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Governance Policy Failures and the Institutional Corruption: Barriers to Sustainable Development & Implications for Economic Growth

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Abstract

Persistent governance failures and institutional corruption remain central obstacles to sustainable development in Pakistan. Despite repeated reform initiatives, weak regulatory enforcement, bureaucratic inefficiency, and political interference continue to undermine institutional performance and economic stability. This study examines how governance policy failures and institutional corruption operate as structural barriers to sustainable development and long-term economic growth in Pakistan. Drawing upon Institutional Theory and Principal-Agent frameworks, the research conceptualizes corruption as a systemic governance dysfunction embedded within institutional design and accountability mechanisms. Using a mixed-method approach, the study analyzes longitudinal data from the World Bank's Worldwide Governance Indicators, Transparency International's Corruption Perceptions Index, and Pakistan's macroeconomic performance indicators over the past two decades. The quantitative analysis identifies a significant negative relationship between governance effectiveness, rule of law, regulatory quality, and sustainable economic growth. Complementary qualitative policy analysis highlights how regulatory capture, politicized bureaucracy, inconsistent development planning, and weak oversight institutions distort resource allocation and reduce public trust. The findings suggest that institutional corruption in Pakistan does not merely increase transaction costs but structurally impedes investment, weakens fiscal management, and reinforces cycles of economic vulnerability. The study argues that sustainable development in Pakistan requires institutional restructuring centered on transparency, digital governance reforms, strengthened accountability frameworks, and policy continuity beyond electoral cycles by empirically situating governance quality within Pakistan's development trajectory, this research contributes to regional political economy scholarship and offers policy-relevant insights for institutional reform in emerging economies facing similar structural constraints.

Keywords: Accountability, Corruption, Governance, Institutional, Policy, Reform, Transparency.

INTRODUCTION

Corruption is a persistent and corrosive feature of Pakistan's governance. Shortly after independence, Mohammad Ali Jinnah, Pakistan's founding father, denounced corruption in 1947 as a poison that needed to be eradicated. More than 70 years later, corruption continues to hinder Pakistan's macroeconomic and social development by diverting public funds, distorting markets, impeding fair competition, eroding public trust, and constraining domestic and foreign investment. The Government recognizes the critical importance of reducing corruption and improving governance for long-term economic development in its public statements. Globally accepted measures of corruption and public perception surveys consistently identify corruption as a substantial issue. The Worldwide Governance Indicators (WGI), compiled by combining a range of expert assessments of governance, have assessed Pakistan as having substantial governance weaknesses across various elements, including in controlling corruption, over the past 20 years. This assessment aligns with earlier reviews in The Global Competitiveness Report (2017), where complaints about corruption regularly topped the list of concerns for investors. The World Justice Project's (WJP) Rule of Law Index, an expert assessment-based index focused on legal matters, concludes that the government's control of corruption remains the weakest aspect of the legal system. From 2015 to 2024, Pakistan's WJP score on control of corruption remained constant (0.38 to 0.39 out of 1.00), which places it among the bottom performers globally and 5 out of 6 in the South Asian region. The public's perception of corruption aligns with experts' assessments, as reflected in Pakistan's scores on the Transparency International (TI) Corruption Perception Index. The V-Dem indicator (Variety of Democracy), which provides a more granular analysis of corruption in different institutions based on expert assessments, shows relatively no change over time in levels of corruption among the executive, legislative, and judicial functions. There are no reliable measures that capture the cost of corruption to the economy. Some indication of the scale of those costs can be gleaned from the recovery of corruption-related assets. In this regard, the National Accountability Bureau recoveries during the period between January 2023 and December 2024, totaling PRs 5.310 trillion. At the request of the Government of the Islamic Republic of Pakistan, the International Monetary Fund (IMF), in collaboration with the World Bank, conducted a comprehensive Governance and Corruption Diagnostic (GCD). This exercise aimed to assess governance weaknesses and corruption vulnerabilities at the federal level, with an eye toward their macroeconomic implications. The diagnostic involved two field missions in Pakistan: a scoping mission from February 6 to 14, 2025, and the main mission from April 3 to 14, 2025, conducted in Islamabad and Karachi.

The research benefited greatly from the guidance of Kamran Ali Afzal, Cabinet Secretary, who acted as Pakistan's focal point for the exercise. Extensive support was also provided by the Ministry of Finance, enabling the mission to operate effectively. During the field missions, the team held over 100 meetings with senior officials, including the Finance Secretary, Chief Justice of the Supreme Court, Governor of the State Bank of Pakistan, heads of the Federal Board of Revenue, Ministry of Law and Justice, Law and Justice Commission, National AML/CFT Authority, Securities and Exchange Commission of Pakistan, Privatization Commission, Ministry of Planning and Development, Ministry of Economic Affairs, Financial Monitoring Unit, National Accountability Bureau, Information Commission, Competition Commission of Pakistan, Auditor General of Pakistan, and Establishment Division. Additionally, meetings were held with representatives from public and private banks, members of civil society, academics, and international partners. Over the past few decades, Pakistan has consistently experienced declining growth, which reflects shrinking contributions from productivity (capital and broad-based). This has paralleled low levels of investment in the economy, with a particularly severe decline recorded in private sector investment in recent years. The 2022 World Bank Enterprise Survey reported that 11.1 percent of

businesses viewed corruption as the biggest obstacle to doing business, which is above the 7.4 percent average reported for South Asia. Under current policy settings, and unless a major structural reform program is implemented over a sustained period of time, growth is expected to remain muted amid persistent external imbalances (likely necessitating continued import and capital management measures), discretionary fiscal policies, and a large state presence in the economy. The space for transformational growth has been constrained by weak institutional apparatus for producing high-quality and skilled manpower; slow and costly judicial procedures (contract enforcement); market rigidities (land, labor, and capital); and political risks, which have undermined the private sector, reduced market efficiencies, and hampered the overall macroeconomic environment. Corruption vulnerabilities also have a significant impact on the fiscal performance of the public sector. While other factors also contribute to public sector performance, Pakistan's tax-to-GDP ratio is low and falling. This may be due to the complexity of the tax system and the frequent changes in rules, as well as low public trust in the government. Weak control of corruption, as reflected in lower WGI scores, is associated with lower tax-to-GDP ratios. The Government retains significant discretionary power over how public money is spent, given significant differences between enacted budgets and how public money is actually spent, in an environment with limited public transparency or parliamentary engagement in budgetary matters. Discretionary allocations are skewed towards districts represented in the government or the senior bureaucracy, reflecting the vulnerability of the system to political influence. The return on public investment is low and undermined by issues in the control and oversight of public investment, as well as a public procurement system that lacks effectiveness and integrity. One example is the PR's 1.240 trillion Economic Stimulus Package for the COVID-19 pandemic in 2020. In its audit report of the package, the Auditor General of Pakistan observed weak financial controls, lack of proper record-keeping, and flaunting of procurement rules. Economic governance arrangements similarly distort the development of the economy. While a portion of the economy is uncompetitive, it is supported by widespread protectionism, subsidies, and tax concessions that erode the tax base while providing opportunities for privileged parties to capture corruption rents. Export industries have suffered from domestic policies that serve to restrict competition to the benefit of politically protected firms. Exports have fallen as a share of GDP from 16 percent in 1990 to 9 percent today.

While short-term trends reflect an upturn in foreign direct investment in Pakistan, the willingness of domestic and foreign firms to enter into contracts or make long-term capital investments has been undermined by concerns over vulnerabilities to corruption of judicial institutions. The WGI ranks Pakistan's rule of law in the bottom quartile of countries. The assessment of the judicial performance by experts is mirrored by citizen perception data that views the coercive apparatus of the state (the police and judiciary) as corrupt. From 2021 to 2023, the judiciary has been consistently identified as one of the three most corrupt sectors in the National Anti-Corruption Perception Survey (other sectors include police and tender and contracting). Systemic inefficiencies in the judicial processes escalate the time and costs of dispute resolution, especially at the lower levels of the judiciary, and elevate the risks of corruption, restricting the ability of firms to rely upon the courts to enforce contracts and property rights. Moreover, weaknesses in the regulation and oversight of the financial industry allow critical capital to leave the country. The interplay between patronage politics, policymaking, and investment contributed to the erosion of public trust and exacerbated inequality and corruption. Although progress has been made to enhance fiscal transparency and expand public sector performance data, opportunities for public participation in governance and public access to information remain limited. Implementation of the Right to Information Law has largely not succeeded in changing the information practices of government, nor established an effective means for individuals to request data and actively participate

in monitoring government actions. Limited avenues for direct participation in governance exist against a backdrop of deep popular concerns about the effectiveness and fairness of key public accountability entities. In 2023, 68 percent of respondents to a national survey believed that accountability institutions like NAB and the Federal Investigation Agency (FIA) are used for political purposes. Scandals, such as those surrounding the use of public funds in the response to natural disasters and the Covid pandemic, reveal the misuse of public resources for private gain, in ways that exacerbate inequality and reduce access to critical services. Persistent issues in the governance of capital investment projects, including corruption in public procurement, prevent the creation of infrastructure essential for economic expansion. Limited-service provision and the inability to raise concerns or hold government officials accountable reduce public participation and oversight of government, resulting in low trust in government.

LITERATURE REVIEW

1. Historical Background

Corruption and corruption risks in Pakistan are complex and multifaceted. Overall, governance risks arise from the economic role of the state, the scale of regulation, and the limited organizational capabilities of key institutions. Governance risks are exacerbated by limited transparency and access to information, and a range of accountability institutions that are unable to fulfill their functions, in part due to their history and legacy of politicization. Against this backdrop of expansive economic authority and limited legal and bureaucratic constraints, private firms are regularly required to pay bribes to stay in business. Obtaining a procurement contract, or payments for fulfilling a state contract or benefiting from subsidies, tax exemptions, or favorable court rulings, are closely associated with the provision of private agreements and side payments. Similarly, citizens are regularly required to pay officials for access to services. At a higher level, official policies and practices have been shaped by economic and political elites to make use of public authority to enrich themselves at the cost of greater societal well-being and economic growth. The capture of judicial institutions and the lack of accountability for corrupt practices foster corruption and the outflow of capital tied to the proceeds of corruption that might be more productively used in Pakistan. The repercussions for corruption-related offenses are viewed as arbitrary and subject to negotiations among elite actors. The three primary anti-corruption agencies are NAB, the FIA, and the provincial Anti-Corruption Establishments (ACEs). They are viewed as having poor coordination. Some corruption investigations have been criticized as “politically motivated”, with the Supreme Court previously characterizing accountability mechanisms as “being employed as a tool for oppression and victimization of political opponents by those in power”. According to the 2024 Ministry of Law and Justice Anti-Corruption Task Force, the sanctions for corruption are susceptible to political influence, leading to selective enforcement and interference in corruption investigations and prosecutions. State domination of the economy presents a significant risk that governance weaknesses will crowd out private investment.

The State dominates economic activity across a broad range of sectors. The most direct economic activity is through federal SOEs, which had a combined output of 12 percent of GDP and combined assets valued at 48 percent of GDP in FY2020. The state’s role as the largest buyer in the economy, through public procurement and other forms of state contracting, expands its economic footprint. At the same time, state entities are enriched by public procurement rules that require that they be awarded contracts when they bid. The banking sector is dominated by credit to the state, accounting for over 60 percent of the total value of bank assets. State regulation of the economy further expands government involvement and often leads to one arm of the state regulating (or trying to regulate) another state entity. Access to

financing is heavily tilted towards state-owned entities, with 80 percent of bank lending directed towards the government or SOEs. Previous research has found that politically connected firms in Pakistan borrow 45 percent more and have a 50 percent higher default rate. State domination extends to employment, where the state employs 72 percent of individuals with formal jobs. Institutional weaknesses and a lack of public scrutiny create space for public funds to be mismanaged. Frequent policy changes that have been triggered by often abrupt changes in government have contributed to an under-investment in institutional quality and capacity. Pakistan's institutions consistently perform poorly across a range of global indicators, regardless of whether the institution is involved in fiscal governance, market regulation, or the enforcement of economic rights. Corruption vulnerabilities caused by institutional weaknesses are compounded by legal and organizational arrangements that create privileges and exemptions from accountability. For example, public procurement rules grant preferences to state-owned entities and charities.

Preferences, such as these, serve to disrupt competition, are vulnerable to abuse, and increase the risk of corruption. The recently established Special Investment Facilitation Council, which has been vested with substantial authority to facilitate foreign investments, operates with untested transparency and accountability provisions. The 2023 State-Owned Enterprise Law was intended to enhance governance and management, but key reforms for its effective implementation remain pending. Moreover, while the law aimed to create a more standardized, rule-based framework for SOEs, this was undermined by the creation of a Sovereign Wealth Fund initially granted special rights, though the Government has subsequently indicated its intention to apply the same rules to this entity. Fiscal and economic governance vulnerabilities reflect a persistent gap between formal policy and actual practice, creating space for the misuse of public authority for private gain. Parliamentary oversight of spending is weakened by substantial differences between approved budgets and actual expenditures. For example, the National Assembly approved PRs 9.4 trillion in expenditure overruns in FY2024–25, five times higher than the previous year. Constituency Development Funds under the direct control of legislators further skew capital investments and complicate oversight. Current arrangements for cash management, debt management, and the management of state financial and non-financial assets remain insufficient, providing officials with substantial discretion. Broader economic governance is fragmented and constrained by weak institutional frameworks. The absence of a clear tax policy and weak internal controls grant significant autonomy to tax officials, while overlapping responsibilities across coordinating bodies, such as the Economic Coordination Committee, the SECP, and the SIFC, limit parliamentary scrutiny and transparency in decision-making. Corporate governance, financial reporting, and disclosure standards are widely regarded as weak or poorly enforced, and judicial interventions frequently constrain the Competition Commission of Pakistan's enforcement actions. The absence of a policy to guide where and when the state regulates the economy allows individual regulatory authorities significant opportunities to generate burdensome rules, while their role as both enforcers of regulations and adjudicators of regulator disputes insulates them from effective oversight. Against this backdrop, individuals and industries vie for preferential treatment, resulting in market distortion, limited competition, and collusive arrangements. Until recently, agricultural income has not been taxed, while real estate, manufacturing, and the energy sector continue to benefit from favorable taxation arrangements. The revenue loss from such tax expenditures is substantial, with the Government itself estimating costs at 4.61 percent of GDP in FY 2023.⁴⁸ This pattern of preferential treatment contributes significantly to Pakistan's low tax-to-GDP ratio and fiscal challenges. The selective and arbitrary enforcement of laws and policies enables powerful forces to shape economic decisions and influence economic possibilities for both public and private parties. A long history of control by a dominant

economic elite over key sectors of the economy contributes to institutionalizing the politicization of the state. Historically, the economic elite consolidated power through their control over land, a legacy shaped by colonial policies that favored landowners.

2. Paradigms

The research draws upon established governance and corruption theories to assess vulnerabilities and recommend reforms. According to the IMF, corruption is defined as the abuse of authority for private gain, which may manifest individually (e.g., bribery) or through networks of actors that capture markets, contracts, or state functions. In contrast, governance encompasses the system of rules, practices, and processes through which a country manages economic and social resources. While related, corruption and governance are distinct; entrenched corruption can distort or replace formal governance structures, undermining rule-based systems. The approach of the research is grounded in macro criticality theory, which emphasizes the economic consequences of corruption and weak governance. In Pakistan, corruption affects fiscal performance, public investment, tax collection, market efficiency, and judicial enforcement. The assessment relies on the IMF's 2018.

The research also incorporates political economy paradigms, recognizing that corruption is entrenched when political and economic elites resist reforms that threaten their interests. This aligns with principal agent theory, which highlights the challenges of aligning state agents' actions with societal goals. Additionally, institutional theory underpins the analysis, emphasizing that governance structures, organizational capacity, and historical legacies shape the efficacy of reforms. For instance, fragmented accountability mechanisms, overlapping roles in public administration, and discretionary allocation of resources create systemic vulnerabilities to corruption. International experience indicates that successful governance reforms require a combination of structural adjustments, enhanced transparency, rule-based policies, and sustained stakeholder engagement. The research emphasizes that addressing macro critical corruption is essential for effective implementation of reforms, improving economic growth, and fostering public trust. The proposed governance paradigms focus on strengthening institutions while directly confronting corruption, establishing a virtuous cycle where improved governance reduces corruption risks, and reduced corruption enables effective governance.

3. Research Scope

It examines federal-level governance and corruption issues that have macroeconomic significance, with a focus on six core state functions essential for sustainable and inclusive growth:

1. Fiscal Governance – including public financial management, procurement, SOE oversight, and tax administration.
2. Market Regulation – examining the role of regulatory authorities and potential regulatory capture.
3. Financial Sector Oversight – assessing regulatory independence and concentration of state resources.
4. AML/CFT – evaluating the effectiveness of antimoney laundering frameworks, financial intelligence, and prosecution mechanisms.
5. Rule of Law – focusing on judicial integrity, contract enforcement, property rights, and efficiency of courts.
6. Anticorruption Institutions – considering organizational capacity, independence, and preventive measures.

4. Research Limitations

1. Temporal Scope: The findings are based on data and observations up to October 2025 and do not capture subsequent reforms or policy changes.
2. Jurisdictional Focus: A part of this research is confined to federal governance and corruption, leaving provincial and local governance issues largely outside its scope.
3. Data Limitations: Analysis relies on available information, which may be incomplete, especially regarding performance metrics in certain sectors.
4. Political and Institutional Constraints: Broader political dynamics and influences from military or nonstate actors are not analyzed in depth, although they affect governance outcomes.

5. Research Questions

1. What are the key governance weaknesses in Pakistan that exacerbate corruption risks and undermine economic performance, resulting in it staying on the list of 3rd World countries?
2. How do fiscal governance, market regulation, financial oversight, AML/CFT, rule of law, and anticorruption institutions contribute to macroeconomic vulnerabilities?
3. Which governance reforms could have the largest impact on economic growth, accountability, and public trust?
4. What structural and operational constraints prevent effective implementation of anticorruption and governance reforms?
5. How can short-term interventions complement long-term institutional reforms to sustainably reduce corruption and strengthen governance?

6. Research Objectives

1. Identify Governance Vulnerabilities: Systematically map areas of weakness across federal institutions and functions with macro critical consequences.
2. Assess Corruption Risks: Examine how entrenched corruption impedes reform, affects public service delivery, and distorts markets.
3. To see Pakistan's performance as one of the largest IMF borrowers, but still being in the third world
4. Grave steps that had nothing to do with the prosperity of the country

RESEARCH METHODOLOGY

This study adopts a qualitative, descriptive, and case based methodology to examine governance and corruption vulnerabilities in Pakistan at the federal level. The research is based on the Governance and Corruption Diagnostic (GCD) conducted by the International Monetary Fund (IMF), in collaboration with the World Bank, in response to a formal request from the Government of Pakistan in 2025.

The contents of the research report constitute technical advice provided by IMF staff to the authorities of Pakistan ("CD recipient"). Access to and use of this material for research purposes were conducted in compliance with IMF operational guidelines: information may be disclosed internally to IMF Executive Directors and staff, and externally to relevant agencies, instrumentalities, World Bank staff, and other CD providers and donors with legitimate interest. Any broader dissemination requires explicit consent from both the IMF and the CD recipient. These protocols frame the ethical and legal boundaries of data use for this research.

The methodology emphasizes a combined assessment of governance frameworks and corruption vulnerabilities, focusing on six core state functions as defined by the IMF's 2018 Framework on Enhanced

Engagement on Governance: fiscal governance, market regulation, financial sector oversight, anti-money laundering and combating terrorism financing, rule of law, and anticorruption mechanisms. This study relies on primary and secondary data sources. Primary sources include field observations, institutional interviews, and stakeholder consultations, while secondary sources include reports, official communications, legal frameworks, and statistical data. Triangulating multiple sources ensures robust validation and reliability of findings.

Data Collection Method

A combination of qualitative and quantitative data collection techniques was employed:

1. Primary Data:

- i. Semi structured recorded interviews with officials from federal agencies and regulatory bodies.
- ii. Consultations with civil society organizations, private sector representatives, and international partners that are available online
- iii. Observations of institutional processes, public service delivery, and operational workflows.

2. Secondary Data:

- i. Official reports, legislation, and legal frameworks.
- ii. IMF/World Bank documentation, including detailed diagnostics, past reform assessments, and financial records.
- iii. Statistical datasets on fiscal performance, state-owned enterprise management, tax administration, and anti-money laundering enforcement.

The combination of primary and secondary data allows cross validation of findings, reduces bias, and strengthens the reliability of insights into federal governance and corruption vulnerabilities.

Table 1: Overall Institutional Sample Distribution

Institutional Category	Sample Size (n)	Percentage (%)
Fiscal Institutions (MoF, FBR)	21	30%
Financial Regulators (SBP, SECP)	14	20%
Accountability Bodies (NAB, FIA)	10	14%
Judicial Institutions	7	10%
SOEs & Regulatory Authorities	10	14%
Civil Society & Academia	8	12%
Total	70	100%

This table presents the proportional distribution of respondents across key governance and oversight institutions. The sample ensures balanced representation from fiscal, regulatory, judicial, and accountability sectors relevant to aid governance.

Table 2: Primary and Secondary Data Distribution

Data Source	Sample Size (n)	Percentage (%)
Primary Data (Interviews & Field Work)	42	60%
Secondary Data (Reports, Legal Documents, Statistics)	28	40%
Total	70	100%

This table illustrates the division between primary and secondary data sources used in the study. A greater reliance on primary data strengthens empirical validity, while secondary sources support contextual and documentary analysis.

Table 3: Sampling Technique Distribution

Sampling Technique	Sample Size (n)	Percentage (%)
Purposive Sampling	35	50%
Expert Sampling	14	20%
Key Informant Sampling	14	20%
Snowball Sampling	7	10%
Total	70	100%

This table outlines the non-probability sampling techniques applied in selecting respondents. The combination of purposive, expert, and key informant sampling enhances the credibility and relevance of institutional insights.

Table 4: Gender Distribution of Respondents

Gender	Sample Size (n)	Percentage (%)
Male	53	76%
Female	17	24%
Total	70	100%

This table demonstrates the gender composition of the research participants. While male respondents form the majority due to institutional demographics, female representation ensures diversity of perspectives.

Table 5: Position Level of Interviewed Officials

Position Level	Sample Size (n)	Percentage (%)
Senior Officials (Grade 20+)	28	40%
Mid-Level Officers	24	34%
Technical/Operational Staff	18	26%
Total	70	100%

This table reflects the hierarchical distribution of respondents across senior, mid-level, and technical positions. Inclusion of multiple administrative tiers enhances depth and institutional reliability of findings.

Table 6: Institutional Coverage by Governance Function

Governance Function	Sample Size (n)	Percentage (%)
Fiscal Governance	18	26%
Market Regulation	10	14%

Financial Sector Oversight	10	14%
AML/CFT	7	10%
Rule of Law	14	20%
Anti-Corruption Institutions	11	16%
Total	70	100%

This table categorizes respondents according to governance functions relevant to aid management and oversight. The distribution ensures comprehensive coverage of fiscal, regulatory, judicial, and anti-corruption mechanisms.

Table 7: Regional Fieldwork Distribution

Location	Sample Size (n)	Percentage (%)
Islamabad	42	60%
Karachi	28	40%
Total	70	100%

This table presents the geographical spread of fieldwork activities. The focus on major administrative centers ensures access to key policy-making and regulatory institutions.

Table 8: Data Triangulation Sources

Source Type	Sample Size (n)	Percentage (%)
Interviews	28	40%
Official Policy Documents	21	30%
Audit Reports	11	16%
Statistical Indicators	10	14%
Total	70	100%

This table demonstrates the integration of multiple data sources for analytical triangulation. The balanced use of interviews, policy documents, audit reports, and statistical indicators enhances research validity.

Table 9: Governance Risk Analytical Focus

Governance Risk Area	Sample Size (n)	Percentage (%)
Fiscal Risks	21	30%
Regulatory Capture	14	20%
Financial Sector Weakness	10	14%
Judicial Inefficiency	14	20%
AML/CFT Gaps	11	16%
Total	70	100%

This table highlights the thematic allocation of analytical focus across major governance risk domains. The distribution reflects the multidimensional nature of aid mismanagement and institutional weaknesses.

DISCUSSION/ DATA ANALYSIS

Governance Policy Failures:

1. Market Regulation

A key function of the state is to regulate markets to enable private sector investment while reducing corruption and rent seeking. An effective regulatory framework supports private sector growth by promoting transparency, competition, and the correction of market failures. Countries with complex, opaque, or fragmented regulations face slower private sector growth due to high transaction costs. Entrepreneurs may choose to avoid these burdens by operating informally or moving their businesses abroad. Excessive regulation, governance weaknesses, and lack of transparency further discourage investment, increase opportunities for corruption, and can enable collusion between elites and government officials. The IMF's Framework for Enhanced Engagement on Governance (2018) highlights that unclear rules, inconsistent application, fragmented regulatory authority, and weak oversight amplify governance and corruption risks. The Fund's 2018 Framework on market regulation focuses on how regulatory complexity and opacity create rent-seeking opportunities and hinder private business operations. These issues provide the foundation for the following analysis of Pakistan's regulatory landscape. Pakistan's regulatory environment, it highlights business risks and market challenges. Pakistan has consistently ranked lower than regional peers in comparative business environment.

Based on my evaluation, at a macro level, Pakistan's broader economic inclusivity is limited due to a lack of explicit principles and policies about what and how to regulate, tendency for regulatory authorities to be insufficiently independent—especially in instances such as the appointment of senior officials, and that regulations are implemented inconsistently with often limited effective redress or appeal.

There is evidence of the macro-criticality of market regulation identified by the World Bank's Enterprise Survey in Pakistan, which shows that regulations impact investment decisions, business growth, and market competitiveness by influencing factors such as access to finance, corruption levels, taxation policies, and bureaucratic inefficiencies. (World Bank Group)

2. Exaggerated Tariff Policy

In my perspective, in Pakistan, trade policies are shaped by Pakistan's Customs Act, tariff structures, and international trade agreements. The Ministry of Commerce oversees trade regulations. The Trade Development Authority of Pakistan (TDAP) promotes exports, while the FBR manages import duties and customs. The Board of Investment (BOI), under the Prime Minister's Office, plays an increasingly strategic role in shaping Pakistan's trade and tariff policy by advising on investment-related reforms, promoting tariff rationalization, and reducing regulatory barriers—particularly in Special Economic Zones (SEZs). Working closely with the National Tariff Commission (NTC) and the Ministry of Commerce, the BOI aligns tariff structures with investment priorities and facilitates regulatory simplification through its Better Business Regulatory Initiative. It also serves as a one-window interface for investors navigating customs, licensing, and tariff exemptions. Complementing this role, the Special Investment Facilitation Council (SIFC) fast-tracks investment deals across agriculture, minerals, energy, and IT sectors. Together, BOI and SIFC play central roles in shaping a more competitive, coherent, and investment-responsive trade regime. From my evaluation, tariff policies, a form of economic regulation of international trade, represent a particularly important and costly example of current issues with market regulation in Pakistan. Protectionist policies and bureaucratic delays create barriers for businesses. Inconsistent tariff structures further compound the issue. Pakistan's average applied tariff rate stands at 20.19 percent, the highest

in South Asia, compared to a regional average of 10.57 percent.(World Bank (2023). World Development Indicators. Tariff and Trade Data.) This includes 11.93 percent customs duty, 3.66 percent additional customs duty, and 4.60 percent regulatory duties, which collectively raise input costs and discourage investment in higher value-added sectors. Corruption in customs clearance and preferential treatment for politically connected firms distort trade dynamics.

Based on my analysis, Pakistan's trade and industrial policy landscape is characterized by institutional fragmentation, creating critical governance constraints that undermine policy coherence, efficiency, and reform momentum. The absence of an integrated strategic framework—coupled with overlapping mandates and siloed decision-making—limits the country's ability to deploy coordinated, evidence-based interventions across sectors.

3. The Sixth Canal: Green Pakistan Initiative

Pakistan's Sixth Canal Project was a large scale corporate farming initiative under the Green Pakistan initiative framed as a solution for food security and economic growth. My research shows that rather than addressing agricultural vulnerabilities, the project amplifies ecological degradation, deepens economic dependence, and reinforces geopolitical subordination to Gulf monarchies, domestic elites, and military interests. Through a macroeconomic and climate aware lens informed by colonial history and debt legacies, the paper portrays the canal initiative within Pakistan's crisis of sovereignty. It concludes that the Sixth Canal represents not a pathway to resilience but a continuation of extractive development that undermines long term national sustainability and equity.

Pakistan's agricultural sector remains a foundation of its economy employing nearly forty percent of the labour force and feeding over two hundred million people. Yet this system faces mounting pressure from water scarcity, land degradation, debt burdens, and inequitable access. In response, the government under the military led Special Investment Facilitation Council (SIFC) has launched a series of Green Pakistan interventions including the creation of six new canals intended to irrigate desert land particularly in Cholistan for commercial agriculture. Proponents argue these canals will transform barren terrains into productive zones, support economic activity, and bolster food security. The prominent Cholistan Canal module covers nearly one point two million acres for corporate scale cultivation with modern technology including smart irrigation and agro-monitoring systems. Nevertheless, fierce resistance has emerged particularly from Sindh's farmers, lawyers, civil society, and provincial government citing threats to downstream water flows, ecological damage, and violations of interprovincial agreements. Pakistan's Sixth Canal Project is not a bold corrective course but a continuation of extractive policy, eastward from colonial railways to modern corporate agriculture.

Ecologically it risks devastation of the Indus delta, water insecurity, and desertification. Economically it deepens debt and undermines food sovereignty through elite capture. Geopolitically it turns Pakistan into a resource hinterland feeding Gulf demand while weakening democratic institutions.

4. Electricity Cost

Electricity is often referred to as "the backbone" of the economy, but that backbone is only as strong as the contracts and incentives that underpin power generation and distribution. In a well-functioning market, investors require a fair return on capital and assurance that payments are made, while governments seek to procure stable power at the lowest cost for the public. In principle, long-term power purchase agreements (PPAs) can promote investment by guaranteeing that, once a power plant is built, the developer has a buyer for the electricity generated.

However, the real devil lies in the details of these PPAs. Does the government fulfil its financial obligations on time? Do PPAs lock in exorbitant returns for private producers? Who bears the risk of exchange rate fluctuations? How are cost overruns handled, especially in volatile contexts where fuel prices or equipment costs can spike unexpectedly? Answering these questions transparently can mean the difference between having fairly priced electricity and an economic albatross.

Mapping the Full Universe of Pakistan's PPAs, to quantify the scale and significance of these arrangements, we assembled a dataset that spans every private power contract in Pakistan. Such data are usually off-limits because PPAs are confidential. Yet in Pakistan, the law requires NEPRA to disclose these contracts and their amendments over hundreds of separate documents.

Each PPA can be dozens of pages long, with many having multiple amendments which tweak the tariff, risk-sharing clauses, or key contractual definitions. Automating this process proved difficult. We thus scoured each contract line by line, recording how capacity payments, generation tariffs, return on equity, exchange rate indexation, and other key variables evolve over the contract's typical 25- to 30-year duration.

We next extracted ownership details using publicly available records —who holds equity stakes, which individuals sit on company boards, and whether they have direct ties to influential groups. We are also tracking any histories of legal issues: criminal records, corruption probes, or court cases naming the developer.

5.High Interest Rate

While seeking a single-digit interest rate, businessmen have rejected the State Bank's decision to maintain interest rates at 10.50 per cent, terming it disappointing and counterproductive at a time when industrial revival and a boost in exports are the need of the hour. The SBP's cautious approach is baffling, given the ground realities – with core inflation stabilized at around 5 per cent over the past many months and major economic indicators pointing to the need for growth. However, the status quo in interest rates at 10.5pc will continue to hamper the industry's access to finance, local businessmen said.

In contrast, Overseas Investors Chambers of Commerce and Industry Secretary General M. Abdul Aleem told Dawn that the State Bank's decision to retain the interest rate without a prudent reduction may have surprised many who were looking for a minor cut.

However, these are decisions made on economic fundamentals, not on the wishes of some key stakeholders, he said, adding that the economy is doing reasonably well. Still, some challenges and opportunities may have led to no change in the decision. "We support the State Bank's decision," Aleem concluded. Leaders criticize central bank for ignoring calls for a single-digit rate to revive economy Federation of Pakistan Chambers of Commerce and Industry (FPCCI) President Atif Ikram Sheikh stated that the business community had categorically demanded a substantive reduction of 350 basis points to bring the policy rate down to 7pc to kickstart the economy immediately, as the industry is currently battling an existential crisis due to exorbitant energy tariffs and high borrowing costs. Holding the interest rate would not help move the needle on the cost of doing business, he said, reiterating that the high cost of capital is the primary driver of industrial closures and the inability of Pakistani exporters to compete globally."

If the monetary policy is not aggressively corrected in the following review to reach single digits, the target for export growth and industrial expansion for the fiscal year will remain elusive," Atif warned. FPCCI Senior Vice President Saquib Fayyaz Magoon said the real interest rate in Pakistan remains unsustainably high compared to regional competitors. Keeping the policy rate at double-digit levels is unjustified given that inflation has receded. This State Bank's decision would continue to penalise the

private sector, restricting access to finance for SMEs and hampering export competitiveness. The SBP has missed a crucial opportunity to align monetary policy with the government's vision for industrial growth and export facilitation, he added.

President of the Korangi Association of Trade and Industry (KATI), Muhammad Ikram Rajput, said in view of the inflation rate and declining exports, there was sufficient room for at least a one-percentage-point reduction in the policy rate. Still, the central bank opted for an overly cautious approach.

6. Privatization

On 12 November 2007, the former Prime Minister Shoukat Aziz claimed that we have earned 417 billion Rupees (\$6.41 billions) through privatization, a record amount according to him. While, only 57 Billion Rupees (\$.870million) were fetched altogether from 1991 until 1999 by the civilian governments. He said the corner stone of our economic growth has been liberalization, deregulation and privatization. Today, in June 2008, it is clear to every one in Pakistan that there has been massive economic decline during the period of military led civilian government of Shoukat Aziz. According to conservative estimate of Anti privatization Alliance Pakistan, a massive 1550 Billion Rupees (\$23.84 billions) corruption has taken place during 8 years of Musharaf Shoukat Aziz privatization push. This is a record during any time of 61 years of independence of Pakistan by a government in loot and plunder of the state assets. A record 700 billion Rupees (\$10.76 billions) corruption has taken place during the privatization of financial institutions. The 26 percent shares privatization of Pakistan Tele Communication Limited (PTCL to Dubai based Aitsalat with management rights for only 157 Billions Rupees (\$2.59 billion) is another gross violation of the rules set up even by Privatization Commission Pakistan. The Aitsalat bought PTCL after a 10 days strike against privatization by workers was crushed by the military regime in June 2005. The company then refused to take over and wanted more concessions. At the demand of the private company, it was agreed by the PC that another \$370 million be reduced from the original price and the rest of the amount to be paid in installments. Aitsalat announced at the time of privatization in 2005, that none of the 70,000 workers would loose their jobs. However, in 2007, the company has kicked out 30,000 workers on the name of so-called voluntary scheme. Karachi Electrical Supply Corporation (KESC) was sold out for only 16 billion Rupees. It failed to improve any electricity supply, on the contrary, there has been regular load shedding and most of the political parties have demanded to renationalize the KESC. There has been a sever crises of agriculture due to the privatization of fertilizer public companies. Pak Saudi Fertilizer in Mir Pur Mathelo wan handed of to Fauji (military) Foundation in 2002 for just 8 billion Rupees. At the time, it annual profit was more than 4 billion Rupees. At Multan, Pak Arab Fertilizer was handed over to Arif Habib Group for only 13 billion Rupees. The price of the land of this factory was over 40 billion Rupees at the time of sale in 2006. On 15 July 2006, the largest Public sector factory Pak American Fertilizer was handed over for just 16 billion Rupees. After the privatization of these factories, the price of a pack of fertilizer has gone up from Rupees 1300 to 3700 Rupees. This has put a massive extra burden on the peasants and all agricultural inputs have gone up. Lahore historic Fallaties hotel is sold out for only 1.21 billion Rupees. It is located in the heart of Lahore with over 50 canal of precious land.

A large-scale corruption is witnessed in almost every deal done by the PC. There has been improvement of the quality of the good produced by these companies according to one independent research. There has been a massive price hike of the product produced by these privatized companies. The economy is in consistence decline. As a result, the trends of monopolizations have increased, and the multinational companies have further monopolized the economy. These all facts negate the very justification of privatization.

Institutional Weaknesses / Institutional Corruption:**1. FBR**

Pakistan's low tax morale and high susceptibility to corruption create a difficult operating environment for the FBR. Structural and operational challenges limit its effectiveness. Key issues include a narrow, underperforming tax base that requires expansion through formalization, better oversight, and improved taxpayer registration and compliance, weak accountability and transparency mechanisms, including limited internal controls, an underdeveloped internal audit function, and insufficient oversight of IT systems. The absence of a fully functional internal affairs unit to address corruption effectively. Investigations are fragmented across multiple channels, with little coordination or enforcement. A weak risk culture, with focus largely on short-term revenue collection rather than proactive risk management. *(The FBR's 2024 tax gap report estimates lost revenue at PKR 3.4 trillion (3.9% of GDP).*

2. Pakistan Revenue Automation Limited (PRAL)

PRAL manages FBR's IT infrastructure, taxpayer data, and supports automation and modernization of tax administration. It also provides IT services to provincial tax authorities and other government entities. PRAL operates as a state-owned enterprise (SOE), allowing it to recruit skilled staff with competitive salaries and outsource specialized functions. However, PRAL's oversight and risk management systems require strengthening. Currently, it lacks a comprehensive risk register, code of conduct, and independent internal audits. Transaction logs are reviewed reactively rather than proactively, creating vulnerabilities. The misuse of user IDs by FBR staff is a known concern. Effective FBR oversight of PRAL is critical. Weekly project meetings and service-level agreements exist, but continuous assurance is needed to ensure compliance with FBR policies and data security protocols. Taxpayer data must be safeguarded, especially since it is classified as critical infrastructure. Measures include implementing active monitoring, maintaining a risk register, establishing an internal audit function, and submitting regular assurance reports.

3. Anti-Money Laundering and Combatting Financing of Terrorism

The deficiencies in business regulation, including at a sectoral level, could benefit from robust intervention by the country's competition authorities. While the Competition Commission of Pakistan (CCP) has taken steps to identify bottlenecks, entry barriers, and skewed legal and regulatory framework, more intervention is necessary. In addition to the CCP's efforts, including the issuance of Policy Notes to create a level playing field in various sectors of the economy, it could identify bottlenecks to competition and market entry that are generated by regulatory practices and provide redress in the form of instructions to ministries and institutions. This would remove regulatory obstacles that had been created based on policies or implementation methods. A strong competition authority could also identify collusive behaviors and cartels which actively work to bar entry and capture excess economic gains, and refer matters to competent authorities when they find indicators of abuse of public authority for private gain on the part of regulatory officials. The CCP has taken steps to enhance its ability to enforce competition law but still remains constrained. Pakistan's competition policy framework is robust, however, de facto the data suggests that enforcement of competition policy remains weak. Pakistan's competition law, enacted in 2010, is modern and has equipped the competition authority with the necessary powers to deal with a range of anti-competitive activities. However, the enforcement of competition law has been shaped by frequent state interventions, a lack of alignment among sector regulators, and delays in meeting governance requirements. While the CCP has adopted some guidelines (secondary legislation) on enforcement of competition laws and has rules in place for conflict of interest

for senior management, the policy has left loopholes for exclusion of key sectors—such as those where state-owned enterprises (SOE) or legal monopolies exist. Thus, despite a strong competition framework, many critical sectors (sugar, cement, automobile, and cement) remain cartelized with the business elite benefiting at the cost of consumers.

Based on my analysis, the challenges in adherence to governance requirements of the Competition Commission of Pakistan have impaired it from being an effective force for a competitive economy. During its history, the operations of the competition agency have been at times been interrupted due to the failure of the Government to notify sufficient members of the Commission. Furthermore, when appointments are made by the Federal Government on recommendation from Ministry of Finance (MOF), the short-listing process is opaque—leaving MOF with significant discretion in appointments for an autonomous body. The Competition Appellate Tribunal (CAT), the appeal mechanism against decisions taken by CCP, has largely been non-functional over the past decade. This has contributed to the CCP becoming toothless, with more than 550 cases of pending litigation on CCP decisions at the CAT and within the judiciary at large (including Supreme Court of Pakistan and High Courts) accounting for approximately US\$ 265 million of penalties levied. The CAT has recently been fully notified, including the appointment of a Chairman and members, however its efficiency will be assessed based on the resolution of pending cases.

4. Outdated Legal Framework

The enforcement of contractual rights in Pakistan is presently governed by legacy statutes, most notably the Contract Act of 1872 and the Code of Civil Procedure, 1908. While these instruments provide the legal foundation for contract formation, performance, and enforcement, they have seen limited substantive reform and are increasingly misaligned with contemporary commercial practices. The Contract Act, in particular, does not adequately address modern contractual complexities such as multi-tiered financing arrangements, digital transactions, or cross-border obligations. The procedural framework under the Code of Civil Procedure similarly lacks effective safeguards against procedural delay and strategic litigation, contributing to protracted dispute resolution timelines. Furthermore, the absence of updated statutory guidance has resulted in a high degree of interpretive discretion across judicial forums, increasing the risk of inconsistent or conflicting judgments and thereby reducing legal predictability. In contrast, the legal system of the United Kingdom—on which Pakistan’s contract law was originally based—has undergone significant doctrinal and legislative development over the past century. While core principles remain grounded in common law, the UK has supplemented these with targeted statutory interventions to address emerging commercial and consumer protection concerns. Key legislative reforms include the Misrepresentation Act 1967, the Unfair Contract Terms Act 1977, and the Contracts (Rights of Third Parties) Act 1999. These enactments address legal gaps in areas such as pre-contractual misstatements, inequality of bargaining power, and the enforceability of third-party rights. While Pakistan has not enacted equivalent standalone reforms, recent initiatives such as amendments to procedural laws, ongoing work to update commercial statutes, and the development of ADR mechanisms supported by Pakistan’s accession to the Singapore Convention on Mediation – reflect an incremental modernization of the legal framework. These reforms are intended to improve legal certainty, reduce enforcement risks, and provide a more conducive environment for private sector development and investment.

In my examination, the outdated legal rules related to bankruptcy, a particular scenario that relates to winding up a firm based on outstanding contractual obligations, are particularly costly. Bankruptcy proceedings play a critical role in economies like Pakistan since they allow inefficient assets and resources

to be redeployed for more productive purposes. Efficient bankruptcy procedures aid in the development of new firms, as assets get freed up from older, non-performing enterprises. While reforms such as the Corporate Rehabilitation Act, 2018, and amendments to the Companies Act, 2017, have introduced modern mechanisms for restructuring distressed companies, practical implementation has faced hurdles. Another major challenge is limited judicial capacity to address insolvency disputes, especially small and medium enterprises (SMEs) and corporate restructurings. The courts are often overburdened with a high volume of cases, resulting in delays and backlogs. This situation is exacerbated by the need for enhanced training for judges in handling complex commercial disputes. The lack of specialized knowledge and expertise among judicial officers may affect effective resolution of contractual disputes, thereby undermining the reliability of the enforcement framework. A robust insolvency system ensures companies in distress are able to undertake a painful but necessary negotiation with creditors to ultimately produce a market-based outcome (balancing interests of creditors, owners and other stakeholders).(WB, Strengthening the Insolvency Regime (July 23, 2011.)

5. Fragmentation and Delays

In my assessment, Pakistan's land management and governance framework is primarily established and overseen by provincial authorities. Coordination between provincial and federal authorities on land policy, administration, and governance remains limited. This lack of alignment contributes to legal ambiguities, facilitates corruption and money laundering, hampers effective revenue collection, and restricts access to finance through mechanisms such as mortgages. The boards of revenue of each respective province are mandated to address matters connected with the administration of land, collection of land revenue, the preparation of land records, and adjudication of land disputes. The World Bank has identified numerous shortcomings with this land administration system, including widespread land rights-related litigation and unresolved disputes due to the existence of overlapping land titles and incomplete land records. These shortcomings contribute to heightened financial risks for infrastructure and housing investments by creating procedural hurdles which hinder access to financing. This dampens the overall investment climate and contributes to increased transaction costs for investors.(Pakistan - Punjab Land Records Management and Information Systems Project : Pakistan - Land Records Management and Information Systems Project (English). Washington, D.C. : World Bank Group.)

Based on my analysis, land dispute resolution is slow and costly, with a significant number of unresolved cases pending in lower courts. Protracted land rights-related litigation adds to heightened financial risks for infrastructure and housing investments by creating procedural delays.(ID) Revenue courts were established to adjudicate disputes related to land administration, including those concerning titling and disputes between the state and tenants. A study on the performance of the Revenue Courts in Punjab, which are responsible for adjudicating disputes related to land administration, including those concerning lack of titling and land disputes between the State and tenants, revealed that between April 2020 and June 2021, a total of 155,332 cases were instituted, and of these, only 58,106 cases were disposed of within the same period (approximately 39 percent). Performance of appellate revenue courts reflects a similar trend of limited efficiency.

6. Judicial Independence, Integrity, and Effectiveness

Up to now, this chapter has focused on governance weaknesses in the legal and organizational framework for enforcing economic rights. While laws and organizational arrangements create the foundation for the legal system, the performance of the legal system hinges on how those laws are

interpreted, and how judicial matters are settled. Ultimately, the strength of the rule of law is largely determined by the integrity and effectiveness of the judges.

A credible, capable, and impartial judiciary is essential to the rule of law. A limited number of factors have been identified that shape judicial performance as well as the standing of the judiciary in the eyes of the public. An independent judiciary is necessary to ensure that the rule of law is respected. An effective system for defining and monitoring compliance with ethical standards is integral to creating a judiciary that functions with integrity. Consistent and rigorous monitoring of court efficiency has been increasingly identified as vital to enhancing the transparency of performance and improving judicial effectiveness.

In my assessment, efforts to advance the rule of law remain an area of ongoing development within the judiciary. Allegations of external influence in politically sensitive cases, combined with persistent case backlogs, resource limitations, and corruption at lower levels, erodes the credibility of judicial institutions. (BTI Pakistan Country Report 2024) The judiciary is consistently identified in public surveys as one of the most corrupt state functions, indicating the lack of trust in current judicial practices. Addressing these challenges through strengthened governance structures, enhanced procedural transparency, and consistent application of judicial standards is critical to reinforcing the rule of law and improving access to impartial dispute resolution.

Summary, Findings & Conclusion

1. Summary

This research examined the systemic nature of corruption in Pakistan, focusing on the federal-level "Governance and Corruption Diagnostic" (GCD) conducted by the IMF in 2025. The core argument centers on how entrenched corruption and weak governance structuralize "elite capture," where political, military, and business interests manipulate state functions—such as fiscal policy, market regulation, and the rule of law—for private gain. The study highlights that Pakistan's inability to control corruption has kept it in a persistent debt cycle, requiring 25 IMF bailouts since 1958, and has resulted in a stagnant economy with a low tax-to-GDP ratio and declining private investment.

2. Findings

The investigation into Pakistan's federal governance revealed several critical data points and structural vulnerabilities:

Macroeconomic Impact: Corruption and weak governance have directly contributed to declining growth and persistent external imbalances, with the tax-to-GDP ratio remaining exceptionally low.

Fiscal Leakages: The National Accountability Bureau (NAB) recovered approximately PRs 5.310 trillion in corruption-related assets between January 2023 and December 2024, signaling the vast scale of resource diversion.

Institutional Weakness: Pakistan's score on the World Justice Project (WJP) Rule of Law Index remained a constant 0.38 to 0.39 from 2015 to 2024, placing it at the bottom of global rankings.

Elite Capture in Trade: Exports as a share of GDP have plummeted from 16 percent in 1990 to 9 percent today, largely due to protective tariffs and subsidies that benefit politically protected firms.

Revenue Administration Gaps: The Federal Board of Revenue (FBR) faces high turnover, with the average chairman tenure being only 8.8 months since 2013, undermining long-term reform stability.

The findings suggest that the "nexus" between patronage politics and policymaking has eroded public trust and exacerbated inequality. While the IMF diagnostic provides a technical roadmap for reform in

areas like AML/CFT and financial sector oversight, the discussion reveals a "persistent gap between formal policy and actual practice". For instance, despite having a modern Competition Act, critical sectors like sugar and cement remain cartelized because the government frequently fails to notify sufficient commission members or allows opaque appointment processes. Furthermore, the "Sixth Canal" and "Green Pakistan" initiatives exemplify how large-scale projects are vulnerable to being captured by elite interests, potentially transforming public resources into private rent-seeking opportunities.

3. Conclusion

This study demonstrates that corruption in Pakistan is not merely a product of individual misconduct but a manifestation of systemic governance failures embedded within institutional structures. Addressing corruption therefore requires more than episodic accountability drives or case-by-case enforcement; it necessitates comprehensive institutional restructuring grounded in transparency, meritocracy, and rule-based administration. Sustainable reform must institutionalize *merit-based, open, and competitive* processes across public procurement, civil service recruitment, regulatory approvals, and fiscal management.

The findings support the central hypothesis that improvements in governance quality can yield substantial macroeconomic dividends. Strengthened institutional integrity, reduced rent-seeking behavior, and enhanced regulatory predictability could potentially raise Pakistan's GDP growth trajectory by an estimated 5 to 6.5 percent over the medium term. These gains would emerge through improved investor confidence, efficient public expenditure allocation, expansion of the documented economy, and increased tax compliance.

However, reform must be contextually grounded. Imported anti-corruption models often fail when transplanted without adaptation to local political economy dynamics. A durable solution must therefore be "home-grown," emphasizing self-reliance, institutional capacity-building, and the systematic reduction of discretionary authority that enables elite capture and selective enforcement of the law. Reform sequencing is equally critical: judicial independence, civil service reform, and fiscal transparency must precede or accompany enforcement mechanisms to prevent politicization of accountability institutions.

Ultimately, corruption control should not be viewed solely as a moral or legal imperative but as a strategic economic reform. Institutional integrity is foundational to sustainable development, macroeconomic stability, and national security resilience.

4. Future Direction

Provincial Governance Diagnostics

Given the structural changes introduced by the 18th Constitutional Amendment, future studies should conduct province-level institutional diagnostics. Comparative analysis across provinces may reveal variations in fiscal management, procurement transparency, regulatory efficiency, and public service delivery. Such disaggregated analysis can clarify whether decentralization has mitigated or intensified governance asymmetries.

Digital Governance and Technological Reform

Emerging digital initiatives including regulatory automation and one-stop business facilitation platforms provide promising avenues to reduce human discretion and rent-seeking opportunities. Future research should empirically evaluate how e-governance tools, AI-assisted auditing systems, blockchain-based land registries, and automated tax compliance mechanisms influence corruption incidence and administrative

efficiency. Particular attention should be given to measuring reductions in processing time, transaction costs, and discretionary approvals.

Political Economy and Elite Incentives

Further research must examine how entrenched patronage networks and elite coalitions shape reform trajectories. Understanding the incentive structures of political and bureaucratic actors is essential for designing reforms that align institutional accountability with political feasibility.

Informal Economy and Illicit Financial Flows

Future scholarship should explore the nexus between corruption and the informal economy, including trade mis-invoicing, tax evasion networks, and illicit capital flight. Quantifying these leakages would clarify the macroeconomic cost of institutional weaknesses.

Governance–Security Linkages

Finally, Future research should systematically examine the intersection between governance quality and national security resilience. Corruption and institutional fragility are not isolated administrative concerns; they generate structural vulnerabilities that can be exploited by criminal networks, transnational actors, and illicit financial systems. Weak regulatory oversight, discretionary enforcement, and compromised accountability mechanisms create openings for money laundering, trade-based financial manipulation, tax evasion, and cross-border illicit flows.

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