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This report is produced as part of the CIFP governance and democratic processes project. It is a baseline analysis, a preliminary attempt to identify and assess emerging trends in democratic governance in the country using both structural and dynamic event-based data. The overall project aims to support informed, evidence-based decision making for Canadian foreign policy and development assistance related to democratization and good governance. This report is one in a series on governance and democracy in developing states.

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Pakistan

Pakistan faces seven fundamental challenges on the path toward democracy and good governance. Insecurity continues to be a major issue, with regular clashes between the Pakistani military and tribesmen. The government has become increasingly autocratic, using the global war on terror (GWOT) as a pretext for arbitrarily arresting and detaining opponents and dissidents. The increasing number of bomb blasts also indicates that frustration is on the rise, and that the government needs to engage disgruntled factions if any meaningful reduction in violent incidents is to be accomplished. Poverty and unemployment continue to be massive problems for the country, with a significant portion of the population living below the poverty line, in spite of record growth rates. Corruption and disregard for the rule of law impede development progress and also pose an obstacle for foreign investors. Democratic participation is severely limited, and the actions of dissidents are closely monitored. Criticizing the regime has almost become unacceptable. The rise in Islamic radicalism can be attributed to the government's de facto support for religious parties as a means to alienate mainstream secular parties.

MAIN CHALLENGES

One of Pakistan's main challenges is the unrest and insurgency in the restive provinces of Baluchistan and NWFP, and the Islamist and secessionist threat that resonates from these regions. The use of excessive force by the government has also resulted in a backlash against the government, and generated even greater instability in volatile regions. The government's heavy-handed tactics and human rights abuses have further galvanized anti-government rhetoric and activity. Entrenched corruption and lack of transparency also hinder the country's development progress.

TABLE 1: KEY FINDINGS

- Insurgencies in Baluchistan and North West Frontier Province (NWFP) continue to threaten stability
- The government is becoming increasingly autocratic, as demonstrated by the controversy over the issue of "enforced disappearances"
- Frustration and discontentment with the government is on the rise
- Poverty, unemployment, crime and inflation continue unabated
- Corruption and disregard for the rule of law continue to be significant problems
- Democratic participation and freedoms are severely limited
- Religious radicalism is gaining momentum, mainly due to the government's marginalization of mainstream parties

1. Executive Summary

An assessment of Pakistan's structural baseline performance using the CIPF governance and democracy indexing methodology reveals that Pakistan is still a high-risk nation that faces a number of key governance and democratization challenges. Poor performance in Political Stability and Violence, Human Rights, and Accountability and Transparency clusters remain the greatest concern.

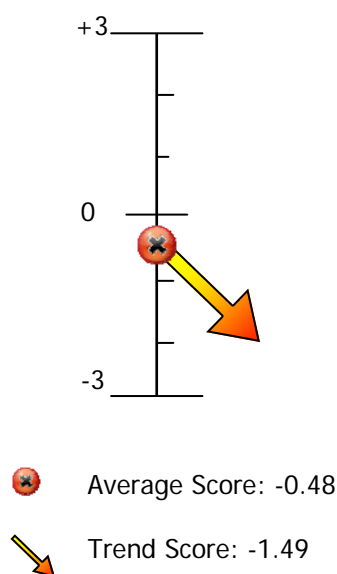
TABLE 2: SUMMARY UNDERLYING CONDITIONS

Political Stability & Violence	Government & Market Efficiency	Rule of Law
6.32	5.04	7.25
Human Rights	Government Transparency & Accountability	Democratic Participation
7.48	7.05	6.87

DYNAMIC EVENTS ANALYSIS

CIPF monitoring of key events covers the period 1 August 2006 to 10 February 2007. During that period 740 events covering the range of political, economic and social interactions have been collected, weighted and assessed. The average event score is slightly negative at -0.48, indicating that the situation in Pakistan is deteriorating. A large number of stabilizing events in the Government and Market Efficiency cluster, counterbalanced by an even larger number of destabilizing events in the Human and Political Stability and Violence clusters account for the overall extremely negative trend.

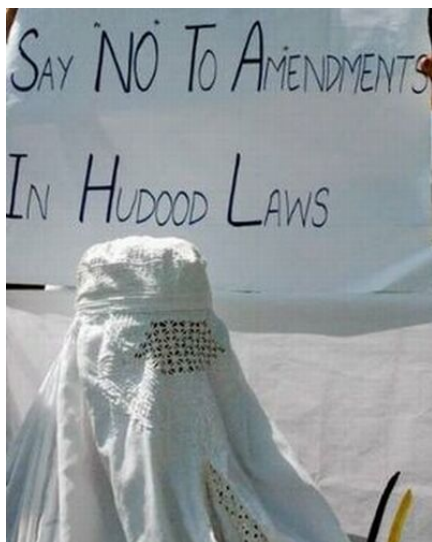
TABLE 3: AVERAGE EVENTS SCORE AND TENDENCY



CENTRAL EVENTS

Women's Protection Bill:

The Women's Protection Bill was passed by the National Assembly of Pakistan on 15 November 2006. It replaced the controversial Hudood Ordinance, which had been enacted during Zia-ul-Haq's reign as part of the Islamization agenda. The Hudood Ordinance basically criminalized adultery and non-marital consensual sex as per Sharia law. In a bold and unprecedented move, the Musharraf government pushed through the Women's Protection Bill, which is grounded in civil law under the Pakistan Penal Code. Even though the government was harshly criticized by Islamists and lost the support of certain elements due to the Women's Protection Bill, the government remained firm to its commitment to advance women's rights. Under the new law, adultery and non-marital consensual sex is still a crime, but the onerous witness requirements and severe punishments have changed. As well, rape cases are not restricted to Islamic courts and can be tried in criminal courts. Human rights groups have hailed the Women's Protection Bill the biggest victory of Musharraf's regime.



Killing of Nawab Akbar Bugti:

Nawab Akbar Bugti, the veteran Baluch leader, was killed on 27 August 2006 in a military operation that left 30 soldiers and over 20 rebels dead. Pundits have hailed Bugti's killing the biggest blunder made by a military government since Bhutto's execution. The killing led to unprecedented violence and unrest in Baluchistan, and generated harsh criticism from the opposition. The Pakistani population and Diaspora expressed outrage against the government's action.

Bugti's killing is important because it has aggravated the feeling of marginalization amongst Baluchis and caused the security situation in Baluchistan to deteriorate significantly. By making Bugti a martyr for Baluch nationalism, the military government has reinforced nationalist struggles in other parts of the country and earned the permanent enmity of many. Bugti's death is certainly the lowest point of Musharraf's government.

Bajaur Agency Air Strike:

The Bajaur Agency air strike, which took place on 30 October 2006, left 80 dead and thousands up in arms against the government in the aftermath.

The operation was conducted using US drones to take out Taliban and Al-Qaeda elements that were believed to be hiding in a *madrassa* in the Bajaur agency. Local tribesmen seethed with anger and resentment against the government after the attack,

claiming that the dead were mostly children and innocent students. The opposition reacted in an angry manner as well, with two provincial ministers resigning from their posts.

Exactly who was killed remains unclear, as the military has denied the media and human rights groups any access to the site. The controversy has been fuelled further by suggestions that the air strike was conducted at the behest of the US. The affair increased the feeling of victimisation amongst Pashtuns, and has proved to be damning for the credibility of the government. There is speculation that several violent incidents that followed the air strike were in retaliation to the Bajaur attacks.



SCENARIO FORECASTING

Scenario analysis is one of the primary analytical tools used by CIFP to set the stage for policy evaluation. Scenarios evaluate interactions between stakeholder agendas and grievances, baseline structural features, and dynamic events. Each scenario is an assessment based on hypothetical projections (positive or negative) of stakeholder behaviour and events.

The best-case assumes that the strongest positive trends will dominate over any negative trends in the near future. Conversely, the worst-case scenario assumes the opposite. Finally, the most likely case scenario extrapolates future tendencies based on the overall trend within the state.

Most Likely Scenario

Our assessment of these three information sources suggests that the most likely scenario is that Pakistan will remain a high risk concern, facing significant governance challenges. Unless he is assassinated, Musharraf will likely be returned to office in the 2007 elections, with the help of either one of the marginalized mainstream parties or the coalition of religious parties. The election is unlikely to be declared "free and fair" by observers. Violent insurgencies in Baluchistan and the Northwest Frontier will persist, though the military and police will continue to suppress and contain political instability and violence with relative success. Continued economic growth and gains in government and market efficiency will not improve the standard of living for the impoverished masses. Rule of law



and human rights violations will continue to be areas of concern. The threat from Islamist factions and separatist groups will increase in the face of the government's refusal to address their grievances. The people will become increasingly dissatisfied with the corrupt government, and protests will become commonplace. To suppress government opposition, human rights and the freedom of the press will be compromised.

Best-Case Scenario

In the best-case scenario, Musharraf will hold free and fair elections with open debate, allowing mainstream parties to reassert themselves, which in turn will cause the Islamic parties to lose ground. Increased economic growth will continue at the current rate and the government will increase spending aimed at improving the standard of living of the country's poor. The government will be able to negotiate ceasefires and peace agreements with the tribesmen in the Baluchistan and the NWFP, bringing stability and order to these untamed regions. This would free up the Pakistani

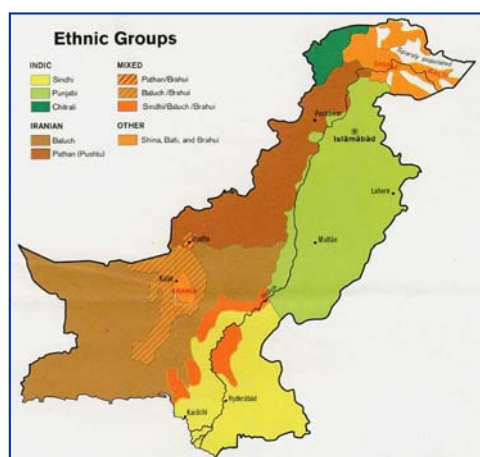
security establishment's resources to address the deteriorating law and order situation in urban centres. Following the election, the new government will be able to push through legislation aimed at improving the rights of women and minorities, building on the success of the Women's Protection Bill.

Worst-Case Scenario

In a worst-case scenario for Pakistan, Musharraf will become increasingly autocratic and blatantly infringe upon rights, freedoms, and government procedures in order to remain in power. Mainstream parties are further marginalized by Musharraf, which in effect strengthens hard-line Islamist parties. Responding to such autocratic governance, the international community will curtail aid to the country, causing the economy to stagnate or decline. Pakistan's impoverished masses become frustrated with poor economic conditions, the continued enrichment of elites, as well as governmental corruption, and take to the streets. Sectarian violence in Pakistan escalates into civil war, and militant and separatist groups gain ground over military forces.

2. Country Profile

In Pakistan, civilian politicians, army top brass, and religious leaders actively compete for political power, and for the most part, military rulers have been the final arbiters of Pakistan's destiny. The Pakistani population initially welcomed Musharraf's *coup d'etat*, which overthrew the corrupt Nawaz Sharif government in 1999. However, Musharraf's failure to deliver results, combined with the alleged corruption of his government, has led to increasing disillusionment and unrest amongst the electorate. Although Pakistan has received record amounts of foreign aid and boasts an economic growth rate of 7% in 2005-2006, the benefits of economic prosperity have yet to trickle down to the majority of Pakistanis still living in poverty.



PAKISTAN: FAST FACTS

Capital	Islamabad
Area (Square Km)	803,940
Population (2005 est.)	162,419,946
Population Growth (2007 est.)	1.83%
GDP per capita (2004 est.)	\$2,200
Debt as % of GDP (2006 est.)	71.4%
Major Ethnic Groups	Punjabi Sindhi Pashtun Baloch Muhajir
PROVINCE	CAPITAL
Baluchistan	Quetta
Punjab	Lahore
Northwest Frontier (NWFP)	Peshawar
Sindh	Karachi

Pakistan is also currently experiencing unprecedented internal instability. Musharraf's government faces opposition from religious groups, violent insurgencies in Baluchistan and the NWFP, and an electorate that is increasingly angered by the government's human rights track record and autocratic behaviour. Furthermore, Pakistan is plagued by sectarian violence, rampant corruption, high illiteracy levels, a booming narcotics trade, a Kalashnikov culture, as well as sub-national identity issues which divide the general population and further complicate the Pakistani political landscape. The government's ability to quell acts of violence and to maintain law and order will be crucial to Pakistan's future stability. Moreover, the government must reach some arrangement with dissatisfied and warring factions within the country in order to restore a sense of security amongst the population. The government's human rights and poverty alleviation track record also ought to be strictly monitored. Finally, it will be important to gauge exactly how free, fair and transparent the elections in the latter half of 2007 are.



3. Stakeholders & Key Characteristics

Nine stakeholder groups – internal and external – have been identified for Pakistan. Each of these stakeholder groups exerts some degree of influence over social and political developments in Pakistan. If meaningful progress is to be made in terms of governance and the development of democratic institutions in the country, the efforts of each of these stakeholders will have to be aligned towards achieving such an objective. However, such a wishful coordination of efforts seems unlikely given that each of these stakeholder groups has a diverse and often competing agenda. Some of the stakeholder groups have made enormous investments in the current system and are motivated to maintain the status quo. Others stand to lose from the current system, and therefore have incentives to support reforms and movements that challenge the status quo. External stakeholders such as the Pakistani Diaspora, the broader international community, and neighbouring states in general seek a more stable Pakistan. However, Pakistan's strained relationship with Afghanistan and longstanding rivalry with India further complicate how the interests of these stakeholders are construed. The stakeholders and their interests are detailed in the table below.

TABLE 4: KEY STAKEHOLDERS

STAKEHOLDERS	COMPOSITION	INTERESTS & GRIEVANCES
1 Pakistan's Coalition Government	<p><i>President:</i> General Pervez Musharraf; assumed Office in October 1999</p> <p><i>Prime Minister:</i> Shaukat Aziz; assumed Office in August 2004</p> <p><i>Main Parties:</i> Pakistan Muslim League—Quaid-e-Azam – (PML) Q, and the Pakistan People's Party Patriots (PPP – Patriot).</p>	<p>Musharraf is a key US ally in the War on Terror, and has denounced Islamic extremism in the country. He has failed to deliver on several of his promises and has indicated that he has no intentions of leaving office.</p> <p>Aziz's popularity with the electorate has deteriorated since 2004. He is credited with saving Pakistan's economy and is a staunch proponent of women's rights.</p> <p>The PML-Q has supported the leadership of Musharraf since its inception. The PPP—Patriot officially left the opposition in March 2007 and merged with the PML-Q. PPP-Patriot's departure from the opposition was deemed by many to be purely opportunistic. These parties are composed of individuals mainly interested in furthering their own political careers.</p>
2 Opposition Parties	<p>Pakistan Muslim League—Nawaz (PML—N); Pakistan Peoples' Party (PPP), aka Pakistan People's Party Parliamentarians (PPPP); Tehreek-I-Insaaf (TI)</p> <p>Muttahida Majlis-e-Amal (MMA)—a Coalition of Religious Parties—and Muhajir Quami Movement (MQM)</p>	<p>The Opposition Parties are unhappy with the current government and claim that the PML-Q is the King's Party. The PPP, PML-N and TI have formed the Alliance for the Restoration of Democracy (ARD), which constitutes the main opposition to the government. ARD's opposition to the PML-Q is due to ideological and personal differences, not religious reasons.</p> <p>The MMA is fundamentally opposed to Musharraf's support for the US, and are in power in the unstable provinces of Baluchistan and NWFP. The MMA and MQM have previously cooperated with the PML-Q led government, but departed from the coalition government due to irresolvable differences.</p>

TABLE 4, CONT'D: KEY STAKEHOLDERS

STAKEHOLDERS		COMPOSITION	INTERESTS & GRIEVANCES
3	Pakistani Armed Forces	<i>Chief of Staff:</i> General Pervez Musharraf	Pakistan's Armed Forces are one of the most efficient and elite institutions in the country. The Officer Corps is loyal to Musharraf, and Punjabis and Pashtuns dominate the army. Senior Officers occupy many important bureaucratic and diplomatic positions. They benefit greatly from the military's political power and have increasing incentives to perpetuate Musharraf's rule.
4	Separatist Groups	Baluchistan Liberation Army (BLA)	Resents the "Punjabi Domination" of the central government, and claim that Baluchistan's natural resources are unduly exploited. Strive for Baluchi self-determination and are involved in asymmetric warfare with the Army. Has claimed responsibility for many devastating bomb attacks.
5	Islamists	The Ulema (clergy); Waziristan Tribesmen; Factions of the ISI; members of the MMA; extremist Shia and Sunni groups; <i>madrassa</i> populations	Oppose Pakistan's alliance with the US in the War on Terror. Sympathetic towards the Taliban and seek <i>Sharia</i> law and an Islamic way of life. They pose an assassination threat to Gen. Musharraf and are opposed to his modernization policies. Some of the Islamists effectively control certain regions in Pakistan, such as the Federally Administered Tribal Areas (FATA). Islamists have the most to gain from the political destabilization of Pakistan. Sectarian violence between Shias and Sunnis is commonplace.
6	Pakistani Population	Elites Middle Class Rural Poor	Occupy important positions in the government, bureaucracy and judiciary, and constitute a negligible part of the population. Industrialists and landlords also fall in this category. Generally conservative and pro-Islam. Concerned with the government's inability to tackle inflation and crime. Extremely pro-Islam, pro-Kashmir, and anti-India. Pay allegiance to individual politicians and provincial parties. Unconcerned about regime type, emphasize good governance.
7	Pakistani Diaspora	Diaspora communities in the US, the UK, Canada, Saudi Arabia, and other Middle Eastern countries.	Foreign remittances have been imperative in financing Pakistani trade deficits. Elements of the Diaspora have been accused of financing and engaging in terrorist activity, both in Pakistan and abroad.
8	Neighbouring Countries	Iran	Allegations that Iran supports militant Shia groups in Pakistan. The discovery of the A.Q. Khan network revealed that Pakistan and Iran shared nuclear technology, indicating a shift in decade-old frosty relations.

TABLE 4, CONT'D: KEY STAKEHOLDERS

STAKEHOLDERS	COMPOSITION	INTERESTS & GRIEVANCES
8 Neighbouring Countries (cont'd)	India	Pakistan blames India for fanning the insurgency in Baluchistan. Bitter rivalry since 1947 exacerbated by the ongoing dispute in Kashmir. Nuclear rivalry heightened in 1998. Pakistan-India relations currently at an all time high.
	China	Pakistan's strategic ally against India. Suspected to have supplied Pakistan with missile technology. Vested Chinese interests exist in numerous commercial development projects in Pakistan
	Afghanistan	Cold relations with Karzai government. Afghanistan has repeatedly accused Pakistan of fuelling cross-border insurgency. Pakistan, especially factions of the ISI, is notorious for its tacit support of the Taliban.
9 Allies & International Community	United States	Since 2001, the US has given an enormous of military and economic aid to Pakistan, and is involved in humanitarian projects in the country. Seeks a stable and pro-Western (modernizing) government in Pakistan. George W. Bush's administration values Musharraf's cooperation in the "War on Terror" and has accorded Pakistan the status of a non-NATO ally. Fears the Islamist threat that emanates from the NWFP.
	Other Donor Countries and International Organizations such as the World Bank and the Asian Development Bank	Pakistan has received increasing amounts of aid from the ADB as well as a host of European countries, more so since the catastrophic earthquake in October 2005.



4. Summary of Structure & Trends in Good Governance

Relevant good governance and democratic processes indicators were divided in 6 clusters: Political Stability and Violence (PSV), Rule of Law (RL), Human Rights (HR), Government Transparency and Accountability (GTA), Government and Market Efficiency (GME), and Democratic Participation and Political Parties (DP). With a risk score of 6.63 (High), the structural data collected confirms that Pakistan is still a country of concern, with much progress to be made in terms of governance and democratic participation. Four of the six clusters demonstrated a high risk for destabilization; the Government Transparency and Accountability cluster, Rule of Law, and Human Rights are the lowest performers. However, performance in the democratic participation and political stability and violence clusters is also a cause for concern.

TABLE 5: AGGREGATE EVENT TREND

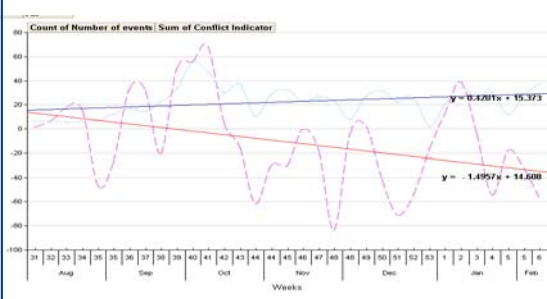


TABLE 6: AGGREGATE EVENT STATISTICS

	All Events	Stabilizing Events	Destabilizing Events
# of Events	743	361	382
Avg. Event Score	-0.48	6.06	-6.66
Trend	-1.49	0.82	-2.06

TABLE 7: SUMMARY UNDERLYING CONDITIONS

PSV	GME	RL
6.32	5.04	7.25
HR	GTA	DP
7.48	7.05	6.87

INTERPRETING STRUCTURAL AND AVERAGE EVENT SCORES

- Structural scores can range from 1-9, with 1 being the best possible and 9 the worst
- Scores are derived by comparing the country in question to an average of 166 other countries; there is no benchmark of perfection.
- Scores below 3.5 are rated as low risk, between 3.5-6.5 are medium risk, and over 6.5 are high risk.
- Event scores are out of a potential 9, positive or negative

INTERPRETING EVENT CHARTS

Red line (solid): Event trend line; downward slope left to right is negative

Blue line (solid): Trend line for number of events

Purple line (dotted): This indicates the sum total scores of event scores (positive or negative) in a given week, as coded in the event monitoring process; the red trend line is derived from these values.

Blue line (dotted): The total number of events; the blue trend line is

EVENT ANALYSIS

Between **1 August 2006 and 10 February 2007**, 740 events that either affected or reflected the level of governance and democratic processes in Pakistan were recorded.

A statistical analysis of the events from this 25-week period shows that, on average, events tend to be extremely destabilizing. The period experienced a moderately destabilizing trend in positive events, and an extremely destabilizing trend in negative events, resulting in an overall trend that is extremely destabilizing, and hence worrisome. The number of positive and negative events recorded over the period tended to be constant, thus the overall trend cannot be explained by a short-lived fluctuation in the number of events recorded.

The main drivers of this trend are events related to the Political Stability and Violence, Human Rights, Government Transparency and Accountability, and Government and Market Efficiency clusters; most events recorded fell into these four clusters. A large number of destabilizing events in the Political Stability and Violence and Human Rights clusters were comprised of bomb blasts, arbitrary arrests, and other incidences of politically and religiously motivated violence. The average event scores for these 2 clusters clearly reflect the increasingly violent and unsafe situation on the ground and explain why the overall trend is extremely negative. Most of the stabilizing events were recorded under the Government and Market efficiency cluster, and were largely comprised of announcements of international aid grants by advanced industrial nations, and the granting of sizable loans by international organizations such as the ADB. Most of this aid was aimed at improving the delivery of social services and for



reconstruction efforts following the earthquake.

The overall picture that emerges from the analysis of Pakistan's governance and democratic processes is worrisome. Although Musharraf's regime has been successful at attracting foreign investment as well as military aid and can boast unprecedented growth rates, the benefits of improved economic conditions have yet to trickle down to the broader population. The GWOT has divided the general population, and Pakistan's alliance with the US has resulted in a polarized opinion regarding the government. Human rights abuses and the crackdown on the media have further galvanized anti-government rhetoric and activity. Religious groups, radical Islamists, and secular opposition parties have been quick to capitalize on the sentiments of the disgruntled populace, and the government is facing increasing opposition and hostility in all areas. The high number of violent

incidents are also indicative of the fact that frustration amongst the masses is increasing. If the government is unable to quell the internal discord that has gripped the country, stability and good governance are ideals that will continue to remain elusive for the country.

One caveat that ought to be noted is that the majority of the events recorded in the Democratic Participation and Political Parties cluster were positive. However, the number of events recorded in this cluster is illustrative of the fact that freedom of association has been severely limited by the Musharraf since 1999. As a result, the only protests that are legally allowed to occur are the ones that have been endorsed by the government in some sense. Protest and rallies organized by opposition members often result in baton charging by police and mass arrests.



5. Primary Drivers

Primary drivers are clusters that contain more than 25 events. These clusters are the main areas of activity in the country and make the greatest contribution to the overall trend.

5.1 POLITICAL STABILITY & VIOLENCE

Key Issues and Challenges:

Political instability and sudden changes in government have been the norm in Pakistan since its birth in 1947. Corrupt and incompetent politicians, and weak political institutions characterize Pakistan's political arena, and it is the actions of corrupt elected governments that heralded the advent of the military into politics. President Musharraf is the fourth in a line of Army Chiefs who have overthrown a civilian government on the pretext of ridding the country of corrupt politicians. The three Army Chiefs before Musharraf failed to weed out corruption and save the economy as they promised, and it is unlikely that Musharraf will be successful at achieving this lofty goal either.

Although Pakistanis, both at home and abroad, warmly welcomed Musharraf's coup in 1999, his government's popularity has since waned and violent challenges to his regime have become increasingly common since 2001. Musharraf's rule has been further complicated by his alliance with the US on the Global War on Terror (GWOT), a partnership which has angered and divided the Pakistani population. The GWOT, and the autocratic behaviour of the Musharraf government have also fanned unparalleled insurgencies in two of Pakistan's most restless provinces, Baluchistan and the NWFP.

Bomb blasts and cross fighting between tribal insurgents and the armed forces in these areas are also routine, with casualties in the thousands. The infiltration of Taliban and Al Qaeda elements into Pakistan has also mobilized radical Islamist factions in the country, and has increased support for hard line Islamic parties that are part of the MMA. Sectarian violence between Shias and Sunnis has also reached unprecedented levels. Although sectarian violence has been a constant fixture in the Pakistani landscape, the level it has reached is especially abysmal and worrisome. The rise in sectarian violence can be attributed to the proliferation of militant Islamic groups, which are often funded by foreign actors and whose actions and rhetoric are extremely destabilizing.

In spite of the fact that the military has cracked down on terrorist elements, government activity has often caused a backlash of violence in volatile regions. The mainstream political

parties such as the PPP-P and PML-N have been increasingly marginalized by the ruling PML-Q, and even secular supporters of Musharraf's rule have begun to break ranks. Musharraf's reversal on his promise to leave office in 2004 cost him the support of the MMA, a coalition of political parties that has proved to be formidable opponent of Musharraf's regime. The Musharraf government's reckless dismissal of the Supreme Court Chief Justice, Iftikhar Chaudry, in March 2007 is the latest in a line of serious errors. The legal community and the general population in Pakistan has protested the government's action, causing the image and popularity of the government to hit an all time low, and has created an environment of political uncertainty in the country. However, the Musharraf government must be given credit for its relative success in reigning in terrorist elements in untamed regions in Baluchistan and the NWFP, and for its successes in the GWOT. The task undertaken

TABLE 9: POLITICAL STABILITY AND VIOLENCE

	6.32
Permanence of Regime Type	7.8
Black Market	5.2
Battle-related Deaths	1.0
Dependence on external support	8.1
Military Expenditure as a percentage of GDP	7.5
Political Stability	8.3
Refugees Produced	6.9
Terrorism Fatalities	8.7
Terrorism Incidents	8.7
Polity Fragmentation	1.0

TABLE 10: PSV TREND

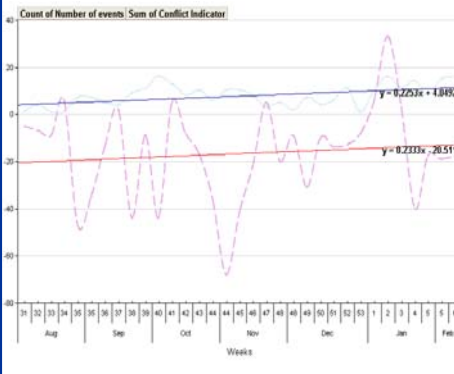


TABLE 11: PSV EVENT RESULTS

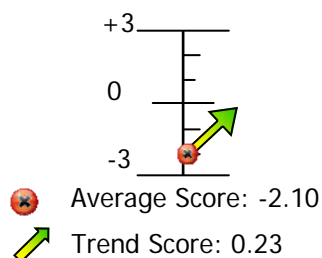


TABLE 12: AGGREGATE EVENT STATISTICS

	All Events	Stabilizing Events	Destabilizing Events
# of Events	260	91	169
Avg. Event Score	- 2.10	5.94	-6.43
Trend	0.23	0.84	-0.37

INTERPRETING EVENT CHARTS

Red line (solid): Event trend line; downward slope left to right is negative

Blue line (solid): Trend line for number of events

Purple line (dotted): This indicates the sum total scores of event (positive or negative), as coded in the event monitoring process; the red trend line is derived from these values.

Blue line (dotted): The total number of events; the blue trend line is derived from these values

INTERPRETING STRUCTURAL AND AVERAGE EVENT SCORES

- Structural scores can range from 1-9, with 1 being the best possible and 9 the worst
- Scores are derived by comparing the country in question to an average of 166 other countries; there is no benchmark of perfection.
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- Event scores are out of a potential 9, positive or negative

by Musharraf is clearly one that would have been beyond the scope of a civilian government, and one that needed the unconditional backing of the armed forces and intelligence agencies.

Underlying Conditions:

Structural data indicates that the Political Stability and Violence is a cluster that is at medium risk. Its score of 6.32 can be explained in part by positive score for the polity fragmentation indicator. However, most of the other indicators in this category represent a more accurate picture of the situation on the ground. The score for permanence of regime type is reflective of the fragility of the government in place, results from a long tradition of military intervention in the politics of the state. The score for dependence on external support is extremely high, which is indicative of the fact that the current system would most likely crumble if this support was withdrawn. The score for military expenditure as a percentage of GDP is high as well. This is especially problematic when a military endorsed government, such as the one headed by the PML-Q, is in place, since it causes the opposition to question and challenge the legitimacy of such expenditure, further increasing the fragility of the regime. The score for refugees produced in Pakistan is extremely high, and the number has risen since 9/11. Currently, it is estimated that there are close to 3 million

Afghan refugees in Pakistan. The presence of such refugees, especially in the volatile regions of Baluchistan and the NWFP, places an enormous strain on the country's economy and resources, making the task of governing Pakistan even more complex. The most destabilizing and worrisome indicators are the ones for terrorism fatalities and terrorism incidents. It is anticipated that these scores will increase further due to the increasing insurgency in Baluchistan and the northern areas.

Events Analysis:

Although the average event score (-2.1) is in the extremely negative range, the overall trend in the political stability and violence cluster continues to be moderately positive (0.23). This trend can be partly explained by the fact that the government has been able to engage, to some extent, some of the warring factions in the lawless tribal areas, either through *jirgas*, or through tribesmen who are officially pro-government. This approach has resulted in de-escalation of violence in some agencies of the FATA such as



North Waziristan. However, such positive developments have been counterbalanced by the government's use of excessive force in order to exert control in these areas, such as the air strike in the Bajaur agency, which left 80 dead. The government and American actions in the FATA have angered and emboldened radical Muslim factions, both in the NWFP, as well as in Sindh and

Baluchistan, and the *jihadis* now appear increasingly committed to fight the government through asymmetrical means. The killing of Nawab Akbar Bugti in August 2006 has further worsened the law and order situation in the restive Baluchistan province, and has proved to be damning for the credibility of the military. The increase in the number of violent incidents, coupled with anti-government riots and protests

help account for the slightly negative trend in destabilizing events for the period monitored. In spite of the internal discord in the country, the overall trend for the country appears slightly positive. This trend is also partly attributed to productive dialogue between India and Pakistan, as well as to internal measures taken by Pakistan to safeguard the Afghanistan border.

SIGNIFICANT STABILIZING EVENTS

- Local militants and the political administration of North Waziristan agree to a peace deal (3 September 2006)
- Cease-fire reached in sectarian conflict after 29 killed (10 October 2006)
- India, Pakistan agree to set up anti-terror mechanism (15 November 2006)
- Pakistan installs electronic check system at Afghan border (21 December 2006)
- India and Pakistan engage in productive peace talks (13 January 2007)
- Pakistan sets up over 900 check posts along Afghan border (15 January 2007)
- Pakistan Fences 35 Km Of Border With Afghanistan to check infiltration of militants (5 February 2007)

SIGNIFICANT DESTABILIZING EVENTS

- At least 49 reported bomb blasts were recorded in the period monitored, mostly in the NWFP and Baluchistan.
- Pakistani Army missile attack kills Nawab Akbar Bugti, along with 59 others, triggering massive rioting in Baluchistan (27 August 2006)
- 8000 hold anti government protests in Baluchistan in reaction to the killing of Nawab Akbar Bugti (3 September 2006)
- Feud between Sunnis and Shias in the Orakzai tribal agency claims 33 lives (11 October 2006)
- 5000 pro-Taliban tribesmen rally against the US in a tribal village near Khar (28 October 2006)
- Air strike on a madrassa in the Bajaur Agency leaves 80 dead (30 October 2006)
- Anti-government protests held across the country in reaction to Bajaur Agency air strikes (1 November 2006)
- Bajaur Agency air strike causes ten thousand armed tribesmen to protest against the government (5 November 2006)
- Suicide bomb at Pakistan army base kills 42 (8 November 2006)
- Sardar Bangan Khan, a pro-government Baluch tribal commander is assassinated (21 December 2006)

TABLE 13: HUMAN RIGHTS

	7.48
Civil Liberties	6.5
Political Rights	6.9
Human Rights -- Empowerment	8.0
Human Rights -- Physical Integrity	8.5

TABLE 14: HR TREND

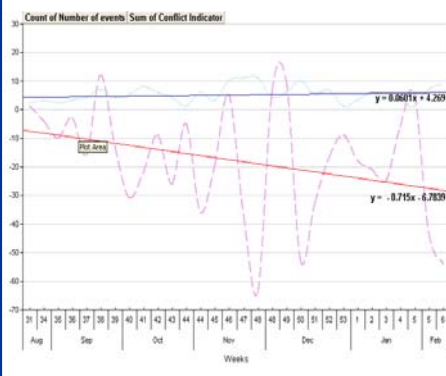


TABLE 15: HR EVENT RESULTS

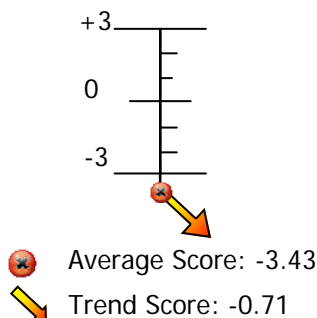


TABLE 16: AGGREGATE EVENT STATISTICS

	All Events	Stabilizing Events	Destabilizing Events
# of Events	156	39	117
Avg. Event Score	- 3.43	6.56	-6.76
Trend	-0.715	- 0.06	-0.79

5.1 HUMAN RIGHTS

Key Issues and Challenges:

Pakistan has an appalling human rights record that has progressively worsened under Musharraf. Forced disappearances, extra-judicial killings, arbitrary arrests, illegal raids, and police brutality are frequent, and there has been no meaningful governmental effort aimed at remedying this problem. Even though international groups such as Amnesty International and Human Rights Watch have criticized the Pakistani government for its increased tolerance for human rights violations, such atrocities have continued unabated. Moreover, Musharraf's regime has been quick to justify any human rights violations it commits as measures necessary for the GWOT.

Human rights groups, both inside and outside of Pakistan, have extensively documented how the Pakistani government perpetrates human rights abuses, blatantly using the GWOT as pretext to suppress opposition to the government. There have been increasing reports of political dissidents being abducted by intelligence agencies. The government has routinely denied knowledge or responsibility for those individuals who have been arbitrarily detained. Many of those arbitrarily detained by the government are reportedly held at illegal detention centres run by the ISI, where they are at risk of torture and illegal transfer to third countries for bounties.



Journalists also have to exercise a degree of restraint in criticizing the government in the wake of arrests of and threats to journalists and newspapers deemed to be overly critical of the government. Television stations are often threatened, and even physically restrained by security forces from airing footage that is considered to be damaging to the government. Besides gagging the media, the government has actively used police aggression to suppress anti-government protests and demonstrations.

Blasphemy laws in Pakistan are routinely used to terrorize Christian and Hindu religious minorities. Most of the religious minorities detained in Pakistani prisons have been implicated in faulty and fabricated cases under these laws. Attacks against religious minorities by extremist factions have also become commonplace since the onset of the GWOT, causing these minorities to feel increasingly victimized. Exogenous events, such as the cartoon controversy in Denmark and the Pope's comments regarding Islam have also induced hatred and aggression against Pakistan's own religious minorities by extremist factions. Religious minorities are often subjected to forced conversions as well.

The status of women's rights in Pakistan is especially poor. Violence against women is systemic, and recourse through law for abuses against women is limited. Furthermore, Pakistani legislation is extremely biased against women and makes it nearly impossible to prove allegations of rape. Honour killings, also known as *Karo Kari*, are routine in Pakistan, and constitute the reason behind the deaths of hundreds of innocent people every year, mostly women. Moreover, the perpetrators of crimes against women usually go unpunished.

Underlying Conditions:

This cluster represents the highest source of instability, with a score of 7.48 and with all indicators within the cluster presenting serious challenges to governance. The Pakistani judiciary lacks independence and has a history of paying lip service to the government in power, a tradition that has evolved due to military interference with the rule of law. This lack of judicial independence, coupled with the non-existent restraints on executive power, permits the state to arbitrarily arrest citizens and violate civil liberties, either with or without the complicity of the judiciary. It is also reported by independent sources that the physical integrity of citizens in state custody is also threatened. Prison officials use torture, and fellow inmates physically abuse religious minorities in prison with the tacit support of low-level officials.

The Lahore High Court struck down the Juvenile Justice System Ordinance in December 2004.

Without this law, the protection of children's rights within the penal system has become increasingly elusive. Religious freedoms for minorities are not guaranteed either, and minorities often face discrimination when seeking employment. The Ahmadi sect is discriminated against especially severely, more so than Hindu or Christian minorities, due to the Ahmadi claim that they constitute a sect of Islam.

"Pakistan's human rights record is progressively worsening as the war on terror continues."

Rape and domestic violence against women are pervasive problems. In November 2006, the government finally moved to repeal the country's stringent rape and adultery law, known as the Hudood Ordinance, replacing it with the Women's Protection Bill. The previous law, which often victimized women rather than protecting them, required the victim of a rape to produce four eyewitnesses to the "act of penetration." Failure to produce four witnesses would make the victim of rape liable to prosecution for adultery. Countless women were wrongfully implicated under this harsh law, and human rights groups across the country actively pushed for its abolition. The change represents a significant shift in policy; previously, the Pakistani government has demonstrated a callous indifference for the suffering of women, as was demonstrated by Musharraf's remarks in an interview with The Washington Post regarding the infamous rape case of Mukhtara Mai.

Events Analysis:

The average event score (-3.43) is in the extremely negative range. However, the overall trend in the human rights cluster is only moderately negative (-0.71). The overall trend for this cluster is remains very worrisome in spite of unprecedented improvements such as the introduction of the Women's Protection Bill referred to above. This bold and long overdue step greatly angered

radical Islamists, who held violent protests against the government's actions, which in turn has dampened the momentum the women's rights movement had steadily gained under Musharraf. Other events that partially offset the extremely negative trend for this cluster are the blocking of the Hasba bill by the Supreme Court, along with various announcements of pending reforms to the country's flawed blasphemy laws.

Despite such bright spots, Pakistan's human rights record is progressively worsening as the war on terror continues. Instances of human rights abuses by the state are legion, and it is



primarily the state's activities that contribute to the negative trend. Enforced disappearances, extrajudicial killings, arbitrary detentions, illegal raids, and police brutality have become increasingly common and swiftly justified by the Pakistani government as measures necessary in the GWOT. Musharraf's regime has become

notorious for cracking down on dissidents and critics, and even human rights groups and activists have not been spared the wrath of the government. Intelligence agencies have also cracked down on former military and intelligence officials who dared to criticize the government track record on human rights, as is witnessed by the arrest of Khalid Khawaja, a

former ISI official turned human rights activist. The current controversy that is brewing over the Justice Chaudry Iftikhar's dismissal and the issue of enforced disappearances is reflective of the increasing frustration of the Pakistani electorate.

OVERVIEW OF STABILIZING EVENTS

- Pakistani security forces organize foolproof security for churches and missionary schools to protect minorities from a possible backlash by extremists in reaction to Pope Benedict's remarks (20 September 2006)
- Pakistani Parliament passes the Protection of Women bill, thereby scrapping harsh Islamic laws on rape and adultery (15 November 2006)
- The controversial Hasba Bill passed by the NWFP Assembly is successfully challenged in a constitutional petition in the Supreme Court (16 November 2006)
- Intelligence agencies release 10 of 41 missing men amidst strong protests over "enforced disappearances" (1 December 2006)

OVERVIEW OF DESTABILIZING EVENTS

- At least 1216 persons arbitrarily arrested on charges of terrorism during the period monitored. It is reasonable to suggest that these individuals are not afforded due process of law.
- 88 incidents of violence reported against journalists and media organization in the year 2006 (4 October 2006)
- Pakistan police arrest and injure PML-N activists staging anti-Musharraf rally (13 October 2006)
- Pakistan rejects the demand of the Human Rights Watch seeking an independent investigation into the aerial bombing of a religious school in Bajaur Agency (3 November 2006)
- 20,000 hard-line Islamists rally against change in Pakistan rape laws (10 December 2006)
- The Human Rights Commission of Pakistan reports that at least 242 persons are missing in the country since the onset of the GWOT (13 December 2006)
- Baluch nationalist leader, Sardar Akhtar Khan Mengal, arrested on trumped up charges (24 December 2006)
- Dozens rally in Pakistan to protest detention of relatives by intelligence services (28 December 2006)
- Rand Corporation report alleges abuses by Pakistani security forces in GWOT (3 January 2007)
Pakistani police unlawfully abducts and detains prominent human rights activist Khalid Khawaja for pursuing missing persons cases (27 January 2007)

TABLE 17: GOVERNMENT
TRANSPARENCY & ACCOUNTABILITY

	7.05
Corruption -- World Bank	7.3
Voice and Accountability	7.8
Press Freedom	6.0

TABLE 18: GTA TREND

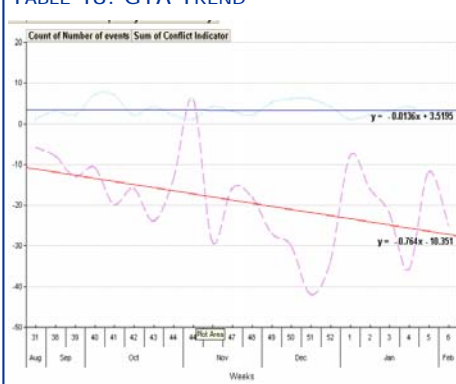


TABLE 19: GTA EVENT RESULTS

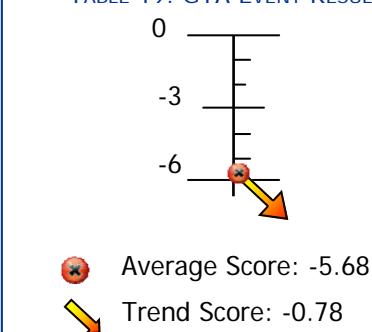


TABLE 20: AGGREGATE EVENT STATISTICS

	All Events	Stabilizing Events	Destabilizing Events
# of Events	74	9	65
Avg. Event Score	- 5.68	6.44	-7.36
Trend	- 0.76	- 1.77	-0.37

5.3 GOVERNMENT TRANSPARENCY AND ACCOUNTABILITY

Key Issues and Challenges:

Of the 163 countries monitored by Transparency International in October 2006, Pakistan ranked 142 on the Corruption Perception Index. Elites and the government in Pakistan routinely abuse laws and bend procedures, which has resulted in an entrenched culture of corruption. Corruption is so deeply rooted in the system that bribes and kickbacks are often considered part and parcel of doing business with the government. The lack of transparency and accountability in the Pakistani system had greatly weakened democratic values, both due to dissatisfaction with previous corrupt democratically elected governments as well as due to the prevalence of feudal-patronage culture.

The government's inability to collect tax revenues, as well as the meager salaries of public officials further compounds the corruption problem. Moreover, government officials lack training and professionalism, since patronage and nepotism plays a major role in the hiring process. Pakistani politicians and leaders have also proven to be primarily interested in personal enrichment. Public office is routinely abused for private gains, and politicians are able to do so with virtual impunity. The situation is no better under Musharraf's new government, which is mainly composed of opportunists who broke away from the mainstream parties out of



interest in advancing their political careers.

In terms of transparency, political figures in Pakistan rarely disclose their income, there are no laws governing public access to information and party financing, and details regarding the portion of the budget allocated to defence are not revealed. Opposition members regularly bring charges of corruption against the government, but these are promptly dismissed as tactics used in adversarial politics.

The issue of forced disappearances has sparked one of the biggest controversies of Musharraf's rule, which has proved to be extremely damaging to government transparency and accountability. The families of those who have been allegedly abducted by the government pushed for legal action through the court system and were successful in securing an ultimatum from the Supreme Court to the government to release those who had been arbitrarily detained. This was an extraordinary move on the part of the Pakistani judiciary, which has been traditionally deferential to the governments, and can be attributed to Supreme Court Justice Iftikhar Chaudry, who was



appointed in 2005 and was regarded as a controversial figure for asserting judicial independence and pursuing cases against the government. However, this judicial activism was not received well by the government, and Chaudry was promptly reprimanded and illegally dismissed by Musharraf on March 9. The dismissal of the Chief Justice by the government represents the government's disdain for judicial independence, negates constitutionalism, and has left the legal community and the general population up in arms against the government. The gagging of the media in this regard, as well as the police crackdown on lawyers staging peaceful protests, has caused irrevocable damage to the legitimacy and reputation of Musharraf's government.

Underlying Conditions:

This cluster represents a high risk, as is indicated by the indicators that comprise the structural data. A high score of 7.05 can partly be explained by the lack of transparency, and the absence of legislation governing against conflict of interest, which has resulted in system in which corruption is entrenched and widely accepted.

The body that leads the country's anti-corruption efforts, the National Accountability Bureau (NAB), is known to be a bastion of military loyalists and is notorious for pursuing politically motivated charges against political dissidents and opposition members. NAB's strong-arm tactics were revealed in February 2005 when it pressured the Supreme Court to withdraw a corruption case against a minister, Faisal Saleh Hayat. The case for a bank default of \$11 million had been initiated against Hayat when he was a member of the opposition, but

"The body that leads the country's anti-corruption efforts is notorious for pursuing politically motivated charges against political dissidents."

since his defection to the PML-Q, NAB had aggressively requested the Supreme Court to drop his case. Hayat was not alone. Corruption cases were pursued against several prominent politicians until they defected to the PML-Q, were awarded ministerial jobs, and let off the hook. Here, not only is the honesty of these politicians in question, but also the integrity of the NAB as an institution, which appears to be more of a tool for political victimization than governmental accountability. Moreover, military officials, such as General Zarrar Azim, who was clearly implicated in the Lahore Defence Society scam, continue in their positions, enjoying kickbacks with virtual impunity.

Transparency is a problem in the country, since government decision-making processes are not public and the media is often kept at arm's length by government official due to fear of negative

coverage. Furthermore, the government is not afraid of taking matters in its own head if it is projected in a negative light by the media. The government cracked down on stations that aired BBC coverage that was overly critical of the military's recovery efforts in November 2005. Journalists are not exempt from strong-arming either. Intelligence officials harassed Amir Mir, the deputy editor of The Herald, in November 2004 in an attempt to intimidate him into toning down his criticism of the government.

Accountability is also a problem since there are no means through which the public can keep the government in check. Most of the legislation during Musharraf's reign has been pushed through in the form of presidential ordinances, which have ruled out public debate and input on issues that affect significant portion of population. Moreover, Musharraf's so-called "democracy" is also perceived as sham by the majority of the electorate, since the top bureaucratic posts have been assigned to retired military and intelligence officials. The opposition in Pakistan has rightfully asserted that in doing so, Musharraf has inadvertently established military supremacy and control over civil institutions.

Events Analysis:

Although the average event score (-5.68) in the government transparency and accountability cluster is in the extremely negative range, the overall trend

in this cluster is moderately negative (-0.76). The number of destabilizing events greatly outnumbers stabilizing events, but the overall trend is only slightly negative because of the occurrence of relatively rare but significant positive events such as the passing of the Civil Servants Amendments bill, which curbs the power of top bureaucrats. During the period monitored, other accountability bodies were also

set up, but it is highly debatable whether these bodies will remain depoliticized. The negative trend can be explained by numerous measures taken by the government to restrict media freedom, particularly any negative press coverage of the government. The reality on the ground is most likely worse than what has been captured by the event monitoring due to restrictions on the media. Nepotism scandals and financial

scams are additional factors that contribute to this negative score. In this cluster, one of the key events has been the issue of enforced disappearances. The government's apparent pledge of ignorance regarding any such incidents has resulted in further deterioration in the perception of government accountability and transparency amongst the electorate at large.

OVERVIEW OF STABILIZING EVENTS

- Civil Servants Amendment Bill is passed, which ceases the discretionary power of the chief minister giving out-of-turn promotions to government employees and repeals the Punjab Removal from Service Ordinance, 2000 (4 October 2006)
- A three-member ministerial panel set up to probe the Industrial Development Bank of Pakistan (IDBP) scam to fix responsibility of Rs 27.5 billion losses to national exchequer (11 October 2006)
- State television airs video footage purportedly showing militants training at the camp which was taken out in Bajaur Agency, resulting in 80 casualties. The camp provided training regarding terrorist activities and suicide attacks (3 November 2006)
- Accountability board comprised of 10 members set up in the Trade Development Authority of Pakistan (6 December 2006)

OVERVIEW OF DESTABILIZING EVENTS

- Transparency International reports that Musharraf's government perceived to be more corrupt than the governments of Sharif and Bhutto by 67% of respondents (20 September 2006)
- Pakistan's Supreme Court recognizes "nepotism" in the allotment of plots in Gwadar (8 October 2006)
- The foreign ministry admits financial irregularities in Pakistani consulates before the Public Accountability Committee (17 October 2006)
- Opposition rebuts government's claims regarding air strike in the Bajaur Agency (5 November 2006)
- Pakistani government denies lawyers access to the madrassa bombed in the Bajaur Agency (7 November 2006)
- Government drafts a bill to set up "Press and Publication Regulatory Authority", a control mechanism to influence the print media (12 December 2006)
- Intelligence official caught planting an explosive outside the office of Akram Durrani, chief minister of NWFP (5 December 2006)
- Pervez Musharraf asserts he will not give up his position as the chief of the army before polls next year (6 December 2006)
- Pakistan government admits that it cannot trace 18 'missing' persons, allegedly held without trial in the custody of its intelligence agencies (23 January 2007)
- Government bars journalists from the Parliament cafeteria and ministers' chambers (7 February 2007)

5.4 GOVERNMENT & MARKET EFFICIENCY

Key Issues and Challenges:

Pakistan may face economic hurdles in the future, especially due to its growing population, but the country has made outstanding progress in the economic sphere. According to the United Nations Development Programme (UNDP) 2006 report, Pakistan had an adult literacy rate of 49.9% and US\$ 2,225 GDP per capita. In addition, Pakistan is ranked 134th out of 177 countries in the 2006 Human Development Index and 65th in the Human Poverty Index. In the year 2005, Pakistan had an unemployment rate of 7.7% with significant under employment, and with 32% of the Pakistan population living below the poverty line. Although these figures are not impressive in and of themselves, they represent marked progress from previous years. Even the harshest critics of the Musharraf government cannot deny that the Pakistani

economy had significantly grown over the past 5 years.

Pakistan's economic growth rate of 7.7% in 2005-2006 is remarkable, but is not sufficient to sustain the needs of Pakistan's growing population, given current inflation and the low savings rate in the country. However, The Asian Development Bank has predicted that the Pakistani economy will continue to grow at rate of 6.5 to 7.0 % through 2008, so the country's economic prospects are bright, barring significant political upheaval, and assuming that infrastructure and security needs are met.

Pakistan has also received record amounts of foreign aid, mostly from the US, since the advent of the GWOT. Specifically, a \$3 billion multi year aid package was promised to Pakistan in 2005, with payments commencing in 2005 . As an ally in the GWOT, Pakistan has also attracted foreign aid from Japan and several European

nations. The Asian Development Bank has also loaned Pakistan large amounts of money. However, there are questions surrounding whether this foreign aid is put to judicious use, given that the benefits have yet to be seen in the form of a rise in the standard of living of most Pakistanis.

Humanitarian aid to the country has also increased after the catastrophic earthquake of 2005. USAID and other organizations have donated generously and have been involved in the reconstruction process, easing the burden on the government. Foreign investment in the country has increased as well, and several multinational companies, especially from the Middle East, have expanded operations in Pakistan. This has led to the creation of thousands of jobs, which, in turn, has eased unemployment. It has also led to increased competition in the private sector and has made the



TABLE 21: GOVERNMENT AND MARKET EFFICIENCY

5.04			
Economic growth -- % of GDP	4.0	Enforcing Contracts	8.4
Economic Size -- Relative -- GDP per capita	6.9	Dealing with Licences	5.2
Economic Size -- Total -- GDP	3.0	Registering Property	3.8
External Debt -- percentage of GNI	3.4	Enrolment Rates	8.4
Ease of Doing Business	4.1	Health Expenditure	8.6
Starting a Business	3.2	Access to Improved Water	4.7
Protecting Investors	1.8	Government Effectiveness	6.1
Trading Across Borders	5.8	FDI -- percentage of GDP	2.8
Closing a Business	2.8	Foreign Aid -- % of Central Government Expenditures	6.5
Economic Freedom	6.0	Inequality—GINI Coefficient	2.3
National Savings Level	5.3	Trade Balance -- % of GDP	3.1
Foreign Investment Freedom	7.5	Unemployment -- Total	3.9
Intellectual Property	8.1	Paying Taxes	7.4
Contract Regulation	2.7		

TABLE 22: GME TREND

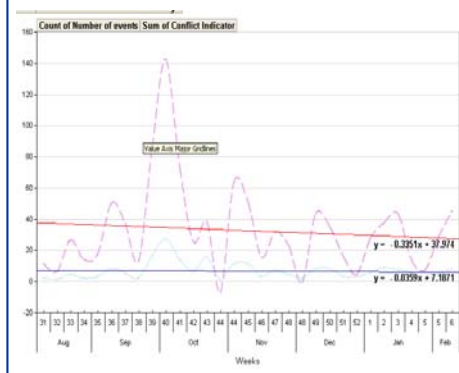


TABLE 23: GME EVENT RESULTS

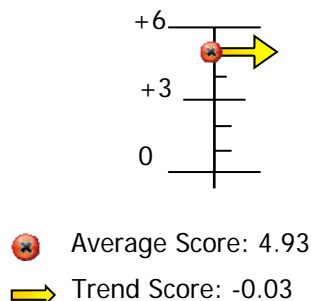


TABLE 24: AGGREGATE EVENT STATISTICS

	All Events	Stabilizing Events	Destabilizing Events
# of Events	205	187	18
Avg. Event Score	4.931	6.01	-6.27
Trend	-0.03	- 0.32	0.39

Pakistani market increasingly efficient. State owned enterprises, such as the Pakistan Telecommunications Company Ltd. still lag far behind the services offered by emerging private companies.

However, government inefficiency remains an enormous problem given that the government does not have the ability to provide core public services to the population. Government schools are under-funded, and the conditions in government hospitals are atrocious. The government is also far behind schedule for the reconstruction process in the Northern Areas, which has perpetuated the suffering of earthquake victims.

Underlying Conditions:

Structural data indicates that the government and market efficiency cluster is one that represents medium risk. However, with a score of 5.04, this cluster is the best performer as compared to other clusters. This relatively positive score can partly be explained by the fact that starting and closing a business is fairly straightforward. Even though the score for ease in doing business demonstrates medium risk, this is an area that the government has focused its efforts. Protection is afforded to investors, and various investor relations offices have been set up across the country. The government has even gone so far as to provide security arrangements for foreign investors working in volatile regions such as

Baluchistan. However, Pakistan still faces significant challenges in terms of enforcing contracts and intellectual property law, a factor which has hindered market innovation.

The government's capacity to provide core services such as health and education has also been compromised by the weak tax laws in the country. Industrialists and well-to-do business owners use their influence to evade taxes, and politicians and bureaucrats are virtually exempt from any tax obligations due to their affiliation with the government of the day. As a result, the tax base consists primarily of professionals such as bankers and teachers, who owe negligible amounts in taxes. A significant portion of the population does not have access to an improved water source, and water-borne diseases are commonplace. In June 2006, the water system of a working class neighbourhood in Faisalabad was contaminated with sewage, leaving nine people dead, including five children, and more than 19,000 sick. Lastly, enrolment rates in educational institutions continue to be alarmingly low, which can be attributed to poor conditions and a scarcity of government-funded institutions.

Events Analysis:

The average event score (4.93) for the government and market efficiency cluster is extremely positive, and the overall trend reflects a continuation of the status quo (-0.03). This cluster is the only one that does not

indicate a downward trend, and so the economic situation of the country continues to hold some promise.

The destabilizing events that occurred during the monitoring period are relatively minor from a Pakistani viewpoint, since efficiency from the government is rarely expected and government

failures are part of widely accepted reality. Events that highlight governmental inefficiency include the dengue fever epidemic in November 2006 and the slow recovery effort in areas struck by the October 2005 earthquake. The overall positive event score can be explained by the fact that the majority of events recorded have been

announcements of international aid grants by advanced industrial nations, and the granting of sizable loans by international organizations such as the ADB. The signing of a free trade agreement between China and Pakistan, along with numerous other bilateral deals and MOUs, has also contributed to this positive event score.

OVERVIEW OF STABILIZING EVENTS

- Pakistan and the US sign a \$ 41.8 million agreement to fund critical health programs (8 August 2006)
- Asian Development Bank agrees to provide \$300 million assistance to Pakistan for earthquake reconstruction (30 September 2006)
- Government announces the launch of the Rozgar Pakistan Programme (RPP) in Northern Areas for providing employment opportunities to the unemployed youth (3 September 2006)
- Pakistan and Japan sign a \$207 million soft loan agreement (13 December 2006)
- US provides Pakistan with \$41.2 million in additional assistance for law enforcement and border control (27 September 2006)
- India and Pakistan sign the Maritime Agreement, which will restore ocean-shipping services after a gap of more than 30 years with the signing of a revised protocol (15 December 2006)
- Pakistan registers 10% decline in poverty levels (8 February 2007)
- Pakistan and China sign five-year pact to boost bilateral trade (24 November 2006)
- Pakistan sets up an independent Disaster Management Agency to tackle the situation in case of natural calamities like October 2005 earthquake (14 January 2007)
- Pakistan successfully registers one million Afghans to sort refugees from infiltrators and illegal aliens (13 January 2007)

OVERVIEW OF DESTABILIZING EVENTS

- Pakistan hit by nationwide power outage (24 September 2006)
- Fritz Institute survey reveals that 60% of Pakistan earthquake survivors still displaced (5 October 2006)
- Number of dengue fever patients in Pakistan hits 4098 (11 November 2006)
- Pakistan's performance on Millennium Development Goals reported to be unsatisfactory (24 October 2006)

6. Secondary Drivers

TABLE 25: RULE OF LAW

	7.25
Police, Law, and Criminality	6.8
Prison Population Rate	2.2
Prison Occupancy Level	8.6
Number of Political Prisoners	9.0
Judicial Independence	7.4
Impartial Courts	7.6
Integrity of the Legal System	6.9
Military Interference in Rule of Law	8.4
Property Rights	8.3

6.1 RULE OF LAW

Lawlessness and insecurity are two problems that have plagued Pakistan since its inception. However, the law and order situation post-9/11 is indicative of an exceptional breakdown of the rule of law. The Pashtun tribesmen, who exert complete control over the lawless Federally Administered Tribal Areas (FATA) have sheltered pro-Taliban and Al Qaeda elements, aiding and abetting the latter in launching cross border attacks on Afghan and foreign military personnel. The Musharraf government's use of excessive force against alleged terrorist targets in the NWFP has also angered Islamist sympathisers in the provinces, leading to an increase in clashes between tribesmen and the Pakistani military.

The insurgency in Baluchistan has proven to be especially crippling for the Pakistani army. Baluchi tribesmen have once again rebelled against the government, demanding autonomy and redress for their grievances, and have resorted to violent measures in order to communicate their dissatisfaction. Local tribesmen in North and South Waziristan have engaged in bloody clashes with Pakistani security forces, the latter having justified armed attacks and air strikes against local rebels as part of the GWOT. The law and order situation in Baluchistan is especially precarious. Bomb blasts, gun battles in the streets, and the imposition of curfews are everyday occurrences in the province. Easy access to small arms, light weapons, and

explosives, as well as an entrenched Kalashnikov culture, has further intensified the armed resistance of rebel factions. The Pakistani government, which has alternated between using excessive force and appeasement to deal with rebel tribesmen, has had little success in addressing the deteriorating situation in these restive provinces.

The law and order situation in the urban centres of Sindh and Punjab is especially deplorable. Police corruption is rampant, and crime and militancy is increasingly on the rise. The situation in rural Pakistan is different altogether, where police officials behave as agents for local politicians and feudal lords. Moreover the alternative justice system in place in the rural areas of Pakistan comprised of *jirgas* and *panchayats*, instead of dispensing justice, is notorious for generating verdicts that violate basic human rights. Although a landmark decision was passed in the Sindh High Court in 2004 banning *jirgas*, very little has been done to enforce this law. Moreover, it is sometimes government officials themselves, and not rural tribesmen, who perpetuate this parallel justice system. In May 2006, Sardar Kamil Umer, the nazim (mayor) for Allama Iqbal Town, took the law in his own hands, setting up a *panchayat* at Raiwind in order to resolve a territorial dispute between two warring groups. The *panchayat*

TABLE 26: RL TREND

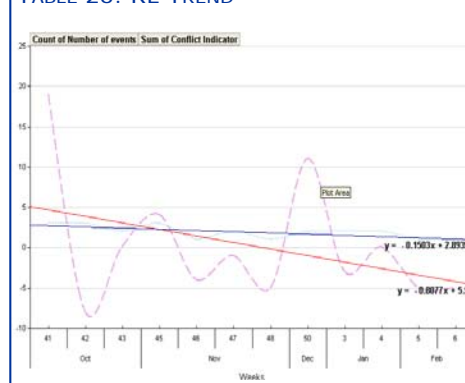


TABLE 27: AGGREGATE EVENT STATISTICS

	All Events	Stabilizing Events	Destabilizing Events
# of Events	23	12	11
Avg. Event Score	0.1304	5.41	-5.63
Trend	-0.807	-0.96	0.37

spiralled out of control as harsh words and gunfire were exchanged between the groups. Although Umer was quick to flee the scene, the gun battle left 6 dead and many injured.

Moreover, the justice system is inaccessible by the poor, and is infamous for being subservient to the interests of the elites. Judges are compensated poorly, and are not meaningfully accountable to the public. Judges and police officials can be bought, and it is common knowledge that the rich are rarely prosecuted for any crimes that they commit in Pakistan. The lack of judicial independence and politicisation are landmark features of the Pakistani judiciary that impede it from functioning effectively.

Underlying Conditions:

According to the structural data, the rule of law cluster presents the second highest source of instability with a score of 7.25. The prison population rate is the only indicator with a low score in this cluster. This low score for this indicator can be explained partly by the fact that accurate data is not reported by Pakistani prison authorities, as has been alleged by independent NGOs both within the country and abroad. It is therefore reasonable to suggest that the score for this indicator does not accurately capture the situation on the ground. On the other hand, high scores for other indicators such as prison occupancy levels and political prisoners are accurate in that they convey that these areas are cause for concern. Pakistan's prison system is grossly under-

funded, as has been documented by Human Rights Watch. Moreover, the system also lacks adequate accommodations for juveniles and female prisoners, who often spent 2-3 years on average in overcrowded jails without undergoing trial. Successive Pakistani governments have also been notorious for mass arrests of political dissidents, and the current regime is no exception. The imprisonment of Asif Ali Zardari, husband of former Prime Minister, Benazir Bhutto, is a case in point. Zardari spent 8 years in prison on politically motivated charges without being convicted.

High scores for indicators such as judicial independence, integrity of the legal system, and impartiality of the law, also accurately reflect the situation on the ground. Judges and police officials are poorly compensated and trained. Judges are also appointed and removed through executive recommendation, which has resulted in a lack of judicial independence and left the highest levels of the judiciary susceptible to political influence.

The "might is right" principle applies to legal proceedings in Pakistan as well. Blackmail and extortion are often used to extract favourable verdicts for those can afford it. Corruption within the judiciary is rampant, as was illustrated by the leaking of the Justice Qayyum tapes in 2001. The tapes revealed how Benazir's trial in 1999 was fixed and shattered the credibility of the higher judiciary in Pakistan. The high score for property rights illustrates that not only are property rights selectively enforced in Pakistan,

often it is the state that denies its citizens their legal rights. An example is that of the unarmed farmers in Okara district, who have since 2002 been brutalized into ceding their legal rights to some of the most fertile farmland in the country by the Pakistani military; the struggle is ongoing.

Events Analysis:

Very few events were recorded for this cluster in the period monitored. Significant events included the kidnapping of UNHCR employees on 29 November 2006, and the kidnapping of journalists and government officials (5 and 25 November 2006, and 9 January 2007). Other major events notes include a drive-by shooting of a police officer in Baluchistan (17 November 2006), and a bank robbery in Nowshera (23 October 2006). It is reasonable to assume that the incidents related to the rule of law in Pakistan are under-reported, given they are so commonplace.

6.2 DEMOCRATIC PARTICIPATION

In April 2002, Musharraf extended his Presidency for the next 5 years through a referendum (widely believed to be rigged). The PML-Q, the ruling party which is strictly aligned with the military, is also commonly referred to as the King's party. The ISI and other security forces are known to pressure and even coerce key individuals into supporting the King's party. Direct rigging at the polls as well as gerrymandering tainted local elections held across the country in 2005. The lack of an independent Election Commission not only produced results that were unfairly skewed in favour of the PML-Q, but that also resulted in violence at

TABLE 28: DEMOCRATIC PARTICIPATION

	6.87
Checks and Balances	9.0
Degree of Party Dominance	6.4
% of Female Parliamentarians	2.6
Polity Score	7.6
Executive Constraints	8.7

TABLE 29: DP TREND

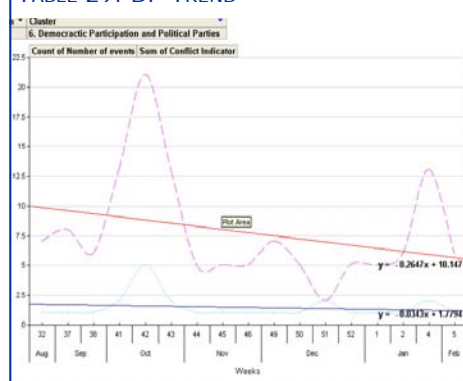


TABLE 30: AGGREGATE EVENT STATISTICS

	All Events	Stabilizing Events	Destabilizing Events
# of Events	25	23	2
Avg. Event Score	5.28	6.30	-6.5
Trend	-0.26	- 0.30	3

the polls. 60 people died and almost 500 were injured in the course of these local elections.

Political parties in Pakistan are generally weak, and their reputations are tarnished by charges of corruption and inefficiency during previous terms. Also, mainstream political parties in Pakistan, such as the PML-N and the PPP-P, tend to organize around personalities rather than policies and ideologies. As corrupt and inefficient these parties may be, they represent the only moderate alternative to authoritarian rule. Extremist Islamic parties, or the alliance known as the MMA, also lack cogent party platforms, but were able to gain considerable votes in the 2002 election. Musharraf's marginalization of the mainstream parties, coupled with the negative opinion of the Pakistani electorate regarding the GWOT, has contributed to the increased popularity and legitimacy of the MMA, especially in the NWFP and other volatile areas.

Civil society organizations in Pakistan continue to be weak and ineffective, primarily due to constant military intervention and corrupt democratic governments. Successive governments have also limited the operating freedom of such organizations in efforts to suppress anti-government rhetoric and activity. The government uses legal impediments, such as stringent registration processes to keep NGOs in check.

Underlying Conditions:

The structural data indicates that the democratic participation cluster represents medium risk.

The score of 6.87 reflects that Pakistan still faces significant challenges in terms of democratic participation. For instance, although Pakistan has a fairly high percentage of female Parliamentarians, weak checks and balances combined with ineffective executive restraints hinder meaningful democratic participation in the country. Moreover, Pakistan's polity score of 7.6 shows both that the country lacks institutions and procedures through which citizens can express their preferences and that civil liberties are not guaranteed. The fact that opposition parties in Pakistan are legally barred from holding public rallies and demonstrations, a law in place since the 1999 coup, further impedes Pakistan's democratic participation.

Events Analysis:

Events recorded within the democratic participation cluster tended to be stabilizing. The majority of the events recorded pertained to the activities of opposition parties and their attempts to mobilize the masses and galvanize opposition against the government, in spite of strict restrictions on holding public rallies. Such protests and demonstrations against the government are indicative of the increasing frustration with the current regime and reflects that Musharraf's popularity is at an all time low. The events in this cluster illustrate the fragility of the current government, and hold strong implications for the elections that will take place at the end of 2007.

Appendix 1: A Democratic Backgrounder

Pakistan is the only country in the world to be founded in the name of Islam, and so religion has played an enormous role in politics since the country's birth on August 14, 1947. Islam has been a central theme in building the Pakistani identity and permeates every aspect of life for the Pakistani people. The untimely death of Mohammad Ali Jinnah in 1948, just a year after the country's founding, robbed the country of the stability necessary for the development of strong and durable democratic institutions. While India prospered economically and democratized politically under the leadership of the Nehru family, Jinnah's death robbed Pakistan of effective leadership and stunted its institutional development.

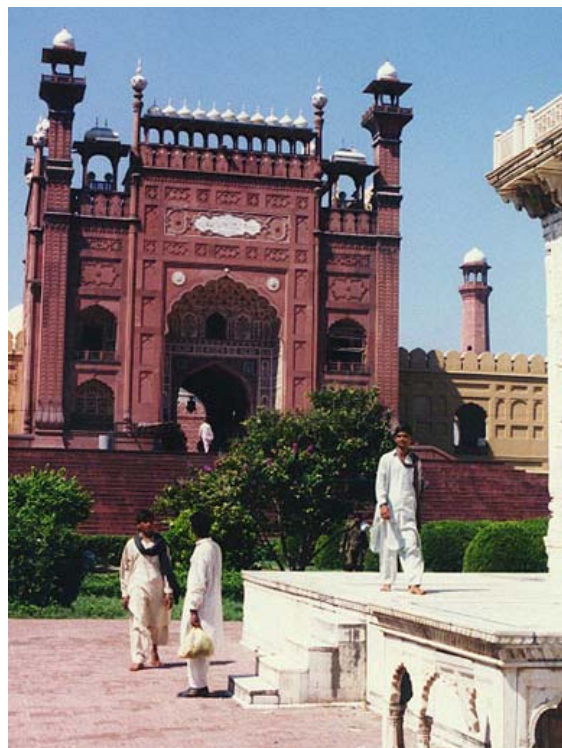
Due to tensions with India, the army has tended to be the best-funded arm of government, and hence the most viable and stable institution in the Pakistani context. When consecutive civilian governments repeatedly interfered in military affairs, it prompted the military to step in and overthrow these governments on (admittedly sustainable) charges of corruption. Alternating between martial law and corrupt elected regimes, political institutions were often undermined in order to further the agenda of the government of the day. Further, the fact that Pakistan has existed under martial law for nearly three decades of its history has resulted in authoritarian attitudes and values holding considerable sway among the Pakistani population, often in place of democratic values.

Pakistan's long-standing rivalry with India has been the major factor shaping Pakistan's foreign and defence policy, with the two countries having fought three wars over territorial disputes. Under Nawaz Shariff's civilian-elected government, Pakistan came close to all-out war with neighbouring India on two separate occasions – once after conducting nuclear tests in 1998, and again after the Kargil conflict in 1999. On both occasions, Nawaz Shariff's government used Pakistani nationalism and antagonism towards India as a tool to legitimize war, and in both instances, full scale war was prevented by drastic intervention by members of the international community.

The Pakistani population, to a large extent,

has been soured by its experience with democracy. The partially democratic governments of Nawaz Shariff and Benazir Bhutto were widely criticized for the high level of corruption that existed throughout their tenure. Military governments have also been accused of unbridled corruption, but they have been better able to maintain control over the more restive regions of the country. Furthermore, it is widely accepted that Pakistan's economic performance has tended to improve under military regime.

In Pakistan, central institutions are extremely weak and dominated by feudal landlords who



have historically exploited internal divisions for short-term advantage. Such divided loyalties fuel scepticism regarding the ability of a democratic centre controlled by Pakistani elites to control regional and ethnic divisions within the country. In fact, it was under the democratic governments of Bhutto and Shariff that nationalist groups in Sindh and Baluchistan emerged, complete with violent militant factions.

Democratic Pakistani governments have never been able to make credible threats to regional/ethnic politicians and movements and have always had to rely on the army to control and contain the conflicts and movements in Sindh and Baluchistan. In fact, successive federal governments sought to manipulate ethnic

differences to promote their own narrow interests.

Although Islam provided a unifying element in the formation of Pakistan, the ethnic diversity of the country has proved to be a source of dissension and conflict. The multi-ethnic and multilingual nature of Pakistan constitutes a formidable challenge to its governability and stability. Each of the four provinces (Baluchistan, North West Frontier Province (NWFP), Punjab and Sindh) has its own language and is distinct in its cultures and traditions, even though they share the same religion. There is also a wide income disparity between the four provinces, with Punjab occupying the lion's share and earning the resentment of the other poorer provinces. In fact, the only common trait in the political

identity of the provinces is that they are pro-Kashmir and anti-India. Rarely seeing eye-to-eye on political issues, disputes have often broken out between the four provinces, with Baluchistan and Sindh threatening to separate. The conflict between the Baluchis and Pathans in Baluchistan, and between the Sindhis and Muhajirs in Sindh has spiralled out of control with the occurrence of collective ethnic riots in which militant groups from each side have caused extensive damage to life and property.

Ultimately, none of the political parties in Pakistan has consistently performed a state-building function. It is due to this void at the centre that that military first stepped in 1958, and has done so again as recently as 1999.



Appendix 2: Acronym List

ADB	Asian Development Bank
ARD	Alliance for the Restoration of Democracy
BLA	Baluchistan Liberation Army
CIFP	Country Indicators for Foreign Policy
FATA	Federally Administered Tribal Areas
GDP	Gross Domestic Product
GWOT	Global War on Terror
ISI	Inter-Services Intelligence
MMA	Muttahida Majlis-e-Amal
MQM	Muhajir Quami Movement
MOU	Memorandum of Understanding
NAB	National Accountability Bureau
NATO	North Atlantic Treaty Organization
NGO	Non-Government Organization
NWFP	North West Frontier Province
PML – N	Pakistan Muslim League - Nawaz
PML – Q	Pakistan Muslim League – Quaid-e-Azam
PPPP	Pakistan People's Party Parliamentarians
PPP-Patriot	Pakistan People's Party Patriots

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Asia Pulse	Orlando Sentinel
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Associated Press Newswires	Periscope Daily Defense News Capsules
Automotive World	Pharma Marketletter
BBC Monitoring Newsfile	Reuters News
BBC Monitoring South Asia	The Asian Banker Interactive
BBS Monitoring Media	The Baluchistan Times
Broadband TV News	The Daily Telegraph
Broadcast News	The Daily Times
Business Recorder	The Economic Times
Business Wire	The Guardian
Christian Science Monitor	The Hindu
DMAsia	The Hindustan Times
Dow Jones Energy Service	The Nation
Dow Jones International News	The Press Trust of India Limited
Frontier Star	The Sunday Independent – Ireland
Global Banking News	The Times of India
Global Insight Daily Analysis	The Wall Street Journal Asia
Gulf News	Unian
Indo-Asian News Service	US Fed News
Inter Press News Service	Voice of America Press Releases and Documents
Kuwait Times	World Poultry
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Overview: Methodology

The report is based on three elements, adapted from CIFP's fragile states methodology. First, structural indicators are grouped into six clusters capturing different facets of democratic processes and governance: rule of law, human rights, government transparency and accountability, government and market efficiency, political stability and violence, and democratic participation. The structural data in this preliminary report constitute a limited set of leading indicators of democracy and governance; later versions of the document will include up to 75 separate structural indicators providing a detailed quantitative baseline portrait of the country.

Second, the analysis draws on event monitoring data compiled by CIFP researchers over a six month period extending from June to December 2006. Collected from a variety of web-based sources, including both international and domestic news sources, the events are quantitatively evaluated and systematically assessed to identify general trends of relevance to democratic processes and governance. Highly significant events are also qualitatively analyzed to highlight their specific causes and consequences.

Third, the report includes a series of analytical exercises, including stakeholder analysis and scenario generation. Future iterations of the report may include detailed consultations with country and subject experts located in-country as well as in Canada and abroad. These consultations would draw together this experience and knowledge to expand upon and, wherever necessary, challenge the assessment arising from the quantitative structural and event-based analysis.

This multi-source data structure enables more robust analysis than any single method of data collection and assessment.



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Country Indicators for Foreign Policy (CIFP) is a project located at Carleton University. Its core mandate is to develop analytical methodologies that will generate information on the key features of the political, economic, social and cultural environments of countries around the world, providing at-a-glance global overviews, issue-based perspectives and country performance measures. While the initial dataset focuses on measures of domestic armed conflict, as part of this project that database has been substantially revised to capture core measures of democratic processes and governance.

The CIFP database includes statistical data in the form of over one hundred performance indicators for 197 countries. With its focus on policy relevance, the CIFP provides a rich information resource to policy officers across all government departments. By offering a detailed assessment methodology for evaluating individual country performance, the CIFP provides guidance to program officers working in complex and fragile environments, enabling them to focus their efforts and resources on the root structural causes rather than the outward symptoms of a problem.

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