extremists were also interpreted as an attempt to weaken the local nationalist movements.

69 The jirga is a gathering of elders, which especially in tribal societies, settles disputes and decides criminal cases, among other things.
70 The tradition according to which women are surrendered for compounding a murder case.
73 Interview with Habib Jalib Baloch, Baluchistan National Party (BNP), Quetta, 13th September 2008.
The political power of Islamist parties and groups received a substantial boost during the 2002 general elections, when the MMA, a coalition of six religious parties, won 20 percent of the seats in the national legislative assembly, gathering 11.1 percent of the total vote share in the country. Subsequently, the MMA formed a government in the NWFP and became part of a coalition government in Baluchistan, two provinces that share borders with Afghanistan and where anti-US sentiments have been enjoying growing popular support on the basis of a mix of religious and ethnic considerations.

Civil society organisations (CSOs) have grown in depth and capacity during the past decade. CSOs remain concentrated in Pakistan’s larger cities, but some organisations have the capacity to link their national-level work to realities on the ground. Networking between CSOs has also improved in recent years. Most of civil society is engaged in welfare or development issues, and there are relatively few organisations engaged in research or advocacy. While the legal and political environment is more open to civil society activism than under many past regimes, civil society space remains constrained. There are relatively few openings for these organisations to engage government in substantive policy dialogue and few incentives for government to listen to them. Moreover, the research and advocacy capacity of most organisations remains weak.

The reach and quality of mass media has grown significantly in the past five years. The number of print and particularly broadcast media outlets has increased substantially. The number of television channels grew from two or three state-run stations in 2000, to over 50 privately owned channels in 2008. About 20 channels exclusively broadcast news, with only one of them in English (Dawn). There are about five religious channels, which are producing programmes related to Islam, but which also deal with social issues. The quality of journalism also appears to have improved. While Musharrat’s regime allowed the media greater latitude of expression than previous Pakistani governments, aspects of government were off limits (particularly the political and economic role of the armed forces, and the internal conflict in Baluchistan and FATA). Moreover, as the Pakistan Electronic Media Regulatory Authority (PEMRA) Ordinance of June 2007 demonstrated, the media’s autonomy is far from institutionalised. The government uses a range of legal and constitutional powers to curb press freedom. The shutting down of private TV news channels accompanied the declaration of a state of emergency in late 2007, and the law on blasphemy has been used against journalists. And confirming the peculiar differences existing among the four provinces, the wave of media liberalisation that has swept across the country apparently hit a wall in Baluchistan. According to a Quetta-based journalist, as late as September 2008, there was not a single media outlet in the province owned by a Baluch. The same source revealed the story of a Baluch entrepreneur who in 2006 had attempted to launch a Baluchi language satellite television channel in the province (Baloch Voice), but who, upon his arrival at Karachi from Qatar, was kidnapped and tortured for 22 months, allegedly by members of the security forces. When he finally resurfaced, he appeared to be mentally incapable.74 Nevertheless, Pakistan’s print media are among the most outspoken in South Asia. The Internet Service Providers Association of Pakistan estimated in March 2007 that there were between 3 and 5 million internet users. The authorities filter some websites.

External actors have played a key role in legitimising political regimes in Pakistan and providing them with the resources necessary to maintain their positions of power. In particular, the support of the US and its allies during the Cold War, Afghan conflict and the global WoT has provided successive military regimes with international recognition and substantial financial resources. On the other hand, the current regime’s alignment with the US and its allies has impacted on its popularity and has fuelled direct (and armed) challenges to its authority. This in turn has strengthened the “uncivil” society in Pakistan and beyond, including international terrorist networks.

As observed above, Pakistan is an important recipient of ODA in absolute terms, though its share of GDP is relatively limited. According to World Bank figures (i.e. World Development Indicators), in 2005 Pakistan received US$1.7 billion in ODA and aid. That amount accounted for only around two percent of the country’s GDP. And as recently highlighted in the EU’s Blue Book 2008 for Pakistan, the combined contributions of ODA and foreign direct investments by EU Member States make the regional group the largest economic partner of Pakistan. The EU is Pakistan’s largest export market, accounting for about 20 percent of its foreign trade, of which the most important share is represented by textiles and clothing (65 percent). In 2007, bilateral trade totalled €7.1 billion,

with a slight trade deficit on the side of Pakistan. With specific regard to ODA, the EU confirmed its leading position, committing more than €900 million over the period 2005–2007. The sectors that received most of the assistance (around 60 percent) were education, energy generation, and housing and construction. At the same time, political engagement remained a priority on the EU agenda, as emphasised by the EU's resumption and upgrading of political dialogue and by the signing of a third Generation Cooperation Agreement, which entered into force in September 2004, and which put respect for human rights and democratic principles as an essential element of the agreement. The fight against terrorism represented an additional point of attention for EU Member States and the European Commission (EC), where poverty reduction and good governance were regarded as crucial components of their support to Pakistan. Finally, the EU identified election observation as an important element of its policy of promoting democratisation and the rule of law in the region. For that reason, on the occasion of the National and Provincial Assembly elections of 18th February 2008, it dispatched to Pakistan a team of 131 observers.

With regard to the EC-specific intervention sectors, ‘Democratisation and Human Rights’ was identified as one of the four non-focal areas. Within that sector, access to justice for vulnerable groups was regarded as one of the main pillars. However, due to the judicial crisis that affected the country in 2007, no concrete action had yet been undertaken as of September 2008. A review of the situation was supposed to take place in October, while staff at the EU delegation were already considering community-based organisations and local administrations as their potential counterparts for the implementation of such a project. Other areas of interest included: domestic violence, women's economic and political empowerment; minorities' rights and needs, and parliamentary and electoral reform.

STATE-SOCIETY RELATIONS
As this analysis has shown, the governance challenges facing Pakistan have deep social roots. The state’s formal institutions are embedded in society, and the boundaries between public and private spheres in Pakistan are porous. Pakistan’s leaders at all levels are more likely to secure their position of formal authority through social networks and patronage, than through free and fair processes. Similarly, Pakistani citizens are more likely to access basic goods and services through personal networks of kin and biradri, informal intermediaries and facilitation payments, than through formalised procedures and processes.

At a local level, formal procedures and regulations are often poorly understood by administrators and even when they are, administrators use their position as gatekeepers to guard access to information, public services or documentation. This tends to reinforce the informality of the system as people (particularly the poorer and less powerful) must rely on intermediaries, personal connections or facilitation payments to navigate the system or to secure services, as the following examples illustrate:

- Land records in rural areas are maintained and tightly controlled by local revenue officers, or patwaris. Control over these records has created opportunities for graft in land titling and registration, particularly in rural areas. Land records are unavailable unless relationships with the local patwaris are maintained.
- In some cities, access to water is also alleged to be managed by profiteering intermediaries. In Karachi, most residents rely on the “tanker mafia” to secure water. The speculation is that this mafia colludes with local administrators to access the municipal water supply, effectively capturing most of the city's public water supply.
- Nazims have also begun to use their influence over transferring civil servants to shore up their political position and as a tool of patronage. By threatening to or actually transferring non-compliant civil servants, local officials are able to strengthen their authority over the bureaucracy and to gain their compliance. An indicator of the degree to which transfers have been misused in recent years is the length of tenure of civil servants in particular postings. For instance, while police officers should expect to be in a particular post for an average of three years, the average time in posts is now closer to six months.

Policy and legislation in many key areas is not followed through with the essential enabling legislation, rules and procedures to make them workable. For instance, the Freedom of Information Ordinance of 2002 has been limited in its effectiveness by the inability and unwillingness to flesh out the requisite rules for its implementation. This failure to give substance to the law stems at least partially from capacity constraints, particularly as the government has undertaken so many simultaneous reforms. However, it also may stem from a deeper lack of commitment to the reforms themselves.

The government at all levels has difficulty spending the budget allocated to basic services (i.e. health and education), even though these sectors are relatively under-resourced in the first place. In 2005–06, for instance, it is estimated that the Sindh provincial government was only able to spend 37 percent of its education budget. This inability to spend appears to be both because of the late arrival of transfers from the federal level and inadequate capacity to manage resources at the provincial level and below.

Public attitudes toward political processes and service delivery reveal deep distrust and low expectations. Voter turnout in Pakistan, for instance, is among the lowest in the world. Since independence, turnout for parliamentary elections has been 45.3 percent, by far the lowest rate in Asia. Citizens have little faith in public services. In these circumstances, people are more likely to turn to informal systems of adjudication and service delivery, even if they are administered by and favour local elites.

The presence of the state is even more contested in those areas bordering Afghanistan, where service delivery has been almost completely replaced either by total neglect or by military presence and repression. For example, in Baluchistan, where on paper the entire service and administrative structure exists, in reality there are two problems: 1) given the scarcity of trained manpower in Baluchistan, many administrative posts are vacant; and 2) even when posts are not vacant, the officials who have been posted in Baluchistan often do not go to their place of service. This is because many people posted in remote areas of the province do not belong to that area and have to live there without their families. This problem is not unique to Baluchistan and it happens in remote areas of other provinces as well.

In the case of FATA, there is an obvious distinction between the situation prior to and after the beginning of military operations in 2003. Before 2003, there was a government presence in the areas in the form of very powerful Political Agents, as well as social service staff from the departments of Health and Education. One agency in FATA even had a teachers’ training college. After 2003, the situation changed, and most educational institutions and health centres are now closed because of the unrest, as well as the fact that government staff are at risk of being kidnapped.

In many ways, Pakistan’s people lack substantive citizenship. Citizens – particularly the poor and women – lack the formal means to make their voices heard and to influence or hold their leaders and service providers to account. In some cases, they are treated more as the subjects of local landlords, elites and customary authorities than as citizens. For instance, ‘the Agriculture Survey of Pakistan and the ILO’s World Labour Report estimates put the number of bonded labourers in Pakistan at 17 million’.

In terms of women’s opportunities to engage in the political process, there is again a stark contrast between the formal framework and the reality on the ground. While there is a legal reservation of seats for women taking part in politics, which is currently set at 33 percent for the local level and 17 percent for the national and provincial legislatures, in practice these quotas are often completely devoid of any significance. Women tend to be excluded from decision-making or key positions, and when they do manage to rise to political prominence within the political system, it often happens due to kinship or family linkages with important male politicians.

Yet, women are starting to make some inroads into the military system. Until a few years ago, there were practically no women in the armed forces, other than in the medical and teaching corps. However, in 2003 the Air Force started accepting women cadets to train them as fighter pilots, with the first batch graduating in 2007. The Army recruits women for the National Guard (a civil defence outfit) and more recently for the elite anti-terrorism force. Moreover, in 2007 some women were recruited as guards of honour. There have even been some rumours

about the possibility of recruiting women for combat positions within the Army and Navy, but nothing has come of this so far.

Finally, the recent military operations in FATA and parts of NWFP have raised concerns about the importance of guaranteeing transitional justice mechanisms for the civilian population affected by the fighting. As candidly admitted by General Jehangir Karamat, transitional justice is still a ‘weak area’ in the intervention strategies of the state. Experience from the past showed that where such mechanisms were not put in place, militants tended to reoccupy the space left vacant after the fighting. According to the same source, however, in September 2008 the Ministry of Interior started to promote a debate on 'Transitional Administrative Arrangements'. Unfortunately, the main concern appeared to be the need to maintain security in post-conflict areas, and no mention was made of the importance to provide the affected population with reconciliation and justice mechanisms.

IDENTIFYING KEY TRENDS

Given our analysis of the structures and formal and informal political institutions at work in Pakistan, what broad trends can be identified that have the potential to bring change to the quality of governance and to the way important groups share and exercise power in Pakistan? This analysis highlights a number of key trends:

- **Talibanisation of society:** In recent years, Islamist extremists have gained significant ground. The combination of international events, tacit and, in some cases, active State support for extremist groups, and the Islamisation of education and social issues, have made Pakistan increasingly prone to Islamic extremism. In particular, Musharraf's endorsement of the US-led WoT has been met with growing resentment within Pakistani society. This resentment has proved to be an ideal breeding ground for extremist positions and has not abated since the February 2008 elections. On the contrary, the evident increase in striking capability of Islamist extremists, as demonstrated, among others, by the bold attacks on the Marriott Hotel in September 2008 right in the heart of the state's capital, has clearly indicated that this worrying trend is not going to subside under a civilian government. Religious radicalisation of society in its most extreme and violent forms is a phenomenon that seems due to break out of its traditional areas of origin, such as NWFP and Kashmir, to engulf and affect the whole country. There is no major city in Pakistan that between 2007 and 2008 has not been the target of violent attacks by groups claiming a jihadist affiliation. Besides the above-mentioned causes, the state's inability to deliver basic services and development, Pakistan's “democratic deficit” and widespread corruption have also added to the appeal of these groups. Especially in those areas that have had a historically conflicting relationship with the centre, a religiously motivated violent discourse is finding fertile grounds. Even in Baluchistan, a region not traditionally known for its religious fanaticism, Taliban-like figures seem set to replace former nationalist leaders in channelling the frustrations of the local population vis-à-vis the federal government. And as we have already pointed out, while the 2001 devolution law was drafted with the declared objective of decentralising power to the local level, the opposite seems to have happened, with a consolidation of control by the centre over the local levels of government. The growth of religious conservatism, therefore, can be interpreted also as society's response to the disappointing performance of the state, both in terms of its effectiveness and perceived legitimacy, and of the ‘military's ability to deliver justice as an arbitrator’.

- **Demographic change:** Pakistan is an increasingly populous, young, urban and mobile country. The country is in the midst of a ‘youth bulge’ with 60 percent of its population under the age of 25. Forty percent of Pakistan's population is now urban and each year, more and more people flood to the country's cities and large towns. Pakistanis are also more mobile than ever before, with increasing numbers moving from their places of origin and seeking economic opportunity abroad. These demographic trends provide both opportunities and challenges. If provided with the necessary education, infrastructure and opportunities, Pakistan's increasingly urban and youthful population can make a significant contribution to the economy and eventually also to a broad process of democratisation, through a growing awareness of citizens’ rights and legitimate expectations of the state. However, if they are not absorbed into the economy, there is a risk that they can become disaffected and even vulnerable to recruitment by both sectarian and religious extremists.

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• **Reversal of economic growth:** Whereas Pakistan's economy has grown at an average rate of seven percent between 2004 and 2007, its highest growth rate since the 1980s, a clear reversal in this growth trend has been setting in since 2007. According to the International Monetary Fund's (IMF) *World Economic Outlook* of October 2008, GDP growth rates in real terms for the years 2007, 2008 and 2009 were 6.4, 5.8 and 3.5 percent, respectively. In 2007, domestic factors, such as heightened political tensions, an unstable law-and-order situation, supply shocks, and an unprecedented rise in global food and energy prices, began to negatively affect the country's economy. The unreliability of the energy supply to the industrial sector (mainly cotton and textile factories), for instance, has already forced the closure of many of these industries. In the Punjab province alone, as many as 300 textile plants were forced to close during 2007. 'Such an impact on private business operations has obviously had its negative repercussions on state revenues too', Marco Mezzera argues. 'When compared over a one-year period, tax collection has dramatically dropped, by about 83 percent between December 2006 and the same month of 2007.' The already difficult situation has been further tested by the recent global financial crisis. In the last few months, Islamabad has been scouting very actively in the international markets for financial lifelines. Quite significant in this sense are the approaches made by President Zardari to China in October 2008 and, even more significant, to the IMF the following month. Any sustained reversal of economic growth in the country could have devastating effects on Pakistan's political stability. The steady GDP growth achieved during the last couple of years has in fact probably been ‘one of the most important factors in correcting negative trends in state fragility in Pakistan', Mezzera contests. ‘Now that the national economy also seems to be heading towards an unstable period, even this last bastion of stability might disappear, with all the related consequences for the country.'

• **Internationalisation of the conflict:** The somehow unexpectedly prolonged and even increasing Taliban resistance in Afghanistan, and the concurrent increase in Pakistan's internal fragility, have contributed to a substantial strengthening of the international community's attention to Pakistan's potential impact on regional stability. In particular, the US, which is leading operation 'Enduring Freedom' on the other side of the border in Afghanistan, has increasingly focused on the role of Pakistan's tribal areas in supporting the Taliban and allegedly other foreign terrorists operating in Pakistan. Because the half-hearted efforts of the Pakistani government, especially under Musharraf, to keep those areas under tight control did not seem to convince the US allies of their effectiveness, since September 2008 the US forces have started launching officially unauthorised military strikes across the Pakistani border. Although that has almost exclusively happened through the use of unmanned planes, the new military strategy risks a further destabilisation of the country. By operating unilaterally inside Pakistani territory, the US is in fact further discrediting the country's government and military in the eyes of its citizens, and at the same time is contributing to the potential growth of domestic extremism. Moreover, the apparent disregard of Pakistan's sovereignty by the US is an open invitation to other international actors to take bolder initiatives towards Pakistan and its role in fighting a global WoT. The terrorist attacks in Mumbai at the end of November 2008 and India's subsequent accusations of the Pakistani government's incapacity or unwillingness to go after the allegedly Pakistan-based culprits, seem precisely to fit in an emerging international discourse that looks at Pakistan as a country hopelessly degenerating into anarchy and therefore justifying, eventually, external military interventions.

• **The “militarisation” of the economy, state and society:** Finally, as this analysis has shown, the military has long been the font of political power in Pakistan. In recent years, however, its influence and power has expanded even further into the bureaucracy and economy. Retired and current army officers occupy more positions within the civil service than at any point in Pakistan's history. According to Ayesha Siddiqa's much debated book, the military's interest in the economy is also extensive; she estimates that army-related institutions and personnel control up to €15 billion worth of Pakistan's economy. Siddiqa also argues that with such extensive interests at stake, the armed forces are bound to seek to institutionalise its role in the country's politics.
HERE AND NOW

This section briefly analyses the current events and processes and actors that are shaping immediate prospects for governance and state-society relations in Pakistan. The current situation in Pakistan is rapidly evolving, so this analysis should simply be seen as a “snapshot” to be corroborated and updated by regular assessment processes.

CONTEXT

Internal conflict: 2008 has witnessed a significant escalation of the internal conflict between the Pakistani state and the Taliban in Pakistan. In the immediate aftermath of the election of February 2008, both the federal government (which at that time comprised a coalition of the PPP and the PML (N) group amongst other parties) and the provincial government of NWFP (led by the ANP) announced their intention to start a process of negotiation with militants in the FATA region (led by the so-called Tehrik e Taliban Pakistan, or TTP) and Swat (led by Maulvi Fazlullah).\textsuperscript{84} Negotiations continued through April 2008, and resulted in the signing of an agreement with Taliban commanders in FATA and Swat in May 2008, in which the government agreed to the gradual withdrawal of troops from the two restive regions in return for a halt in suicide bombings, and an assurance that parallel systems of government set up by militants in the aforesaid regions would be dismantled.

The accord was greeted with trepidation by the international community, and was followed by increased Taliban activity in Afghanistan, which lent credence to the view that the government’s “soft” approach to the militants would encourage the use of the borderlands of Pakistan as a launching pad for attacks against NATO forces in Afghanistan.

The accord was short-lived, and by June 2008 the Army was called out to the provincial capital of Peshawar to break a siege of the city by multiple militant groups, some of whom were in conflict with each other, but who were in danger of over-running the city. The events in Peshawar pointed to the infiltration of criminal elements in the militant movement, and also to the possibility that the government was covertly engaging in a policy of using officially backed militant groups to counter others. At least one warlord active in the Khyber Agency bordering Peshawar district was known to have risen from the ranks of criminal gangs, and to have the support of official counter-terrorist agencies.

The Army launched an operation to clear the Khyber Agency of militants at the end of June 2008, and had barely completed the operation when the southeastern NWFP district of Hangu, a settled area known for sectarian conflict, erupted in clashes between Shias and Sunnis, and more confusingly, between two Sunni groups following different interpretations of Sharia.

The Hangu conflict was followed by the outbreak of further trouble in the Bajaur Agency, where the Taliban appeared to be in danger of taking over the agency headquarters and expelling the civil administration from the agency, which borders Afghanistan. The Bajaur operation has proved to be perhaps the most drawn-out single operation in the ongoing Army engagement in the tribal areas, with the area not being declared trouble-free even four months after the operation began. Although the Army seems to have regained control over much of the agency, clashes continue from time to time. The Bajaur operation has also led to the largest internal displacement of population in Pakistan's history, with 300,000 people reportedly leaving the agency for the districts of Charsadda, Mardan and Peshawar.

The ongoing operations in the tribal areas, and particularly in Bajaur, have had ramifications beyond the tribal areas. The intensity of suicide bombings has registered an increase across Pakistan, with ever more daring attacks taking place in key cities. Of the more deadly attacks, the June 2008 car bomb outside the Danish embassy in Islamabad, suicide bombings on successive days in the southern NWFP district of Dera Ismail Khan, and the August 2008 bombing outside the Pakistan Ordinance Factories in Wah (western Punjab), increased the sense of insecurity in the country. In September 2008, one of the deadliest suicide bombings in Pakistan's history took place at the Marriott Hotel in Islamabad, when a truck full of explosives crashed into the entry barrier of the hotel, killing at least 53 people and injuring more than 260.\textsuperscript{85}

\textsuperscript{84} Son-in-law of Sufi Mohammad, the founder of the Tehrik e Nifaz e Shariat e Mohammadi (TNSM), a militant movement that had been active in Swat in the mid-1990s.

Cross-border intrusions: 2008 has also seen a significant escalation in cross-border attacks by unmanned US aircrafts. Over 300 people are estimated to have died in such attacks, which have taken place primarily in FATA. Attacks intensified after July 2008, with six attacks taking place in the first two weeks of September alone. The increase in US activity seems to be the result of an authorisation issued by President George W. Bush in July 2008, wherein he agreed to American Special Operations forces carrying out air and ground attacks in Pakistan without informing the Pakistani authorities in advance. In addition to the drone attacks, US Navy SEALS were involved in a ground attack in South Waziristan Agency on 3rd September, in which 20 people were killed, with the Pakistani authorities contending that most of the dead were women and children. The ground assault set off alarm bells across Pakistan, as it was the first time US forces had landed on Pakistani soil to carry out an operation. Although, there has been no repeat of such an instance to date, there is growing pressure on Pakistan from the international community to check the activity of the Taliban, and initial signals from from President Barack Obama indicate that the new US government would only increase this pressure once in office.

The sudden increase in drone attacks on Pakistani soil since September have garnered a strong reaction from the public and political leaders in Pakistan, with the Pakistan Air Force increasingly under pressure to retaliate in some form. Since mid-September, there have been three or four incidents of Pakistani forces either repulsing attacks, or firing flares to warn US (and once a NATO) aircraft of incursion into Pakistani territory. However, these skirmishes did not develop into outright engagements.

Relations with India: Relations with India came under renewed strain after the bombing of the Indian embassy in Kabul in July 2008, in which India alleged that the ISI was involved. Thereafter, the Indo-US civilian nuclear agreement, which was signed by both parties on 8th October 2008, has further added to Pakistan's apprehensions. While there has been speculation amongst academics and policy analysts that Pakistan will try to reach a similar agreement with China, nothing concrete has happened in this regard, with the Chinese administration being fairly circumspect on the issue, in spite of the fact that 11 Memorandums of Understanding, mostly on economic cooperation, were signed between the two governments when President Zardari made his first visit to China in mid-October.

Thus, relations with India were already somewhat tense when the Mumbai terrorist attacks occurred at the end of November. India was quick to point to the possible involvement of Pakistani organisations (although it stopped short of accusing Pakistani state actors), and its claims appear to have been vindicated by the information received from the one terrorist who was captured alive, and who appears to come from Pakistani Punjab. Tension between the two countries has escalated dramatically in the aftermath of the attacks, with unofficial information from US sources indicating that India may have prepared to launch surgical strikes against Pakistani targets (mainly militant camps) in the immediate aftermath of the attacks – a move that may have been deflected by US intervention. The Pakistani authorities, while denying involvement of any state agency, have now proceeded, under growing pressure from the international community, to arrest leaders of the militant group Lashkar e Tayyaba, which the UN has declared a terrorist organisation, and to seal offices of three charities apparently channelling funds to the group. The danger of military action from either side seems to have been averted for the short term, but it is clear that the ramifications of the Mumbai attacks will be felt in Pakistan for some time, as the authorities move against militant groups which were undoubtedly previously allied with certain state agencies. The fear of reprisals within Pakistan is a plausible one, and internal security has been beefed up significantly in the wake of the attacks.

Economy: In early September 2008, Pakistan's foreign reserves had dwindled to a level where only five weeks of imports could be financed. The government's strategy for short-term relief consisted of three plans, the first of which involved approaching the World Bank and the Asian Development Bank (ADB); the second consisted of approaching bilateral donors through the newly constituted Friends of Pakistan forum; while the last-resort strategy was to approach the IMF. The multilateral banks and the bilateral donors were reluctant to lend further support to Pakistan without suitable accountability mechanisms in place. After much public debate, the government finally started negotiations with the IMF. The IMF Board approved a two-year US$7.6 billion facility for Pakistan in mid-November. Some of the conditionalities of the programme include reducing 86 Formally named the United States-India Nuclear Cooperation Approval and Non-proliferation Enhancement Act.
the fiscal deficit to 4.7 percent of the GDP, removal of subsidies on food and fuel by the beginning of the next fiscal year in July 2009, increasing the collection of agricultural income tax and halting government borrowing from the central bank. Most of these measures would probably have had to be implemented even without an IMF programme in place, but the programme makes the implementation of fiscal discipline incumbent on the government.

ACTORS AND STAKEHOLDERS

- **Militant groups:** Since the failure of peace negotiations with the newly elected government in May 2008, militant groups in Pakistan have displayed their capability of attacking high profile targets like the Danish embassy, located in a well policed residential area of Islamabad, and the Marriott Hotel, located in perhaps the most well guarded city enclave in the country. In addition, militant groups have diversified to include criminal elements, followers of sectarian ideologies, and even proponents of inter-sect rivalries. The aftermath of the Mumbai attacks has added complexity to the issue, with militant groups in FATA and NWFP offering to lay down arms and cooperate with the army in the event of an attack from the eastern border.

Circumstantial evidence would suggest that militant groups based in south and central Punjab, who have historically been active in Indian Kashmir, may have had links with the perpetrators of the Mumbai carnage. If true, this supposition adds another dimension to the issue of controlling militancy in Pakistan, and suggests that Punjab-based groups may have been tolerated, while the Army has moved in full force against militant groups based near the western border, which are engaged with NATO forces.

- **Military:** The military has taken care to stay away from politics in the period since the elections of 2008. However, the military is under increasing pressure, first to respond to US drone attacks, and now to respond or at least show readiness to respond to threats of military action by India. At the same time, the international community is increasingly focusing on military institutions such as the ISI, in a bid to determine if elements within the military are supportive of certain militant groups.

- **Judiciary:** The lawyers’ movement seems to have lost momentum in 2008, in spite of the fact that the PML (N) left the ruling coalition because it had not enforced the restoration of those judges who did not take oath under the emergency proclaimed by Musharraf in November 2007. The recent discovery of misuse of influence on the part of the current chief justice, who is alleged to have used his office to influence examiners dealing with his daughter’s college examinations, should have added impetus to the lawyers’ movement, but such internal considerations have been overshadowed by the implications of the Mumbai attacks and the threat of military conflict.

- **Civil society:** Civil society played a vibrant role in the last days of the Musharraf government, particularly with regard to participation in the lawyers’ movement. However, civil society activists seem to have adopted a wait-and-see approach to the current government, which has taken some positive action on rights issues.

- **Media:** Media controls, which had increased substantially after the proclamation of emergency in late 2007, have eased after the elections of 2008. Nevertheless, the media has been accused of being sensationalist, and espousing a conservative, militaristic point of view. The media’s tendency to sensationalise reached its zenith in the aftermath of the Mumbai attacks, with sections of both the Indian and Pakistani media exhorting their respective governments to take strong action against the other country.
ANNEX 2: DISTRICT MAP OF NWFP & FATA

Source: Ed Brown, Wikimedia Foundation, with permission for derivative work by Riaz Hakeem.
ANNEX 3: DISTRICT MAP OF BALUCHISTAN

Source: This work is licensed under the Creative Commons Attribution-Share Alike 3.0 License. For more information, see: http://www.creativecommons.org/licenses/by-sa/3.0/.
ANNEX 4: OVERT US AID AND MILITARY REIMBURSEMENTS TO PAKISTAN, FY2002-FY2009

(Rounded to the nearest US million dollars)

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<td>21</td>
<td>22</td>
<td>267</td>
</tr>
<tr>
<td>NADR^</td>
<td>10</td>
<td>1</td>
<td>5</td>
<td>8</td>
<td>9</td>
<td>10</td>
<td>10</td>
<td>53</td>
</tr>
<tr>
<td><strong>Total Security-Related</strong></td>
<td>1,346</td>
<td>1,505</td>
<td>818</td>
<td>1,313</td>
<td>1,260</td>
<td>1,115</td>
<td>1,512</td>
<td>8,869</td>
</tr>
<tr>
<td>CSH</td>
<td>14</td>
<td>16</td>
<td>26</td>
<td>21</td>
<td>28</td>
<td>22</td>
<td>30</td>
<td>157</td>
</tr>
<tr>
<td>DA</td>
<td>10</td>
<td>35</td>
<td>49</td>
<td>29</td>
<td>38</td>
<td>95</td>
<td>30</td>
<td>286</td>
</tr>
<tr>
<td>ESF^</td>
<td>615</td>
<td>188</td>
<td>200</td>
<td>298</td>
<td>337</td>
<td>389</td>
<td>347</td>
<td>2,374</td>
</tr>
<tr>
<td>Food Aid^</td>
<td>5</td>
<td>28</td>
<td>13</td>
<td>32</td>
<td>55</td>
<td>-</td>
<td>50</td>
<td>183</td>
</tr>
<tr>
<td>HRDF</td>
<td>1</td>
<td>-</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>11</td>
<td>-</td>
<td>42</td>
</tr>
<tr>
<td>MRA</td>
<td>9</td>
<td>7</td>
<td>6</td>
<td>6</td>
<td>10</td>
<td>4</td>
<td>-</td>
<td>42</td>
</tr>
<tr>
<td><strong>Total Economic-Related</strong></td>
<td>654</td>
<td>274</td>
<td>296</td>
<td>388</td>
<td>539f</td>
<td>521</td>
<td>457</td>
<td>3,129f</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>2,000</td>
<td>1,779</td>
<td>1,114</td>
<td>1,701</td>
<td>1,799</td>
<td>1,636</td>
<td>1,969</td>
<td>11,998</td>
</tr>
</tbody>
</table>


Abbreviations:
CN: Counter-narcotics Funds (Pentagon budget)
CSF: Coalition Support Funds (Pentagon budget)
CSH: Child Survival and Health
DA: Development Assistance
ESF: Economic Support Fund
FC: Section 1206 of the NDAA for FY2008 (P.L. 110-181, Pakistan Frontier Corp train and equip)
FMF: Foreign Military Financing
HRDF: Human Rights and Democracy Funding
IMET: International Military Education and Training
INCLE: International Narcotics Control and Law Enforcement (includes border security)
MRA: Migration and Refugee Assistance
NADR: Non-proliferation, Anti-Terrorism, Demining, and Related
Notes:

a. CSF is Pentagon funding to reimburse Pakistan for its support of US military operations. It is not officially designated as foreign assistance, but is counted as such by many analysts.

b. The great majority of NADR funds allocated for Pakistan are for anti-terrorism assistance.

c. Congress authorised Pakistan to use the FY2003 and FY2004 ESF allocations to cancel a total of about US$1.5 billion in concessional debt to the US government. From FY2005-FY2007, US$200 million per year in ESF was delivered in the form of “budget support” – cash transfers to Pakistan. Such funds will be “projectised” from FY2008 on.

d. P.L. 480 Title I (loans), P.L. 480 Title II (grants), and Section 416(b) of the Agricultural Act of 1949, as amended (surplus agricultural commodity donations). Food aid totals do not include freight costs.

e. Includes US$220 million for Peacekeeping Operations reported by the US State Department.

f. Includes US$70 million in FY2006 International Disaster and Famine Assistance funds for Pakistani earthquake relief.

g. Includes CSF payments for support provided through November 2007. The Consolidated Appropriations Act, 2008 (P.L. 110-161), and the Supplemental Appropriations Act, 2008 (P.L. 110-252), appropriated a total of US$1.1 billion for FY2008 CSF payments to key cooperating nations, including Pakistan, which historically has received about 80 percent of such funds.
# ANNEX 5: LIST OF INTERVIEWEES

## Islamabad

- **Amir Rana**  
  Director, Pakistan Institute of Peace Studies

- **Athar Minallah**  
  Associate, Afridi, Shah and Minallah Associates

- **Harris Khalique**  
  Chief Executive, Strengthening Participatory Organisations (SPO)

- **Ahmed Bilal Mehboob**  
  Executive Director, Pakistan Institute of Legislative Development and Transparency (PILDAT)

- **Aasim Sajjad Akhtar**  
  Analyst and political commentator, Founding member of People’s Rights Movement

- **Mukhtar Ahmed Ali**  
  Executive Director, Centre for Peace and Development Initiatives (CPDI)

- **Tanvir Ahmed Khan**  
  Chairman, Institute of Strategic Studies (ISS)

- **Foqia Sadiq Khan**  
  Researcher and author

- **Brig. Bashir Ahmed**  
  Senior Fellow, Institute of Regional Studies

- **Dr. Tomas Niklasson, Elisabeth Loacker, and Daniela Forte**  
  Delegation of the European Commission to Pakistan

## Peshawar

- **Rahimullah Yusufzai**  
  Resident Editor, The News International

- **Khalid Aziz**  
  Ex-Chief Secretary and Chairman, Regional Institute of Policy Research & Training Peshawar (RIPTO)

- **Tahir Ali**  
  Community Appraisal & Motivation Programme (CAMP)

- **Dr. Humayun Khan**  
  Former Ambassador and Foreign Secretary

- **Prof. Dr. Azmat Hayat Khan**  
  Vice Chancellor, University of Peshawar
Quetta

Dr. Mansoor Akbar Kundi
Dean, Faculty of Languages, University of Balochistan

Prof. Dr. S. Badal Khan Baloch
Pro Vice Chancellor, University of Balochistan

Siddique Baloch
Editor-in-Chief, Balochistan Express

Habib Jalib Baloch
Balochistan National Party (BNP-Mengal)

Dr. Saeed Baloch
Director Oil & Gas Department, Provincial Government

Abdul Hakim Baluch
Editor, Balucea

Shahzada Zulfiqar
Bureau Chief, Samaa TV

Malik Siraj Akbar
Journalist, Daily Times

Lahore

General Jehangir Karamat
Director, Spearhead Research

Khaled Ahmed
Journalist and commentator

Ahmer Bilal Soofi
Advocate Supreme Court of Pakistan

Shaftqat Mahmood
Political Analyst

I.A. Rehman
Director, Human Rights Commission of Pakistan Secretariat