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COUNTRY ANALYSIS REPORT

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Only for Members



Executive Summary

This report provides a comprehensive review of Pakistan's socio-political, economic, and technological landscape, highlighting critical developments and persistent challenges across key domains. Pakistan has made strides in epidemic preparedness through frameworks like the National Epidemic and Pandemic Preparedness Plan and initiatives such as the National Command and Operation Centre.

However, systemic weaknesses, including inadequate health infrastructure, poor surveillance, and low public health funding (1.2% of GDP), hinder progress. Strengthening health systems and investing in digital surveillance and public awareness are essential for building resilience against future crises. The 2024 general elections revealed discrepancies in vote counts and a rise in invalid votes, exposing flaws in administrative processes and voter engagement. The EU's critique of military court trials for civilians post-May 2023 protests raises concerns about human rights and trade agreements, including Pakistan's GSP+ status.

Despite achieving a \$729 million current account surplus in November 2024, challenges like weak GDP growth, rising energy costs, and low foreign investment persist. Structural inefficiencies in the power sector and reliance on indirect taxes exacerbate fiscal pressures. Textile exports and direct shipping routes with Bangladesh show promise, but broader trade imbalances and insufficient reforms remain hurdles to sustainable growth.

Diplomatic tensions with Afghanistan following cross-border airstrikes and domestic security concerns, including insurgencies and humanitarian crises in Kurram district, underscore governance challenges. Initiatives like the National Targeting Centre for border control signal progress in combating smuggling and trafficking. Telecom sector growth, marked by increased broadband penetration and improved internet speeds, positions Pakistan for digital advancement. However, rural-urban disparities in connectivity and challenges in 5G deployment require targeted policy interventions.

International Day of Epidemic Preparedness

A REVIEW OF PAKISTAN'S PREPAREDNESS

Epidemic preparedness is a critical component of national health security, and Pakistan's experiences with various health crises, including the COVID-19 pandemic, highlight the importance of a robust framework. While the country has demonstrated notable strengths, significant gaps remain that need urgent attention. A balanced evaluation of its strengths and weaknesses provides a pathway for actionable improvements.

Pakistan has made commendable strides in its epidemic preparedness. One of its key strengths lies in the establishment of policy frameworks, such as the National Epidemic and Pandemic Preparedness Plan. This framework serves as a roadmap for coordinated responses and resource mobilization during health emergencies.

Additionally, Pakistan has demonstrated a strong commitment to global collaboration, engaging actively with organizations like the World Health Organization (WHO) and initiatives such as the Global Health Security (GHS) Index. These partnerships have facilitated capacity building in areas such as disease surveillance and outbreak response.

Another significant strength is Pakistan's community health initiatives. The extensive network of Lady Health Workers (LHWs) has been instrumental in delivering grassroots health interventions, particularly in rural and underserved areas. Their efforts in vaccination drives and public awareness campaigns underscore the importance of community-level health systems. Furthermore, digital innovations, such as the re-establishment of the [National Command and Operation Centre \(NCOC\)](#) which was first introduced by the [PTI government in 2020](#) during COVID-19, have enhanced data-driven decision-making and public communication, showcasing the potential of technology in managing health crises.

Despite these achievements, Pakistan faces substantial challenges in its epidemic preparedness. The most pressing issue is the inadequacy of its health infrastructure. According to the [2021 GHS Index](#), the country scored a mere 19.9 out of 100 in this domain, reflecting weak hospital capacity, insufficient specialized facilities, and limited intensive care units (ICUs).

Moreover, public health funding remains critically low, accounting for only [1.2% of GDP](#). This chronic underfunding restricts investments in healthcare workforce training, research, and the procurement of medical equipment.

Another critical weakness is the lack of robust surveillance and reporting mechanisms. Inconsistent data collection and poor coordination between federal and provincial health authorities impede the early detection of outbreaks. This challenge was particularly evident during the COVID-19 pandemic, where delays in reporting hindered timely decision-making. Furthermore, a significant portion of the population remains unaware of basic preventive health measures. The prevalence of misinformation, especially regarding vaccines, has further undermined public health efforts.

To address these challenges, Pakistan must prioritize several key actions. Strengthening health infrastructure should be a top priority, with investments in hospitals, laboratories, and isolation facilities. Expanding the capacity of ICUs and enhancing diagnostic tools will significantly improve the ability to manage large-scale outbreaks. Increasing public health funding to at least 3-4% of GDP is equally important, enabling sustainable improvements in the health system.

Additionally, integrated digital surveillance systems should be established across provinces to improve data collection and early warning mechanisms. Training healthcare workers in reporting protocols will ensure timely and accurate responses to health threats. Public awareness campaigns should also be launched to combat misinformation and encourage preventive practices. Utilizing local influencers and social media can amplify these messages, particularly among younger populations.

Strengthening international partnerships is another vital step. Collaborations with [global health organizations](#) can provide technical expertise, funding, and access to vaccines and medical supplies. Participation in cross-border initiatives will also help mitigate regional health risks. Lastly, the development of crisis response teams equipped with specialized training and resources can enhance the country's readiness for future epidemics. Regular simulations and drills should be conducted to test and refine response strategies.

In conclusion, while Pakistan has demonstrated strengths in policy frameworks, community health initiatives, and digital innovations, significant weaknesses in infrastructure, funding, and public awareness hinder its epidemic preparedness. By addressing these gaps and implementing targeted improvements, Pakistan can build a resilient health system capable of managing future health crises. International Epidemic Preparedness Day serves as a reminder of the urgent need for sustained efforts to strengthen health security and protect the well-being of its citizens.

Political Updates

Uneven Representation: The Discrepancies in Pakistan's 2024 Elections

In Pakistan's 2024 general elections, a noticeable gap emerged between the number of votes cast for National Assembly and provincial assembly seats. According to [a report by the Free and Fair Election Network \(Fafen\)](#), the number of valid votes cast for National Assembly seats in Punjab exceeded those for provincial assembly seats by more than half a million.

This trend was not uniform across the country, as in Khyber Pakhtunkhwa and Balochistan, more votes were cast for provincial assemblies. Invalid votes also played a role in the discrepancies, with provincial elections experiencing a higher rate of invalid votes compared to the National Assembly elections.

While some of this discrepancy can be attributed to voters casting ballots for only one contest, the overall pattern raised questions about the integrity and consistency of the electoral process.

This discrepancy highlights a deeper issue in Pakistan's electoral system, where voter behavior and the administrative handling of ballots create distortions in election results.

The phenomenon where National Assembly votes outnumber provincial assembly votes in some provinces could indicate that voters are more engaged in federal elections, possibly due to the higher profile of national contests.



Source: Pexels

However, it also raises concerns about voter confusion or disenchantment, particularly in regions without provincial elections.

The higher number of invalid votes in provincial contests suggests that the administrative process may not be as robust in handling ballots, leading to further disenfranchisement and undermining the overall legitimacy of the provincial elections.

This system inherently benefits larger parties with concentrated voter bases, as seen in Punjab, where PTI and PML-N dominate due to their robust party machinery and historical strongholds. For example, in the 2024 elections, PTI garnered 45% of the vote in Khyber Pakhtunkhwa but secured 80% of National Assembly seats from the province, demonstrating how seat allocation disproportionately rewards larger parties.

Conversely, smaller regional parties and independent candidates, who might have broader support across constituencies but lack concentrated voter bases, are left underrepresented. The uneven voter turnout and discrepancies in valid vote counts further exacerbate these inequities.

These **structural biases** underscore the need for electoral reforms to introduce a more proportional representation system, ensuring fairer and more inclusive political participation.

EU Voices Concern Over Military Court Convictions in Pakistan:

The European Union (EU) **expressed grave concerns** over the recent sentencing of 25 civilians by Pakistan's military courts. These individuals were convicted for their involvement in attacking military installations during the violent protests that erupted after former Prime Minister Imran Khan's arrest in May 2023.

Sentenced to prison terms ranging from two to ten years, these convictions have sparked significant international criticism, with the EU asserting that the verdicts violate Pakistan's obligations under the International Covenant on Civil and Political Rights (ICCPR).

In its statement, the EU emphasized that Pakistan's commitment to a "fair and public trial" was compromised by these military trials, and further raised the alarm over the potential implications for Pakistan's trade relationship with the EU, specifically under the GSP+ arrangement.



Source: Tribune

The EU's concerns highlight the **growing tension** between Pakistan's internal legal processes and its international commitments. While the Pakistani military justifies the convictions as a necessary response to politically motivated violence, the trial of civilians in military courts contradicts key principles of international law, particularly those outlined in the ICCPR and Pakistan's own Constitution.

Legal experts argue that this decision is not only a breach of Pakistan's constitutional guarantee for a fair trial but also risks the suspension of the GSP+ status, which provides Pakistan with preferential access to the EU market.

Such a suspension would significantly impact Pakistan's exports to the EU, potentially leading to an economic downturn.

The military court's involvement in civilian matters raises broader questions about the independence of Pakistan's judiciary and the balance of power within the state.

The legal and economic implications of these convictions cannot be overstated. Legal scholars, including former additional attorney general Tariq Mahmood Khokhar, warn that this move could have dire consequences, both domestically and internationally.

The trial of civilians by military courts undermines democratic principles and the rule of law, crucial pillars for any democratic nation.

Moreover, the EU's GSP+ status, which has greatly benefited Pakistan's exports, is now at risk.

If Pakistan fails to uphold its international legal obligations, it could face not only a deterioration in its international reputation but also a severe blow to its economic interests. This situation is a poignant reminder of the need for Pakistan to align its legal practices with international human rights standards to ensure both domestic stability and international credibility.



Source: Pixabay

Economic Outlook

Pakistan's Economic Struggles: Challenges to GDP Growth and Foreign Investment

Pakistan's economic outlook for the current fiscal year appears bleak, with experts forecasting minimal or negative GDP growth. According to Dr. Hafeez Pasha, former finance minister, the country is grappling with a series of economic challenges, including declining large-scale manufacturing, weak agricultural performance, and soaring energy prices.

The reduction in key agricultural outputs, such as cotton and wheat, coupled with the inability of the manufacturing sector to register any growth, has put significant pressure on the nation's overall economic performance.

Dr. Pasha pointed out that despite a decline in inflation, the underlying issues of energy price hikes and increased input costs continue to impede economic growth. The shift in private sector credit flow to the stock market, resulting in a bullish trend, further highlights the volatility and lack of investment in the industrial sector.

Dr. Pasha also [emphasized the widening disparity in wages](#), noting that real wages for skilled workers in the private sector have declined by 20-25% over the past three years. While consumer inflation has slowed, the reduction in prices for some food items, such as wheat flour, has not translated into improved outcomes for farmers, who continue to struggle with low returns.

The government's fiscal challenges are compounded by an underwhelming performance in repaying debts to independent power producers (IPPs) and the delay in issuing international bonds, which has put further strain on foreign exchange reserves. The country's reserves remain well below the minimum required import cover, highlighting Pakistan's ongoing financial vulnerability.



Source: Brecorder

The slow progress in economic reforms and a lack of substantial foreign investment are significant concerns. Dr. Pasha noted that the government's Special Investment Facilitation Council (SIFC) had hoped to attract \$10 billion in foreign investment, but actual inflows have fallen far short, reaching only \$1.5 to \$2 billion in the first five months. This reflects a broader trend of stagnation in foreign capital inflows, which is crucial for Pakistan's long-term economic stability.

Moreover, with the IMF program under review and uncertain foreign aid inflows, the country faces a high-risk situation, particularly if reforms are delayed or insufficient to meet the expectations of international creditors.

As Pakistan navigates these economic challenges, the need for comprehensive structural reforms and increased investment becomes even more pressing to avert a prolonged economic downturn.

Power Woes, IT Exodus, and Economic Turmoil:

Pakistan's electricity supply companies inflicted a staggering loss of Rs660 billion on the national exchequer in the fiscal year ending June 30, 2024. This figure, 11 times the federal government's budget for higher education, underscores the systemic inefficiencies plaguing the nation's power sector.

These losses exacerbate the mounting circular debt, restrict fiscal space for public welfare initiatives, and contribute to frequent electricity price hikes.

The consequences ripple through the economy, impacting industrial output, raising production costs, and disrupting critical sectors such as small enterprises and IT freelancers, who depend on consistent electricity and internet services to thrive.

This development highlights the intertwined crises in Pakistan's energy and technology sectors, with profound implications for the broader economy. The inefficiencies in the power sector not only deepen fiscal constraints but also contribute to the exodus of IT professionals, a vital source of foreign exchange.

Persistent internet service disruptions and escalating energy costs push many IT professionals to relocate to hubs like Dubai, jeopardizing the growth momentum in services exports. The government's failure to urgently reform these sectors could lead to a vicious cycle of economic stagnation, diminishing competitiveness, and widening trade deficits.

Moreover, the situation is compounded by geopolitical and domestic uncertainties. Escalating tensions in the Middle East threaten remittance inflows, while political instability at home undermines investor confidence. While recent dialogue between the government and opposition offers a glimmer of hope for political stabilization, ongoing resistance to reforms and growing militancy could derail economic recovery. Addressing these challenges requires decisive leadership, accelerated sectoral reforms, and a commitment to fostering political consensus to navigate the country toward sustainable growth.

The Clash Between Pakistan's Elite and IMF Reforms:

Pakistan's elite in the industrial and agricultural sectors are **growing increasingly vocal**, demanding a rollback of recent fiscal and monetary reforms agreed upon by the government and the International Monetary Fund (IMF) under the ongoing Extended Fund Facility (EFF).

These groups, influential in shaping Pakistan's policies, are pressuring the government to reinstate favorable policies, including tax breaks, subsidies, and cheaper credit.

Their argument rests on the belief that these measures will prevent factory closures, preserve export revenues, and maintain their privileged position in the economy. However, the IMF's stance is clear: subsidies and protectionist policies have undermined competitiveness, distorted markets, and failed to drive sustained growth.

The continued reliance on indirect taxes, which constitute **75-80% of Pakistan's revenue**, has raised concerns about long-term economic sustainability. The IMF's critique of Pakistan's economic structure, including its substantial support to certain industries and agricultural sectors, highlights the inefficiencies perpetuated by the elites' influence.

Despite these concerns, Pakistan's elite, especially in agriculture and industry, have historically succeeded in pressuring governments to ease these reforms once international programs concluded or during periods of economic recovery.

This entrenched cycle of fiscal concessions has hampered the development of a more dynamic and competitive economy. These policies have not only benefited a few, but they have also contributed to the widening inequality and economic distortions that hinder the country's potential for growth and innovation.

Complicating the situation is the provincial governments' disregard for agreed fiscal targets. Despite the IMF's insistence on provincial surpluses, provinces like Punjab have manipulated their fiscal positions to show compliance with the targets.

Meanwhile, various provincial schemes, such as subsidies and loan programs for farmers and consumers, have raised questions about their effectiveness and long-term fiscal impact.

These populist measures, though aimed at alleviating poverty, often bypass institutional mechanisms like the Benazir Income Support Program (BISP), potentially exacerbating inefficiencies. The government's conflicting priorities, compounded by the pressure from influential elites and the IMF's stringent requirements, are leaving the country at a crossroads: whether to pursue much-needed reforms or to appease powerful interest groups for short-term political gain.



Source: Getty Images

Pakistan Posts \$729 Million Current Account Surplus in November 2024:

Pakistan's current account recorded a surplus of \$729 million in November 2024, marking a significant improvement from the \$148 million deficit during the same month last year, as per data from the State Bank of Pakistan (SBP). This is the fourth consecutive month in which Pakistan has seen a current account surplus. Notably, this surplus is also the second-largest since July 2013, according to brokerage firm Arif Habib Limited (AHL). The surplus was driven by a 4% year-on-year increase in exports, totaling \$3.5 billion, a 29% rise in remittances, and a 7% decrease in imports. These positive shifts are seen as an encouraging sign, given Pakistan's historically fragile economic indicators.

The surplus comes as a result of strategic measures taken by Pakistan to address its trade imbalance, including increased exports and a notable rise in remittances, which are vital sources of foreign exchange for the country. While exports have gained traction, contributing to a 4% growth in November 2024, the decline in imports, driven by reduced demand and import restrictions, has also played a crucial role in narrowing the current account deficit.

Worker remittances, which rose by nearly 30%, have provided an essential cushion for Pakistan's foreign reserves, which remain under pressure. However, the economic fundamentals still pose challenges, as inflation remains high, and growth is sluggish. The high interest rate regime, which has recently started to decline, also had a role in curbing the deficit by reducing demand for imports.

In the first five months of the current fiscal year (5MFY25), Pakistan has [posted a surplus of \\$944 million](#), compared to a significant deficit of \$1.676 billion in the same period last year. The improvements in both exports and remittances, combined with a reduction in imports, highlight the resilience of Pakistan's economy in a difficult environment.

However, the long-term sustainability of this surplus remains uncertain, as it is heavily influenced by volatile factors such as global commodity prices, domestic inflation, and international market conditions.

With exports reaching \$16.56 billion and remittances growing by [34% year-on-year](#), Pakistan has made significant progress in balancing its trade. Nonetheless, continued efforts to control inflation, foster domestic growth, and maintain stable economic policies will be critical for sustaining this positive trend in the current account.

Surge in Repatriated Funds Signals Confidence in Pakistan's Economic Revival:

Between July and November of FY25, investors moved a record \$1.129 billion out of Pakistan, marking a significant jump from the \$523 million recorded in the same period of FY24. This 115% increase is largely attributed to a rise in Foreign Direct Investment (FDI) returns, which saw a sharp 118% increase, amounting to \$1.074 billion. Foreign Portfolio Investment (FPI) also saw an uptick, with returns rising to \$54 million, compared to \$41 million in the previous year. The most substantial outflows occurred in sectors like food, finance, and power, with the food sector alone accounting for [\\$247 million in repatriated profits](#).

The surge in repatriated funds reflects growing investor confidence in Pakistan's economic prospects, fueled by improvements in key financial indicators and overall economic conditions.

The dramatic rise in FDI returns suggests that foreign investors are seeing better returns on their investments, likely driven by stronger financial performance across major sectors.

However, while this growth is promising, it also raises concerns about the sustainability of such outflows. The increased repatriation of funds could reflect the investors' intent to capitalize on current economic conditions rather than a long-term commitment to the country's markets. While the positive economic signals should be celebrated, the concentration of outflows in specific sectors like food, finance, and power raises a critical point about Pakistan's economic structure.

A disproportionate amount of profit repatriation in these sectors may indicate that foreign investments are concentrated in areas with relatively high profit margins but lower reinvestment into the local economy.

This trend could limit the potential for reinvestment in Pakistan's growth areas, particularly in industries that require more capital and innovation.

To truly benefit from these inflows, Pakistan must work on ensuring that foreign investment leads to job creation, technological innovation, and long-term economic growth, rather than just short-term financial gains for foreign investors.

Pakistan's Textile Exports Show Strong Growth Amid Regional Challenges:

Pakistan's textile and clothing exports surged by 10.51% during the first five months of the current fiscal year, reaching a value of \$7.61 billion. This growth follows a slower start in July 2024, when exports contracted by 3.09%.

However, the sector rebounded with robust growth in subsequent months, with notable increases in August (13%), September (17.92%), October (13.11%), and November (10.81%). Key textile products, such as readymade garments, knitwear, and bedwear, saw impressive growth in both value and quantity, despite challenges posed by structural issues and higher taxation measures introduced by the government in the current fiscal year.

While the growth in exports is a positive development, experts remain cautious about the sector's ability to compete with regional rivals, particularly given the implementation of harsh taxation measures. Despite this, Pakistan's textile sector has benefited from disruptions in supply chains in Bangladesh, which has led to increased demand for Pakistani garments.

The country's textile industry faces significant structural challenges that have hindered its ability to reach its full potential, even with a substantial installed capacity of \$25 billion. These factors, combined with the competitive pressures from neighboring countries, mean that while growth is visible, the sector still has significant hurdles to overcome for long-term sustainability.

The shift in export dynamics, particularly in specific segments like yarn, bedwear, and towels, reflects the evolving nature of the global textile market. While exports of certain products have seen impressive increases, such as readymade garments (23.10%) and knitwear (18.42%), other categories like yarn have experienced a sharp decline, with a 38.70% drop in exports. This mixed performance underscores the sector's volatility and the need for comprehensive reforms to address ongoing challenges.

The significant increase in imports, particularly raw cotton and second-hand clothes, further highlights the sector's dependency on external sources. Moving forward, Pakistan's textile industry will need to navigate these complexities, balancing short-term growth with long-term structural reforms to remain competitive on the global stage.

Empowering Youth and SMEs: A Vision for Pakistan's Future

At the 11th Summit of the Developing Eight (D-8) countries in Cairo, Prime Minister Shehbaz Sharif emphasized the critical importance of investing in youth and supporting small and medium enterprises (SMEs) for Pakistan's socioeconomic advancement. Addressing the summit's theme of "Investing in Youth and Supporting SMEs: Shaping Tomorrow's Economy," the Prime Minister highlighted that over 60% of Pakistan's population is under 30, offering a significant reservoir of potential for innovation and growth. He detailed the government's initiatives, such as the PM's Youth Programme, which has distributed

over 600,000 laptops, and the Youth Business and Agricultural Loan Scheme, aimed at fostering entrepreneurial opportunities.

PM Shehbaz also underscored Pakistan's growing IT sector, with a focus on digital skills to help youth become job creators rather than job seekers.

This emphasis on youth and SMEs is a promising development for Pakistan, where the economy has long struggled with stagnation and limited job creation. The government's commitment to fostering entrepreneurship and innovation through financial support and skill-building is crucial for addressing the growing unemployment problem, especially among the youth. With the rise of digital economies, Pakistan's focus on IT training could play a transformative role in equipping the younger generation with the necessary tools to thrive in a rapidly evolving global market. However, these initiatives must be backed by a conducive policy environment that encourages investment and entrepreneurship, particularly in underdeveloped areas, to ensure broad-based growth.



Source: Web Pakistani

Furthermore, while the potential of youth and SMEs in driving economic growth is immense, the practicalities of scaling these efforts remain challenging. For instance, the distribution of laptops and loans, though significant, is only part of the equation.

Many young people still face barriers like inadequate infrastructure, limited access to markets, and a lack of mentorship. The focus should not just be on providing resources but also on creating an ecosystem where these young entrepreneurs can succeed.

Additionally, the success of these initiatives will depend on the government's ability to tackle systemic issues like corruption, bureaucratic hurdles, and inconsistent policies. Without these structural reforms, even the best-laid plans for youth empowerment and SME growth may struggle to achieve their desired impact.

A Call for Bold Action: Closing Pakistan's SDG Financing Gap

As the world approaches the final stretch of the United Nations' Agenda 2030, the urgency to address global development challenges is more critical than ever. UN Secretary General António Guterres has declared a "global emergency" in light of the [widening gap in achieving the Sustainable Development Goals \(SDGs\)](#).



Source: Getty Images

For Pakistan, this crisis is particularly stark, with the country grappling with massive debt, climate vulnerability, and deep socioeconomic challenges.

Despite some improvements, Pakistan's SDG performance remains far from on track, with many indicators stagnating or regressing. The country's persistent poverty, widespread illiteracy, and poor healthcare outcomes highlight the pressing need for substantial financing to meet these goals.

The situation in Pakistan underscores the reality faced by many low- and middle-income countries where the challenges of climate change and debt burden significantly hinder development progress.

With approximately 40% of the population living in poverty and millions of children out of school, the financing gap for SDGs in Pakistan is estimated to be around \$60 billion annually, a sum far beyond the country's revenue capacity. In the face of this gap, conventional approaches to development finance seem insufficient.

Pakistan's debt stands at an alarming \$308.2 billion, with half of the government's budget going toward servicing these debts, leaving little room for investment in education, healthcare, and climate resilience. This cycle of debt and underinvestment in human development threatens to leave Pakistan far behind in its pursuit of sustainable progress. One bold solution to break this cycle could be a temporary standstill on Pakistan's external debt repayments. This approach would free up significant resources, potentially \$108 billion, that could be redirected toward investing in SDG priorities.

Such a move would offer fiscal flexibility, allowing Pakistan to tackle its most pressing issues, such as poverty alleviation, improving healthcare, and building climate resilience. While critics may argue that this could set a dangerous precedent, the global community has already shown that debt standstills can be effectively implemented in times of crisis, such as during the COVID-19 pandemic. To ensure that these resources are used effectively, a robust governance framework with transparency and accountability mechanisms must be in place. The final six years of Agenda 2030 represent a critical window for global solidarity, and it is time for the international community to step up and support Pakistan in achieving the SDGs, ensuring that no nation is left behind.

Government's New Tax Law: A Tightening Grip or a Step Towards Reform?

The Pakistani government recently introduced the Tax Laws (Amendment) Bill 2024 in the National Assembly, seeking to impose stringent restrictions on "ineligible persons" (those not filing tax returns).

Under the proposed law, individuals who fall into this category would be barred from engaging in significant financial transactions such as purchasing cars, properties, and opening bank accounts.

The bill also empowers authorities to freeze assets and confiscate businesses from individuals who fail to register for sales tax. In a controversial move, the government plans to share taxpayer data with commercial banks and private auditors, a measure aimed at improving tax compliance and increasing revenue generation.

While the bill promises better tax collection, it has sparked significant concern regarding its potential constitutional violations, particularly concerning citizens' fundamental rights.

At its core, [the bill](#) reflects the government's growing frustration with Pakistan's persistent tax collection challenges. While it is clear that tax evasion remains a significant issue, the approach outlined in the bill seems overly punitive and draconian.

By restricting property ownership and business operations based solely on tax filing status, the government risks stifling economic activity, especially in a country where many citizens do not earn enough to be tax-liable but still contribute through indirect taxes. These measures could discourage investment, both local and foreign, and create a more hostile environment for entrepreneurship, something Pakistan can ill afford in its current economic climate.

Furthermore, the proposed law disregards the foundational right to conduct business freely and acquire property, guaranteed by Pakistan's Constitution, which has left many constitutional experts raising alarms over its legality.



Source: Pexels

The lack of public consultation and expert input before tabling such a significant piece of legislation is another troubling aspect of the bill. In a functioning democracy, laws affecting citizens' economic freedoms should be subject to thorough debate, especially when they pose risks to fundamental rights.

Instead of taking a punitive approach, Pakistan should focus on simplifying the tax system, improving registration processes, and ensuring transparency to build public trust. The focus should be on incentivizing voluntary tax compliance, rather than forcing individuals into a corner with extreme restrictions.

As it stands, the Tax Laws (Amendment) Bill 2024 seems to miss the mark, and unless revised, it could undermine the very growth it aims to foster.

Pakistan's Push to Bridge the Tax Gap:

In a recent press conference, Federal Board of Revenue (FBR) Chairman Rashid Mahmood Langrial laid bare Pakistan's staggering tax gap of **Rs7.1 trillion**, with an income tax shortfall of Rs2.4 trillion. Flanked by Finance Minister Muhammad Aurangzeb, State Minister Ali Pervaiz Malik, and Information Minister Attaullah Tarar, Langrial emphasized the urgency of reforms in the tax system.

Notices have already been issued to thousands of individuals, resulting in 38,000 additional tax returns, amounting to Rs370.7 million. The government has introduced the Tax Laws (Amendment) Bill, 2024, to further tighten regulations, banning non-filers from purchasing vehicles above 800cc, high-value property, or opening certain bank accounts.

The ultimate goal, according to Aurangzeb, is to raise the tax-to-GDP ratio from the current 9-10% to 13.5% within three years, signaling an aggressive approach to formalizing the economy and combating tax evasion.



Source: Geo TV

This ambitious reform marks a pivotal moment for Pakistan, as the nation grapples with the fiscal strain of its informal sector and entrenched culture of tax evasion. While the proposed legislation demonstrates political resolve, it also risks alienating segments of the population that rely on informal systems to navigate economic hardship. The move to restrict high-value transactions by non-filers is a step towards accountability but could inadvertently encourage parallel, undocumented economies if enforcement is uneven or discriminatory.

Digitizing tax collection and monitoring industries like sugar are commendable initiatives, but systemic issues such as corruption, bureaucratic inefficiency, and the lack of trust between taxpayers and the state must also be addressed. Without a concurrent effort to simplify tax compliance and incentivize voluntary registration, these measures might only scratch the surface of a much larger problem. A balanced approach that combines stringent measures with taxpayer education and support will be crucial to achieving sustainable fiscal reform.

Diplomatic Landscape

Diplomatic Tensions Escalate After Pakistan's Airstrike in Afghanistan:

Pakistan's military strike on Afghan soil near the Pak-Afghan border has sparked a strong protest from the Afghan Taliban regime, further straining already fragile diplomatic relations between the two countries.

The strike, which occurred in the Paktika province near the Durand Line, reportedly targeted what Pakistani officials claimed were militant hideouts.

Afghan officials, however, condemned the action, asserting that the casualties included many innocent civilians, including refugees from Pakistan's Waziristan region. Despite the growing tensions, Pakistan's special envoy, Ambassador Muhammad Sadiq, proceeded with scheduled diplomatic meetings with Afghan leaders in Kabul, signaling an attempt to maintain dialogue amid the crisis.

The incident has highlighted the delicate nature of the ongoing diplomatic engagement between Islamabad and Kabul, especially in the context of shared security concerns. The airstrike occurred just as Pakistan sought to revive bilateral talks after a year-long hiatus, with discussions focusing on the presence of the Tehreek-i-Taliban Pakistan (TTP) in Afghanistan.

While the Pakistani government maintains that the strike targeted terrorist hideouts, Afghanistan's reaction underscores the complex dynamics of cross-border militancy and territorial sovereignty.

Moreover, the response from TTP-linked social media accounts, which attempted to counter claims of casualties by posting videos of key figures allegedly unaffected by the strikes, only adds further confusion to the situation.

The conflicting narratives between Pakistani security officials and TTP representatives make it difficult to ascertain the full scope of the strike's impact. This divergence highlights the challenge of navigating diplomatic relations in the face of non-state actors who can easily manipulate public perception through digital media. As the situation evolves, it is clear that Pakistan and Afghanistan must not only address their security concerns but also ensure that military actions do not exacerbate civilian suffering or derail potential peace-building efforts in the region.

Pakistan's Growing Trade Deficit: A Struggle with Imports and Export Shifts

Pakistan's trade deficit with its nine neighboring countries has widened significantly by 47.55% to **\$4.474 billion** in the first five months of the current fiscal year, compared to \$3.032 billion during the same period last year.

This surge in the deficit has been largely attributed to higher imports from China and India, while exports to these countries have seen a decline, particularly to China. Notably, while exports to Afghanistan, Bangladesh, and Sri Lanka experienced an uptick, they were unable to fully offset the drops in exports to larger trade partners.

The rising trade deficit, which has already reached \$9.506 billion in FY24, signals mounting challenges for Pakistan's policymakers, who are grappling with an economic imbalance in the region. The shift in Pakistan's trade dynamics is noteworthy, as exports to smaller neighboring countries such as Afghanistan, Bangladesh, and Sri Lanka have surged. Exports to Afghanistan, in particular, saw a dramatic increase of 73.37%, reflecting a recovery in trade flows despite the regional instability.

Similarly, exports to Bangladesh rose by 29.76%, and Sri Lanka saw an increase of 25.3%. These increases, however, cannot counterbalance the significant decline in exports to China, Pakistan's largest trading partner, where exports dropped by 13.9%. The increase in imports, particularly from China, has exacerbated the deficit, with a 32.4% rise in Chinese imports over the past year.

Pakistan's reliance on imports, especially from China, is unsustainable, considering the overall trade imbalance. The sharp increase in imports from India and China has contributed to the deficit, with imports from India rising by 6.19% and those from China growing by 32.4%. Pakistan's trade policies must address this imbalance by boosting exports to major partners, especially China, where market conditions have been unfavorable. The surge in exports to smaller neighbors is promising but insufficient for a broader economic strategy. To remedy this, Pakistan's government may need to prioritize trade diversification, improve diplomatic relations, and support local industries to increase export capacity, thereby reducing reliance on expensive imports.

Pakistan-Bangladesh Direct Shipping Route: A Game-Changer for Regional Trade

The launch of the first direct shipping route between Pakistan and Bangladesh by DP World, in partnership with the National Logistics Cell (NLC), has proven to be a significant boost to regional trade.



Source: Gulf News

Since its initiation in October 2024, over **1,000 containers** have been successfully shipped between Karachi and Chittagong. The new service has reduced transit times by more than 50%, providing businesses with a faster, more efficient option for shipping goods between the two countries. This direct maritime link eliminates the need for transshipment, cutting down on logistics costs and ensuring timely deliveries.

The success of this new shipping route highlights the growing demand for improved connectivity within South Asia, a region known for its complex trade networks.

The direct route not only facilitates smoother trade between Pakistan and Bangladesh but also connects to a broader network of key ports across Asia, including Port Klang in Malaysia, Jebel Ali in Dubai, and Mundra in India. This integration into a global logistics network is expected to enhance trade flows, benefiting exporters and importers in all connected countries.

The first voyage, carrying 304 containers from Karachi to Chittagong, marked a promising beginning, while subsequent voyages have seen the container load more than double, underscoring the route's growing popularity.

Beyond just reducing shipping time and costs, the route represents a strategic move to strengthen economic ties between Pakistan and Bangladesh. As both countries look to expand their trading relationships, this initiative could pave the way for future collaborations in other sectors, such as manufacturing and technology. By improving logistical infrastructure, the route is also contributing to greater economic integration in the region, positioning both Pakistan and Bangladesh as more competitive players in the global market.

Pakistan and Saudi Arabia's Strategic Cooperation:

On Tuesday, Pakistan's Interior Minister Mohsin Naqvi met with Saudi Arabia's Minister of Interior, Prince Abdulaziz bin Saud bin Naif, in Riyadh to discuss reinforcing security cooperation between the two countries.



Source: DAWN

The [high-level discussions](#) centered on combating drug trafficking and enhancing bilateral security measures.

Both leaders emphasized the importance of mutual cooperation, noting the shared security challenges facing both nations. Naqvi expressed Pakistan's gratitude for Saudi Arabia's continued support, particularly in moments of economic and political uncertainty. The meeting was also attended by senior officials from both sides, signaling a deepening commitment to a strategic partnership that extends beyond traditional diplomatic relations.

This development is a clear indication of the evolving nature of Pakistan-Saudi Arabia relations, which have traditionally been anchored in economic aid, energy ties, and military cooperation. With growing regional security concerns, particularly around narcotics smuggling, it is significant that both countries are now prioritizing collaboration in the fight against this pressing issue.

Saudi Arabia's role in the region as a key security player adds weight to this partnership, especially as both nations confront common threats, such as terrorism and organized crime. The creation of a joint task force, as agreed upon in Naqvi's earlier meetings, reflects a more institutionalized approach to tackling these challenges, which could lead to more coordinated and effective actions in the future.

Looking beyond the immediate security concerns, the increased collaboration between Pakistan and Saudi Arabia could have broader geopolitical implications. As Pakistan faces internal economic crises, the continued support from Saudi Arabia, not just in financial terms but also in terms of military and security expertise, is crucial.

The partnership may also have long-term benefits in terms of strategic positioning in the region, with both countries leveraging each other's strengths. However, to ensure the longevity of this partnership, both sides must transition from agreements to concrete outcomes.

Only through sustained cooperation and follow-through can the full potential of this bilateral relationship be realized, benefiting not just Pakistan and Saudi Arabia, but also contributing to greater regional stability.

U.S. Sanctions Target Pakistan's Ballistic Missile Program Amid Rising Tensions:

The United States has imposed new sanctions on Pakistan's National Development Complex (NDC) and three associated firms due to concerns over the country's long-range ballistic-missile program. Announced on December 18, the sanctions freeze any U.S. assets of the targeted entities and bar American businesses from engaging with them. The NDC, responsible for the development of Pakistan's ballistic missiles, including the Shaheen series, has been accused of seeking components for its missile program and missile-testing equipment. The Shaheen family of missiles is capable of carrying nuclear payloads.



Source: Reuters

This move by the U.S. highlights the ongoing tension surrounding nuclear proliferation and the dynamics of military power in South Asia. Pakistan's response, calling the sanctions "unfortunate and biased," emphasizes the delicate balance in regional security. Islamabad argues that the sanctions exacerbate military asymmetries, particularly in its rivalry with India, another nuclear-armed nation.

Pakistan's refusal to sign the [Non-Proliferation Treaty](#) further complicates its relationship with global powers, especially the U.S., which continues to push for non-proliferation measures. This geopolitical friction underscores the complex security landscape of the region, where nuclear capabilities are a critical factor in shaping foreign policy and defense strategies.

The imposition of sanctions also raises questions about the effectiveness of such measures in curbing nuclear proliferation. While the U.S. aims to deter the development and acquisition of missile technology, these actions could escalate tensions with Pakistan, potentially triggering retaliatory measures.

Furthermore, Pakistan's reliance on its missile program as a deterrent against India suggests that military advancements are deeply intertwined with national security priorities. For the U.S., these sanctions are part of a broader strategy to prevent the spread of weapons of mass destruction, but they also risk deepening the rift with Pakistan, potentially undermining future diplomatic engagements. The situation calls for careful diplomacy to avoid further destabilizing an already volatile region.

Rising Asylum Applications from Pakistan Highlight Growing Challenges:

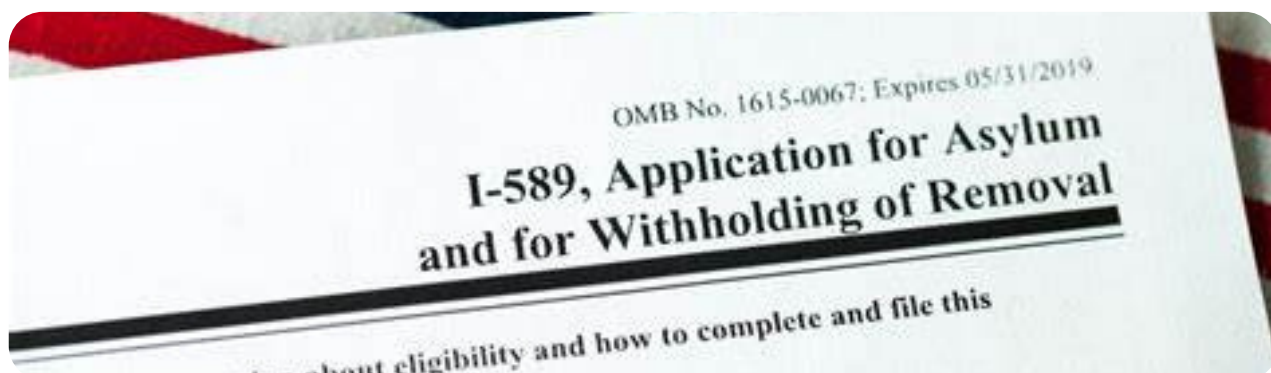
Between October 2023 and October 2024, Pakistanis lodged approximately 28,000 asylum applications across EU Plus countries, according to the European Union Agency for Asylum (EUAA). The number of applications has been steadily declining since reaching a peak of 3,400 in October 2023, with the latest figures for October 2024 standing at 1,900. Italy, France, Greece, and Germany have been the main countries receiving these applications.

The EUAA report also noted that while 20,000 decisions had been made regarding these applications, only 12% of them were granted refugee status or subsidiary protection. By the end of October, nearly 34,000 decisions were still pending.

The trend of increasing asylum applications from Pakistan suggests a deepening crisis within the country, shaped by both political instability and rising security concerns. The ongoing violence, particularly in Khyber Pakhtunkhwa and Balochistan, has led to a rise in insurgent activities from groups such as Tehrik-i-Taliban Pakistan (TTP) and the Baloch Liberation Army (BLA), exacerbating the sense of insecurity among the population.

The fact that only a small percentage of asylum seekers were granted protection highlights the complex nature of these applications, as many European countries remain hesitant to accept large numbers of refugees, particularly from countries with unstable governance like Pakistan. This illustrates the broader challenge Pakistan faces in providing stability and protection to its citizens, forcing many to seek refuge abroad.

Furthermore, the [report](#) sheds light on the broader human rights issues in Pakistan, such as the persistence of bonded labor, human trafficking, and forced marriages, which have contributed to the vulnerability of millions of Pakistanis. Despite efforts by the government to combat these issues, the weak implementation of laws and widespread corruption have hindered progress. The country's fragile democratic institutions and the growing influence of militant groups are likely driving many Pakistanis to flee in search of safety and stability. Asylum applications from Pakistan, particularly in the EU, underscore the urgent need for comprehensive reforms in the country to address these systemic issues and ensure that citizens are not forced to seek refuge abroad due to domestic turmoil and human rights violations.



Source: OIP

Security and Governance

Pakistan's Fight Against Terrorism in KP:

In a series of high-stakes security operations, Pakistan's armed forces neutralized **13 terrorists** across three separate encounters in Khyber Pakhtunkhwa (KP), but at a cost—the martyrdom of Major Muhammad Awais, who led his troops with unparalleled bravery.

The Inter-Services Public Relations (ISPR) revealed details of these operations, which unfolded in Jani Khel, North Waziristan, and South Waziristan.

These intelligence-based operations (IBOs) targeted militants associated with the banned Tehreek-i-Taliban Pakistan (TTP), an organization responsible for a resurgence in terror attacks after its ceasefire agreement with the government collapsed in 2022. Despite the successes, the human toll remains severe: in just the past ten months, KP alone has witnessed 948 terror incidents, claiming the lives of 583 individuals.

These developments underscore Pakistan's enduring struggle against a resilient and adaptive adversary. The loss of a young officer like Major Awais is a poignant reminder of the sacrifices demanded by this battle.

While the military's operational success demonstrates strategic acumen and commitment, the frequency of such operations also highlights the ongoing security challenges in KP and adjacent regions.

Declaring the TTP as "Fitna al Khawarij" and instituting systemic measures, such as vigilant monitoring under the Anti-Terrorism Act, are significant steps. However, to achieve long-term stability, Pakistan must also address the socio-political roots of militancy, improve economic opportunities in affected areas, and invest in deradicalization programs.

Security forces alone cannot extinguish this threat; a holistic approach involving civil institutions and community engagement is essential to pave the way for sustained peace.

Pakistan Moves to Strengthen Border Control with National Targeting Centre:

The Federal Cabinet of Pakistan has approved the creation of a **National Targeting Centre (NTC)** aimed at modernizing the country's border control operations. The new agency will assist the Federal Board of Revenue (FBR) in enhancing efforts to combat smuggling, human trafficking, and money laundering. According to a report, the decision comes in response to the inefficiency of traditional border control mechanisms, which are no longer sufficient to manage the increasing flow of goods, passengers, and vehicles crossing Pakistan's borders. The NTC will enable various agencies, including Customs, the FIA, Immigration, Anti-Narcotics Force (ANF), and other law enforcement bodies, to share data and profiles for better coordination in targeting illicit activities. The initiative will also leverage existing infrastructure such as the Pakistan Single Window (PSW) to streamline operations.

This development marks a significant step toward integrating technology into Pakistan's border management systems. The creation of the NTC reflects the growing recognition of the need for modern, data-driven approaches to tackle cross-border challenges in an increasingly complex global environment.

By fostering better collaboration between various enforcement agencies, the NTC is set to enhance the country's ability to combat organized crime, including smuggling and trafficking, which have long plagued Pakistan's borders.

However, the success of this initiative will depend largely on how effectively the NTC can utilize technology and data-sharing mechanisms to overcome the deeply entrenched challenges in Pakistan's border control systems. If implemented successfully, the NTC could serve as a model for other countries in the region looking to modernize their border management and enforcement strategies.

Tragic Shipwreck in Greece: At Least Eight Pakistanis Among the Dead

At least eight Pakistani nationals were confirmed dead in a tragic shipwreck off the coast of Greece, as announced by the Ministry of Foreign Affairs last week.



Source: Middle East Eye

The incident, which occurred near Crete Island, also left at least 43 survivors from various districts, including Gujrat, Sialkot, Gujranwala, and Mandi Bahauddin.

The Pakistani embassy in Athens is working closely with Greek authorities to assist the survivors and repatriate the deceased. The victims have been identified as Muhammad Sufyan (Sialkot), Haji Ahmed (Mandi Bahauddin), Rehman Ali (Gujrat), and Mohammad Abid. Sufyan, a 20-year-old from Sialkot, had reportedly left for Libya in November with the help of a human trafficker before making the dangerous Mediterranean crossing.

The incident highlights the ongoing issue of illegal human trafficking networks operating in Pakistan.

These networks have increasingly shifted from using land routes through Iran and Turkey to air routes, sending migrants to Libya before attempting the perilous journey to Europe.

The Federal Investigation Agency (FIA) in Gujranwala has [launched an investigation](#) into the human trafficking ring responsible for sending these individuals abroad, although the parents of the deceased have declined to file complaints against the agents.

Senior FIA officials noted that the rising trend of illegal migration is driven not only by poverty and unemployment but also by a social status symbol in regions like Gujrat and Mandi Bahauddin, where sending family members abroad, regardless of the risks, has become a societal norm.

Health Updates

Healthcare Crisis in Kurram District: 29 Children Die Due to Medicine Shortage Amid Road Closures

At least 29 children have tragically died in Kurram district due to a critical shortage of medicines, exacerbated by prolonged road closures, according to officials. Dr. Syed Mir Hassan Jan, the medical superintendent of District Headquarters Hospital Parachinar, reported that since October 1, 2024, the hospital has struggled to provide adequate medical treatment due to insufficient supplies. In addition to the child fatalities, several other patients have died due to the lack of surgical services. The hospital's stock of medicines, although partially replenished by the Health Directorate in Peshawar, has not been sufficient to meet the growing needs caused by local clashes.

The situation has been further worsened by the closure of the main Thall-Parachinar Road for 69 days, which has hindered the transportation of essential supplies. The ongoing roadblocks have led to [severe shortages](#) of not only medicines but also food, fuel, and cooking gas, deepening the humanitarian crisis in the region. Social activist Asadullah warned that without immediate action to reopen the Afghan border and key highways, the area could face a large-scale tragedy. The local authorities are working on resolving the issue through dialogue, with a grand jirga planned to address the roadblock and restore access to vital resources. The situation calls for urgent humanitarian intervention to prevent further loss of life and alleviate the suffering of the people in Parachinar and Upper Kurram.

Tech in Pakistan

Pakistan's Telecom Growth: A Step Forward in Connectivity and Digital Development

Pakistan Telecommunication Authority's (PTA) annual report for 2023-24 reveals significant progress in the country's telecom sector. According to the report, over 91% of Pakistan's population now has access to cellular services, with full coverage extended to Azad Jammu and Kashmir and Gilgit-Baltistan. Broadband subscribers in Pakistan have risen sharply from 127.6 million in [June 2023](#) to [142.3 million by September 2024](#), with average internet speeds increasing by 28%, from 15.65 Mbps to 20.02 Mbps.



Source: Pexels

The PTA also highlighted the country's efforts to prepare for the launch of 5G, although it acknowledged challenges, including the digital divide between urban and rural areas, high infrastructure costs, and the availability of 5G-compatible handsets. Telecom revenue reached a record-breaking Rs955 billion in fiscal year 2023-24, reflecting the sector's rapid expansion.

The growth in broadband subscribers and improvements in internet speed mark an important step toward bridging the digital divide in Pakistan.

This progress is essential for supporting the country's socio-economic development, particularly in rural and remote regions where access to high-speed internet can unlock new opportunities in education, healthcare, and business. However, the gap between urban and rural areas remains a significant hurdle, especially with the rollout of 5G technology.

While urban areas may quickly benefit from 5G advancements, it is crucial that rural regions are not left behind due to high costs and logistical challenges. Ensuring equitable access to 5G services will require substantial investments and careful planning to overcome these obstacles and promote inclusive economic growth.

The PTA's efforts in regulating telecom equipment and enhancing cybersecurity are also commendable. The introduction of the Telecom Equipment Standards Regulations 2024 will help ensure that only compatible and safe products enter the market, further protecting consumers from substandard devices.

Additionally, the PTA's focus on blocking unlawful online content under the Prevention of Electronic Crimes Act demonstrates its commitment to securing the digital environment.

The impressive resolution rate of 99.3% for consumer complaints highlights the PTA's dedication to improving customer service and enhancing the overall telecom experience for Pakistan's citizens. Together, these developments lay a strong foundation for continued growth and modernization of Pakistan's telecom sector.

PTA's VPN Re-registration Move: Cybersecurity or Privacy Invasion?

The Pakistan Telecommunication Authority (PTA) has launched a re-registration process for Virtual Private Network (VPN) service providers, introducing a new licensing framework.

Under this initiative, VPN providers will need to acquire class licenses costing between Rs100,000 and Rs300,000, establish local data centers, and comply with Pakistani data protection laws. The PTA will also gain access to users' data and browsing histories, a move justified as necessary for enhancing cybersecurity and combating cyberattacks.

While the decision has been backed by consultations with stakeholders, including the Pakistan Software Houses Association, it raises critical questions about the balance between regulation and individual privacy.

On one hand, regulating VPNs could bolster national cybersecurity efforts, enabling better tracking of cyber threats and creating accountability within the digital ecosystem. remain underdeveloped.

However, granting PTA access to users' data and browsing activity poses significant privacy concerns, especially in a country where digital rights protections remain underdeveloped. Critics argue that such surveillance powers could be misused to stifle dissent, infringe on citizens' freedoms, or erode trust in digital platforms. The mandatory localization of data further complicates matters, as it increases operational costs for VPN providers and may discourage global companies from entering the market.

A robust and transparent oversight mechanism, along with comprehensive data protection legislation, is essential to ensure that security objectives do not come at the expense of fundamental rights.

This step could define Pakistan's digital future – whether it becomes a model of secure connectivity or a cautionary tale of overreach.

Reading Recommendations

The Fight for Transparent Access to Information in Pakistan

[Click Here](#)

Life without Autonomy: Understanding Our Culture of Dependency

[Click Here](#)

Prioritizing Citizens Beyond the Ballot

[Click Here](#)

Solving the corruption challenge: The key may lie with the citizens.

[Click Here](#)

Citizens' Inclusion and Accountability is the Key to Improved Governance and Efficient Public Sector Institutions

[Click Here](#)

Digital Community Policing

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Privatization of Schools in Punjab

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