

# Legal and Cultural Barriers to Alternative Dispute Resolution in Pakistan: A Comparative Study with Singapore

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## Abstract

Pakistan's judicial system is currently overwhelmed by a backlog of over 2.2 million cases, leading to severe delays that negatively impact businesses and undermine investor confidence. This Article explores these challenges within Pakistan's commercial sector through a doctrinal comparative analysis, using Singapore's internationally recognized ADR framework as a benchmark of efficiency and reliability. Legally, Pakistan's ADR landscape is constrained by outdated laws, most notably the Arbitration Act of 1940, which allows excessive judicial interference and weakens the finality and speed of arbitration. Additionally, fragmented provincial legislation such as the Punjab Alternate Dispute Resolution Act of 2019—creates inconsistencies that confuse businesses operating across different regions, discouraging widespread adoption. Culturally, resistance within the legal community, often driven by an adversarial mindset and fears of income loss due to faster ADR processes, poses a major hurdle. SMEs, which stand to benefit most from affordable and timely dispute resolution, often avoid ADR due to a lack of trust. As a result, many rural businesses continue to rely on informal mechanisms like Jirgas and Panchayats, which are often biased and lack procedural fairness. Recent court decisions suggest growing judicial support for ADR, especially mediation, but progress has been uneven due to weak infrastructure, limited training, and lack of institutional coordination. Drawing on lessons from Singapore's well-developed system anchored by institutions like the Singapore International Arbitration Centre (SIAC) and the Singapore International Mediation Centre (SIMC) this study offers a set of practical reforms. These include modernizing the Arbitration Act, harmonizing provincial ADR laws, expanding the network of ADR centers, and launching nationwide awareness campaigns to build public trust and accessibility.

## Keywords

Alternative Dispute Resolution (ADR), Commercial Disputes, Judicial Intervention, Cultural Resistance

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## 1. Introduction

The Pakistani legal system is burdened by massive backlogs and delays: Pakistan's superior courts faced roughly 2.2 million pending cases (with only about 4,000 judges to handle them). In a rapidly growing economy, commercial disputes are especially critical; protracted litigation in courts drains time and resources from businesses and investors. Alternative Dispute Resolution (ADR) – encompassing arbitration, mediation, conciliation, etc. – offers a faster, less adversarial means of resolving such disputes. ADR methods are widely recognized globally to save time, reduce costs, and preserve relationships in commercial conflicts (Hussain, 2025; ciarb.org, 2022).

In Pakistan, there is an ingrained cultural preference for out-of-court settlement (e.g. traditional jirgas and panchayats). However, these informal processes have been criticized for lack of fairness and elite capture. Modern ADR aims to combine this cultural tradition with formal legal safeguards (e.g. mandatory ADR provisions in recent laws) to improve access to justice and investor confidence (Khan, 2023). Indeed, observers note that inadequate use of ADR has hurt Pakistan's economic position: a broad interpretation of “public policy” in landmark cases like Reko Diq (which held an international mining contract non-arbitrable) coincided with a sharp drop in foreign investment (Shouzab, 2025).



Alternative Dispute Resolution (ADR) plays an increasingly important role in resolving commercial disputes worldwide because it offers efficiency, cost-effectiveness, and flexibility (Shoukat, 2025). In Pakistan's economic context—marked by a growing need for domestic and international commerce—an effective ADR system is crucial. However, Pakistan's courts are overburdened: as of late 2023, over 2.26 million cases were pending nationwide (Dawn, 2024). This backlog undermines investor confidence and delays contract enforcement. For example, corporate stakeholders often cite judicial delays as a factor driving them to seek extrajudicial settlement or even foreign venues for dispute resolution. By contrast, mediation and arbitration offer commercial parties a faster forum: one study notes that mediation is “increasingly recognized as an efficient and cost-effective alternative to litigation” for civil-commercial disputes (Shoukat, 2025). Thus, from an economic standpoint, Pakistan stands to benefit from stronger ADR mechanisms to expedite dispute resolution and support trade and investment.

Pakistan's legal framework for ADR has historically been outdated and fragmented. The primary statute governing arbitration is the Arbitration Act, 1940, a colonial-era law that has seen only piecemeal updates (Piracha et al., 2022). Judges and commentators note that the 1940 Act “is an archaic law that requires modification, if not complete revision”. In practice, the Act mandates significant court intervention—for appointing arbitrators, issuing interim measures, and hearing challenges—making arbitration almost as cumbersome as litigation. Other legislative provisions nominally encourage ADR: for example, Section 89-A of the Civil Procedure Code (added in 2010) empowers courts to refer cases to mediation or conciliation with the parties' agreement. The Alternative Dispute Resolution Act, 2017 and various provincial laws (e.g. commercial courts Acts) also authorize out-of-court settlement processes. In addition, many statutes (such as those for tax and customs) include “amicable settlement” clauses covering arbitration, mediation, or conciliation (Khan, 2023).

However, despite this legal scaffolding, the judicial system has not fully integrated ADR. The provisions are scattered across laws and are rarely compiled in one place. In practice, courts seldom refer disputes to ADR unless specifically mandated. Even when ADR is available, enforcement and appeal frameworks remain unclear. For instance, recent Pakistani court decisions (such as *Waqas Yaqub v. Adeel Yaqub* (2024 LHC)) underscore confusion over when a lawsuit must be stayed in favor of arbitration. Such inconsistencies reflect deeper legal uncertainties: the National Law Commission has noted that courts often interpret existing statutes variably, leaving lower courts without clear guidelines on ADR applications (Hussain, 2024). Overall, Pakistan's ADR laws exist in principle, but in practice the judicial context is dominated by delays, interventionist court procedures, and a lack of coherent implementation.

## **2. Literature Review**

Historically, dispute resolution in Pakistan has roots in customary systems. Prior to formal courts, local “panchayats” or “jirgas”—councils of community elders—settled disputes in villages, including commercial and family matters (Khan, 2023). The NYU Globalex guide on Pakistan's ADR notes that such informal mechanisms are “as old as the country itself” and have often provided low-cost, accessible justice for rural populations (Khan, 2023). However, these traditional forums have also attracted criticism: controversial jirga decisions (e.g. forced marriages in rape cases) have raised human rights concerns. While this indigenous ADR culture demonstrates a familiarity with non-court settlement, it also illustrates why modern ADR needs formal structure and oversight. In contemporary practice, judicial authorities and legal scholars observe that Pakistani culture tends to favor adversarial litigation. ADR is still not widely taught in law schools, and many

Pakistani lawyers lack training or motivation in mediation techniques (Ahmed et al., 2024). For example, Justice Miangul Hassan Aurangzeb (Islamabad High Court) noted that one major barrier is the “lack of support from the legal fraternity” – many lawyers resist ADR, fearing it will reduce their litigation business. This indicates a cultural inertia: established legal practitioners often view ADR as a threat rather than a tool (Shouzab, 2025).

Scholars have mapped out Pakistan’s ADR laws in detail. The cornerstone is the Arbitration Act, 1940, which covers three types of arbitration: purely out-of-court arbitration (Chapter II) and court-annexed arbitrations (Chapters III and IV). This Act governs both domestic and foreign arbitration, except that foreign awards enforcement is handled under the separate Recognition and Enforcement (Arbitration Agreements and Foreign Arbitral Awards) Act, 2011 (the 2011 Act). However, as noted above, the 1940 Act’s provisions requiring court involvement (e.g. for arbitrator appointments or interdicts) often nullify the time-saving benefits of arbitration. Pakistani courts have recognized this problem: commentators observe that the 1940 Act’s open-ended court powers “leave open the door to judicial intervention at many levels such that local litigants do not see arbitration as having any major advantages” (Riaa Barker Gillette, n.d.).

Thus, reformers have long recommended replacing the 1940 Act with a modern arbitration law based on the UNCITRAL Model Law, and indeed a Draft Arbitration Bill (2024) is currently under consideration (Sami ud Din & Naqvi, 2024).

Beyond arbitration, the Civil Procedure Code (CPC) provides for court-facilitated ADR. Section 89-A (introduced in 2010) authorizes courts to refer a case, with party consent, to “mediation and conciliation” for expeditious resolution (Shoukat, 2025). The accompanying Order X, Rule 1A also allows courts to suggest alternative dispute settlement with consent. Moreover, special statutes encourage “amicable settlement” in particular sectors: for example, Pakistan’s Small Claims and Minor Offences Court Ordinance, 2002 explicitly endorses arbitration, mediation, and conciliation for small-value cases (Sani, 2017). Tax and customs statutes similarly include alternative resolution schemes. In the provinces, some courts have set up ADR centers (e.g. the Punjab Mediation Centre, the Islamabad ADR Centre) and even implemented court-annexed mediation pilot programs (Khan et al., 2025).

Despite these provisions, literature notes a weak institutional landscape. Pakistan lacks a centralized ADR authority (unlike, say, Singapore’s Singapore International Mediation Centre or Singapore International Arbitration Centre). Training programs for mediators/arbitrators are limited, and ADR is not fully institutionalized in the judiciary. A Pakistani legal journal analysis observes that although various laws allow ADR, the “scattered nature of the laws (which are not compiled comprehensively in one place)” impedes practical implementation. In short, Pakistan has made attempts to build an ADR framework on paper – including modern amendments and ADR-enabling statutes – but it has yet to create the cohesive system and institutions needed to translate that framework into routine practice.

A substantial body of literature documents legal obstacles in Pakistan’s ADR regime. At the forefront is the outdated Arbitration Act. As discussed, its provisions compel courts to intervene at multiple stages of arbitration. For instance, even after an arbitration award is issued, the arbitrated matter is treated as a “suit” under the 1940 Act, so a dissatisfied party can petition the civil court to vacate the award (Section 15 of the Act) – a process that has traditionally been broad and time-consuming. Empirical studies note that litigants often find themselves “approaching the court for administrative and procedural requests that could be

avoided”, leading to long periods of inactivity or stay in arbitration (Harvard Law Review , 1950; Josh and Mak International, 2016).

Similarly, enforcement of foreign and domestic awards has been inconsistent. One recent comparative study on arbitration enforcement highlights that Pakistan’s regime “has historically been hindered by procedural delays, inconsistent judicial interpretations, and a broader application of public policy” (Manzoor et al., 2025). Cases like *Societe Generale de Surveillance (SGS) v. Pakistan* (2003) allowed court challenges to proceed on vaguely-defined public policy grounds, frustrating enforcement of awards (Malik, 2018). The same study reports that only recently (e.g. *Broadsheet LLC v. Pakistan*, 2021) have Pakistani courts begun aligning with more arbitration-friendly international practices (Manzoor et al., 2025). In contrast, the UK (used as a comparator) strictly limits court interference and cites decisions like *Yukos Capital v. Rosneft* as models of a pro-enforcement stance (Herbert Smith Freehill Kramer, 2024). This underscores a key barrier: until Pakistan fully reforms its arbitration law (as intended by the Draft Bill 2024), the risk of domestic courts overriding or delaying arbitral outcomes remains high (Arain, 2025).

Another legal obstacle is procedural inefficiency in litigation itself. With the immense case backlog (over 2.2 million pending cases), even ADR cannot operate effectively if parties fear the courts will ultimately become involved at any dispute stage (Sarwar & Idrees, 2023). Judicial commentators have pointed out that under the current system, a party choosing arbitration often ends up filing numerous chamber applications (for injunctive relief, etc.), which bring disputes back into court corridors. Furthermore, although laws like CPC 89-A theoretically expedite justice by diverting cases to ADR, in reality courts seldom refer cases due to lack of infrastructure and trained mediators. Empirical studies lament the low utilization of court-referred ADR: one policy brief notes that despite SEC 89-A, courts hardly make use of mediation because the necessary institutional support is missing (Piracha et al., 2022).

## **2.1 Research Questions**

The study will address the following questions:

1. What legal limitations in Pakistan’s statutory framework hinder effective commercial ADR (especially arbitration and mediation)?
2. What cultural or commercial barriers (e.g. attitudes, awareness, traditional preferences) resist ADR adoption in Pakistan?
3. How do these legal and cultural factors compare or interact in obstructing ADR, and what lessons can be drawn from international models (e.g. Singapore’s ADR regime)?
4. How can Pakistan’s ADR framework be improved to better resolve future commercial disputes?

## **2.2 Research Objectives**

- To Analyze the legal framework for commercial ADR in Pakistan, including key statutes (Arbitration Act 1940, ADR Acts, commercial court laws) and their limitations.
- To Examine the institutional landscape – courts, ADR centers, and professional bodies – to see how ADR is practiced in commercial disputes.
- To Identify cultural factors (such as awareness, trust, litigation culture) that affect parties’ willingness to use ADR.
- To Review landmark cases where Pakistani courts have addressed ADR in commercial contexts, to illustrate judicial attitudes.
- To Highlight research gaps and outdated laws (e.g. colonial-era provisions) that need reform.

- Propose recommendations to strengthen commercial ADR in Pakistan, drawing on best practices from jurisdictions like Singapore.

### 2.3 Significance of the Study

This research is significant for Pakistan's commercial law and dispute-resolution ecosystem. By mapping both the legal obstacles and cultural attitudes that impede ADR, it contributes to a deeper understanding of why ADR remains underused (Azeem Farooqi & Dr. Aatir Rizvi, 2024). For policymakers and courts, identifying these barriers can guide reforms. For example, Pakistan's Parliament is already considering a new Arbitration Act to replace the outdated 1940 law (Wadud et al., 2024). For businesses and investors, the study suggests practical ways to build confidence (e.g. awareness campaigns, training lawyers and mediators) so commercial disputes can be resolved outside of slow court processes. Overall, the findings aim to strengthen Pakistan's commercial ADR system, helping to relieve court congestion, lower litigation costs, and make Pakistan a more attractive forum for dispute resolution in trade and investment.

## 3. Research Methodology

### 3.1 Research Design

This study employs a qualitative, doctrinal legal research design complemented by comparative and interpretive approaches. It does not gather empirical data through surveys or experiments; instead, it systematically analyzes existing legal texts and scholarly writings to answer the research questions.

- **Doctrinal Legal Analysis:** Primary legal materials (Pakistan's Arbitration Act 1940, ADR Act 2017, Civil Procedure Code provisions, provincial ADR laws, and relevant statutes such as tax and customs Acts) and reported court decisions on arbitration and mediation was analyzed. The analysis identifies what the law says about ADR and how courts have interpreted it. For example, judgments like *Waqas Yaqub v. Adeel Yaqub* (2024 LHC) and Supreme Court rulings on mediation are studied to understand current legal standards.
- **Comparative Legal Analysis:** To contextualize Pakistan's ADR regime, the research compares it with Singapore's system (and references others like India or Turkey where helpful). Comparative analysis involves identifying analogous statutes (e.g., Singapore's Arbitration Act 2001, Mediation Act 2017) and contrasting procedural rules. Singapore's infrastructure (such as the Singapore International Mediation Centre and legislative reforms) is evaluated against Pakistan's environment using secondary literature (e.g. Lim 2019).
- **Interpretive (Contextual) Analysis:** Recognizing that law does not operate in a vacuum, an interpretive approach is used to understand cultural, historical, and policy factors. This involves analyzing non-legal texts such as policy reports, judicial speeches, and scholarly commentary (e.g. Justice Aurangzeb's statements at an ADR conference, and policy briefs). It also includes examining how traditional dispute norms (*jirgas*) and societal values might influence the acceptance of ADR. While this component is qualitative and theoretical, it provides insight into "why" certain legal provisions fail in practice and grounds the analysis in the Pakistani context.

### 3.2 Source Selection and Criteria

Sources were selected according to the following criteria: They must be published in peer-reviewed academic journals (to ensure scholarly rigor), relate directly to ADR in Pakistan (or comparative ADR law), and be recent (primarily post-2010) to reflect the current landscape. Pakistani law reviews, legal journals, and relevant international journals were targeted. Key selection strategies included keyword searches (e.g., "ADR

Pakistan,” “arbitration Pakistan,” “mediation Pakistan” in academic databases and legal journal archives) and reviewing bibliographies of foundational papers. The references used in this thesis include:

- Primary Sources: statutes and court rulings (accessed via official gazettes and law reports).
- Secondary Sources: peer-reviewed journal articles (Pakistani and international), conference reports, and government publications. Articles from the *Journal of Development and Social Sciences*, *Law and Policy Review*, *Indus Journal of Social Sciences*, and *Singapore Academy of Law Journal* provide analysis and data. Emphasis was placed on sources that offer empirical findings or thoughtful critique of ADR practice (e.g. studies on enforcement trends, judicial attitudes). Grey literature (e.g., blogs, news articles) was generally excluded except where it reports official data (such as Dawn’s judicial statistics).

### 3.3 Analytical Procedure

The methodology involved thematic analysis of the selected materials. For doctrinal research, each statute or case was read to extract relevant rules on arbitration, mediation, or conciliation. Patterns were identified, such as the pervasive role of courts under the 1940 Act. For the comparative component, a “law mapping” will be conducted: key features of Singapore’s ADR law (e.g. UNCITRAL-based Arbitration Act 2001, Mediation Act) will be noted from legal texts and SALJ articles. Differences and similarities were then synthesized. To interpret cultural aspects, the content of judicial speeches and policy documents was coded for recurring themes (e.g. “lack of awareness,” “need for training,” “patriarchal attitude”).

The outcome of this methodology will be a comprehensive understanding of the ADR landscape: legal analysis establishes what the rules are and how they operate; comparative analysis elucidates how they differ from more effective systems; and interpretive analysis suggests why barriers persist in practice. Together, these approaches allow for a robust answer to the research questions.

## 4. Legal Framework and Institutional Landscape of ADR in Pakistan

The excessive judicial intervention permitted by the Arbitration Act of 1940, which allows courts to scrutinize arbitral awards akin to civil decrees, undermines the finality of arbitration and reintroduces disputes into the litigation cycle, fostering distrust among businesses and negating arbitration’s purpose of bypassing lengthy court processes (Arain, 2025). Similarly, the Act’s failure to align with the UNCITRAL Model Law creates a credibility gap, rendering Pakistan’s arbitration framework outdated and less predictable for foreign investors, who prioritize jurisdictions with internationally recognized standards for legal certainty and efficient award enforcement (Baig, 2024). Recent judicial rulings, such as *Waqas Yaqub v. Adeel Yaqub* and the Supreme Court’s *Pakistan Railways* decision, reflect a shift toward a pro-arbitration stance by limiting court interference to a supervisory role (Hussain, 2024), yet reliance on judicial reinterpretation of an archaic law highlights the urgent need for legislative reform to ensure consistency and global alignment.

In response to the limitations of the 1940 Act and the growing case backlog, Pakistan has made concerted legislative efforts to promote modern ADR. The Alternative Dispute Resolution Act, 2017 applicable within the Islamabad Capital Territory marks a notable advancement in institutionalizing ADR in Pakistan (Hassan & Abbasi, 2023). The Act extends to various civil matters and compoundable offenses, authorizing courts to refer eligible disputes to ADR mechanisms. The law sets up formal panels of Neutrals, which include experienced legal experts, retired judges, and civil servants, and also establishes dedicated ADR centers to support organized dispute resolution processes. Importantly, it requires that any settlement reached through

ADR must be submitted to the courts for approval, giving it the same legal weight as a court judgment or decree (Hassan & Abbasi, 2023).

Beyond the federal Alternative Dispute Resolution (ADR) Act of 2017, several provinces have taken steps to establish their own ADR laws, aiming to bring dispute resolution closer to local needs. These include the Punjab ADR Act of 2019, the Khyber Pakhtunkhwa ADR Act of 2020, the Sindh ADR law incorporated through the Code of Civil Procedure (Sindh Amendment) Act of 2018, and Balochistan's ADR Act, most recently updated in 2022/2024 (Hassan & Abbasi, 2023). Together, these laws reflect a growing commitment—at both federal and provincial levels—to formally integrate ADR into Pakistan's broader justice system.

However, despite this promising legal foundation, ADR is still not working effectively in practice. On-the-ground challenges such as low public awareness, limited understanding among lawyers, weak institutional support, and resistance from parts of the traditional legal profession continue to slow progress (SLD, 2025). These recurring issues, often flagged in policy reviews, highlight the disconnect between what the law promises and what is actually happening. As a result, the true potential of ADR remains underused, and Pakistan's courts remain overwhelmed, with many people still stuck in long and costly legal battles.

#### **4.1 Cultural Resistance and Societal Impediments**

In Pakistan's commercial sector, cultural barriers significantly hinder the adoption of Alternative Dispute Resolution (ADR), particularly impacting contract enforcement and business confidence. Traditional dispute resolution mechanisms like Jirgas and Panchayats, while culturally resonant for their accessibility and reconciliation focus, lack transparency and legal enforceability, making them unsuitable for commercial disputes and reinforcing businesses' preference for litigation (Khan, 2023; Jurgees et al., 2024). Lawyers' resistance, driven by an adversarial mindset and financial disincentives from shorter ADR processes, discourages businesses from pursuing mediation, as legal professionals often prioritize prolonged litigation over efficient dispute resolution (Arshad & Saleem, 2025; SLD, 2025). The business community's distrust in formal ADR stems from its perceived lack of formality and weak institutional infrastructure, including insufficient mediation centers and trained mediators, leading businesses to favor the predictability of litigation despite its costs and delays (I. B. Sohail, 2024a). Additionally, limited public awareness of ADR's benefits, particularly among SMEs in rural areas, restricts access to cost-effective dispute resolution, perpetuating reliance on traditional systems or courts and undermining efficient contract enforcement (SLD, 2025; I. B. Sohail, 2024).

#### **4.2 Commercial Implications of ADR Barriers in Pakistan**

##### **4.2.1 Inadequate Institutional Capacity for Commercial ADR**

Pakistan's commercial ADR landscape is characterized by a nascent and often fragmented institutional infrastructure. While there is a clear vision to institutionalize ADR and revolutionize the legal system, as articulated by the International Centre for Alternative Dispute Resolution and Prevention (ICADRP), which aims to provide a full range of ADR services to individuals, private entities, and the government, widespread implementation remains a challenge (ICADRP, 2018). The Karachi Centre for Dispute Resolution (KCDR), established as a pilot project with support from IFC Advisory Services, has successfully resolved 936 cases since its inception, demonstrating the potential of commercial mediation (IFC, n.d.). Similarly, the Lahore ADR Centre aims to offer efficient, impartial, and cost-effective services across various sectors, including commercial disputes (Lahore ADR Centre, 2025). Despite these positive developments and the emergence

of court-annexed mediation centers in cities like Quetta and Islamabad, along with private centers in Karachi and Lahore, ADR is still widely "underutilised and misunderstood" in the country (S. J. Hussain, 2025).

A significant impediment to the scalability and accessibility of ADR for businesses is the shortage of adequately trained and accredited mediators. The Pakistan Mediators Association (PMA) offers IMI-certified training programs, delivered in both English and Urdu, which can lead to accreditation upon successful completion of training and assessment (PMA, 2023). The Musaliha International Center for Arbitration and Dispute Resolution (MICADR) also provides nationally and internationally accredited 40-hour mediator training programs (MICADR, 2025). However, the volume and specialization of these training initiatives may not yet meet the national demand, particularly for complex commercial disputes. International standards, such as those outlined in the UNCITRAL Mediation Rules, emphasize the importance of a prospective mediator's professional expertise, experience, and relevant accreditation from recognized professional mediation standards bodies, along with their impartiality and availability (UNCITRAL, 2017). The International Chamber of Commerce (ICC) also administers mediations through its International Centre for ADR, setting a benchmark for quality and process (International Chamber of Commerce, n.d.). The current scale of mediator training and accreditation in Pakistan suggests a gap between the supply of qualified professionals and the growing demand for commercial dispute resolution. This situation means that even with existing training programs, the overall pool of mediators, especially those with specialized commercial expertise and international recognition, is insufficient to drive widespread adoption.

#### **4.2.2 Economic Costs: Prolonged Litigation, High Fees, and Operational Disruptions**

Litigation in Pakistan's traditional court system is a burdensome process for businesses, both financially and operationally (Nisar Ullah, 2025). Pakistan's judicial system is burdened by high litigation costs, slow case processing, and strained business relationships all of which disrupt day-to-day operations and hurt economic performance (Nisar Ullah, 2025). Studies show that the cost of pursuing a civil case in Islamabad often surpasses the yearly income of an average citizen, making formal justice out of reach for many individuals and small businesses (Shah & Ahmad, 2021). This creates a serious financial barrier that weakens business survival and limits fair access to legal remedies.

#### **4.2.3 Impact on Domestic Businesses and Small and Medium Enterprises (SMEs)**

Small and Medium Enterprises (SMEs) play a vital role in Pakistan's economy, but they are often held back by the high costs and long delays of traditional court processes (Isfandiyar Ali Khan, 2025). With limited budgets and staff, many SMEs find it difficult to enforce contracts or resolve disputes through the formal legal system. This creates serious challenges for their growth, limits their ability to compete, and keeps many from entering larger markets.

Alternative Dispute Resolution (ADR), especially mediation, offers a more practical and cost-effective path forward. It helps reduce legal expenses, cuts down on paperwork, and avoids the disruption that comes with lengthy court battles (Nisar Ullah, 2025). For SMEs, these benefits can make the difference between surviving and thriving. ADR allows them to focus on running their businesses rather than being trapped in legal struggles.

#### **4.2.4 Deterrence to Foreign Direct Investment (FDI) and International Trade**

Pakistan's weak and unpredictable dispute resolution system has become a major hurdle for attracting Foreign Direct Investment (FDI) and expanding international trade. Issues like judicial delays, inconsistent enforcement of arbitration laws, and challenges in protecting intellectual property make the business



environment risky and unattractive for global investors (U.S. Department of State, 2024). These problems, combined with broader concerns like energy shortages and security instability, have led to a sharp drop in FDI.

Investors look for legal systems that offer certainty, speed, and fairness when resolving disputes. Unfortunately, Pakistan's current system sends the opposite signal. Delays in enforcing foreign arbitral awards and a lack of clear procedures raise concerns about fairness and reliability (Yeoh et al., 2025). This increases the perceived risk of doing business in Pakistan, putting it at a disadvantage compared to countries with strong and globally aligned ADR systems.

## **5. Comparative Insights and Best Practices from International Jurisdictions**

The United Kingdom's Alternative Dispute Resolution (ADR) system is often seen as a benchmark of legal efficiency and consistency. Anchored by the Arbitration Act 1996, the UK framework is known for its arbitration-friendly environment, limited judicial interference, and a narrowly interpreted public policy exception all of which align closely with international best practices (Baig, 2024; Khan et al., 2025). For Pakistan, this presents a valuable point of reference, especially in addressing key challenges such as the lack of uniformity in ADR laws and difficulties in enforcing outcomes (Jurgees et al., 2024).

Singapore stands out as a leading global arbitration and mediation hub, offering a compelling success story for Pakistan to emulate. The Singapore International Arbitration Centre (SIAC) consistently handles a significant caseload, with 625 new cases in 2024 (91% international) and disputes totaling US\$11.86 billion (Brocas, 2025). SIAC's rules are among the top five preferred globally, renowned for their efficiency, expert resolution, and enforceability, with a mean case duration of 13.8 months (SIAC, 2024). The success of the Singapore International Mediation Centre (SIMC), with an impressive settlement rate of 70–80% (Judiciary.gov.sg, 2023), illustrates the power of a well-designed mediation system. SIMC's innovative approaches like the Arb-Med-Arb and Lit-Med-Lit protocols allow mediation to be smoothly integrated into arbitration or litigation, making it easier to resolve even complex international commercial disputes through cooperation rather than confrontation (Chua, 2025).

## **6. Conclusions and Recommendations**

A closer look at Alternative Dispute Resolution (ADR) in Pakistan reveals a system that, despite promising legal reforms, still struggles with deep-rooted challenges. While ADR could ease the pressure on courts and reduce the high costs of litigation, its effectiveness remains limited. This is largely due to outdated laws, inconsistent implementation across provinces, a legal culture that favors adversarial methods, and a widespread lack of public awareness and trust. Many people continue to rely on informal traditional systems—not necessarily because they work better, but because formal mechanisms feel distant or untrustworthy. If Pakistan truly wants to make ADR a meaningful part of its justice system, attract investment, and ensure broader access to justice, it needs a more unified, culturally sensitive, and inclusive strategy that goes beyond just passing laws.

### **6.1 Expediting the Enactment of the Draft Arbitration Bill 2024**

The Draft Arbitration Bill 2024 presents a much-needed chance to overhaul Pakistan's outdated arbitration system. Designed to replace the nearly century-old Arbitration Act of 1940, the Bill aligns with international standards like the UNCITRAL Model Law and promises to expand the powers of arbitral tribunals, reduce unnecessary court involvement, and simplify enforcement processes (Baig, 2024). However, the real impact of this reform depends not just on its passage, but on how clearly and completely it is enacted. Ambiguities especially those overlapping with existing laws like the ADR Act 2017 and the Limitation Act must be

addressed (Piracha et al., 2022). If the implementation is delayed or lacks clarity, it could end up causing more confusion and legal wrangling, defeating the very purpose of reform. For the Bill to truly make a difference, it must be integrated thoughtfully and efficiently into the existing legal framework otherwise, it risks becoming just another layer of complexity instead of a solution.

### **6.2 Streamlining and Harmonizing Provincial ADR Laws**

The current patchwork of provincial ADR laws in Pakistan has created a fragmented legal landscape, making it difficult to build a unified national strategy for dispute resolution (Khan et al., 2025). For businesses operating across multiple provinces, this inconsistency leads to confusion, higher compliance costs, and increased legal risk due to varying rules and potential jurisdictional conflicts (Faizan et al., 2024). Such fragmentation not only complicates doing business but also holds back economic integration within the country. The Draft Arbitration Bill 2024 responds to this challenge by proposing a unified federal framework for domestic arbitration an important step toward legal harmony. By streamlining arbitration laws across provinces, the Bill can help create a more predictable and business-friendly environment, encouraging investment and making cross-provincial commercial activity smoother and more appealing. Without such coherence, the full economic potential of ADR will remain out of reach.

### **6.3 Expanding and Empowering ADR Centers Across the Country**

The success of existing ADR centers, such as the Karachi Centre for Dispute Resolution (KCDR) with its 80% success rate, demonstrates that institutional infrastructure is a critical success factor for ADR in Pakistan (Isfandyar Ali Khan, 2025). Expanding dedicated ADR centers with trained professionals across the country is crucial. Court-annexed and private centers are emerging, but their reach needs to be scaled up significantly. This expansion is about creating a visible and tangible presence for ADR, which can directly address the "lack of awareness" and "distrust" among the public and businesses. Well-resourced, professional ADR centers act as beacons of efficient justice, fostering confidence through demonstrated results.

### **6.4 Comprehensive Training Programs for Legal Professionals and Mediators**

Addressing the resistance from lawyers requires more than just awareness; it necessitates a cultural transformation within the legal profession. Comprehensive training programs for legal professionals and mediators are vital to overcome traditional mindsets and concerns about reduced income. Training judges and lawyers to grasp ADR rules and promote a "pro-settlement mindset" is key (SLD, 2025). The establishment of accreditation rules (e.g., ADR Accreditation Rules 2023) and the availability of internationally accredited training programs are positive steps (PID, 2025). These programs are crucial for shifting the professional culture by demonstrating how ADR can be professionally rewarding and financially viable, thereby aligning professional interests with the broader goals of justice reform. Investing in such human capital is essential for systemic change.

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