Governance deficiencies have long vexed Pakistan, yet momentum for reform has not materialised, because elites maintain stability by limiting access to and control of valuable resources (such as land and capital) and valuable activities (such as contract enforcement). As a result Pakistan can best be understood as a “limited access order”. Patronage and the capacity for violence play crucial roles in determining political outcomes, and manifest themselves in repeated coups, sectarian conflict and feudalistic relationships. Political parties and the military are merely platforms that grant various elites access to state resources. The military in particular has derived huge economic assets from its strong political position. Combined with a weak and corruption-ridden state, such conditions have produced a government where institutions work very differently for different people. While these entrenched power dynamics make wholesale reform daunting, incremental steps that enhance stability by obviating the need for threatening violence, strengthen the capacity of the state to ensure that the law applies more equitably, and embrace economic reforms that give businesspeople a greater interest in promoting change would gradually enable Pakistan to move towards a more stable, equitable and open rules-based political order.

Beneath these incongruities – and the severe political, economic and social problems that Pakistan faces – lies a power dynamic that both debilitates the state and proves immensely intractable.

Patronage politics and a limited access order

Although the country has oscillated between military and civilian rule throughout its history, these oscillations have hardly changed the nature of government. Under both types of regimes, politics has been dominated by a small elite that is organised into weak coalitions along lines of patronage rather than ideology. To claim power, elites have coupled general promises of higher living standards with...
specific promises to particular politicians, families and districts. But because the state lacks the financial resources and capacity to keep these promises, power has proven fleeting, making any government unstable.

Dependent on placating a number of actors through patronage, both military and civilian elites have preferred to protect their own interests or those of their supporters at the expense of their fellow citizens. As Nazim Haji, a Karachi businessman, says: “We’re not a poor country. We’re a poorly managed country” (Inskeep, 2011).

Pakistan is an archetypal limited access order (LAO), a conceptual framework created by Douglass North, John Wallis, Steven Webb and Barry Weingast that describes most developing countries. In such countries:

No one, including the state, has a monopoly on violence .... An LAO reduces violence by forming a dominant coalition containing all individuals and groups with sufficient access to violence .... The dominant coalition creates cooperation and order by limiting access to valuable resources – land, labor, and capital – or access [to] and control of valuable activities – such as contract enforcement, property right enforcement, trade, worship, and education – to elite groups .... The creation and distribution of rents therefore secures elite loyalty to the system, which in turn protects rents, limits violence, and prevents disorder most of the time (North et al., 2007: 7-8).

In Pakistan, as in other LAO countries, the capacity for violence plays a crucial role in determining political outcomes. The armed forces, the most powerful of the many actors jockeying for political power (and rents), have used violence or its threat to accumulate power, officially governing for half of Pakistan’s history and quietly manipulating civilian leaders for most of the rest. The military has leveraged this influence to acquire key economic assets and silence opposition to its interests. A quarter of all government spending goes to defence. The manipulation of public policies has helped the military to establish a multibillion-dollar commercial empire that controls a third of all Pakistani heavy manufacturing and up to 7% of private assets. In addition it owns 12 million acres of public land (Walsh, 2007). While the military often justifies its preponderant position through its articulation of the national interest, this articulation leaves little room for competing interest groups to check or challenge its position or pursue their visions of the national interest.

Other political players also use violence to achieve their aims. A regional political party, the Muttahida Qaumi Movement (MQM), and its rivals in Karachi have acted like gangs fighting a territory war (ethnic, sectarian and politically linked violence claimed around 2,000 lives in the city in 2012) [Daily Times, 2013]. Meanwhile, violence in Baluchistan by the national government and security forces has given non-local elites access to the province’s rich natural resources. Similarly, large landowners have used violence (and patronage) to maintain feudal positions in the countryside.

Extremists have long used violence to both dissuade important institutions from attempting to interfere with their activities and force them to adopt their ideology, assassinating politicians such as Punjab governor Salmaan Taseer and Federal Minorities Minister Shahbaz Bhatti, trying to murder people who oppose their agenda such as student activist Malala Yousufzai, or directly attacking the state, as the Pakistani Taliban has done. As a result, officials, the media and the judiciary have all tilted towards positions that avoid directly confronting Islamists.

The LAO model offers useful insight into the conduct of politics in Pakistan and why change is so difficult. Political parties and the military are in many ways merely platforms granting various elites access to state resources. The former are highly personalised, which is a common organisational feature in less developed LAOs because individuals and their families can leverage resources and longstanding relationships to achieve their aims more effectively than other organisations, while the state is unable to enforce rules and commitments on its own. The two main parties in Pakistan (like the largest parties in India and Bangladesh) both depend on personal relationships to maintain their cohesion and durability; transferring control to anyone outside the immediate family would probably lead to their dissolution. Other organisations, such as large business groups, are also built around families. The only exception to this general rule is the military, which is far more institutionalised than any other large player, giving it huge advantages and allowing it to enforce loyalty without relying on continual informal agreements.

The state may not work well for most of the population, but as long as it serves elites’ purposes, there is no urgency to extend public services or provide equitable justice. For those in power there is an incentive to limit the use of state resources to the narrowest group possible.

Weak (and inequitable) governance
This order has produced gross deficiencies (and inequalities) in governance. Limited capacity compounded by inadequate funding has yielded derisory public services. A weak and corruption-ridden state has created a situation where government institutions work very differently for different people.

Part of the problem is rooted in the elitist nature of society. Bureaucratic deference to the well-to-do and powerful – especially at lower levels of government – undermines equality and justice and allows elites to exploit everyone
else. Officials are notorious for their dismissal of ordinary [especially lower-class] citizens.3

Beyond these attitudes, institutions that should protect fair and just governance instead serve the elites who control them. Despite recent attempts to improve the independence of the judiciary at the highest levels, courts and the police have remained beholden to powerful interests, leaving the common person greatly disadvantaged in gaining access to justice, the speedy redress of grievances, and the enforcement of contracts and property rights. As Imran Aslam, president of GEO TV, said, “Ask ordinary people here about democracy and they can’t really explain it; but ask them about justice and they understand it well, because unlike democracy, issues of justice are part of their daily lives” (Lieven, 2011: 85).

In fact, discrimination against the poor, women and minorities in public-service delivery (including justice) remains rampant, especially in less developed regions. For example, in the tribal regions just one in ten women can read. As a recent NOREF report concluded:

Some estimates suggest that around 40% of Pakistan’s population experience significant political, social and economic exclusion based on their identity [e.g. religion, kinship group, language], their location or their gender. Such multidimensional disadvantage prevents these groups from participating in political life, accessing resources, claiming rights or influencing the institutions that shape their lives. These patterns of exclusion are perpetuated by state institutions and are intimately connected to Pakistan’s traditional power structures and patronage-based politics (Castillejo, 2012). This inequality before the law weakens national cohesion and disadvantages tens of millions of people. It also creates a powerful interest group invested in the status quo.

Such dynamics are hard to change, given the relative dearth of strong independent intermediate institutions, such as media, independent monitoring organisations (IMOs)4 and civil society organisations, that are able to hold government accountable. More often than not, existing ones are either too small to make a difference or as elitist as the rest of society. As a result they either lack resources to confront the elites or are beholden to more powerful interests, as in the case of the media (Mezzera & Sial, 2010) or the government itself in terms of funding (Zaidi, 2006: 3556-57).

Promoting change

Reform that allows the general population greater capacity to pursue its interests will not come quickly or easily. Rapid change, by undermining the inter-elite relationships that hold the state together without allowing sturdier institutional arrangements to develop, could actually be destabilising, as it was in Chile in 1973 and in Bangladesh in 2007-09 [North et al., 2012: 242].

Reforms crafted for rules-based systems (“open access orders” such as those that exist mainly in highly developed countries) will not work in Pakistan, where such a system does not exist. As North et al. [2007: 29] explain:

Directly transferring the institutional forms and mechanisms of open access orders to LAOs will not produce development – even if the LAO adopts the forms with good will and good intentions …. The logic of the limited access order takes any institutional form or mechanism and bends it to the purpose of rent-creation to sustain the existing dominant coalition.5

The rest of South Asia does not offer much ground for optimism. India, Bangladesh, Nepal and Sri Lanka have all struggled to move past their own versions of an LAO. The same is true throughout Central Asia and most of the Middle East. Yet this does not mean that change is impossible or that lives cannot be substantially improved within the current system. India has accelerated growth over the past two decades despite difficulties with security, the rule of law, social development, a weak state and democratisation. Bangladesh is poorer than Pakistan, but has developed a more dynamic NGO sector, contributing to broad social improvements, and a dynamic textile sector that has strengthened its economy.

The goal should be a series of incremental improvements that build off each other to gradually change power dynamics. As Rodrik [2007: 190-91] has written about growth:

The onset of economic growth does not require deep and extensive institutional reform …. Moderate changes in country-specific circumstances [policies and institutional arrangements, often interacting with the external environment] … can produce discontinuous changes in economic performance …. Once growth is set into motion, it becomes easier to maintain a virtuous cycle, with high growth and institutional transformation feeding on each other.

Incrementally enhancing stability by obviating the need to threaten violence, strengthening the capacity of the state to ensure that the law applies more equitably [especially in dealing with organisations], and embracing economic

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3 As the ICG [2010: i] notes, “the country’s 2.4 million civil servants are widely seen as unresponsive and corrupt and bureaucratic procedures cumbersome and exploitative”.

4 IMOs are policy-research and research-advocacy organisations that pursue transparency and accountability issues.

5 Original emphasis.
reforms that give businesspeople a greater interest in promoting change would gradually enable Pakistan to move towards a more stable, equitable and open rule-based political order.

**Enhancing stability**

As a start, steps must be taken to increase political stability by strengthening incentives for groups to achieve their aims peacefully. Securing peaceful (even if temporary) access to rents will play a crucial role in any negotiation.

The military, for instance, would have less incentive to intervene politically if it were offered credible protection from prosecution for past misdeeds and safeguards for its economic interests, at least in the short term. Chile’s army relinquished power in 1990 partly because it was offered political protections and 10% of the country’s lucrative state-owned copper mine profits, with the salience of these measures being reduced over time (North et al., 2012: 331).

The eventual goal of eliminating the military’s active involvement in the economy (and political system) requires gradual reform that does not threaten the immediate interests of senior officers.

Baluchi fighters – currently without representation in the national and provincial assemblies due to a 2008 boycott by the region’s Baluchi political parties – would have less incentive to wage war if the Baluchi population were given a more prominent role in governance (through, at the very least, a power-sharing role at the provincial level), greater security guarantees (far too many killings and forced disappearances are attributed to state agencies), greater recognition of past mistreatment, and a more transparent and stable share of tax revenue and royalties from the province’s natural resources.6

Similarly, Karachi would see less bloodshed if its most powerful actors could work out a power-sharing arrangement that takes into account demographics shifting away from the MQM’s Mohajir7 power base and divides tax revenues to encourage co-operation in order to promote stability and growth. This may require safeguarding the MQM’s disproportionate share of existing resources while making credible commitments to allocating a disproportionate share of any increase in resources to areas represented by the Pashtun Awami National Party and other groups.

Religious-extremist violence is the most daunting challenge. The government’s goal should be that of strengthening moderate religious groups (such as moderate Deobandi and Barelv) so that their definition of Islam prevails (Khan, 2010). Ultimately, better public services and a better economic environment are necessary to isolate and weaken extremists. This decades-long effort lies beyond the scope of this expert analysis.

Strengthening democracy and building trust in elections as the only avenue to political power would by itself help to stabilise the country. This will require a few election cycles, a more robust electoral system (especially a more robust electoral commission), and an environment that allows new players to compete meaningfully.

**Enhancing the rule of law**

A second goal should be that of enhancing the state’s ability to enforce the rule of law impersonally and equitably, especially in its dealings with non-elite-run political, economic and social organisations.

Increasing the durability and scalability of companies (and NGOs) so that they can operate without active elite-family involvement or support is essential to opening up power dynamics more broadly. For too many businesses (especially small to medium-sized businesses) access to licences, bank funding and government contracts depends on elite connections. Strengthening institutions such as the courts and other contract-arbitrating and -enforcing mechanisms; banks, especially those aimed at small to medium-sized businesses; and regulatory agencies that oversee private entities would offer non-elites an opportunity to form and grow organisations capable of augmenting their economic and political power.8

The courts are especially problematic to all but the most well-connected businesspeople and NGOs, which is a major deterrent for business and social entrepreneurs. According to one source, contract enforcement in Pakistan takes an average of 47 procedures and 976 days of litigation (spread over five to ten years). Dispute resolution has become a costly and hazardous exercise – especially for the small and medium-sized enterprises that make up 90% of all companies in the country (KCDR, 2010b).

Expanding the new arbitration courts recently introduced in Karachi and Lahore with the backing of the International Finance Corporation to other cities would quicken the pace of court cases and improve the overall functioning of the judiciary. The Karachi Centre for Dispute Resolution, for instance, already offers an alternative dispute-resolution mechanism for organisations whose commercial cases are either pending before a court or have not yet been filed (KCDR, 2010a).

Making judge selection more meritocratic is essential to ensuring that recent high-level gains in judicial independence filter down to the lower courts. There are some signs of this happening, but more effort is required (Newberg, 2012). Establishing new training institutes for undertrained lower-level judges, police officers, prosecutors, court workers and other officials responsible for ensuring that the law better protects the average Pakistani would also prove useful.

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6 For more information, see PILDAT (2012).
7 The Mohajir are an Urdu-speaking community that migrated from India at the time of Partition.
8 This focus on enhancing the durability and scalability of organisations is quite different from typical development efforts that aim at enhancing entry into markets (North et al., 2012: 340-41).
Establishing an IMO focused on the judicial system would markedly increase the information available to public and higher-level officials, providing an important mechanism to improve performance. Such an IMO could, for instance, regularly survey popular opinion on security and people’s personal experiences of local police, judges and other officials. It could also analyse the legal system’s effect on small companies, pinpoint especially corrupt areas and provide more information on delays. The more the general public, watchdog groups and top ministers (who are often ignorant of their subordinates’ behaviour) can monitor government spending, policymaking and public officials’ performance, the more likely they are to hold these officials accountable and demand better results.

**Enhancing the incentives for investment**

Businesses are the most common type of non-state organisations. Improving their incentives for investment in productive capacity would have large multiplier effects and increase the likelihood of business elites becoming drivers of reform.

The goal should be to encourage the business community (and business diaspora) to seek profits from improving productivity by investing in learning, efficiency and technology rather than seeking rents from the state (or from tenant farmers) and parking their savings offshore. This will result in more firms that are interested in improving the rule of law and removing bottlenecks to growth, such as in the energy sector. Increasing the number of players will in itself enhance openness and compliance with rules by limiting the ability of any group to create exclusive partnerships with politicians.

Enhancing access to export markets and providing technology and start-up assistance to bring new players into the market would improve the economy and create jobs. A mechanism similar to the Multi-Fibre Arrangement that helped create an export-oriented industry in Bangladesh’s textile sector would achieve these aims (and limit the rent seeking other programmes might end up encouraging).

Freeing up trade with India would also help. Trade could be increased from its current $2–2.5 billion a year to over $20 billion a year, a significant increase for an economy that exports only $25 billion worth of goods and services a year [New America Foundation, 2013]. More closely linking the fates of the two countries would also reduce tension and remove some of the rationale for enormous military spending.

Establishing new or enhancing existing special economic zones to allow companies better access to streamlined procedures, reliable infrastructure and attractive tax regimes (and workers better access to dispute-resolution mechanisms) would similarly provide a boost, as it has in places such as Bangladesh, the United Arab Emirates, Kenya, Mauritius, Honduras and Costa Rica. Enlisting foreign partners would increase the attractiveness of these special economic zones, especially if accompanied by some form of international third-party enforcement of land, infrastructure and regulatory agreements, as well as any contracts made with domestic suppliers and distributors operating within the zones.

With investment having fallen by almost half over the past five years, such steps are urgently needed.

**Conclusion**

It is hoped that Pakistan’s elites will find the cohesion and foresight to take steps towards a more inclusive, rule-based society, economy and political system. If not, a macroeconomic crisis may force their hand. Such crises have spurred reform in many countries now considered success stories, including India in 1991, Indonesia in 1967 and 1999, Vietnam in 1986, and China in 1979.

Should a crisis arrive, the international community must use its leverage productively. Too often, security-obsessed foreign donors have discarded opportunities to push for important changes in other spheres. If Pakistan is forced to call in the International Monetary Fund to deal with its budgetary woes – as many expect – donors must press for reforms that empower average Pakistanis by addressing the country’s corrosive legacy of limited-access, patronage politics.

**References**


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