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# Country Analysis Report

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Yum-e-Takbeer: Pakistan's Defining Moment of Sovereignty and Strength

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# Executive Summary

This report offers a comprehensive analysis of Pakistan's political, economic, environmental, and security landscape as of May 2025. A key highlight is the commemoration of Youm-e-Takbeer, celebrating Pakistan's 1998 nuclear tests as a symbol of national sovereignty and strategic deterrence. This milestone continues to underpin regional peace and Pakistan's global diplomatic standing.

On the economic front, Pakistan faces mixed signals. The International Monetary Fund (IMF) projects revenue to rise to Rs20 trillion amid tighter fiscal controls. However, GDP growth has been revised downward to 2.6% due to sluggish agricultural and industrial performance. Inflation is projected at 7.7%, and external financing—though exceeding \$16 billion—relies heavily on rollovers and short-term support, highlighting vulnerabilities. Climate-tagged budget planning has also emerged as a new IMF requirement, signaling a push toward sustainability.

Legislatively, the National Assembly passed nine significant bills, including reforms in income tax, digital asset disclosures by civil servants, and a landmark Child Marriage Restraint Bill raising the legal marriage age to 18. However, the government's decision to dissolve PASSCO and deregulate wheat prices has drawn sharp criticism amid fears for small farmers' livelihoods and food security.

From a climate perspective, Punjab has announced the creation of its largest Climate Observatory, signaling a pivot toward data-driven environmental governance. Simultaneously, the country is grappling with a severe heatwave, straining public health infrastructure.

On the diplomatic front, ties with China were further solidified following regional tensions with India, while India launched an aggressive international campaign following a deadly attack in Kashmir. The security situation in Balochistan remains volatile, with recent terrorist attacks in Khuzdar and Killa Abdullah underlining persistent threats.



# Youm-e-Takbeer

## Pakistan's Defining Moment of Sovereignty and Strength

Every year on May 28, Pakistan commemorates Youm-e-Takbeer, the day it emerged as a nuclear power following the successful tests of the [Chagai-I devices in 1998](#). This historic milestone stands as a powerful symbol of Pakistan's determination, resilience, and unwavering commitment to safeguarding its sovereignty in a region fraught with tension.

Youm-e-Takbeer represents more than just a military or scientific achievement; it embodies Pakistan's right to self-defense and equal status in the global arena. For decades, Pakistan faced existential security challenges, especially from its neighbor India, which conducted its nuclear tests earlier that month. The Pakistani tests were a measured and necessary response to restore strategic balance and protect the nation's territorial integrity.

### Peace Through Strength

Pakistan's entry into the nuclear club significantly altered South Asia's security landscape, establishing a credible deterrent that prevented further large-scale conflicts between India and Pakistan. In a region historically marred by wars and border disputes, nuclear deterrence has arguably been the most effective guarantor of peace. Since 1998, despite numerous crises, neither side has escalated to full-scale war, underscoring the stabilizing effect of Pakistan's nuclear capability.

This strategic parity has bolstered Pakistan's diplomatic leverage internationally, compelling greater respect for its security concerns and political sovereignty. The tests sent a clear message: Pakistan would not compromise its survival, compelling regional and global powers to acknowledge its nuclear status and strategic relevance.

### A Triumph of Science and National Resolve

The success of Youm-e-Takbeer is a testament to Pakistan's scientific prowess and the dedication of its nuclear scientists. This achievement instilled immense pride and unity among Pakistanis, transcending ethnic and social divides and reinforcing a collective identity based on resilience and innovation.

Pakistan's nuclear program is not only a defense initiative but also a catalyst for technological advancement and education in science and engineering. It inspired a generation of scientists and engineers to pursue excellence in fields critical to national development.

# Economic Outlook

## IMF Projects Rs20 Trillion Revenue with Stricter Spending in Pakistan's Upcoming Budget:

The International Monetary Fund (IMF) anticipates Pakistan's total revenue to reach nearly Rs20 trillion in the next fiscal year, up from the current estimate of [Rs17.8 trillion](#), as technical-level discussions on the federal budget advance. The International Monetary Fund (IMF) has revised Pakistan's GDP growth downward to 2.6 percent for the fiscal year 2024–25, down from its earlier projection of 3.2 percent in October, citing weaker economic activity in the first half of the year and broader global uncertainty. Inflation is now expected to average 7.7 percent, higher than this year's 5.1 percent. Revenue collection is expected to increase by over Rs1.4 trillion, driven by efforts from the Federal Board of Revenue (FBR), provincial governments, and a focus on agriculture income tax expansion. Overall revenues are projected to be about 15.2 percent of GDP, compared to 15.9 percent this year.

Despite revenue growth, the IMF urges tight expenditure control, recommending a reduction in government spending from 21.6 percent of GDP to 20.3 percent next year. Total expenditures are still expected to rise to Rs26.57 trillion due to recent security-related costs. The fiscal deficit target is set at 5.1 percent of GDP (around Rs6.67 trillion), down from 5.6 percent this year, while a primary surplus of Rs2.1 trillion is required to improve debt sustainability and reduce the debt-to-GDP ratio from 77.6 to 75.6 percent by FY26.

Additionally, the Ministry of Finance has instructed all government departments to report climate-related components of subsidies as part of the budget, fulfilling IMF requirements under the Extended Fund Facility (EFF). Climate tagging will cover adaptation, mitigation, and transition categories, expanding beyond civil government and development programs to include grants and subsidies, ensuring enhanced transparency on climate expenditures in the federal budget.



Source: DAWN

## IMF Lowers Pakistan's GDP Growth Forecast to 2.6% Amid Inflation Concerns:

The International Monetary Fund (IMF) has revised Pakistan's GDP growth forecast downward to [2.6 percent for the fiscal year 2024-25](#), down from the earlier projection of 3.2 percent made in October 2024. This revision reflects weaker-than-expected economic activity in the first half of the year, including disappointing output from major Kharif crops and subdued industrial performance, coupled with ongoing global uncertainties. Despite the slowdown, the IMF anticipates some acceleration in the second half of the fiscal year, supported by recent positive high-frequency economic indicators.

The Fund also noted that public sector development spending is slightly higher than projected, though disbursement patterns raise questions about the accuracy of this revision. Inflation remains a concern, [with core inflation elevated at around 9 percent](#), even though headline inflation fell to 0.7 percent year-on-year in March, largely due to tight macroeconomic policies and lower food and energy prices.

The IMF projects inflation to rise temporarily in the coming months due to base effects but expects it to return to the target range of 5–7 percent by fiscal year 2026 if current policies continue. [The current account deficit is projected to remain low at \\$0.2 billion \(0.1 percent of GDP\) for FY25](#), aided by resilient exports and stronger remittance inflows. However, the IMF warns of a modest widening of the deficit over the medium term as imports recover. External financing access remains limited, with only small bond issuances anticipated until policy credibility is restored by 2027.

### **Pakistan Secures Over \$16 Billion in External Financing Amid IMF Delay**

[Pakistan secured \\$16.08 billion in foreign loans and grants during the first 10 months of the fiscal year 2024-25](#), with more than half comprising legacy rollovers from China, Saudi Arabia, and the UAE. Fresh inflows - amounting to \$6.086 billion between July and April, fell short of the annual \$19.2 billion target and were nearly 15% lower than the same period last year. The decline is attributed to delays in the International Monetary Fund (IMF) bailout programme, which separately disbursed \$2 billion under the Extended Fund Facility, not reflected in the Economic Affairs Division's (EAD) data.

Of the total foreign assistance, [\\$3.45 billion](#) supported budgetary needs while \$2.6 billion financed development projects. Multilateral inflows rose slightly to \$2.98 billion, while bilateral disbursements dropped sharply by 58% year-on-year. The government received \$706 million from UAE-based commercial lenders but struggled to meet its \$3.8 billion target due to hesitancy among international banks. Meanwhile, inflows from the Asian Development Bank and the World Bank increased substantially, and overseas Pakistanis contributed \$1.61 billion through Naya Pakistan Certificates. With net international reserves still constrained, the timely fulfillment of pledged deposits from Saudi Arabia and China would decide stabilizing the country's external account.

### **World Bank Praises Pakistan's Economic Reforms Amid Lingering Challenges**

The World Bank has lauded Pakistan's recent economic reforms, calling them a "globally recognised model" during a high-level visit to Islamabad. Managing Director of Operations Anna Bjerde attributed the progress to Prime Minister Shehbaz Sharif's "remarkable leadership," praising his ability to forge political consensus and prioritize development.



Source: Brecorder



However, the glowing endorsement comes amid persistent questions about the sustainability and depth of Pakistan's economic recovery, which remains heavily reliant on external financing, rollovers, and multilateral support.

While Bjerde celebrated the [\\$20 billion Country Partnership Framework](#) and dubbed it the "Pakistan Model," critics note that much of the turnaround has hinged on short-term fixes, such as IMF bailouts and foreign deposits, rather than structural reforms. Pakistan's economy continues to grapple with high inflation, low investor confidence, and fiscal indiscipline.

Sharif's emphasis on translating aid into tangible outcomes is promising, yet skepticism remains about long-term implementation and transparency. The World Bank's praise, while diplomatically significant, also risks overlooking the broader socio-economic challenges that ordinary Pakistanis still face.

## Political Updates

### National Assembly Passes Nine Key Bills, Including Income Tax and Citizenship Amendments:

The National Assembly on Friday passed [nine important bills](#), including the Income Tax (Amendment) Bill, 2024, and the Pakistan Citizenship (Amendment) Bill, 2024, with ease after a previous day's setback. The Income Tax Amendment introduces a flat tax rate of 20 percent for small companies and 29 percent for other companies starting from the tax year 2025. The tax rate for banking companies will gradually decrease from 44 percent in 2025 to 42 percent from 2027 onward. The bill also addresses implementation challenges related to higher tax rates on income from federal government securities based on the Advance-to-Deposit Ratio (ADR). This time, the government ensured a strong presence in the assembly, enabling the smooth passage of all nine bills without opposition hurdles.



Source: The News

Among the other bills passed were the Islamabad Capital Territory Child Marriage Restraint Bill, 2025, which aims to eradicate child marriages by prohibiting marriage registration for individuals under 18 years of age, with strict penalties for violations including imprisonment and fines.

The Civil Servants (Amendment) Bill, 2025 mandates digital asset declarations by civil servants of grade BS-17 and above, including their spouses and dependent children, to be publicly accessible via the Federal Board of Revenue.

The Extradition (Amendment) Bill, 2025 streamlines extradition processes by empowering the Secretary

of Interior to initiate proceedings without needing Federal Cabinet approval. The Pakistan Citizenship (Amendment) Bill, 2024 allows Pakistani diaspora who had renounced their citizenship due to foreign nationality requirements to resume Pakistani citizenship, addressing a longstanding gap in dual nationality arrangements. Additionally, the Naturalization (Amendment) Bill, 2024 enables the Director General of Immigration and Passports to grant naturalization certificates on behalf of the federal government. The assembly also passed a resolution calling for age relaxation and multiple attempts for candidates applying to the Central Superior Services Examination, advocating an upper age limit of 35 years with up to five attempts allowed.

### **Government Announces Closure of PASSCO, Ends Wheat Price Controls Amid Concerns:**

The federal government has decided to wind up the Pakistan Agricultural Storage and Services Corporation (PASSCO) and scrap wheat price controls, marking a significant shift in the country's wheat procurement policy. Minister for Parliamentary Affairs Dr. Tariq Fazal Chaudhry informed the National Assembly that [PASSCO's assets](#) will be sold through a transparent process managed by a consultant appointed to assess their value. The government will no longer regulate wheat prices, allowing the market to determine rates, which the minister claims is currently benefiting farmers and improving their income. A new wheat policy, expected next year, aims to attract private investment to the supply chain and maintain strategic wheat reserves with private sector involvement.



Source: Profit Pakistan

The announcement was met with sharp criticism from opposition lawmakers, who warned about the risks to farmers and food security. PPP leaders expressed concerns that without PASSCO, farmers could face unfair market practices and insufficient compensation, with fears of wheat import dependency and vulnerability to foreign market fluctuations. Hina Rabbani Khar criticized the government's lack of a coherent agricultural policy, accusing it of neglecting local farmers. PTI's Aslam Gumman cautioned that shutting down PASSCO without strict regulatory safeguards could enable market cartels to manipulate wheat supply and prices. Dr. Chaudhry defended the government's stance by citing rising wheat production costs, noting that government support prices were below farmers' actual expenses.

He emphasized that a market-driven approach would ultimately provide better returns to farmers. Nonetheless, uncertainty looms for wheat growers, especially small farmers, as the removal of price controls and PASSCO's closure raise fears of increased market volatility and exploitation in the vital wheat sector.

# Environmental and Climate Perspectives

## **Punjab's Largest Climate Observatory Set to Boost Regional Climate Action:**

Punjab Chief Minister Maryam Nawaz Sharif approved the establishment of the province's [largest Climate Observatory](#), preparations are underway to transform the initiative into a cutting-edge scientific hub for climate monitoring and research. The decision, announced on May 19 during a high-level meeting chaired by Punjab's Senior Minister Marriyum Aurangzeb, marks a significant leap forward in Punjab's strategy to combat climate change and enhance disaster preparedness. The observatory, to be located at the Environment and Information Communication Technology (EICT) site and housed within the Punjab Planning and Development complex, will feature state-of-the-art technology, including an automated communication network, GIS laboratory, sectoral interface systems, and advanced MRI-based data processing tools. These capabilities will empower scientists and policymakers with real-time climate data and predictive insights. A specialized internship program is also being developed to nurture environmental expertise across sectors, while recruitment efforts are focusing on attracting internationally qualified professionals to manage the facility under a modern governance framework.

Senior Minister Aurangzeb highlighted the initiative as a transformative milestone, noting the observatory's role in forecasting climate threats and facilitating timely decision-making. It will also serve as a vital link in global climate networks, fostering international collaboration. The success of such projects depends heavily on effective implementation, sustained political will, and transparent governance. Punjab's past environmental initiatives have often faced challenges such as bureaucratic delays, insufficient funding, and weak enforcement of policies. Without addressing these systemic issues, there is a risk that the observatory may fall short of its potential impact on climate resilience and adaptation. As climate change increasingly threatens South Asia, Punjab's investment in this advanced observatory signals a commitment to evidence-based environmental policy and enhanced resilience against climate-related hazards. With initial groundwork expected to commence shortly, stakeholders remain optimistic that the facility will become a regional leader in climate science and sustainability efforts.





## Severe Heatwave Sweeps Across Pakistan, Health Risks Mount:

A severe heatwave continues to grip large parts of Pakistan, with temperatures soaring well above seasonal averages. The Pakistan Meteorological Department (PMD) has issued warnings that daytime temperatures will remain **5 to 7°C above normal** in the upper half of the country, including Punjab, Islamabad, Khyber-Pakhtunkhwa, Kashmir, and Gilgit-Baltistan, while southern regions like Sindh and Balochistan will see 4 to 6°C higher than usual temperatures. Dadu recorded the highest temperature of 48°C in the third week of May, with several other cities also facing dangerously high heat.

Hospitals across Punjab are reporting a surge in heatstroke cases as vulnerable groups such as children, elderly people, and outdoor workers suffer from the extreme heat. Lahore, Faisalabad, Gujranwala, Rawalpindi, and South Punjab have seen an **increasing influx of patients** with heat-related illnesses. Health experts emphasize staying indoors during peak heat hours and maintaining hydration to prevent heatstroke.

The Punjab government has taken measures by declaring centers such as the Allama Iqbal Teaching Hospital in Dera Ghazi Khan a Provincial Stroke Management Centre and equipping hospitals with necessary medicines and trained staff to manage the rising cases.

The PMD also forecasts isolated evening thunderstorms and hail in parts of northern Pakistan, though these are unlikely to bring significant relief from the heat.

Authorities urge citizens to take precautions seriously, especially by avoiding unnecessary outdoor exposure and drinking plenty of fluids, to reduce the risk of heat-related illnesses during this extreme weather event.



Source: Tribune

## Diplomatic Landscape

### Pakistan-China Diplomatic Engagement Strengthened Following May India Conflict:

Over a week after the recent four-day military confrontation between Pakistan and India, Deputy Prime Minister and Foreign Minister Ishaq Dar's timely visit to Beijing has further reinforced the strategic partnership between Pakistan and China. China's unwavering support during the conflict was instrumental for Pakistan, providing both critical military assistance and diplomatic backing as India launched missile strikes targeting civilian areas under the pretext

of counterterrorism. [Chinese J-10C fighter jets and PL-15 missiles](#) played a key role in Pakistan's defense, reportedly helping to down six Indian fighter jets. This marked the first real combat use of Chinese military technology against Western systems and is expected to boost China's defense export prospects globally.

During his visit, Foreign Minister Dar met with Chinese Foreign Minister Wang Yi to discuss the evolving regional security landscape and ways to maintain peace and stability in South Asia. The two sides also reviewed their bilateral relations and reiterated their commitment to strengthening the "All-Weather Strategic Cooperative Partnership."

Meanwhile, despite some tense rhetoric following the conflict, the ceasefire brokered by the United States has remained largely intact. Both Pakistan and India have expressed commitment to a phased de-escalation mechanism, with military officials from both countries continuing dialogue to prevent further hostilities.



Source: Tribune

### **India Launches Global Diplomatic Offensive Targeting Pakistan After Kashmir Attack:**

In the wake of a deadly assault in Pahalgam, Indian-administered Kashmir, that claimed 26 lives, most of them tourists, India has intensified its diplomatic offensive against Pakistan. A cross-party delegation of Indian parliamentarians visited Doha, Qatar, as part of a broader initiative to influence international opinion against Islamabad. India alleges Pakistan-backed militants carried out the April 22 attack, which pushed the two nuclear-armed neighbours to the brink of war before a ceasefire was brokered. Though The Resistance Front (TRF) claimed responsibility for the attack, without presenting any evidence, Indian authorities maintain the group is a proxy for the Pakistan-based Lashkar-e-Taiba (LeT). The [delegation in Doha](#), led by opposition MP Supriya Sule, framed the attack as one on the "soul" of India and emphasized the need for global solidarity against terrorism. The mission is part of a seven-team outreach programme launched by the Modi government, sending MPs and retired diplomats to more than 30 countries.

# Security and Governance

## Attack on Khuzdar School Bus: Security Forces Vow Relentless Pursuit of Culprits

In a tragic incident in [Khuzdar, Balochistan](#), a suicide blast targeted a school bus, killing five people including three children, and injuring over fifty others, many of whom are children in critical condition. The attack has drawn nationwide condemnation from top government officials, including Prime Minister Shehbaz Sharif, who visited the victims in Quetta alongside senior military and government leaders. The Prime Minister's Office condemned the act as barbaric and labeled it as part of a broader campaign by "state-sponsored proxies of India" aimed at destabilizing Pakistan through terrorism targeting civilians.

The government and security agencies have vowed to relentlessly pursue those responsible for this heinous act. Officials described the attack as not only an assault on innocent children but also a moral stain on the values of the Baloch and Pashtun communities, who reject violence. The Inter-Services Public Relations (ISPR) accused India of orchestrating the attack through proxy groups in Balochistan and Khyber Pakhtunkhwa as part of its ongoing hostile policy against Pakistan. The military emphasized that those involved would be hunted down and held accountable, reiterating Pakistan's resolve to uproot foreign-sponsored terrorism.

The attack has ignited strong reactions from across Pakistan's political leadership. President Asif Ali Zardari and other senior ministers condemned the blast as a heinous and cowardly act, reiterating the nation's solidarity with the victims' families. Balochistan's Chief Minister Sarfraz Bugti warned of intensified counterterrorism measures to eradicate such threats and revealed intelligence pointing to Indian national security adviser Ajit Doval's involvement in fomenting unrest.

As investigations continue, Pakistan's leadership stresses national unity and determination to bring the perpetrators to justice while calling on the international community to condemn terrorism that targets innocent children.



Source: Tribune

## Market Blast in Killa Abdullah Claims Four Lives, Injures Over 20:

At least [four people were martyred](#) and more than 20 others injured in a powerful explosion that shook the Gulistan Bazaar in Killa Abdullah district of Balochistan on Sunday. The blast occurred near Jabbar Market, causing significant structural damage, with several shops collapsing and fires breaking out in multiple establishments.



Among the injured was a security guard of tribal elder Haji Faizullah Khan Ghabizai, who was reportedly present at his office in the market but remained unharmed.

The market is situated adjacent to the rear wall of the Frontier Corps (FC) Fort, and a brief exchange of gunfire followed between unidentified assailants and FC personnel after the explosion. Authorities swiftly sealed off the area and launched search and clearance operations, while the critically wounded were shifted to Quetta for advanced medical care. This tragic incident comes just days after a deadly gun attack in Khuzdar district's Nal area, where four Levies personnel were killed at the Samand check post. The assailants opened indiscriminate fire before fleeing the scene, prompting officials to condemn the killings and vow to bring the perpetrators to justice. Security forces in Balochistan continue their efforts to maintain stability in the province amidst these violent attacks. The local administration remains focused on managing the aftermath of the Killa Abdullah blast, providing assistance to the injured, and ensuring safety in the region.

## 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 ([Click Here](#))
- Privatization of Schools in Punjab ([Click Here](#))
- Water Governance Challenges in Pakistan ([Click Here](#))
- Consumer Protection in Pakistan ([Click Here](#))