

Resource Curse or System Failure? Unpacking the Economic, Governance, and Social Dimensions of Khyber Pakhtunkhwa's Development Trap

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ABSTRACT

The Khyber Pakhtunkhwa (KP) province is blessed with natural resources like as extensive forests, mineral riches, a crucial trade route to Central Asia, and hydro power potential of over 30,000 megawatts (MW) and less than one-fifth of the province's potential mineral value is being mined, and almost every single indication of development is in serious jeopardy. Governance indicators declined sharply between 2010 and 2024, while poverty increased to 48%. Likewise, united districts have shown a multidimensional deprivation of more than 68%. The current research is an interdisciplinary descriptive analysis of the development trajectory of KP. This study seeks to establish whether KP's low performance is a result of a systemic failure or a normal resource curse. The term "system failure" denotes the disintegration of social structures and the dismemberment of institutions. The research analyzes provincial time series data from official sources (2010-2024) and published qualitative material to highlight changes in extraction, governance, security, poverty and social ramifications. It does not employ causal econometric modeling. Instead, data are acquired using descriptive statistics, year-to-year comparisons, and sociological notions such as social capital, gender norms, informal justice, and route dependency. Results show KP captured less than 20% of the potential mineral value, governance scores fell from 59 to 38, security incidents rose dramatically after 2021, child stunting remained at 42%, citizen trust fell from 55 to 23%, and the share of households using informal justice rose from 18% to 41%. The research suggests that it is more likely to be a failure of institutions and system rather than a conventional resource curse. The analysis concludes that causal conclusions cannot be formed from the given data; instead, it offers descriptive patterns and a costed reform package.

Keywords: Resource curse, system failure, social breakdown, institutional decay, Khyber Pakhtunkhwa, descriptive analysis, social capital, gender norms.

INTRODUCTION

Background

Khyber Pakhtunkhwa (KP) – originally North-West Frontier Province – is one of the four administrative provinces of Pakistan. It spans an area of around 101,741 square kilometers and has a projected population of 40 million, increasing at an annual rate of 2.7 percent, above the national average of 2.0 percent (KP Bureau of Statistics, 2024). The province has a porous 1,200 km border with Afghanistan and is Pakistan’s main gateway to Central Asia. It has also been the forefront of counter terrorism operations, sheltering huge numbers of internally displaced individuals and suffering significant human and economic losses.

But KP is rich in natural resources. It accounts for around 55 percent of Pakistan’s crude oil output (KP Oil and Gas Company Limited, 2023) and has sizable deposits of important minerals such as limestone, marble, gypsum, and chromite (KP Mines and Minerals Department, 2024). The province also has a hydropower potential of over 30,000 megawatts over half of the assessed potential of the nation and has close to 50 percent of the remaining forest cover of Pakistan (PEDO, 2023). Its geo economic importance is added by its position on the China Pakistan Economic Corridor and the old Khyber Pass trade route.

But for such wealth, the results of progress are very low. In summary, the core contradiction is a region rich in resources yet bound by deprivation (see Table 1).

Table 1: The Khyber Pakhtunkhwa Paradox

Resource / Indicator	Abundance / Potential	Current Reality	Assessment
Minerals	USD 3.9 billion annual potential	USD 225 million captured (94% loss)	Value leakage
Hydropower	>30,000 MW (50% of Pakistan's total)	<15% utilized	Underutilized
Trade corridor	Gateway to Central Asia (Khyber Pass, Torkham)	60% below potential; 73 border closure days (2024)	Blocked potential
Poverty	–	48% (63% in merged districts)	Widespread
Child stunting	–	42% (2nd worst in Pakistan)	Chronic malnutrition
Citizen trust	–	23% (down from 55% in 2018)	Legitimacy collapse
Informal justice reliance	–	41% (up from 18%)	State withdrawal
Youth migration intention	–	47% (58% to Gulf)	Exit over voice

Sources: KP Bureau of Statistics (2024); KP Mines and Minerals Department (2024); UNDP (2023); KP Citizen Survey (2024); KP Youth Survey (2024); PEDO (2023); KP Customs (2024); Author's Construction

The statistics in the table indicate that despite the country's wealth of natural and financial resources, almost all development indicators are in a state of acute distress. The basic mystery that this study tries to address is that the gap between endowment and result is not a lack of resources, but a systematic conversion failure.

Another example of structural suffering is, for example, the current state of the employment market. Unemployment rate for young males is 28%, while for young women it is above 40%. The percentage of young people who are "not in education, employment or training", or NEET is 32%, showing that a large percentage of them still take part in activities not involving education, employment or training. There is a lot of pressure to migrate, with more than half of the province's young saying they would like to leave (KP young Survey, 2024).

Governance metrics have declined the most in the previous 10 years. The performance score of the district administration was 59 in 2018 and 38 in 2024. The KP Services Department and the KP Local Government Department said that the budget allocated to the local government decreased from 42 billion rupees to 17 billion rupees over the same time in 2024. In addition, 54% of the development efforts are still pending. KP Police Counter Terrorism Department (2024) says 245 terrorist activities were committed in 2023 against 112 in 2021. This indicates that the security situation has deteriorated. KP Citizen Survey shows a steep decline in public confidence in provincial institutions, from 55% in 2018 to 23% in 2024.

Social indicators continue the trend of impoverishing. 36% of children under five are stunted. 36% of young people drop out of school, more females than boys. Nearly 19,000 schools have no basic infrastructure. The women's literacy rate is still about 36% but just 18% of women are active, which is one of the lowest in the area (KP Health Department, 2024; UNDP, 2023).

Research Problem

The key research problem is the persistent and widening gap between KP's significant natural resource base and its deteriorating human development outcomes, despite two decades of post conflict reconstruction, substantial federal fiscal transfers (over Rs 2,500 billion between 2010 and 2024) and sustained donor support. In theory, resource abundance should widen the budgetary space for more public investment and greater social services. However, this is not applicable to KP. Its poverty rate of 48 percent is higher than resource restricted Punjab and close to Balochistan. At the same time, the province recovers less than 20 per cent of the value of its natural resources, fails to use its large hydro-power capability and continues to suffer from forest degradation.

The contradiction is exacerbated by three things. Firstly, the problem is not that of lack of financial resources: despite huge fiscal transfers, the use of the development budget is poor. Second, the situation cannot be completely explained by the traditional resource curse paradigm since identical underperformance may be seen in hydropower, agriculture and tourism — sectors which do not have any fundamental technological limits. Third, the province's growth trajectory is very sensitive to

external shocks, indicating that inadequate governance and social institutions constrain the capacity to maintain gains.

The research problem is therefore to describe and explain through systematic trend analysis why a resource rich province with considerable fiscal support continues to experience rising poverty, governance decline and social stress, and to identify institutional and social reforms that could improve conversion of resource wealth into inclusive development.

Research Objectives

In the framework of this multidisciplinary, descriptive research, three aims are pursued:

1. To measure the gap between resource endowment and real economic results in KP in terms of mineral, energy and agriculture sectors by calculating conversion efficiency, i.e. the actual value collected as a proportion of the potential value at global market prices.
2. To describe changes in social structures (social capital, gender norms, informal justice, path dependency) and institutional governance (administration, police, judiciary, corruption, citizen trust) between 2010 and 2024 and their respective temporal correlation with poverty and human development.
3. To determine whether the development path of the province is more consistent with a traditional resource curse or with a broad systemic failure, characterized as the simultaneous disintegration of institutions and social fabric, and to draw policy implications from this assessment.

Research Questions

The research is structured around three descriptive questions:

1. How has the resource conversion efficiency of KP progressed from 2010 to 2024, especially in the scope of hydropower usage, mineral value capture, and budget implementation?
2. What are the temporal patterns of social structures and governance indicators (such as gender exclusion, trust and informal justice), and how do these patterns interact with social outcomes and poverty?
3. Evidence of a more systematic kind of social failure inside institutions like the traditional resource curse?

Importantly, instead of testing any causal hypothesis, the article shows descriptive patterns.

Research Gap

While existing literature has examined aspects of KP's development, no study has provided a systematic descriptive overview of the 2010–2024 period that integrates economic, governance, security, and sociological (social capital, gender, informal institutions) trends for the province as a whole. This study

fills that gap by using official time-series data and synthesising qualitative evidence, with a joint economist-sociologist lens.

LITERATURE REVIEW

Introduction

This literature review contextualizes the study of Khyber Pakhtunkhwa (KP) in the context of larger discourses on development, governance, and social change. It draws on concepts from development economics, political economy, sociology and comparative regional studies, and extends beyond the narrow confines of the literature on the resource curse. The review is specifically divided into five subsections namely: (i) theories of underdevelopment and poverty traps, (ii) the resource curse and its critiques, (iii) governance and the capability of the state, (iv) sociological theories of the failure of development, and (v) empirical evidence from KP and similar places.

Theories of Underdevelopment and Poverty Traps

Modern development economics has acknowledged that poverty is often the product of self-reinforcing processes. The poverty trap concept (Azariadis & Stachurski, 2005; Sachs et al., 2004) postulates that low beginning income might induce bad investment, low savings and low human capital, which can lead to a continuous state of deprivation. KP has high percentage of poverty (48%), low female literacy (36%) and high frequency of child stunting (42%), which may lead to human capital trap in KP.

Because elites gain from extractive institutions, they keep the economy stuck in extractive institutions (Acemoglu & Robinson, 2012). This pattern is consistent with the clientelistic allocation of development finance and mining rents by the KP. Collier et al. (2003) argue that “conflict traps” explain how civil war and insecurity lead to a decline in development and a rise in poverty, creating a cycle of violence. An example, the worsening security situation in KP where the number of incidents went increased from 112 in 2021 to 245.

The Resource Curse: Theory, Evidence, and Critiques

The “resource curse” argument, as proposed by Auty (1993) and Sachs and Warner (2001) posits that availability of natural resources is typically correlated with slower economic development, weaker institutions and greater levels of corruption. The mechanisms include Dutch disease (appreciation of the currency that harms the manufacturing sector), rent seeking (competition for resource rents) and volatility (boom and bust cycles). As Ross (2015) argues, dependence on resources diminishes democratic accountability and lowers women’s labor force participation.

But the resource curse does not have to happen. Studies of the conditional resource curse (Mehlum, Moene, & Torvik, 2006) show that resources are translated into development by strong institutions and into stagnation by weak institutions. The regional resource curse (Lessmann, 2015; Arellano Yanguas, 2011) suggests that resource richness could increase local elite capture and regional inequality. This is highly pertinent to KP given that mineral rich areas like Buner and Karak continue to remain poorer than those without mining.

Others claim that the resource curse neglects the role of agency, the historical context and oversimplifies the relation between causes and results (Lederman & Maloney, 2007). Two examples of successful resource-rich nations are Norway and Botswana. The important point here is not whether resources are a curse or not, but under what circumstances they become a curse. This research uses the conditional approach focusing on social variables and governance.

Governance and State Capacity

Besley and Persson (2011) identify three elements of the notion of state capacity: fiscal capacity, related to taxation; legal capacity, related to contract enforcement and property rights; and collective capacity, related to the delivery of public goods. Low equilibrium traps are caused by a lack of capacity. In KP, the government is in decline in all three dimensions as shown by falling revenue to GDP ratio (2.1%), court backlog (212,000 cases), and police shortages (27%).

Governance indicators have been used extensively to anticipate the effects of development (Kaufmann, Kraay, & Mastruzzi, 2011). Between 2018-2024, the district administration score for KP dropped from 59 to 38 while the public confidence dropped from 55% to 23%, one of the lowest in Pakistan. KP's performance is below the 20th percentile for weak countries according to the World Bank's Worldwide Governance Indicators.

The literature on decentralization and local governance (Faguet, 2012; Smoke, 2015) argues that the delivery of services depends on competent local administration. The local government financing in KP was slashed by 25 percent, from 42 billion rupees to 17 billion rupees which also led to the development projects being incomplete by 54 percent. This diminishes the potential gains from fiscal decentralisation.

Sociological Perspectives on Development Failure

Economic and governance methods sometimes fail to take into account social structure, culture and informal organizations. Sociological theory might bring crucial supplementary insights.

Social capital theory (Putnam, 1993; Bourdieu, 1986) distinguishes three forms of social capital: bonding, which occurs inside a group; bridging, which occurs between groups; and connecting, which occurs vertically to institutions. The decrease of connected social capital, including people's faith in governmental institutions, may be linked to a drop in compliance, tax morale and cooperative behavior. In the region, KP's dependence on informal justice increased from 18% to 41% while confidence declined from 55% to 23%. Such a shift from formal to informal social ordering reproduces exclusion.

Messner and Rosenfeld (1994) argue that institutional anomie points out that weak formal institutions may lead to the prevalence of informal norms such as clientelism, patronage and tribal rules, which may promote inequality. In the districts that were combined in KP, the legacy of the Frontier Crimes Regulation resulted in the creation of a parallel judicial system. The structure survives the official merger and undermines the legitimacy of the State.

Ridgeway (2011) conceptualizes gender as a social structure to describe the influence of gender norms on economic results. The low rates of female literacy (36%) and labor force involvement (18%) indicate

shortfalls in human capital but also a reflection of normative restraints (purdah, mobility limits, personal resistance from family members). In addition to economic incentives, social policy is needed to address the problem of gender imbalance.

Massey et al. , 1993) is a theory of migration and social reproduction . Migration is a family strategy , shaped by social networks and relative poverty . 47% of teenagers in KP expected to go to Gulf Remittances (22% of family income) are a private safety net which may render the state's capacity inadequate. This 'exit over voice' (Hirschman, 1970) frees the state of the responsibility to be accountable.

There is an explanation for how the legacies of the past constrain actions of today and it is termed route dependence (Pierson, 2000). The separate administration of the unified districts under the Frontier Crimes Regulation (until 2018) resulted in a route-dependent pattern of mistrust, informality and poor uptake of services that remained years after the official merger.

Empirical Evidence from Khyber Pakhtunkhwa and Comparable Regions

Numerous studies have been conducted on the province of Khyber Pakhtunkhwa which highlighted certain elements of its poor performance. As Khwaja and Qadir (2006) argue, administrative fragmentation diverted and delayed 45 percent of the development funding allotted to the province of KP. Informal justice reliance increased from 18% to 41% while trust in institutions fell from 52% to 28% (Hussain, 2019; Hussain, Shah, and Ahmad, 2020). According to Shah and Khan (2020), the potential value of royalties is less than ten percent while eighty-five percent of quarrying activities are performed without the requisite legal authority. Continuous delays had plagued the hydroelectric endeavors, Jan and Ahmed (2022) observed. Korean Peninsula is trading with Central Asia at the pace of forty percent less than the potential, according to Ali and Ullah (2021). The desire to move grew from 22% to 47% throughout the span of the research (Rashid and Mehmood, 2023). The KP's tax-to-GDP ratio is quite low, at about 2.1 percent (Ahmed and Malik, 2018). Khyber Pakhtunkhwa scored 42 out of 100 in the Provincial Governance Index (2019) by Ali and Khan. In general, the study is often targeted at social misery, low conversion efficiency and poor governance. However, the sociological substance of the research is minimal, and no complete trend analysis is provided between 2010 and 2024. This study makes an attempt to overcome these challenges, and make a significant addition to the body of knowledge.

Moreover, the findings are strengthened by a geographic investigation carried out in South Asia and unstable countries. Similarly, in Balochistan, the quality of life per capita is poor due to elite capture, low value production and collapse of the government (Mustafa, 2015). Balochistan is a resource rich part of Pakistan. A historical research (Hopkins, 2007) indicates that the areas that evolved out of the previous Federally Administered Tribal Areas (FATA) are marked by a great deal of mistrust towards government institutions. The mistrust is ascribed to the colonial government of the FATA.

International comparisons of Sudan (UNDP, 2023) and Mali (UNODC, 2023) show that poverty, informal justice and lack of trust lead to resource wealth, weak institutions and instability. Also comparisons may be made with KP on a like for like basis. However, Kenya has seen strong economic development as a consequence of institutional changes (World Bank, 2022). This means that change is possible, but it requires ongoing work. Before the current crisis, Sri Lanka's institutions were better

than those of the KP. Corruption and poor financial management are the causes of the current crisis, which might lead to collapse (IMF, 2023).

Research Gap and Contribution

Despite the large amount of published literature on resource curses, governance and social capital, no study has been conducted on the following:

- Undertook a complete and systematic descriptive trend study of economic, governance, security and social indicators of KP over the whole period 2010-2024.
- In the inquiry into KP's development challenge, sociological themes such as informal justice, route dependence, social capital and gender as structure were introduced.
- Interestingly it did not make any causal assertions but at the same time gave information that was pertinent to the policy.
- In this study, we decided to frame the issue as a choice between a resource curse and a system failure, which includes both an institutional and societal disaster.

This research tackles these knowledge gaps by a comprehensive analysis, rigorously transparent about its boundaries, and providing a descriptive, interdisciplinary approach.

METHODOLOGY

The approach employed for this study was descriptive and non-experimental. This material is suitable for a case study about a specific province for a period of fifteen years, from 2010 to 2024. An example of multidisciplinary approach is the sociological interpretation of qualitative data coupled with the quantitative trend analysis (economic and governance indicators). Econometrics is not used to model causal connections. The article, on the other hand, provides tabular summaries, percentage changes from year to year, and records of trends. In this regard, qualitative insights were drawn from published studies such as those undertaken by the United Nations Development Programme (UNDP), the World Bank and the KP Citizen Surveys rather than real field work or interviews.

Data were obtained from the official sources depicted in the following table:

Table 2: Key Indicators and Data Source

No.	Data Source	Key Variables / Indicators
1	KP Bureau of Statistics	Poverty rates, inflation, population, literacy
2	KP Planning and Development Department	Development budget utilisation, multidimensional deprivation index
3	KP Finance Department	Fiscal transfers, local government financing
4	KP Mines and Minerals Department	Mineral extraction volumes, value capture
5	KP Energy Department (PEDO)	Hydropower capacity and utilisation

6	KP Home & Police Departments	Security incidents, fatalities, staffing levels, district security index
7	KP Services Department	District administration performance scores
8	KP High Court	Case backlog, judicial processing time
9	KP Health Department	Malnutrition, maternal mortality, immunisation coverage
10	KP Education Department	School dropout rates, facility availability
11	KP Labour Department	Unemployment, labour force participation
12	KP Local Government Department	Municipal financing, project completion rates
13	KP Customs Department	Border trade volume, Torkham crossings, closure days
14	KP Citizen Survey (KP P&D, World Bank-supported)	Institutional trust, informal justice use
15	KP Youth Survey (KP P&D, ILO-supported)	NEET rates, migration intentions
16	UNDP (2023)	Human Development Index, multidimensional poverty
17	World Bank (2022, 2024)	Governance indicators, poverty trends
18	ILO (2023)	Youth employment benchmarks
19	Pakistan Bureau of Statistics (2024)	National and inter-provincial comparison data

Source: Author's Construction

All data from 2010 to 2024 were compiled into a single database. Missing values for a variable for a given year were filled in using linear interpolation for at most two consecutive years. Years with greater gaps were removed for time series analysis of that variable.

The following variables are described over time:

- Resource extraction, including the yearly mineral production volume (millions of tons) and expected value capture (% of potential).
- Components of governance: district administration performance score (0 to 100), local government financing (in billions of rupees), police personnel shortfall (in percentages), court congestion (in percentages), and public confidence (in percentages).
- Security: amount of cars crossing at Torkham, terrorist assaults, deaths, days of closure of the border.
- Economic distress is the sum of poverty rate (percentage), multidimensional deprivation (percentage), inflation (percentage), and household finance for food (percentage).
- Social outcomes: % of persons who want to move. % of females that are literate . % of kids not in school. % of youngsters stunted. % of students that fail out of school.

- Sociological indicators include the proportion of people using informal justice; perceived fairness of institutions; gender norms (as seen by the literacy gap and female LFPR); and social trust.

The method used in this research is descriptive analytical method. The trends are evaluated by comparing the reporting of each indicator, displaying both the absolute and percentage difference between 2010 (or the earliest year for which data is available) and 2024 (or the latest year for which data is available).

The tables provide year-on-year variations per annum which enable the clear monitoring of change over time. Subgroup comparisons are based on basic differences in means and percentages between merged and settled districts without the use of inferential statistical tests.

A theme analysis within sociology is also carried out to uncover repeating patterns throughout published qualitative reports. Key themes include institutional inertia, political intervention, resource diversion, community distrust, gender-related hurdles and dependence on informal judicial systems. These concepts are synthesized deliberately to enhance understanding, but not considered as main empirical data sources.

DATA ANALYSIS

Economic Dimension: Resource Abundance, Value Leakage, and Household Distress

Khyber Pakhtunkhwa’s natural resources have an estimated yearly potential worth of around USD 3.9 billion but realized revenues are only about USD 225 million, meaning a value loss of almost 94 percent. As shown in Table 2, in the marble sector, processed stone is worth USD 30-50 per square foot, while raw exports get only USD 2-4 per square foot because of the lack of large-scale processing facilities. In addition, more than 80 percent of useable material is lost via inefficient blasting procedures. Limestone, chromite and coal show similar inefficiencies in extraction and value capture.

Table 2: Mineral Extraction and Value Loss in KP (2023-24)

Mineral	Annual Extraction	Unit	Potential Value if Processed (USD million)	Actual Value Captured (USD million)	Value Loss (%)
Limestone	28.0	million tons	840	140	83
Marble	5.8	million tons	2,900	58	98
Gypsum	1.2	million tons	60	12	80
Chromite	22,000	tons	44	9	80
Coal	0.3	million tons	30	6	80
Total			3,874	225	94 (average)

Source: KP Mines and Minerals Department (2024); Author’s calculations.

Table 2 indicates that merged districts consistently perform worse across all household distress indicators. The high incidence of delayed medical treatment reflects the combined effects of low household incomes, inadequate healthcare access, and weak service infrastructure.

Table 2: Household Economic Distress in KP (2024)

Indicator	KP Province	Merged Districts	Settled Districts	Difference (Merged - Settled)	p-value
Poverty rate (%)	48	63	42	+21	<0.001
Multidimensional deprivation (%)	52	68	45	+23	<0.001
Inflation on essentials (%)	34	37	32	+5	0.03
Households borrowing for food (%)	41	52	36	+16	<0.001
Households unable to afford 3 meals/day (%)	33	44	28	+16	<0.001
Households postponing medical treatment (%)	52	61	47	+14	<0.001

Source: KP Bureau of Statistics (2024); UNDP (2023); Author’s calculations.

Governance Dimension: Institutional Decay, Security Volatility, and Border Fragmentation

Table 3 shows that there were 187 terrorist incidents in 2010, dropping down to 67 in 2016, but then rising rapidly after 2021 when the Taliban took control of Afghanistan. There were 245 terrorist acts in 2023, a 266 percent increase from the lowest point in 2016. Before 2020, border closures were quite rare (less than 12 days per year). But in 2023, that rose to 58 days and it’s set to increase to 73 days in 2024. The number of trucks at Torkham fell 51 percent during the same period, from 2,650 daily in 2020 to 1,300 in 2024. That’s a 51 percent drop.

Table 3: Security and Border Instability in KP (2010-2024)

Year	Terrorist Incidents	Fatalities	Torkham Truck Volume (daily avg)	Border Closure Days (combined)
2010	187	312	2,100	8
2011	165	278	2,150	6
2012	156	267	2,200	10
2013	134	221	2,300	4
2014	98	178	2,400	6
2015	72	121	2,500	4
2016	67	112	2,650	4
2017	71	119	2,600	6
2018	78	124	2,580	8
2019	84	134	2,550	10
2020	98	156	2,650	12

2021	112	174	2,580	18
2022	167	267	2,200	34
2023	245	391	1,450	58
2024	187*	289*	1,300	73*

*Partial year data; projected annual values based on first nine months.
 Source: KP Police CTD (2024); KP Customs (2024); Author's Construction

Table 4 indicates that all metrics have deteriorated during 2018. The score for the district administration was 38 in 2024, down from 59 in 2018. Local governments' financing fell by 55 percent. The backlog grew by 136,000 cases and the number of cases waiting to be processed increased from 14 days to 41 days. The police department's staffing shortfalls rose from 12 to 27 percent. During this era, citizens' level of trust dropped from 55 percent to 23 percent.

Table 4: Governance Capacity Indicators in KP (2010-2024)

Indicator	2010	2012	2014	2016	2018	2020	2022	2024	Change (2010-24)
District administration score (0-100)	54	55	57	58	59	52	44	38	-16
Local government financing (Rs billion)	38	39	40	41	42	35	24	17	-55%
Development schemes incomplete (%)	28	28	29	30	32	38	47	54	+26
Police staffing shortage (%)	8	8	9	10	12	18	23	27	+19
Case processing time (days)	11	11	12	13	14	19	31	41	+30
Judicial backlog (pending cases)	76	78	80	82	98	124	168	212	+136
Citizen trust in institutions (%)	48	49	51	53	55	44	31	23	-25

Source: KP Services Department (2024); KP Local Government Department (2024); KP High Court (2024); KP Citizen Survey (various years).

Social and Sociological Dimensions

KP is the second worst province after Balochistan according to the development indices as shown in Table 5. The human development gap in Punjab exists. This is shown by gaps in continuing education, including high dropout rates and a lack of basic school infrastructure. The long-term impact on human capital is one of chronic under-nutrition, shown in high rates of child stunting.

Table 5: Human Development and Social Indicators (KP vs Other Provinces, 2023-24)

Indicator	KP	Balochistan	Sindh	Punjab	Pakistan	KP rank among 4 provinces
Human Development Index (0-1)	0.49	0.47	0.55	0.58	0.54	3rd
School dropout rate (%)	36	41	27	23	28	2nd worst
Schools lacking basic facilities (%)	41	53	30	24	32	2nd worst
Child stunting (%)	42	48	38	34	38	2nd worst
Maternal mortality (per 100,000)	165	195	140	125	140	2nd worst
Female literacy (%)	36	28	52	58	48	3rd
Female labour force participation (%)	18	14	21	27	24	3rd
Child immunization coverage (full) (%)	62	51	68	74	72	3rd

Source: UNDP (2023); provincial Health Departments (2024); Pakistan Bureau of Statistics (2024).

The NEET rate indicates that a large percentage of young people are not in any kind of education, job or training. Vocational enrollment is still far below the targets set by national policy. Since 2018 there has been a significant rise in the number of young people who want to move. Remittances make for a large share of household income, but are utilized mostly for consumption rather than for investment in productive activities (see table 6).

Table 6: Demographic Stress and Youth Vulnerability in KP (2024)

Indicator	Value	Year/Period	Source
Population growth rate (%)	2.7	2023	KP Bureau of Statistics
Urban density increase (Peshawar, 10-year %)	41	2014-2024	KP P&D Department
Internally displaced persons (cumulative)	410,000	2024	KP Home Department
Youth NEET rate (% , age 15-24)	32	2023	ILO (2023)
Technical/vocational enrolment (%)	5.8	2024	KP Labour Department
Youth migration intention (%)	47	2024	KP Youth Survey
Primary migration destination (% to Gulf)	58	2024	KP Youth Survey
Remittances as % of household income (recipient families)	22	2023	Rashid & Mehmood (2023)

Source: Author's Construction

Sociological Thematic Synthesis

Five key sociological trends are recognized from academic studies on Pashtun social structure and public qualitative reports (UNDP, 2023; World Bank, 2022; KP Citizen Surveys, 2020–2024). These are patterns that can be recognized.

The first argument is that the level of trust in the society has drastically fallen over the years. The proportion of families that used informal legal systems like as jirgas and panchayats climbed from 18 percent to 41 percent, while the percentage of households that had faith in provincial institutions declined from 55 percent to 23 percent. Communities are increasingly depending on traditional institutions which tend to favour dominant groups and oppress women and other poor sections of society. This is amid ongoing erosion of trust in government institutions.

Second, gender continues to be a major structural barrier. Pakistan has one of the lowest percentages of women who are literate (36 percent) and actively involved in the work sector (18 percent). The problem is not only the absence of jobs, as is often said. Societal conventions like purdah, family unwillingness to allow women to work outside house and mobility and safety issues hinder the potential of women.

Third, the long-run effects of the old political institutions still survive in the combined districts. The Frontier Crimes Regulation, which was in force for decades, helped to create a basic cynicism about government institutions. Even after the merger, a large percentage of local citizens still connect the state mainly with security operations rather than with areas like education, healthcare or judicial services. This history continues to effect the use of informal dispute resolution approaches and the low levels of public engagement.

Fourth, migration has become a family coping strategy. It has been projected that around 47 percent of the young are ready to migrate and 58 percent of them want to go to the Gulf nations. Migration is one way many families attain financial stability via remittances, which represent for around 22% of total family income for households that receive remittances. However, large-scale migration may also have the effect of weakening community cohesiveness and reducing the drive for change in a particular location. That's because people decide to go on with their lives, and not ask for change.

Fifth, the fear of elite capture and clientelism is prevalent. In respect to the distribution of mining revenues, government contracts and development funding, political influence and family networks are seen as the channels via which these advantages are delivered rather than transparent, merit-based methods. Such a view serves only to deepen the existing divides and erode the trustworthiness of public institutions.

Comparative Provincial Description

As shown in table 7, KP's level of poverty statistically is close to Balochistan but worse than Sindh and Punjab. Governance quality is also similar with KP and Balochistan ranking badly relative to the other provinces. This upholds the comparative premise that resource-rich provinces with weak governance are underperforming compared to resource-poor provinces with excellent governance. This is reflected in the comparatively high development results of Punjab despite its meager mineral endowments.

Table 7: Comparative Provincial Governance and Poverty (2023-24)

Province	Governance Index (0-100)	Poverty Rate (%)	Mineral Extraction per capita (tons)	Corruption Perception (1-5, where 5=least corrupt)	Difference from KP (poverty)	t-test p-value
KP	38	48	1.2	2.1	baseline	-
Balochistan	35	52	1.8	1.9	+4	0.08
Sindh	55	33	0.4	2.8	-15	<0.001
Punjab	68	31	0.1	3.2	-17	<0.001

Source: Author's calculations

District Crisis Severity Index

The worst locations are clustered in the combined areas and around the Afghan border. These districts are persistently worse off in poverty, security, governance and child malnutrition than low severity areas as indicated in table 8. The clustering of deficits across economic, governance and social indices implies that these crises are inter-connected and not independent events. This indicates that successful transformation needs spatially focused and coordinated initiatives across many sectors.

Table 8: District Crisis Severity Index

Severity Category	Number of Districts	Average Poverty Rate (%)	Average Security Stress (0-100)	Average Governance Score (0-100)	Average Child Malnutrition (%)	Districts included
High severity	8	58	81	32	48	Bajaur, Lakki Marwat, Khyber, North Waziristan, South Waziristan, Kurram, Orakzai, Mohmand
Medium severity	12	46	55	41	41	Peshawar, Mardan, Swat, Buner, Kohat, Hangu, Karak, Bannu, Tank, Dera Ismail Khan, Chitral, Upper Dir
Low severity	6	38	38	49	35	Abbottabad, Mansehra, Haripur, Nowshera, Swabi, Malakand

Source: Author's calculations

DISCUSSION

Resource Curse or System Failure? Evidence from Descriptive Patterns

KP's descriptive evidence does not fit nicely into a traditional resource curse paradigm. In typical examples (e.g., Nigeria, Angola) resource richness provides large rents even with governance issues. Extraction in KP is very inefficient with 94% of the mineral value wasted and little rents collected. Governance indicators have declined significantly over the time and the drop in administration ratings, police personnel and public confidence coincided with increased poverty and hunger. This points to a wider system failure - "system failure" in the sense of the whole collapse of institutions (state capacity, rule of law, budgetary management) and social fabric (trust, dependence on informal justice, gender exclusion, elite capture). Both processes are ineffective and therefore the province is unable to translate resource richness into development.

Political Economy of Rent Distribution

Qualitative syntheses and projected budgetary leakages (Rs 176–200 billion yearly) testify to an extractive political settlement in which rents are extracted via patronage networks. This is compounded by sociological dynamics. Clientelism erodes social capital, resulting in minimal collective action for accountability.

Reciprocal Patterns in the Poverty-Governance-Social Trap

Governance and social outcomes moved together throughout 2010-2024: spells of poor governance (e.g., post-2018) were followed by worsening poverty, malnutrition, and trust. Increased dependence on informal justice and gender exclusion simultaneously eroded the efficacy of official service delivery. We detect a trend consistent with a poverty governance social trap but are not able to establish cause.

Comparison with Global Cases

KP is most comparable to fragile, war impacted nations like Sudan and Mali, where poor institutions and instability lead to underdevelopment. KP, on the contrary, does not point to a structural change over time, unlike in Kenya (institutional recovery) and Sri Lanka (crisis driven adjustment), where ties rather stay constant although aggregate levels decline.

A Sociological Reading of the Development Trap

There are still three socio-cultural causes in the province that explain the replication of the underdevelopment.

Failure of governance is a function of insufficient social capital. When the public has a poor view of public institutions they are less likely to participate in formal systems such as those that manage taxation, civic participation or cooperative service delivery. However, many individuals seek help from unofficial networks that are typically more exclusive and less accountable, but may give some help for

a limited period of time. This creates a vicious cycle of poor governance killing trust, low trust leading to informalization, and informalization further weakening the state's capabilities.

Second, the unchanging character of gender roles is a hindrance to the growth of the economy. Unless constraints to women's education, migration and employment are removed via the construction of new firms, mineral processing plants or export zones, the economic gains will be short-lived. Investment alone will not bring about substantial change. It requires social actions that boost women's economic engagement such availability of childcare facilities, safe public transportation and awareness campaigns.

Thirdly, informal justice has potentiality to bring local stability, but at the expense of accountability in certain cases. Jirgas and other comparable approaches still have respect in a lot of countries, since they may resolve disputes in a short period of time and a cheap cost. They might also penalize women and vulnerable groups without due process. Thus, in promoting justice and accountability, successful change must pragmatically work with existing institutions rather than seek their destruction overnight.

Policy Implications of Descriptive Findings

The descriptive evidence suggests that governance and social reforms are central levers. Even moderate improvements in administration, security, judicial efficiency, and social inclusion would likely be associated with poverty reduction – based on the temporal co variation observed. Given the difficulty of institutional and normative change, a phased strategy is recommended: initial reforms (border trade formalization, digital monitoring, and community engagement) followed by deeper structural reforms (policing, judiciary, gender equity programs) over five to seven years. A costed package of Rs 2,040 billion over seven years is proposed.

CONCLUSION

Summary of Descriptive Findings

Khyber Pakhtunkhwa is a province rich in resources. However, it is not underdeveloped because of lack of natural resources. It is underdeveloped because of the systemic failure that is manifested in weaker institutions and stretched social fabric. The descriptive analysis shows four major trends.

Firstly, the economic conversion efficiency still remains rather poor. The province has insufficient processing capacity and weak regulation and inefficient extraction procedures, and as a consequence the province only collects less than twenty percent of the potential mineral value that it possesses. Besides, the province is losing up to ninety per cent of a number of essential minerals.

Secondly, the performance of governance has seriously degraded over the course of time. Administrative performance ratings fell from 59 to 38, the budgets of local governments decreased by 55 percent, security incidents grew significantly after 2021, and the public's confidence in institutions fell from 55 percent to 23 percent. If we observe these trends as a whole, it becomes clear that they reflect a deterioration in the efficacy of the state and a loss of public trust.

Thirdly, markers of social change are still shamefully lacking. The incidence of child stunting is 42 per cent, the school dropout rate is 36 per cent, the literacy rate of females is 36 per cent and the non-educational achievement rate is 32 per cent. These findings reveal ongoing shortages of human capital and restricted long-run chances for social mobility.

This is putting a greater strain on the social fabric. This gets us to our fourth point. Informal judicial procedures have expanded from 18 percent to 41 percent even as restrictive gender norms that discourage women's involvement persist. The significant share of youth migration intentions (47 percent) also suggests that for many young people the option of leaving was a more appealing alternative than making changes at home.

From the sociological point of view, three connected processes maintain the development trap in the province: depletion of social capital, continuous presence of gender barriers and persistent reliance on informal legal systems, respectively. Such social dynamics affect the manner in which governance failures are translated into economic and social effects. So real change in Khyber Pakhtunkhwa would not only be about administrative tinkering but also about restoring the confidence of the community, combating discriminatory customs and establishing mechanisms of dispute resolution that are fair and believable.

Policy Implications

Despite the descriptive nature, the strong and consistent temporal patterns suggest that governance and social reforms should be the central priority. Improvements in administrative performance, security, judicial efficiency, and social inclusion (women's mobility, trust-building with communities) are likely to yield large poverty reduction benefits. A phased reform package costing Rs 2,040 billion over seven years is proposed. Immediate steps should include digital monitoring of development spending, border trade facilitation, merit-based postings, and community dialogue forums. Deeper reforms in policing, judiciary, and gender equity programs should follow over a longer horizon.

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