

POLICY BRIEF

**INSTITUTIONS, LAWS,
AND DEVELOPMENT**



FOURTH ANNUAL
INTERNATIONAL CONFERENCE
**RETHINKING ECONOMICS
IN THE CONTEMPORARY WORLD**



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Institutions, Laws, and Development

[Centre for Business and Economic Research](#)

Summary

Pakistan's constitutional history is particularly complex, characterized by interruptions, amendments, and periods of authoritarian rule. Since gaining independence in 1947, the country has grappled with political instability, military coups, hybrid regimes, and the ongoing challenge of establishing a stable democratic governance system. As a result, Pakistan ranks among the countries with critically low institutional quality and legal efficiency.

Consequently, the institutions that have emerged and evolved in Pakistan over the years have positioned the country on a long-term growth trajectory that is comparatively lower than that of its neighbouring countries. This brief highlights insights from the 4th Annual International Conference: Rethinking Economics in the Contemporary World 2024, focusing on Pakistan's institutional history, its evolution, the interplay between institutions and the legal and judicial systems, and the socio-economic and political impacts. It summarizes discussions from the panel session on *Institutions, Laws, and Development* moderated by Dr. Faiz Ur Rehman.

Key recommendations include establishing independent and well-resourced institutions to ensure the consistent and impartial enforcement of laws, introducing institutional checks and balances to limit the arbitrary exercise of power by state actors, strengthening constitutional safeguards and creating accountability mechanisms, recognizing and addressing historical and cultural grievances, mitigating political interference, addressing backlog of judicial cases, updating the outdated land registration system, and implementing comprehensive judicial reforms.

Contextual issues

There is an evolution of extractive institutions in Pakistan. The historical and political factors in the country have led to the persistence of extractive institutions, which have played a prominent role in shaping Pakistan's development compared to its neighbours. There are systemic conflicts among the parliament, judiciary, and military establishment. The judicial capture has affected public trust in the judicial system and the overall governance in

Key Take Aways

The effectiveness of laws depends on the enforcement environment, which remains weak and unpredictable in Pakistan.

The absence of credible commitment mechanisms leads to reliance on personalized exchanges and private contracts, limiting broader societal development.

Effective governance requires mechanisms to constrain the arbitrary power of the state and promote rule-based decision-making.

Laws must ensure equality and fairness in their application to enable rights for all members of society. However, in Pakistan, selective application and circumvention of laws by powerful actors undermine these principles.

Pakistan's development trajectory is constrained by these extractive institutional arrangements, which hinder the transition to a rule-based system.

Independence of the judiciary is critical for maintaining the rule of law and ensuring fair and timely justice, requiring reforms in both judicial appointments and case management processes to reduce delays and political influence.

Historical governance structures in frontier regions continue to shape state-society dynamics, often undermining sovereignty.

Pakistan. This has undermined judicial independence and impact the judiciary's relationship with other institutions in Pakistan. There is inadequacy of existing laws in protecting human rights due to deficiencies in the legal system. The systemic deficiencies have contributed to human rights violations and has compounded effects on conflict.

“Laws don't necessarily matter until we have the enforcement environment.” -- Adeel Malik

The institutions in Pakistan

The panel discussion highlighted the critical role of institutions and laws in fostering development, emphasizing that predictable rules and effective enforcement are essential for societal and economic progress. In Pakistan, however, weak enforcement mechanisms and selective application of laws undermine trust and fairness, perpetuating a reliance on personalized exchanges rather than rule-based systems.

Case of Bangladesh:

- The milestones of Bangladesh independence included the 1948 language controversy, the 1952 Dhaka University killings, the six-point movement, and the 1970 elections where Sheikh Mujib's Awami League won decisively but was denied power.
- The Bhola cyclone, one of history's deadliest, struck East Pakistan (now Bangladesh), claiming hundreds of thousands of lives. The disaster, marked by starvation and an inadequate state response, deepened resentment toward West Pakistan.
- Aid distribution was uneven, with the hardest-hit regions receiving insufficient support, fuelling separatist sentiments.
- The empirical analysis using satellite data, shows correlations between storm intensity and increased support for separatist actions, noting that better relief might have altered the trajectory of the independence movement.

The conversation explored the need to constrain arbitrary state power and promote the rule of law to achieve social order and inclusive growth. Furthermore, it underscored the importance of political representation and equality in rights to ensure laws serve the broader society rather than consolidating the power of elites. Pakistan's development challenges stem from extractive institutional arrangements and systemic weaknesses that impede the transition to a more equitable, rule-based system.

The discussion highlighted critical lessons from the historical, political, and environmental factors surrounding Bangladesh's independence, with implications for contemporary governance in Pakistan. A central theme was the dual role of law: as a tool for societal equality and accountability versus an instrument of state control. Key historical events, such as the marginalization of Bengali language and culture, the Bhola cyclone's devastating human impact, and the state's inadequate relief efforts, fueled grievances that catalyzed the independence movement.

Empirical analysis underscored the importance of equitable disaster relief in mitigating political and social unrest, with evidence showing correlations between inadequate aid distribution, increased separatist mobilization, and conflict intensity. The findings stress the necessity of addressing grievances through inclusive governance, equitable disaster response, and transparent institutional practices, especially in regions vulnerable to natural disasters and political instability. These insights offer valuable guidance for strengthening state capacity and resilience in Pakistan.

The land registration system remains dysfunctional, relying on outdated pre-colonial practices. Land disputes, primarily concerning ownership and revenue records rather than definitive titles, constitute the majority of litigation backlogs at the district level. The system continues to foster prolonged legal battles due to unclear land ownership and outdated laws that encourage litigation rather than resolution.

“The land reforms have not been reformed since the 16th century and have a precolonial construct. Thus, even in 2024 there is no system of land title. There is no land registration system, but it is just revenue records. It is difficult to find the landowner.” -- Asad Rahim Khan

There is inefficiency and corruption within the judiciary demonstrated by the backlog of cases and the inability of the legal system to provide timely and just outcomes for individuals. Access to justice remains limited, with the judicial system unable to address the needs of ordinary citizens effectively.

The recent amendments have led to increased political interference in the judiciary. These changes, including the executive's role in selecting judges, threaten the independence of the judiciary and risk creating a system where judges are incentivized to align with the political powers to secure positions of influence.

The failure to establish a consistent constitutional order since the country's inception is identified as a key factor in Pakistan's ongoing political and institutional crises. The lack of a political consensus on constitutional principles has led to repeated cycles of instability, with economic policies and governance measures failing to produce lasting solutions.

There is a need for comprehensive reforms, particularly in land registration systems and the judiciary, to ensure a more transparent, accountable, and functional system. There is a need for a collective effort to build a constitutional culture that respects the rule of law and ensures stability in governance.

The discussion emphasized the deteriorating trust between citizens and state institutions. Historical policies and governance structures in frontier regions, once focused on maintaining tribal balance, have left lasting tensions and weakened state authority. Contestations of state sovereignty, particularly

Institutional Challenges

While laws exist, their enforcement in Pakistan is inconsistent and unpredictable, leading to selective application and undermining trust in institutions.

Pakistan's political and economic institutions remain extractive, favoring elites and perpetuating inequality, which hinders inclusive development.

The unchecked authority of state actors, including frequent dismissals of constitutional frameworks, prevents the establishment of rule-based governance and contributes to systemic instability.

Laws often fail to ensure equality and fairness, as their application is influenced by elite interests, leaving many citizens marginalized from participating in economic and social systems.

The country faces deep political instability, with frequent changes in government and a lack of agreement on critical issues. This hinders the creation of a cohesive and functional legal and political system, ultimately impacting the country's governance and rule of law.

The average citizen struggles to navigate the legal system, which is complex and often inaccessible. The inefficiency of the judicial process and lack of resources make it difficult for individuals to seek justice in a timely manner.

through violence, were attributed to institutional failures, lack of communication channels, and a deepening legitimacy crisis. The panel linked current crises to historical constructs, drawing parallels with post-colonial governance in other regions, including Africa.

Civil Society Role:

- Its function is to reform, not just advise governments.
- Missed opportunities have weakened its influence in the face of authoritarianism
- It still holds potential for significant impact if mobilized effectively.

The 19th Amendment was highlighted as a positive reform that improved judicial independence, especially in cases against the state, such as land expropriations. The panel noted its role in increasing rulings on case merits and ensuring procedural justice. However, the 26th Amendment was critiqued for reversing these gains by concentrating power within the executive, undermining judicial autonomy. This was identified as a critical setback for governance and justice. Comparisons were drawn with Bangladesh, where similar reforms could enhance judicial independence, suggesting broader regional relevance.

Civil society was urged to play a pivotal role in disrupting regressive equilibria and pushing for reforms that restore balance between the executive and judiciary. This was seen as crucial for ensuring long-term institutional resilience. The panel underscored the need for inclusive governance and dignity for citizens to address the ongoing legitimacy crisis. Without structural reforms, the state's integrity remains at risk.

Civil society should focus on setting a reform agenda rather than merely offering advice to the government. However, it was noted that in recent years, civil society has missed opportunities to effectively counter populist and authoritarian shifts in governance. The lack of timely mobilization by civil society, especially during critical political transitions, has weakened its role in fostering accountability and reform. Despite setbacks, civil society's potential remains significant, with a hopeful outlook for its revitalization.

Historical grievances, both economic and political, were amplified by specific events, such as natural disasters (e.g., the 1970 Bhola cyclone in East Pakistan) that acted as focal points for collective mobilization. Such events underscore how pre-existing structural inequities can escalate into major political or social upheavals when catalyzed by a trigger event.

Comparisons were drawn between East Pakistan's secession and ongoing insurgencies in Balochistan. Questions were raised about the legitimacy of state violence and the absence of inclusive, critical processes in managing dissent and insurgency. The discussion highlighted the need to understand insurgency in light of historical inequities, rather than viewing it solely through the lens of security.

The trajectory of political transitions in Pakistan since 2008 was examined, with an emphasis on the erosion of democratic norms and the rise of hybrid regimes. Shifts in narratives—from coalition-driven politics to militarized governance—were explored, along with the resultant impact on civil liberties and political freedoms. New social dynamics, such as the rise of middle-class female representation in public spaces, were noted as significant shifts challenging traditional post-colonial power structures. The unifying narrative of marginalized regions demanding equal representation presents both an opportunity and a challenge for governance in Pakistan.

Policy Recommendations:

Recognizing and addressing historical and cultural grievances, such as those related to linguistic or regional marginalization, is critical for fostering national unity. Policies must be designed to ensure equitable representation and autonomy for diverse communities to prevent alienation and subsequent conflict. The government should implement policies to devolve administrative and financial powers to local governments, ensuring that decision-making occurs closer to the people.

Strengthen the capacity of civil society organizations (CSOs) to proactively set and advocate for reform agendas. This involves creating platforms for dialogue, funding mechanisms for grassroots movements, and reducing regulatory barriers that hinder CSO operations, ensuring they can act independently from political influences.

Political parties should be incentivized to engage in dialogue and build consensus on key national issues, such as electoral reforms and constitutional amendments. A cross-party charter of democratic principles can help reduce polarization and ensure the stability of democratic institutions.

To address the backlog of cases and the outdated land registration system, the government should implement comprehensive judicial reforms. This could include digitizing land records, introducing time-bound processes for case resolution, and increasing investment in court infrastructure to improve efficiency and reduce delays.

To mitigate political interference, the process of judicial appointments should be made more transparent and independent. This could involve revising the 26th Amendment to ensure that the judiciary remains free from executive control, potentially by establishing a non-partisan commission for selecting judges, ensuring judicial autonomy and impartiality.

Design and implement disaster management policies with a focus on conflict sensitivity, ensuring that responses do not exacerbate pre-existing political or ethnic tensions. Include diverse stakeholders in policy formulation to anticipate and address potential sources of conflict. Include

Introduce institutional checks and balances to limit the arbitrary exercise of power by state actors. Strengthening constitutional safeguards and creating accountability mechanisms can help reduce the circumvention of laws and the concentration of authority in a few hands.

Conclusions

The discussions during the panel on law, institutions, and development highlighted the critical interdependence between governance, institutional integrity, and societal development. Central to the dialogue was the understanding that sustainable development is deeply rooted in effective legal frameworks, participatory institutions, and equitable policy mechanisms that address societal grievances and foster trust between the state and its citizens.

Strong legal frameworks and their impartial enforcement not only ensure accountability but also create a conducive environment for economic and social progress. However, the discussions pointed out that systemic corruption, bureaucratic inefficiencies, and politicization of institutions often erode public

trust and hinder development efforts. Addressing these challenges requires not only legislative reforms but also a cultural shift towards ethical governance and institutional autonomy.

Participatory governance emerged as a recurring theme, emphasizing the necessity of citizen engagement in policymaking and implementation. Mechanisms such as public consultations, community advisory boards, and inclusive decision-making processes empower citizens and foster a sense of ownership over developmental initiatives. Such approaches are particularly critical in contexts marked by historical marginalization or ethnic and social tensions.

The role of institutions in mitigating inequality and promoting social equity is very important. Policies that fail to address structural disparities often perpetuate cycles of poverty and exclusion, fueling public dissatisfaction. For example, social protection programs such as conditional cash transfers and universal basic services can play a transformative role in leveling the playing field. However, the success of these initiatives hinges on their design and implementation, which must be sensitive to local contexts and inclusive of marginalized groups. Transparent and efficient institutions are instrumental in attracting investment, fostering innovation, and sustaining economic growth. Conversely, weak institutional frameworks often deter investment and exacerbate socioeconomic inequalities. To bridge this gap, panelists advocated for capacity building within institutions, coupled with reforms aimed at enhancing efficiency and curbing corruption.

Policies and interventions that fail to account for existing grievances can inadvertently exacerbate divisions and undermine developmental objectives. For instance, uneven access to resources or services can deepen societal fractures. Transparency and accountability were identified as non-negotiable components of effective governance and institutional credibility. Establishing robust accountability mechanisms, such as independent oversight bodies and transparent reporting practices, is essential for rebuilding trust. Moreover, clear and consistent communication strategies can bridge the gap between state institutions and citizens, ensuring that expectations are managed, and misinformation is curtailed.

Finally, short-term, reactive policies often fail to address the root causes of societal grievances and institutional weaknesses. There is need for long-term and integrated approaches to governance and development is necessary. This includes investing in human capital, fostering partnerships between government and civil society, and leveraging technology to enhance transparency and efficiency.

The discussions reinforced the centrality of law, institutions, and governance in driving sustainable development. Strengthening institutional integrity, promoting participatory governance, addressing structural inequalities, and adopting conflict-sensitive policies are essential for achieving social stability and progress... These insights serve as a roadmap for addressing the multifaceted challenges of development, underscoring the need for reforms that prioritize both institutional strength and social inclusivity.

This brief was prepared based on the discussions of the following experts:

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- Asad Rahim Khan -- Ashtar Ali LLP (Barrister and adjunct faculty of LUMS)
- Sultan Mehmood-- New Economic School, Moscow
- Laila Sohail Farooq-- School of Economics and Social Sciences, IBA
- Faiz Ur Rehman —School of Economics and Social Sciences, IBA (moderator)