

PAKISTAN'S CURRENT ECONOMIC AND POLITICAL CRISIS: A brief

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Today, Shabaz Sharif is now the premier of Pakistan and the Pakistan Democratic Movement rainbow coalition government composed of some eleven political parties is in power till August 2023. The Shabaz Sharif coalition government faces daunting internal governance challenges of an overly complex nature. Meanwhile, the political parties are discredited because of their actions, the bureaucracy is demoralized because of bad governance, and society is divided on sectarian, linguistic, and ethnic social cleavages. Most importantly, the youth are losing hope in the Pakistani dream. The country's educational institutions are in a shamble and the youth are frustrated as a result. The fact of the matter is that Pakistan is in a mess because of repeated military interventions. However, this does not absolve the civilian leadership of their duty to salvage the country. The tragedy with Pakistan is that the civilian leadership has been as bad as a military rule, if not even worse. The lofty expectations of the people of the PDM government have now been dashed to the ground.

Governance challenges were significant and not enough attention was being focused on the issue. The rule of law was deficient in Pakistan. The country still ranked 106/113 in the WJP Rule of Law Index, which needs to be changed urgently. The rule of law was the fundamental principle of Islam, democracy, and even civilization.

Pakistan lacked the resolve to tackle the phenomenon of Islamic extremism and militancy. Ambivalence, appeasement, pusillanimity, and denial have been the defining features of Pakistan's national response to this menace in the past.

Pakistan faces an economic crisis and needs help from its Western allies, especially USA. It would be prudent to mend relations with America at the earliest possible because of various issues, especially the matter of the urgently needed IMF bailout revival. The Sharif coalition government must also try its best to improve relations with India. Peace with India will decrease the tensions in South Asia and provide Pakistan with access to the growing Indian market. It was time for a new beginning. Pakistan requires bold policy measures to chart the country on a trajectory of rapid economic development.

The last IMF report on Pakistan said that there was a need to remove exemptions to include fertilizers and tractors, which form 23% of the current GST expenditure and whose removal was under consideration as a 2023 budget measure. The FBR has collected Rs4.86 trillion in taxes during the first 10 months of the current fiscal year, leaving itself with a task to collect another Rs1.24 trillion in just two months to achieve the revised annual target. Tax

authorities now need to collect taxes at an average of Rs20.4 billion a day during May and June to achieve the target. The FBR's performance has remained dependent on imports that contributed 52% to the total tax collection, which camouflaged the weaknesses in the domestic sales tax collection that remained negative. The finance ministry is projecting 9.5% inflation and 5.5% economic growth for the fiscal year 2022-23, which could increase the revenue collection by around Rs900 billion in the next fiscal year without resorting to added revenue measures.<sup>1</sup>

Pakistan's economic crisis is again forcing the Sharif government to seek aid from friendly countries. However, it is not cutting wasteful state expenditures and increasing tax revenue, as promised. The nation expects quick actions on that score. Given the Covid-19 pandemic and the devastating effect on the economy, exceedingly tough economic times lie ahead for Pakistan. Given the serious situation, the Sharif coalition government would be seriously challenged to at once expand the federal Income Support Program's direct money transfers to the poorest of the poor. Nevertheless, it would be prudent to continue to cut the federal defense outlays, and thereby help the poorest of the poor in the country. The Stockholm International Peace Research Institute found that Pakistan's military-related expenditures for 2021 came to \$11.3 billion. Much earlier, Pakistan's government gave the military a nearly 6% funding increase for fiscal 2021-2022, and it increased the fiscal 2022-2023 defense budget by 2.69%. A combination of inflationary pressure, unpaid bills, and falling foreign currency reserves drove the Defence Ministry to request a funding increase to avoid shortfalls that would otherwise have hindered operational capabilities.<sup>2</sup>

Later, Pakistan announced a 2022–23 defense budget of PKR1.53 trillion (USD7.5 billion). The allocation is a 12% increase over the original military expenditure in 2021–22 and a 3% increase over the revised expenditure last year of PKR1.48 trillion. The FY2022-2023 budget is 2.1% of the country's gross domestic product. That fiscal year begins July 1, 2022. The budget represented about 16% of the total government outlay for the year. However, growth in defense expenditure is offset by rising inflation. Announcing the budget on June 10, 2022, Finance Minister Miftah Ismail said inflation in Pakistan stands at 12%, a 10-year high.<sup>3</sup>

Total military spending is not reflected in these figures, as they omit procurement under the Armed Forces Development Program, pensions, and other military expenditures. Budgetary documents show that the 2022–23 defense budget contains PKR567.5 billion for employee-related expenses, an increase of 1% over the revised allocation for 2021–22. The new budget

also consists of PKR411.1 billion and PKR368.9 billion for physical assets and operating expenses, increases of 6% and 4%, respectively, over the revised expenditure. Official documents did not provide a further breakdown. 4

The Pakistan Army will receive PKR724 billion, about 47% of the total defense budget. The Pakistan Air Force (PAF) and Pakistan Navy have been allocated PKR323.7 billion and PKR165.3 billion, 21% and 11%, respectively. Most of the remainder is allocated for defense-wide requirements. Official documents did not detail funding for the Pakistan military through the Armed Forces Development Program (AFDP), which is thought to bolster the procurement expenditure. The AFDP funding has tended to be in the region of PKR50–80 billion. Despite funding constraints, Pakistan's military has benefited from an increase in modernization activity since the start of 2022.<sup>5</sup>

The Sharif coalition government should make health and education sectors the highest priority state expenditures. Given scarce resources, the Sharif coalition government must cut defense expenditures, as the real threats faced by the country are mostly internal, not external. It must also nationalize the military's corporate interests in Pakistan. The country's military takes part in business activities like in Egypt, Thailand, and Indonesia. In principle, the military must not be involved in running businesses at all.

Pakistan faces a profoundly serious economic crisis. The economy is experiencing stagflation where unemployment increases along with acceleration in prices. This is a complicated situation for policymakers to address. In February 2023, annualized food inflation shot up to 41.9 percent in urban areas and 47pc in rural areas of Pakistan. In February last year, these readings stood at 14.3pc and 14.6pc, respectively. This means that food inflation has more than tripled in just one year.<sup>6</sup>

This painful food inflation has hit Pakistanis amidst a sharp economic slowdown (GDP growth of 1.3pc in FY23 versus 6pc in FY22), rendering about two million people jobless. It is not difficult to imagine the disastrous impact of such high food inflation rates on the lives of jobless people and those whose incomes have fallen due to the economic crisis.

A temporary pause in the dialogue between Pakistan and the International Monetary Fund (IMF) was also aggravating the economic situation. Political turbulence and the dialogue standoff are enhancing economic uncertainty.

The dwindling foreign exchange reserves, which are hovering around \$4.6 billion, are also posing a significant challenge to the government, which has already imposed import curbs to maintain a minimal level of reserves.

Import curbs have slowed down the country's economy a great deal. A considerable number of large-scale manufacturing plants are bound to shut down due to the shortage of raw materials and intermediate inputs. Pakistan's economy is experiencing shortages owing to import dependence.

Pakistan's economy is facing significant challenges, with the country's public debt burden continuing to escalate, and its external financing requirements exceeding its available resources. To avoid default and stabilize the economy, the government needs to undertake significant reforms to address its economic weaknesses and restore investor confidence.

The government's primary challenge is to increase revenue collection by broadening the tax base and improving tax administration. Pakistan's tax-to-GDP ratio remains one of the lowest in the region, with only 1.3 percent of the population paying income tax. This has resulted in a significant shortfall in government revenues, making it difficult for the government to meet its debt obligations and maintain essential services. The government should prioritize revenue collection by strengthening the tax collection infrastructure and expanding the tax base to include more taxpayers.<sup>7</sup>

To reduce non-essential spending, the government should prioritize cutting down its defense and subsidy budgets. The defense budget is one of the largest items of government spending, and reducing it would free up resources that could be used to finance growth-enhancing investments, such as education, health, and infrastructure. Similarly, subsidies for essential commodities such as electricity and gas have increased the government's debt burden and need to be re-evaluated to ensure that they are targeted toward those who need them the most.<sup>8</sup>

At a time when the foreign exchange reserves held by the SBP stood at \$4.3 billion on March 10, 2023, Pakistan would have to repay its external debt obligations to the tune of \$3 billion in the last quarter (April-June) period of the current fiscal year. Pakistan would have to repay in the shape of principal and mark-up amounts of \$316 million in April 2023. This external debt repayment amount would increase up to \$753 million in May 2023. In June 2023, the total external debt servicing requirements will jump up to \$1.894 billion.

This external debt servicing requirement does not include IMF's repayments. However, the official sources said that these were tentative numbers of external debt repayments, which might vary due to exchange rate movements.

Pakistan has been experiencing a double-edged sword as on the one side, the country would have to repay \$23 billion in external debt servicing, including rollovers, and on the other hand, the capability of fetching dollars in the shape of foreign loans also shrank significantly. Pakistan's total external debt servicing requirements stood at \$23 billion for the current fiscal year. In the ongoing quarter (Jan-March) period of the current fiscal year, the total debt servicing requirements on the external front were estimated at \$5.462 billion.

The Shehbaz Sharif-led government is taking desperate measures to get the much-needed funds, but the IMF is not satisfied with the prior steps taken by the incumbent government. The sources said that the IMF demanded Pakistan jack up the interest rate by 4%. The fund was of the view that inflation was lower in Pakistan as per the interest rate. The SBP recently raised the interest rate by 2% but now the IMF is forcing Islamabad to again increase the interest rate by 2%. It has been learned that the SBP's MPC will meet on April 4 to review the interest rate on IMF's demand. The sources further said the SBP will increase the interest rate by 2% as agreed with the Fund. On March 2, in a surprise move, the SBP raised the monetary policy rate by 300 basis points to 20%.<sup>9</sup>

The IMF said on March 21, 2023, that Pakistan has made "substantial progress" toward meeting policy commitments needed to unlock loans the country needs to avoid default. It is putting pressure on the government to secure assurances from countries that have promised financing support.

A staff-level agreement will follow once the few remaining points are closed," the report quoted Esther Perez Ruiz, the IMF's resident representative for Pakistan, as saying. "Ensuring there is sufficient financing to support the authorities in the implementation of their policy agenda is the paramount priority."<sup>10</sup>

Earlier, Finance Minister Ishaq Dar had said that the IMF wanted to see countries finalize commitments they have made to help Pakistan shore up its funds before signing off on the bailout package. Pakistan needs to repay about \$3 billion of debt by June, while \$4 billion is expected to be rolled over.

The country has taken tough measures including increasing taxes and energy prices, and allowing its currency to weaken to restart a \$6.5 billion IMF loan package. The funds will offer some relief to a nation still reeling from a dollar shortage that has raised the probability of the economy slipping into a recession ahead of elections this year.<sup>11</sup>

The International Monetary Fund (IMF) on March 23, 2023, rejected Pakistan's claim that its program conditions were one of the reasons for delaying polls in Punjab, saying Islamabad had the right to reprioritize expenses or raise additional taxes to meet constitutional obligations.

There is no requirement under Pakistan's Extended Fund Facility-supported program, which could interfere with Pakistan's ability to undertake constitutional activities argued the IMF.<sup>12</sup>

The statement came a day after the Election Commission of Pakistan (ECP) postponed elections in Punjab till October 8, citing a lack of security and finances to hold elections in the province.

It also suggests that the trust deficit is deepening between Pakistan and the IMF because of Islamabad's inability to meet its international as well as domestic constitutional obligations and blaming the global lender for its failures.

It is for the second time that the IMF has rebuked Pakistan's claim about interfering in matters that did not fall in the domain of the \$6.5 billion bailout package, setting the record straight and refusing to offer its backing to the politics of Pakistan Democratic Movement (PDM).

Earlier, Ruiz had said he wanted to be categorical that there was no truth to any insinuated link between the past as well as the current IMF-supported programs and the decision by the Pakistani government over its nuclear program.<sup>13</sup>

In the statement issued on March 23, 2023, Ruiz elaborated: "The IMF sets aggregate general government targets [aggregating across federal and provincial government levels] and within these, there is fiscal space to allocate or reprioritize spending or raise additional revenues to ensure constitutional activities can take place as required."

The ECP requires Rs20.5 billion for holding elections in Punjab and Khyber-Pakhtunkhwa. It needs another Rs5 billion for conducting by-elections for 93 vacant seats of the National Assembly. In total, the ECP requires Rs25.5 billion, which is not much compared to the Rs11.2

trillion revised annual budget for this fiscal year. The needed funds are equal to just 0.18% of the annual budget of the federal government.<sup>14</sup>

The IMF resident representative further stated that decisions about the constitutionality, feasibility, and timing of the provincial and general elections are vested solely with Pakistan's institutions.<sup>15</sup>

The ECP further stated that the federal government had conveyed that because of the critical economic situation of the country, it would be exceedingly difficult to provide funds for the elections now and additional money for the staggered polls.

Pakistan and the IMF program remain stuck because of the lack of fulfillment of conditions for around \$6 billion in additional loans and interest rate hikes.<sup>16</sup>

Very recently, IMF said that there was no requirement under Extended Fund Facility (EFF) program, which could interfere with Pakistan's ability to undertake a constitutional activity.<sup>17</sup>

She said the IMF sets aggregate general government targets (aggregating across federal and provincial government levels) and within these, there is fiscal space to allocate or reprioritize spending and/ or raise additional revenues to ensure constitutional activities could take place as required. The IMF resident chief's statement came after the Ministry of Finance informed the ECP that the country was facing a severe economic crisis and the government did not possess funds to undertake two provincial assembly elections separately within 90 days as directed by the Supreme Court's verdict.<sup>18</sup>

Today, there is great uncertainty surrounding the revival of the IMF deal that would unlock \$1.1 billion in much-needed funds for the country. Earlier, on March 26, 2023, Finance Minister Ishaq Dar assured the business community that matters with the International Monetary Fund (IMF) will be settled soon to revive the stalled \$6.5 billion bailout package aimed at averting financial default. Dar said that friendly countries were expected to materialize their commitments with Pakistan, which would pave the way to close the deal with the IMF and revive the economy.

The PDM government had wrongly placed its bets on the materialization of Geneva pledges to partially meet the \$6 billion financing gap amid the deepening trust deficit with the IMF because it decided to give a subsidy on petrol despite a looming default.

Both Pakistan and the IMF were still finalizing the details about the source of financing of \$6 billion when Islamabad shocked the global lender by announcing an Rs50 per liter petrol subsidy. The decision has given a message to the rest of the world that the Pakistani authorities



were still not serious to bring its house in order. Sources said that before formal virtual conversations ended, both sides were discussing the contours of the \$6 billion financing. Except for the \$3 billion known assurances by Saudi Arabia and the United Arab Emirates Pakistan lacked firm details about the financing of the remaining amount.

Earlier, Dar said that in 2016 Pakistan was a rising economy as it was expected to become the world's 18th strongest economy but was now facing serious economic challenges. He said that Pakistan would not default, and the government was making all efforts to steer it out of a tricky situation and to put it on the path of sustainable economic growth.

By March 2023 end, there is much criticism of the Pakistan government for being irresponsible in its dealing with the IMF. While uncertainty persists as to the revival of the \$6.5 billion IMF loan program, the government has taken steps that hint at its diminishing interest in clinching a staff-level agreement with the global lender.<sup>19</sup> With pressure mounting on his government due to skyrocketing inflation, currently standing at an all-time high of 46.65%, Prime Minister Shehbaz Sharif has announced a string of measures in a bid to salvage some political capital. These measures include a cross-subsidy on petrol estimated to cost Rs25 billion; Rs73 billion subsidy on wheat flour to provide for free distribution of the commodity among low-income families; and an Rs150 billion worth of youth program featuring 15 mega initiatives that include opportunities for education, skill development, and employment.

By the end of March 2023, the IMF was also insisting on written guarantees from Pakistan's friendly countries to bridge the external financing gap — of around \$6 billion — for the loan deal to culminate. And while assurances from friendly countries were still awaited, the government violated the IMF conditions through the initiatives — thereby putting a potential bailout deal in peril. With the central bank holding just around \$4.6 billion worth of forex reserves and the government needing \$3 billion in the next three months to settle foreign obligations.<sup>20</sup>

On March 28, 2023, Pakistan's premier told the parliament that the IMF wants external financing commitments made by several friendly countries to be fulfilled to get the key \$1.1 billion tranche from the \$6 billion bailout. Sharif said he hoped that the commitments made by Pakistan's friends would be fulfilled.<sup>21</sup>

There is a trust deficit between the government and the IMF. The government has something of a credibility problem because its Finance Minister keeps on saying that a deal on the release of the next tranche of the current IMF program is around the corner, but some new deal-breaker turns up. The latest stutter is being caused by the failure of certain friendly countries to provide clarity about their lending. These are the countries Pakistan had said were waiting for the IMF to give clearance to open the floodgates of funds. The failure of these countries to make clear what funds they will make available and how is what is holding back the IMF.

That is not the only example of the IMF being blamed for something it never did. The IMF, for example, says it has not raised the issue of the missile program. This gives rise to the suspicion that when the Finance Minister said it had done so, he had merely been casting about for an explanation of why the IMF was not coming through on the program resumption even though the government had taken the difficult steps it wanted. The IMF has also strongly denied that it has vetoed the Punjab and KP elections, saying that the money for them could be raised by such means as extra taxation. In short, it is not willing to be used as an excuse for the postponement of elections, which the government wants, and the opposition strongly opposes.

There is a lesson to be drawn from all this. The government must not expect the IMF to pull its chestnuts out of the fire. It should also not expect statements by the Finance Minister (of which there have been plenty, already too many) that the IMF agreement is around the corner, to be believed. Now that the IMF has confirmed that there are third, even fourth, parties who can veto the deal, there does not seem much chance of it going through. It was enough of a problem when there were only two parties, the IMF and Pakistan, but now it means extra efforts and hard work by those who are going to be lending Pakistan money. Under such circumstances, the canny businessperson will have no choice but to assume that the deal is not going through. This may have calamitous consequences for Pakistan.

Pakistan's major debt sustainability indicators have seen marked deterioration during the first half of this fiscal year in the middle of steep currency devaluation and interest rates hikes, revealed a semi-annual debt bulletin of the finance ministry.

The July-December 2022 report showed that the share of external public debt rose in the past six months, while the average time of maturity and period of resetting the interest rates have further shortened.

This is synchronous with interest rates at historic highs and the currency devaluing by 56% since the incumbent government came into power a year ago.

The report showed that the share of external debt in the total public debt rose from 37% in June to 37.2% by December, heightening the currency risks simultaneously with the rupee sinking and foreign countries shying away from extending loans.<sup>22</sup>

According to the report, “Large external payments in the wake of low foreign exchange reserves can pose liquidity problems and even destabilize the exchange rate which in turn, can increase the burden of external loans measured in local currency.”

Although the government is not inclined towards debt restructuring, worsening indicators coupled with a lack of adequate foreign funding suggest that Pakistan will soon have to embrace this path.

According to the debt bulletin, in dollar terms, Pakistan’s total public debt stood at \$233 billion by December, including \$86.6 billion in external public debt. The country needs to service 28% of its debt in just one year, which is quite a large chunk and will expose the nation to all types of debt-related risks.

The floating rate domestic debt is now Rs22.5 trillion or 68% of domestic debt, which is poisonous due to interest rates at a record 20%.

In rupee terms, public debt jumped to Rs52.7 trillion – an addition of Rs3.6 trillion during the first half of the fiscal year. The rupee depreciation added Rs2.3 trillion to public debt in six months, contributing a rise of 63% to the debt during this period. The interest expenses amounted to Rs2.27 trillion during the first half of the fiscal year, equal to 72% of the surge in public debt during this period.<sup>23</sup>

Some of the increases were offset by the withdrawing of the cash balances with the banks and primary surplus.

The finance ministry said that having exposure to external debt is important to manage the exchange rate risk. “The depreciation of the rupee over the last four years against international currencies has resulted in a higher value of external debt when translated into local currency.”

The report also showed that the average time of maturity of the domestic loan reduced from four years to three and half years in one year. This, too, was riskier and would keep the country dependent on commercial banks to exploit the situation.

“Given the prevailing interest rate environment, the demand for domestic debt remained mostly skewed towards short to medium-term government securities,” said the report.

The average time of maturity of the external debt also dipped from an already low level of six years and seven months to just six years and three months. It is even lower than the smallest threshold, causing refinancing risks that have kept the country at the mercy of foreign creditors.

Finance Minister Ishaq Dar said that the country should learn to live with or without the IMF – a remark that has created confusion about the government’s intentions towards reviving the derailed \$6.5 billion bailout package.<sup>24</sup>

The finance ministry said that due to the short tenure of foreign commercial bank loans and deposits from friendly countries, there was a reduction in the average-time-to-maturity of external debt.

The Average Time to Refix (ATR) domestic debt was also reduced to one year and seven months at the end of December 2022 as compared to one year and nine months a year earlier, according to the report. This reduction in ATR was due to a strong market appetite for floating rate debt instruments owing to the prevailing interest rate environment, it added.

A drop in the ATR means that the finance ministry must rest the interest rate for the debt stock, which makes the government vulnerable to interest rate hikes.

Besides, the ATR of external debt also shrank to five years and three months by end-December 2022 from five years and seven months a year ago due to higher proportions of floating rate external debt inflows, running from the existing fixed rate external debt portfolio; and a higher proportion of fixed rate external debt maturing within short to medium term, it added.

In yet another significant deterioration, the fixed-rate debt was reduced from 26% to just 22.6% of the domestic debt, increasing the interest rate risks. This is coming at a time when the central bank is going to significantly raise interest rates.<sup>25</sup>

A total of Rs17.1 trillion or 52% of government debt is held by commercial banks, now a source of exploitation and, despite exchange rate manipulation, the government seems unable to impose penalties on some of these banks. Rs15 trillion or 28% of the total debt will mature in one year, which must be refinanced. This includes a part of external debt.

The share of floating interest rate domestic debt increased from 62% to 68%. Of the Rs33.1 trillion domestic debt as of December 2022, a sum of Rs22.6 trillion had been borrowed on floating interest rates.

In March, inflation soared to 35.6% and the share of the floating rate debt will also substantially increase the already overflowing cost of debt servicing.

The only positive indicator was the share of Shariah-compliant debt in the government securities, which increased from 6.4% to 9.2% in the last calendar year.<sup>26</sup>

Pakistan's parleys with the IMF are stalled. The IMF program, under the EFF, is going to expire on June 30, 2023, and under the set guidelines, the program cannot be extended beyond the deadline.

It is yet to be seen how both sides would proceed with the completion of the bailout program when the 10th Review has already got delayed. The pending 9th Review was scheduled to be completed in December 2022 and the 10th Review should have been kick-started from February 2023. The 11th Review was scheduled to begin on May 3.

Now the delayed decision on the 9th Review would increase the cost of rectifying the situation. There is no easy solution available to fix the ailing economy of Pakistan. The government argued that they have taken all the tough decisions for reviving the stalled IMF program.

Now the IMF is seeking verifications from the bilateral friends of Pakistan, including Saudi Arabia, the UAE, and Qatar, if they would supply added aid of \$6 billion till the end of June 2023.

The SBP foreign exchange reserves stood at \$4.2 billion, which is not even sufficient for meeting obligations on account of foreign debt servicing including principal amount and markup.

As the government scrambled to meet International Monetary Fund (IMF) conditions to unlock a desperately needed bailout.

Years of financial mismanagement and political instability have pushed Pakistan's economy to the brink of collapse, worsened by a global energy crisis and devastating floods that submerged a third of the country in 2022.

The country needs billions of dollars of financing to service existing debt, while foreign exchange reserves have dwindled, and the rupee is in freefall.

Pakistan's year-on-year inflation hit 35.37 percent in March -- the highest in five decades - Month-on-month inflation was 3.72 percent, according to government data released on April 2, 2023, while the average inflation rate for the past year was 27.26 percent.<sup>27</sup>

Today, Pakistan is deep in debt and must enact tough tax reforms and push up utility prices if it hopes to unlock another tranche of a \$6.5 billion IMF bailout and avoid defaulting.

Inflation is expected to stay at "elevated" levels, the finance ministry said, "owing to market frictions caused by relative demand and supply gap of essential items, exchange rate depreciation and recent upward adjustment of administered prices of petrol and diesel."<sup>28</sup>

Consumer price inflation in Pakistan jumped to a record 35.37% in March from a year earlier, as food, beverage, and transport prices surged up to 50% year-on-year.

Poor Pakistanis are feeling the brunt of the economic turmoil, and at least 20 people have been killed in March -April 2023 in crowd crushes at food distribution centers. A famine-like situation has been simmering. At least 12 people were killed on March 31, 2023, in a crowd crush in Pakistan's southern city of Karachi at a factory distributing alms. During March-April 2023 thousands of people have gathered at flour distribution centers set up across the country, some as part of a government-backed program to ease the impact of inflation. At least 16 people, including five women and three children, have been killed in stampedes at such centers. Thousands of bags of flour have also been looted from trucks and distribution points, according to official records.<sup>29</sup>

The inflation number was the highest ever year-on-year increase recorded by the bureau since monthly records began in the 1970s. The consumer price index was up 3.72% in March from the previous month. Higher prices of food, cooking oil, and electricity pushed up the index.

Annual food inflation in March was at 47.1% and 50.2% for urban and rural areas respectively, the bureau said. Core inflation, which strips out food and energy, stood at 18.6% in urban areas and 23.1% in rural areas.

Pakistan has been in economic turmoil for months with an acute balance of payments crisis while talks with the IMF to secure \$1.1 billion in funding as part of a \$6.5 billion bailout agreed upon in 2019 have not yet yielded fruit.

Pakistan's foreign exchange reserves have fallen to cover barely four weeks of imports. A monthly economic outlook report issued by the finance ministry projected inflation would remain elevated. Market frictions caused by relative demand and supply gaps of essential items,

exchange rate depreciation, and the recent upward adjustment in fuel prices as reasons behind higher inflation expectations.<sup>30</sup>

Pakistan's economy has partially shut down and millions of people have lost jobs due to continuous political instability. The nation is destined to meet hyperinflation with the domestic currency plunging to Rs500 against the US dollar if the situation persists.

Former Prime Minister Nawaz Sharif also expected at the end of March that the local currency could slump to Rs500 against the greenback if the political situation worsens.

Against this backdrop, business leaders demand that all stakeholders end the political deadlock, mend bridges and work toward political unity and stability in a bid to rescue, rehabilitate and revive the economy.

They said the coalition government should choose the path of reconciliation instead of a collision course and the Pakistan Tehreek-e-Insaf (PTI) should also soften its tone in the greater national interest.

Ehsan Malik, the CEO of the Pakistan Business Council (PBC), a business advocacy forum of leading corporates and business groups, said the political instability has created a huge trust deficit between the world—including the International Monetary Fund (IMF)—and the country's political leadership, including both the government and the opposition, resulting in shutting down of the economy.<sup>31</sup>

He said the situation has worsened to a level that people are dying in stampedes at wheat distribution outlets and charity handouts. "This is a very serious situation. Forget about reviving the economy unless we have political unity in the country," he added.

He asked who would trust and fund a nation that stands divided. "Pakistan is witnessing deep partisan political divisions. Unfortunately, the Supreme Court also seems divided. The divide must turn into unity."

Malik said if the political situation continues to worsen, the economy would shut down completely. "Fortunately, or unfortunately, elections are a must to achieve political stability and let the economy stage a comeback. Politics is the art of compromise," he said<sup>32</sup>

He recommended that the country's political leaders tone down rhetoric; adopt reconciliatory politics and let the economy revive. He said PTI chief Imran Khan believes that the real stakeholders are in Rawalpindi. "That's why Khan says talking to the people in the government is meaningless."

Malik said the political leadership should build a consensus for a charter of the economy. The stakeholders must build consensus for increasing the number of taxpayers and addressing circular debt. The National Finance Commission (NFC) award also should be renegotiated.

Karachi Chamber of Commerce and Industry (KCCI) President Mohammad Tariq Yousuf asked politicians to return to the negotiation table in the greater national interest. "The economy should lead politics instead of politics leading the economy," he said.<sup>33</sup>

He warned that the economy might receive a serious setback if political instability continues.

"The little financing available in the economy due to people's charity would vanish after Ramazan and the economy will face the worst crisis. It is high time for politicians to think about the economy and people and resolve issues through talks," he said.

"We need investment to fix the economy. Investors would not come back until political stability is ensured," he added. Inflation rose to 35.4% in March and the local currency depreciated by 54% to Rs284 against the US dollar. If the political situation worsens and the IMF program is not revived soon, the nation may meet hyperinflation at above 50% in the months to come, they added.<sup>34</sup>

Today, the country is facing continuously deteriorating macroeconomic indicators, like the depreciating rupee and depleting forex reserves, increasing current account and budget deficits. As of mid-May 2022, the current account deficit and budget deficits have increased and so has the national debt, both internal and external. The nature of Pakistan's economy is at a critical precarious stage and on the verge of a default. Pakistan has yet to complete tasks before can unlock a \$6.5 billion IMF loan to avoid a default.

Today, the much-awaited Staff Level Agreement between Pakistan and the IMF will only be struck as soon as the financial support confirmation from the Kingdom of Saudi Arabia and UAE is received.

Earlier, Federal Minister for Finance Ishaq Dar had informed diplomats in Islamabad that the matters with the IMF would be settled soon. The IMF and Pakistan concluded review talks in Islamabad on February 9 and the very next day Minister for Finance Ishaq Dar claimed that the virtual talks have begun, and the staff-level agreement would be signed within a few days. However, it could not be done even after the passage of 46 days.<sup>35</sup>



On the issue of cross-fuel subsidy, there have been dissenting views within the Ministry of Finance because the timing of the announcement could not be endorsed at all. It remains to be seen how the Ministry of Finance will satisfy the IMF on the subsidy. The bureaucrats from the Ministry of Finance had resisted the scheme tooth and nail but the government went ahead and made it public. The move was undertaken by the PM Office. In case the IMF program is revived then the question will arise as to how the next 10th and 11th reviews will be accomplished. The 10th review was due on February 3, 2023. While the 11th review would be due on May 3, 2023, and it is not yet known how both sides would proceed even after the revival of the Fund program.<sup>36</sup>

Meanwhile, the rate of inflation in Pakistan is set to hit 33 percent in the coming months and the country's currency has devalued 65 percent in the last 12 months. "Pakistan's been lulled by a false sense of security," the analyst said, "that with a population of over 220 million and a comprehensive nuclear weapons program, it is too big for the world to let it fail. This has bred complacency across successive governments and the country's military leadership of easy loans or bailouts."<sup>37</sup>

Six months ago, in a bid to stem the outflow of foreign exchange, the Pakistani government stopped all imports, leading to a raw materials shortage across manufacturing sectors and a temporary shutdown of several automobile manufacturing plants and textile factories.

Saudi Arabia and the IMF are both demanding economic reforms from Pakistan. The country is locked in difficult negotiations with the IMF over its 13th bailout package since the 1980s. If an agreement is not struck soon, Pakistan will find it increasingly difficult to secure international loans, as its credit rating has been downgraded to junk.

Saudi Arabia is no longer willing to bail out Islamabad and refused to provide 'easy money' to Pakistan, demanding economic reforms.

Pakistan is in dire need of sustained US dollar inflows to avoid defaulting on nearly USD 80 billion of international loan repayments over the next three and a half years. The country is currently sitting on just USD 3 billion in foreign exchange reserves. Saudi Arabia's decision to refuse to provide any further bailouts or interest-free loans to Pakistan has left the government in Islamabad in shock and has prompted the finance minister to complain that even friendly countries are not keen on helping Pakistan out of its economic emergency. Pakistani authorities

are in a state of shock. While previously Saudi Arabia and other Gulf countries would bail Pakistan out off the back of a phone call from the foreign minister or the prime minister, this time around they are being put through the mill. On a recent trip, even the Pakistani military chief could not convince Saudi Crown Prince Mohammed bin Salman to release emergency funding for the country. At the World Economic Forum in Davos in January, the Saudi finance minister made the Kingdom's new policy noticeably clear.<sup>38</sup>

Mohammed al-Jadaan said, "We used to give direct grants and deposits without strings attached and we are changing that. We are working with multilateral institutions to say we need to see reforms."

"We are taxing our people, we are also expecting others to do the same, to make their efforts. We want to help but we want you also to do your part."<sup>39</sup>

Meanwhile, by the end of March 2023, Pakistan's economy has continued to slowdown. During July-February of the fiscal year 2023, the repatriation of profit and dividends plunged 80 percent due to the economic slowdown. Import curbs hurt investors in equal measure. The SBP on China's emergency support for borrowers from its Belt and Road infrastructure program has ballooned as foreign governments struggle under heavy debts, highlighting the extent of Beijing's bad loan problem as it works to overhaul its overseas lending strategy.

The scale of China's often-opaque assistance to borrowers in distress means Beijing has effectively established a new system for international rescue lending that exists alongside the International Monetary Fund and other Western institutions, according to new research published by the World Bank. It reported that foreign investors repatriated \$225.1 million during July-Feb of FY 23 as compared to \$1.146 billion during the same period of last year, depicting a decline of 80 percent or \$ 921 million. The massive decline in the repatriation of profit and dividends reflects that the earnings of foreign companies have been down drastically due to poor economic conditions. <sup>40</sup>

The country's economy is facing several challenges, particularly the foreign exchange crisis that forced the government to impose restrictions on imports to curtail the trade deficit. Production of large-scale manufacturing industries including automobiles, food, textile, petroleum oil, and pharmaceutical registered a drop of 7.75 percent in October 2022 compared to the same month of the previous year. Leading auto plants have also shut down their production due to a shortage of raw materials. Pakistan's GDP growth is also estimated at 2 percent during

FY23 as against 6 percent in FY22. This slowdown will also hurt the profitability of foreign companies, analysts said. The detailed analysis revealed that during the period under review repatriation from Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI) declined by 82 percent and 67 percent, respectively. Repatriation on account of FDI was \$188 million during July-Feb of FY23 down from \$ 1.038 billion. Repatriation from FPI fell from \$ 108.6 million to \$ 37 million in the first eight months of this fiscal year. The highest outflow of profit and dividends amounting to \$87 million was sent from the Oil & Gas Explorations, \$33 million from the mining sector, \$32 from power, and \$19 million from the financial sector.<sup>41</sup>

An editorial entitled “IMF ninth review remains suspended,” published in the Business Recorder on March 28, 2023, castigated the Pakistan government for failing to see the writing on the wall that friendly countries will not just provide Pakistan with the money asked, as in the past. The government conducted ridiculous policies of controlling the Rupee's external value when it was not a viable option thereby creating a grey market repressing the inflow of much-needed remittances and distorting revenue generation as well. The Government is “unable to tackle the pervasive economic crisis and instead of ushering in structural reforms that would show light at the end of the tunnel, there appears to be a focus on passing the buck onto the middle-income and lower-income public through raising utility tariffs, thereby fueling inflation as in the past. And what is equally disturbing is their insistence on living in a past that is no longer relevant.”<sup>42</sup>

Pakistan emphatically requested the International Monetary Fund (IMF) on April 12, 2023, to show some flexibility and sign the staff-level agreement, however, it could not get a date despite Islamabad’s growing concerns about the fallout of a worsening economic crisis.

Finance Minister Ishaq Dar made the request in a virtual meeting with Jihad Azour, the IMF’s director for the Middle East and Central Asia Department. However, the minister could not get the desired result, as the IMF once again raised the issue of the petrol subsidy and possible fiscal leakages because of the implementation of the subsidy plan.

The two sides discussed the progress made on the IMF program, particularly the talks held with the IMF mission during its visit to Pakistan, and the implementation of prior actions, according to the press statement issued by the finance ministry.

“The minister urges the IMF not to raise the issue of petrol subsidy, and object to the IMF’s approach of seeking clarifications about the schemes announced by Prime Minister Shehbaz Sharif,” said sources.

Dar also requested the IMF to lower the needed foreign loan requirement by another \$1 billion to \$5 billion after improvement in the current account deficit, the sources added. The IMF has already cut the requirement by \$1 billion to \$6 billion last month.<sup>43</sup>

According to the sources, Dar assured the IMF that the government might not implement the petrol subsidy scheme and, therefore, the fund should no longer raise the issue. The ministers emphasized that the IMF should show flexibility and consider the progress that Pakistan had made so far in its endeavors for reaching the staff-level agreement early.

Due to a delay in completing the agreement for the 9th review, the IMF has withheld the approval of the \$1.1 billion tranche. Besides, it also has delayed the disbursements by the World Bank and other multilateral institutions.

Dar informed that all prior actions for the 9th review under the Extended Fund Facility have already been completed and the government of Pakistan is fully committed to fulfilling its obligations as agreed with the IMF. He mentioned that it was unprecedented that the prior actions had been met much before the signing of the staff-level agreement, and yet the IMF was not ready to sign the deal.

However, the IMF was of the view that all the issues remained unsettled until its executive board, irrespective of the fact, ratified the deal whether a country met the prior actions before the staff-level agreement or after that.

The sources said that the finance minister asked the IMF to come clear on the timeframe of the staff-level agreement as the delay was now causing economic losses to the country amid growing nervousness in the markets.<sup>44</sup>

Finance Minister Ishaq Dar urged Nathan Porter, the IMF’s Mission Chief to Pakistan, to give the reasons for the delay in signing the deal. Pakistan had so far implemented a mini-budget, increased electricity, and gas prices, and allowed the exchange rate to be decided by the market forces – the prior actions that still could not get the desired results. Dar apprised the IMF team about the economic challenges being faced by the country. Jihad Azour expressed his confidence that Staff-Level Agreement (SLA) will be signed soon followed by the IMF Board’s approval.

Jihad hoped that Pakistan would continue toward progress on the reforms in various sectors and complete the IMF program in time and that the IMF would play a positive role in bringing economic stability to Pakistan. Both sides shared their respective positions on the \$6 billion external financing requirements -- a sum that Pakistan needed from now till June to avoid default.

The IMF informed that Saudi Arabia had confirmed the \$2 billion lending to Pakistan. But confirmation by the United Arab Emirates remained pending, said the sources. Dar assured that the UAE would soon confirm its commitment to give \$1 billion. Dar urged the IMF to further cut the external financing requirement to \$5 billion due to improvement in the current account deficit. The \$6 billion financing gap had been worked out on the assumption that the current account deficit would remain around \$7 billion in the current fiscal year.

During the first eight months of this fiscal year, the current account deficit remained at \$3.9 billion. Dar assured the IMF that in case the Fund signed the staff-level agreement; Pakistan would arrange the \$2 billion added loan from the World Bank, the Asian Infrastructure Investment Bank, and the commercial banks.

But the IMF was asking for arranging commercial loans before the staff-level agreement -- a demand that Pakistan is unable to meet in the absence of the IMF umbrella.<sup>45</sup>

Meanwhile, an International Monetary Fund (IMF) report has revealed that Pakistan will miss the fiscal and debt reduction targets of this fiscal year and the situation will become worse in the next fiscal year with a budget deficit peaking at 8.3% of the size of the nation's economy. The Fiscal Monitor report showed that Pakistan would miss all targets related to the reduction of the budget deficit, gross public debt, and expenditures and increasing revenues during FY2022-23 and FY2023-24. Compared to an eight-month-old assessment of booking a budget deficit of 4.7% of the GDP, the Fiscal Monitor report showed that the deficit might widen to as high as 6.8% by June this year. There is a slippage of 2.1% of the GDP or Rs1.8 trillion, underscoring the deficient performance of the incumbent government.<sup>46</sup>

This also puts a question mark on the performance of the \$6.5 billion Extended Fund Facility whose aims were fiscal consolidation and putting the country on a sustainable path toward debt reduction.

The IMF report further showed that during FY2023-24, starting from July, the budget deficit could go as high as 8.3% of the GDP. In August last year, the IMF projected the budget

deficit for the next fiscal year at 4% of the GDP. Within eight months, the IMF had shown a massive deterioration in the core budget target. Under the \$6.5 billion bailout package, the IMF had targeted Pakistan to achieve a primary budget surplus – a measure that shows that government revenues are higher than its expenditures excluding interest payments. The primary budget surplus had been boasted as a strategy to reduce public debt.<sup>47</sup>

According to the Fiscal Monitor report, however, during the current fiscal year instead of achieving any surplus, Pakistan will have a primary budget deficit equal to at least 0.5% of the GDP. Compared to just eight months ago, there is a deviation of around 0.7% or Rs600 billion at the current projected size of the economy. During the eight review talks in August last year, the IMF spent considerable time ensuring Pakistan achieves a nominal primary surplus of 0.2% of the GDP. This has not materialized. For FY2023-24, the IMF has projected a primary deficit of 0.4% of the size of the economy compared to its old assessment of having about 0.6% surplus.

Pakistan's indicators are deteriorating at a time when these core numbers are showing improvement in other countries. The Fiscal Monitor report said those three years after the outbreak of the Covid-19 pandemic, fiscal policy was returning to normal. After supplying extraordinary support simultaneously in 2020, both monetary and fiscal policy tightened in three-quarters of countries in 2022 amid high inflation and the end of pandemic-related spending measures. This shift occurred in a highly volatile environment.

The report further said that following a historic surge in global public debt to 100% of GDP in 2020, because of economic contraction and massive government support, fiscal deficits have since declined, as exceptional measures have come to an end. With strong nominal GDP growth in 2021–22, global debt posted the steepest decline in 70 years and stood at about 92% of GDP at the end of 2022, still about eight percentage points above the level at the end of 2019.<sup>48</sup>

Primary deficits were also falling rapidly and moving closer to pre-pandemic levels in many countries, but overall deficits have fallen less owing to rising interest payments. The report showed that Pakistan's revenue-to-GDP ratio might also remain below the levels assessed earlier. It is now projected at 12.2% of the GDP, which should also be a matter of concern for the IMF, which will also miss its program targets. For the next fiscal year, the IMF has projected revenues at just 12.5% of the GDP.

The Federal Board of Revenue (FBR) has been struggling to achieve its annual target and has already booked an Rs276 billion shortfall in just nine months of the fiscal year. Compared to

this, expenditures will remain far higher than the old assessments. For the current fiscal year, the IMF has projected expenditures to grow to 19.1% of the GDP, breaching the earlier projection by as much as 2% or Rs1.7 trillion. The situation will not improve in the next fiscal year either, as the report shows the expenses increasing to 20.8% of the GDP – exceeding the earlier estimates by a margin of at least Rs3.4 trillion at the current projected size of the economy.<sup>49</sup>

As a result of these poor indicators, gross public debt is shown at 73.6% of the GDP by the end of this fiscal year. At the time of signing of the program in July 2019, the IMF had projected that Pakistan's public debt would come down to 65% of the GDP. For the next fiscal year, the IMF has shown a significant reduction in debt by projecting it at 69% of the GDP – an assessment that may again be proved wrong.

The Fiscal Monitor report said that debt dynamics deteriorated in emerging market economies and low-income developing countries with sizable shares of debt in foreign currency, as currency depreciation and rising interest rates came together with inflation.

In the past year, the Pakistan rupee has devalued by more than 56% – a record fall – while inflation in Pakistan peaked at a 50-year at 35.4% in March.<sup>50</sup>

The International Monetary Fund (IMF) on April 13, 2023, did not accept Pakistan's request to reduce the added loan requirement to \$5 billion, as its deputy-managing director sought further clarifications about the viability of an official plan to raise the loans.

The virtual contact was set up the day a judicial and constitutional crisis further deepened in Pakistan. The National Assembly's decision to reject a Money Bill moved to give funds for elections and the Supreme Court of Pakistan's interim order that barred the government from implementing another law passed to streamline the powers of the top judge has further deteriorated the political situation.<sup>51</sup>

The political stability and the supremacy of the Constitution are considered of paramount importance for long-term financial relations. During the meeting, the IMF sought the details of the \$6 billion financing plan and questioned the viability of some of the numbers presented by Pakistani authorities the finance minister gave the breakup of the loans that he has been striving to raise for the past many months. Pakistan requested the IMF to consider lowering the added loan requirements to \$5 billion due to less than expected current account deficit during the current fiscal year. But some of the members of the IMF were of the view that Pakistan may need even more than \$6 billion to increase the foreign exchange reserves to a comfortable level.

It was finally agreed that Pakistan would raise \$6 billion and half of it must be materialized before the staff-level agreement.

Pakistan again assured the IMF that the United Arab Emirates (UAE) would soon commit to the \$1 billion loan while Saudi Arabia has already given its consent.<sup>52</sup>

The finance minister shared that all prior actions for the 9th Review under the Extended Fund Facility have already been completed and the government of Pakistan is fully committed to fulfilling its obligations as agreed with the IMF. The finance minister said that all the international obligations have been addressed in time. However, the IMF did not appear convinced about Pakistan's claim to comfortably arrange the rest of the \$3 billion. It has doubts about arranging over half a billion dollars through outsourcing of the three international airports.

The International Finance Corporation –the transaction advisor –is still in the infancy stage of preparing the transaction structure for international competitive bidding. A day earlier, Ishaq Dar had questioned the motives of the IMF Mission Chief by not giving a date for signing the staff-level agreement.

Pakistani authorities informed the IMF that at least two foreign commercial banks were in touch, but the loan deals cannot be signed until a staff-level agreement is reached.<sup>53</sup>

Meanwhile, the gross official reserves held by the State Bank of Pakistan again slipped to \$4 billion as of last week –not enough to keep the country afloat till June 2023.

By mid-April 2023 Pakistan is facing one of the most daunting economic challenges of its history. Despite claims and statements to the contrary, Pakistan's coalition government's self-proclaimed "experienced" economic team has yet to deliver any meaningful results. The competence of Pakistan's finance minister, Ishaq Dar, still needs to be proved. According to the latest index of the Heritage Foundation, a Washington-based conservative think tank working on policy impact, Pakistan's economic freedom score is 49.4, making its economy the 152nd freest in the 2023 Index. Its score is 0.6 points higher than last year. Pakistan is ranked 33rd out of 39 countries in the Asia-Pacific region, and its overall score is below the world and regional averages. The report also stated that much of the workforce is underemployed in the informal sector. Inflation has been quite high, disrupting monetary stability.<sup>54</sup>

According to the Pakistan Bureau of Statistics data, Pakistan's inflation rate jumped to 35.4% in March 2023 from 31.5% in February. This is the highest it has been since December 1973. Increasing food, beverage, and transportation costs pushed the consumer price index for



March 2023 to 219.14 points, driving inflation to levels not seen in almost half a century. To raise extra revenue for the running fiscal year, in February, the coalition government lifted the goods and services tax to 18%, which further led to a spike in prices. Furthermore, the government has allowed the rupee to depreciate as it is struggling with the International Monetary Fund to catch \$1 billion in financial aid.<sup>55</sup>

Inflation is reaching its highest level in decades. Meanwhile, political mayhem has left the country in a state of uncertainty. The cash-starved country experienced year-on-year inflation of 35.4% in March. Food prices jumped more than 47% over a single year, with transport costs rising by 55%, thanks to global oil prices. Pakistan is in a tricky situation on all fronts. Political instability has complicated the path toward a stable economy. Default threats are looming. If this situation continues, dire circumstances can be expected within a brief period.<sup>56</sup>

Asia Development Bank's (ADB) latest report has forecast Pakistan's economic growth to slow in FY2023 in the wake of last year's devastating floods, increasing inflation, a current account deficit, and an ongoing foreign exchange crisis. In the flagship economic report titled Asian Development Outlook in April 2023, the ADB said Pakistan's economy has the potential to bounce back with robust macroeconomic and structural reforms. Pakistan faces strong headwinds while last year's catastrophic floods also worsened the economic and financial challenges.<sup>57</sup>

ADO April 2023 noted that climate change poses a grave challenge to Pakistan's economic, social, and environmental development. According to the Global Climate Risk Index, the country has ranked among the 10 most vulnerable nations worldwide in the past 2 decades. The ADB has expressed commitment to continue to support Pakistan's economic recovery and development plans.<sup>58</sup>

Pakistan's economic crisis started last year due to high inflation, a depreciating currency, and low reserves of foreign currency, which are used to purchase imports like food and fuel. One-third of Pakistan's farmland was affected after catastrophic floods last summer. According to the International Rescue Committee, 33 million people in Pakistan were affected by the severe flooding that has caused \$40 billion in economic damage.<sup>59</sup>

The PDM government has been trying to reach an agreement with the IMF to restart a \$6.5 billion loan program that has stalled since November 2022, to keep the economy afloat. The IMF

has presented a set of conditions in exchange for the release of a \$1.1 billion loan installment. It includes liberalizing the rupee's exchange rate and raising taxes.<sup>60</sup>

Pakistan's consumer price index rose to a record 35% in March 2023 from a year earlier. The March inflation number eclipsed February's 31.5%, as food, beverage, and transport prices surged up to 50% compared to last year. Staples like the price of flour, a staple of Pakistani diets, has doubled over the past year.<sup>61</sup>

By April 2023, inflation was at a record 35.4 percent.<sup>62</sup>

The International Monetary Fund has slashed the growth outlook for cash-strapped Pakistan, forecasting the South Asian country's fragile economy will grow just 0.5 percent this year, down from 6 percent in 2022.

The latest data on Pakistan's ailing economy was released by the IMF on April 11, 2023, when it unveiled its World Economic Outlook report in Washington, DC. The IMF also forecasts 27 percent inflation for this year for the country of more than 230 million people.

The global lender warned that unemployment would continue to rise in Pakistan that is struggling to avoid a default as it recovers from the destruction caused by last summer's floods, which killed 1,739 people and caused \$30bn in damages.

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The coalition government of Pakistan's Prime Minister Shahbaz Sharif is in talks with the IMF to receive a key tranche of a \$6bn bailout package signed in 2019 by Sharif's predecessor Imran Khan.

The government then slashed subsidies and raised taxes to follow the bailout terms and secure the release of the \$1.2bn part of the deal that has been stalled since December. But those measures resulted in increases in the price of food, gas, and power.

Sharif's coalition government has become unpopular because of higher food costs, although he has blamed Khan, who is now the country's opposition leader, for mismanaging the economy when he was in power.<sup>64</sup>

Meanwhile, Pakistan has lurched back and forth from multiple crises in recent years, the current economic hardships are especially acute. There is widespread discontent and despair. Several factors caused the rampant food inflation: surging global grain prices due to the war in Ukraine and a record drop in the value of the rupee against the US dollar which made imports more even expensive. A shortage of basic imports such as animal feed and other raw materials essential for food production contributed further to the food crisis and widespread hunger.

A solution to the food crisis would require a successful deal with the IMF, which would allow access to US dollar funding and help more imports to flow back in. Rampant smuggling has also contributed to food shortages. Basic food items such as flour were being hoarded in Pakistan and smuggled across the heavily policed Afghan border in the country's north to be sold for lucrative returns in Central Asia.<sup>65</sup>

Pakistan is currently grappling with high external debt, a weak local currency, and skyrocketing inflation. Pakistan's foreign exchange reserves have plummeted to USD 4 billion, the country's central bank said last week. The cataclysmic floods last year inundated a third of the country, displaced more than 33 million, and caused economic damages to the tune of USD 12.5 billion to Pakistan's already teetering economy.

Pakistan and the IMF have failed to reach a staff-level agreement on the much-needed USD 1.1 billion bailout package aimed at preventing the country from going bankrupt. The funds are part of a USD 6.5 billion-bailout package the IMF approved in 2019, which analysts say is critical if Pakistan is to avoid defaulting on external debt obligations.

By April 20, 2023, the IMF is facing a challenging question about whom to trust in Pakistan to revive its \$7 billion loan program for the nation.

The incumbent government, led by Finance Minister Ishaq Dar, has continued to fulfill commitments with the IMF and implement tough decisions. However, the IMF is assessing who holds power in Pakistan, not only to make future commitments but also to implement them. This has caused the loan program to remain stalled since November 2022.

The government is currently engaged in formal talks with IMF and has implemented several challenging decisions, including ending control over the rupee-dollar exchange rate,

increasing energy tariffs, and imposing new taxes worth Rs170 billion. The IMF, however, has continued to demand new conditions, which has led the government to seek added financial commitments worth another \$3-4 billion from friendly countries to restart the program. Saudi Arabia and the UAE have already shown their willingness to give \$2 billion and \$1 billion, respectively, in new financing to Pakistan.<sup>66</sup>

The PDM government has lost credibility due to poor decisions taken by different institutions. Pakistan is facing a feeling that it is no longer a desirable place to go, as shown by the high number of people searching for visas to leave the country.

Pakistan faces a critical challenge in rebuilding trust with the IMF to restart its loan program. With the IMF assessing the country's leadership and its ability to implement necessary economic reforms, the government must fulfill its commitments and work to build reliable partnerships to revive the program.<sup>67</sup>

The government has been desperately trying to agree with the International Monetary Fund (IMF) to restart a \$6.5 billion loan program that has been stopped since November 2022 to keep the economy afloat. For the release of a \$1.1 billion installment, the IMF has made several conditions, including the liberalization of the currency rate, the elimination of subsidies in various industries, and an increase in taxes. The crisis also has a substantial external component, as evidenced by the significant increase in global food and gasoline costs following Russia's war in Ukraine.

However, the PDM government has been bogged down in partisan politics, and the IMF's \$1.1 billion loan tranche has yet to be released since Islamabad has resisted the IMF's requirements. The government has now turned to small-scale solutions that fall short of solving the issue, like banning imports and early mall and wedding hall closures. The economy undoubtedly needs the funds because its existing foreign exchange reserves barely cover 18 days' worth of imports. But there is still a difficult journey in front of us. Fiscal and monetary austerity is expected to continue well into 2024.

The increase in food prices contributed to Pakistan's weekly inflation rate, which in the previous week reached a 24-week high of 41.52 percent on an annual basis as the nation executed an action plan suggested by the International Monetary Fund (IMF) to restart a stalled loan program. The Sensitive Price Index (SPI), which tracks weekly inflation, showed an increase of 2.78 percent up until February 23rd, according to the Pakistan Bureau of Statistics,

with significant rises in food costs. Bananas saw the largest weekly price increase at 6.67 percent, followed by chicken at 5.27 percent, sugar at 3.37 percent, and five-liter cooking oil at 3.07 percent.<sup>68</sup>

However, financial experts said inflation would escalate further as Pakistan tried to implement prior actions to revive the \$7 billion IMF loan facility. Due to the overall macro inflation impact on the economy, as always, the most vulnerable segments of society will be hit the hardest. The government must focus on reducing price volatility and instead of taking cosmetic measures of ‘price controls,’ which never work, should work on war footing to streamline supply chains so that there are no shortages as well as ensure social safety nets for the vulnerable are robust.

For Pakistan to emerge from its crisis, an investment of more than \$9 billion will be required. But a lot of it ought to come from personal resources. The purpose of IMF funding is to function as a stopgap, restoring confidence in a way that enables the resumption of private flows. Yet, we also do not have a good history with IMF bailouts, so adding more money might not be that helpful on its own. If there is any improvement, it will happen extremely gradually.

There is simply no quick remedy. The lower rupee, which is at record lows, is contributing to imported inflation, and it is anticipated that domestic inflation will remain high due to high energy costs brought on by tariff rises and still-high food prices. During the year 2023, Moody predicts GDP growth of about 2.1 percent. Our country will continue to tighten its monetary policy to control inflation. Also, given the instability in the foreign exchange market, they may try to intervene there to impose stability, but this is not going to be a panacea. With our nation experiencing substantial recession-like conditions, rising borrowing costs might seriously worsen problems with domestic demand. We need to see sustained sound macroeconomic management, and just injecting further funds in there without decent backing is not going to deliver the results that we are looking for.

First and foremost, IMF funds would aid Pakistan in preventing a default on its international debt, which may have grave repercussions for both its people and its economy. In this way, replenishing foreign reserves is essential. The recovery from the floods will also be helped by aid programs, but this will be much easier to manage if Pakistan’s reserves increase to levels that give people confidence in the country’s ability to pay its debts.<sup>69</sup>

Dar said on April 24, 2023, claimed that Pakistan has met all the conditions set by the International Monetary Fund (IMF) for a staff-level agreement and that the lender's mission for review will soon get a staff-level agreement approved by the fund's executive board. The finance minister said the country has also informed the Washington-based lender about financing by Saudi Arabia and the United Arab Emirates. "Saudi Arabia and the UAE have confirmed that they are going to provide respectively \$2 billion and \$1 billion to Pakistan," he said.<sup>70</sup>

Dar earlier held a virtual meeting with World Bank (WB) South Asia Vice President Martin Raiser. The meeting was part of the WB-IMF Spring Meetings 2023 held in Washington.

He told the official about the completion of the WB-supported reforms, especially those supported under the Resilient Institutions Strengthening Program-II (RISE), under which major reforms like harmonization of GST had been completed, said a press release issued by the finance ministry.<sup>71</sup>

### The Political Crisis in April 2023

Imran Khan was ousted from power in April 2022 after losing a no-confidence vote, becoming the first Pakistani prime minister to be voted out by the National Assembly. Since his ouster, he has been demanding snap polls in the country to remove what he termed an "imported government" led by Prime Minister Shehbaz Sharif. Meanwhile, a Pakistan court grants interim bail to Imran Khan in seven cases.<sup>72</sup>

The current crisis emanated from Imran Khan's decision to dissolve the provincial assemblies in Punjab and Khyber-Pakhtunkhwa in January 2023. The PTI was in power in the two provinces. As per the Constitution, the elections were due in 90 days, but the federal government was reluctant to hold them. As expected, the PDM ruling coalition did not succumb to the PTI's pressure. Imran Khan has been leading rallies in a failed attempt to force Sharif to agree to an early election, which is scheduled for later in 2023. Khan has been holding protest rallies across the country to demand a snap election, but his successor as prime minister, Shehbaz Sharif, has rejected Khan's demands. Pakistan has drifted into polarization and one crisis after another ever since. Pakistan faces a constitutional crisis due to Imran's desire for early elections: Bloomberg, April 23, 2023. The blame game continues, as expected. Imran Khan's attempts to rebuild relations with the military establishment and the United States have been revealed in an

article published by Bloomberg, a well-known American magazine. However, the article also “highlights that Imran Khan is pushing Pakistan towards crisis and chaos, raising concerns about the future of democracy in the country.” The report states that Imran Khan's “desire for early elections has caused a constitutional crisis in Pakistan. Chief Justice Umar Ata Bandial has become a key figure in the matter, issuing an order for elections after Imran Khan dissolved the assemblies of two provinces. The federal government has not accepted the intervention of the chief justice, leading to conflict between the two.”<sup>73</sup>

Bloomberg's article suggests that Imran Khan's “failed foreign policy and the sinking economic situation of the country led to a vote of no confidence against his government. The government is now urging the need to avoid default and restore the International Monetary Fund (IMF) program, while the Supreme Court of Pakistan remains divided. As a result of these circumstances, an atmosphere of violence is being established in Pakistan. The situation has raised concerns about the future of the democratic process in the country.”<sup>74</sup>

The federal government has been opposing the early elections. It says that elections should be held on the same day once the incumbent government completes its constitutional term. The government side argues that holding elections separately would increase political crisis. Both sides, however, admit that the deadlock has led to political instability and deteriorated economic situation<sup>75</sup>

Political conflict can lead to a decisive police operation against Tehreek-e-Insaf (PTI), which may lead to more violence. The PDM Government is trying to somehow diminish the great popularity of the PTI party.

Interior Minister Rana Sanaullah on March 22 sought a parliament ruling to empower authorities to tackle the PTI's alleged involvement in violence. The ruling was asked for in a joint session of parliament convened over the instability caused by the crisis over PTI chair and deposed premier Imran Khan. Speaking in the National Assembly, Sanaullah said 68 security personnel were injured in clashes on March 18.

The clashes erupted after Imran's activists prevented police and Rangers from arresting him in the Toshakhana case in which he was accused of unlawfully selling state gifts during his tenure as the premier between 2018 and 2022.

Sanaullah added that police vehicles, motorcycles, and public properties were set on fire during the clashes. He continued that 316 PTI activists had been arrested and would face trial in an anti-terrorism court.

The minister requested the House to give “guidance” to the government about the violence stoked by Imran’s activists and supporters, whom he claimed included “miscreants, armed groups, and terrorists. He continued that parliament should also give directions to overcome the economic crisis.

The government has alleged that Imran’s activists had militants among them, and ministers have called for proscribing the PTI. Sanaullah highlighted that parliament was the supreme institution. He added that other institutions had their domains, responsibilities, and authorities as per the Constitution.

He pointed out that parliament could amend the Constitution and increase or decrease the authority of other institutions. The minister said parliament should discuss the overall situation and provide directions to all institutions on their basic roles. The minister claimed that Imran had been involved in creating chaos and unrest in the country for the last 10 years. Sanaullah alleged that elections were rigged and managed to bring Imran into power in 2018. The minister maintained that Imran had rejected the offers of PML-N President (and now prime minister) Shehbaz Sharif and PPP Chairman Bilawal Bhutto-Zardari, also the incumbent foreign minister, for cooperation to steer the country out of the challenges it was facing.

He claimed that Imran had used abusive language against opposition leaders during his term as the prime minister and victimized them.

The minister claimed Imran had spread propaganda about the US cipher and tried to destabilize the constitutional government through protest calls on May 25 as well as November 26 when an important appointment was about to be announced. After this “defeat” on the political front, the minister said a “frustrated” Imran then announced the dissolution of assemblies in two provinces.

Sanaullah noted that the Constitution made it mandatory to hold elections in 90 days, but it also asked for free and fair polls. He said elections had been announced in Punjab on April 30, but this date was not as per the constitutional deadline of 90 days. The minister also questioned the transparency of elections if held in phases.



He continued that allegations would be leveled if the polls for National Assembly seats were held in two provinces in the presence of elected governments.

Sanaullah demanded that a reference should be fixed against a sitting judge of the apex court for a hearing in the Supreme Judicial Council (SJC).

In an interview on March 26, 2023, with a local news channel, Interior Minister Rana Sanaullah, the second-most powerful official in the government, issued what many say are not-so-veiled threats to Khan, who since his removal from power last year has been demanding immediate elections.<sup>76</sup>

Calling Khan an “enemy” who is “incurable,” the minister said there will be “no normalcy or political stability” in the country so long as the Pakistan Tehreek-e-Insaf (PTI) party chief “exists.”<sup>77</sup>

In a news conference on March 26, 2023, senior PTI member Fawad Chaudhry asked if the minister was a “goon”. “Is he doing politics or running a gang? This is not how politics is done. Politics is about listening to each other and moving on. You say we have reached a point where Imran Khan remains for us, but we do not think of you like that,” he said.

Since his removal from power in April 2022, Khan has held several rallies to demand immediate national elections. He was shot in the leg at one such rally in November. Khan has repeatedly alleged a plot by Prime Minister Shehbaz Sharif’s government and the powerful military to either jail or assassinate him ahead of the general polls due later this year.

In recent weeks, the bitter feud between the ruling coalition and the opposition leader has seen violent clashes between Khan’s supporters and the security forces in the capital Islamabad and his hometown Lahore. Imran Khan has been slapped with more than 80 cases, including those related to alleged corruption and even “terrorism”. Sanaullah refuted the claim, saying there are 40 cases against the opposition leader.<sup>78</sup>

Meanwhile, a total of 143 cases were registered against Khan, mostly on terrorism charges. A Pakistani court on March 27, 2023, granted interim bail to Imran Khan in seven different cases registered against him following clashes at the federal judicial complex here earlier this month when the former prime minister arrived from Lahore to appear in a corruption case hearing. Imran Khan, the chair of the PTI party, sought interim bail in seven cases registered against him in Golra, Bara Kahu, Ramna, Khanna, and CTD police stations.<sup>79</sup>

Earlier, Imran Khan alleged that the PML-N-led government was plotting to assassinate him in the pattern of Murtaza Bhutto, who was killed in police firing when his sister Benazir Bhutto was in power in 1996.<sup>80</sup>

Pakistan is facing a political crisis. The volatile situation has been defused only by court verdicts. Imran Khan, PTI leader, is now in Islamabad facing about a hundred court cases. As expected, he fears arrest and disqualification from contesting the coming elections. However, Imran Khan is upholding the symbolism of respecting the Rule of Law and fighting these mostly bogus allegations against him in various courts of the country. Today, this symbolism matters a lot as he is gaining public sympathy. Most importantly, the world is watching now and will note actions taken by the state authorities.

Notwithstanding Pakistan's PDM Government's apparent inclination to not hold elections as per the Supreme Court verdict, the people demand them, as per the law. Attempts to crush the Opposition forces do not make sense anymore. Is Pakistan descending into a direct military rule? Hope not for the sake of the country.

In March, the SC took suo motu notice of the delay and ordered the Election Commission of Pakistan (ECP) to hold the elections in Punjab and K-Initially, the date of April 30 was fixed for the polls in Punjab, but the ECP postponed it to October 8. However, it only deepened the crisis as parliament refused to bear the expenses of the elections.

The ruling coalition had also taken the position that the Court's decision did not hold because four of the seven-judge bench had rejected the suo motu notice. Now, the matter is in the apex court again, where a three-member bench has called for political dialogue to resolve the issue.

The Supreme Court then again accepted a petition of the PTI against the postponement of the election and ordered the ECP, the electoral watchdog, to hold the election on May 14 in any case.

The Supreme Court has held that its judgment made in the petition on delay in the elections had already fixed the date of elections to the Punjab Provincial Assembly as May 14, 2023. "That judgment holds the field and, therefore, it's ruling is binding on all judicial and executive authorities in the country under Article 189 and Article 190 of the Constitution," said the order.<sup>81</sup>

Currently, both the executive and the judiciary have reached an impasse due to the government's dillydallying in conducting the Supreme Court's verdict whereby it has ordered elections to the Punjab Assembly on May 14.

In its order on April 4, the Supreme Court had directed the government to provide Rs21bn to the ECP to conduct elections in Punjab and Khyber Pakhtunkhwa by April 10 and instructed the ECP to supply a report to the court on whether the government followed the order on April 11. However, the government referred the matter to the parliament, which defied the SC orders and refused to issue the funds.<sup>82</sup>

The court then issued notices to the finance secretary, SBP governor, Attorney General for Pakistan (AGP), and the ECP, directing them to appear before the judges' chamber on April 14. It also directed the SBP to give the record and details of all monies whatsoever of the federal government lying with or under the control, custody, or management of the bank. After the in-chamber hearing, the court issued an order in which it directed the SBP to release Rs21 billion from the FCF for elections.<sup>83</sup>

The court also saw that the required funds could be made available to the Election Commission of Pakistan (ECP) "immediately and within a matter of a day." It also noted that there was "absolutely no difficulty or hitch, either financially or procedurally or in terms of the relevant authorization by and under the Constitution" in the immediate release of the funds in question.<sup>84</sup>

Meanwhile, many members of the legal fraternity expressed their full support to the Constitution and the Supreme Court and demanded that election to the Punjab and Khyber-Pakhtunkhwa (KP) assemblies should be held at once, as per the dictates of the Constitution and orders of the apex court.

Senior lawyer and politician Aitzaz Ahsan, said the army chief and the prime minister have no other option but to hold elections in Punjab on May 14, as ordered by the Supreme Court. "And the one not complying with the order will have to face disqualification," he warned. "There was no other way out except for the implementation of the top court orders.<sup>85</sup> "They believed that the army chief was with them, but they did not know that he had to obey the apex court verdict under the Constitution," Aitzaz Ahsan added. The senior lawyer said the legal fraternity would never compromise on the respect and honor of the Supreme Court.<sup>86</sup>

The lawyers demanded that the court should summon those purporting to supply means to delay or avoid the elections.<sup>87</sup>

The lawyers said that to avoid elections to Punjab and KPK assemblies, the government has produced another novel pretext. It says that it is more convenient, always; hold elections to all assemblies on the same day, even if one of the five assemblies has been dissolved three years before its term is over. The issues that arise are fraught with dangers to democracy and the federation and include whether will the province with the dissolved assembly be kept bereft of a government by “chosen representatives” for three years. Or will the other four assemblies dissolve together to hold elections for all five on the same day? <sup>88</sup>

Surprisingly, the PDM government referred the matter to Parliament, which defied the court’s orders and refused to issue the funds. The court then directed the State Bank of Pakistan to release the funds, but the central bank, despite having distributed the amount to the ECP, has not been able to release the funds, as it needs the federal cabinet’s approval.

Meanwhile, the federal cabinet has managed through the National Assembly the rejection of its demand for the provision of Rs21bn as a supplementary grant to the ECP for holding polls in the two provinces.

Defence Minister Khawaja Asif on April 19, 2023, said that it is a prerogative of the Supreme Court to give its verdict on the issue of elections to Punjab and KP assemblies, but the parliament, too, had given its verdict. The defense minister said parliament was the “mother of the Constitution” and a “reflection of the public’s aspirations,” and hence, it “predominates” over other constitutional institutions.<sup>89</sup>

As expected, the Supreme Court on April 19, 2023, made it clear that it would not backtrack from its April 4 order to hold the elections in Punjab on May 14. The court reminded that it is an imperative obligation under Articles 112 and 224 of the Constitution to hold a general election to a provincial assembly within 90 days of its dissolution. The apex court also again warned the government of “serious consequences” if it did not release the funds needed for conducting polls in Punjab and Khyber Pakhtunkhwa.

The court requires that proper remedial measures be taken in full measure to make available the required Rs21 billion for the holding of the general elections to the Punjab and KP assemblies.

Earlier, according to the court's order of April 19, the representatives of the federation and the senior leadership of all political parties appeared before the court on April 20, 2023, and informed the court of the position of their parties on a political dialogue being held for settling a single date for holding general elections to National Assembly and four provincial assemblies.

On behalf of PPP, Farooq H Naek informed the court that a process for conducting such dialogue had been initiated within the coalition partners of the Pakistan Democratic Movement (PDM) and that it was agreed that heads of all the political parties would meet with the opposition parties to arrive at a consensus date for holding the general elections to the five assemblies simultaneously.<sup>90</sup>

Khawaja Saad Rafique appeared on behalf of the Pakistan Muslim League-Nawaz (PMLN) and endorsed the statement made on behalf of the PPP. He also expressed the willingness of his party to enter negotiations with all political parties to arrive at a consensus date.

Similarly, PPP's Qamar Zaman Kaira, MQMP's Engineer Sabir Hussain Kaimkhani, PMLQ's Tariq Bashir Cheema, BAP's Israr Ullah Tareen, and BNP-Mengal's Sardar Ayaz Sadiq also supported before the court the views of Farooq H Naek and Saad Rafique.

Likewise, PTI Vice Chairman Shah Mahmood Qureshi assured the court that despite the misgivings of his party with the political environment and disposition, his party was willing to move forward within the framework of the Constitution to negotiate on an agreed date for holding general elections to the five assemblies simultaneously.<sup>91</sup>

Qureshi, however, emphasized that the process of negotiations should not be open-ended and not be turned into a ploy for delaying elections. He said that such a process should be regulated by a time frame, failing which the court's decision for general elections for the provincial assembly of Punjab to be held on May 14, 2023, be followed. Similarly, Jamaat-e-Islami Ameer Siraj-ul-Haq also appeared before the court.

"Having heard the positive statements of the political leadership of the country representing all major political parties concerning the simultaneous holding of general elections of the National Assembly and four provincial assemblies gives cause for optimism that they would agree to an election date sooner rather than later," the court order said.<sup>92</sup>

"However, the court is also impressed to note that all political leaders affirmed their fidelity to the Constitution of Pakistan, which is supreme and must be adhered to," the order further noted. "We are cognizant that if political dialogue extends to address all grievances, then

it is likely to be a lengthy process and the correct forum for that is the political arena and political institutions,” said the order.

However, the court did not find any reservations to the negotiations being centered solely on a one-point agenda, namely, the consensual fixation of a date for the holding of general elections on the same date.<sup>93</sup>

On April 19, 2023, while hearing a petition for holding general elections for the National and provincial assemblies simultaneously across the country, the Chief Justice of Pakistan (CJP) asked political leaders to negotiate to end the impasse.

Despite the CJP calling for the government and opposition to reach a consensus on the elections through talks, the politicians are sticking to their guns and despite the early positive response, an agreement on the polls still seems hopeless.

Prime Minister Shehbaz Sharif slammed the Supreme Court’s order to stop the enforcement of a proposed law that regulated the powers of the chief justice of Pakistan. He said that there was no example in the world where a law that had not even taken its applicable shape was suspended by a court. “The judiciary can interpret the Constitution that as their right, but the judiciary cannot rewrite the Constitution as this is only parliament’s authority,” he added. The premier went on to say that the “parliament will use its constitutional and legal rights on this” matter. “It is expected from the judiciary, the Supreme Court bench, and bar that they will become the Constitution’s protector,” he said. “Without delving into any political conversation, I want to say that we are undivided on this that indisputably, we won’t hesitate for a moment to sacrifice our political assets to save the state.”

Defence Minister Khawaja Asif said the government had reached out to the PTI for talks and an “understanding” had been reached that the two sides would again touch base on April 26. “This is the position of talks,” he said. <sup>94</sup>

The CJP also suggested that elections be held in July as suggested by the JI chief.

Foreign Minister Bilawal Bhutto Zardari met with PDM President Maulana Fazlur Rehman on April 19, 2023, to build a consensus among the ruling coalition on negotiating with the opposition PTI.

Bilawal stressed the need for negotiating with the PTI. They added that Fazl refrained from giving an immediate answer and expressed his lack of trust in Imran Khan.

The meeting between Bilawal and Fazl came a day after a huddle of the government allies, which ended without reaching any consensus on the issue of negotiating with the PTI. 95

To find a way out of the crisis, the PPP has suggested the coalition hold talks with the PTI on the issue of elections.

The MQM-P, BNP-M, BAP's Khalid Magsi, PML-Q's Chaudhry Salik Hussain, NDM's Mohsin Dawar, and others backed Bilawal's stance.

However, the JUI-F opposed the talks with the PTI, saying that Imran Khan was not a "political force." Shahzain Bugti of the Jamhoori Watan Party opined that he was not against the dialogue, but Imran could not be trusted.<sup>96</sup>

PDM parties have rejected the Supreme Court calling on political parties to reach a consensus on a date for polls considering its order to conduct elections in Punjab on May 14, saying that talks with the PTI could not be held under the court's watch. Bilawal Bhutto and Jamiat Ulema-i-Islam-Fazl (JUI-F) chief Maulana Fazlur Rehman, who also head the Pakistan Democratic Movement (PDM), termed dialogue between political forces as mandated by the court "talks at gunpoint." In a reference to the ongoing push within the ruling coalition to hold talks with the PTI, Bilawal Bhutto said he was hopeful that he would be able to convince the ruling allies for talks with the opposition, but the top court's intervention made his job to forge consensus among allies harder.<sup>97</sup>

The PPP leader urged the apex court to respect parliament and said that it was the responsibility of political forces to ensure the honor of the apex court. He said that the government believed that the decision to hold polls on May 14 in Punjab was a minority decision and dubbed it a "decision at gunpoint". Fazlur Rehman also ruled out the possibility of holding talks with Pakistan Tehreek-e-Insaf (PTI) Chief Imran Khan. 98

The PDM government and the immensely powerful military do not want the election at all on the designated date. Therefore, the election date can be extended to make the elections possible. Otherwise, it may not happen on May 14. The Supreme Court has also summoned the leaders or representatives of all political parties today. There is still room for a political compromise of sorts. Given the immense power of the military, it must also be involved in the backstage of the grand compromise. Emphasis must be on peaceful, fair, and fair elections. Meanwhile, time is running out for Pakistan's ruling elite. Only outside intervention can now resolve the significant crisis in the country. It further read that according to the petitioner, there

should be mutual respect and understanding between the political parties taking part in the general elections.<sup>99</sup>

It added that the court appreciated the initiative taken by the petitioner to propose the initiation of political dialogue as a means for settling a practical date on which general elections, which satisfied the requirement of Article 218(3) of the Constitution, were held.<sup>100</sup>

A day earlier, the defense ministry moved the Supreme Court seeking elections across the country on the same date and requested the court to withdraw its order directing that the polls in Punjab should be held on May 14. In its report, the ministry stressed the need for holding the elections on the same day because of the deteriorating security situation in the country.

The report added that the armed forces would be able to perform election duties by early October. At the start of the hearing, the CJP observed that the issue had dragged on for too long and asked Attorney General for Pakistan (AGP) Mansoor Awan to read the finance ministry's report aloud in the courtroom.

In a separate order, the top court noted that the AGP's plea could not be entertained, or relief granted since the matter was already decided by a final judgment of the court and was thus "disposed of as not maintainable."<sup>101</sup>

The order read that it was "specifically queried" by the Finance Division and confirmed by it that Article 84 of the Constitution allowed the federal government to make expenditures from the Federal Consolidated Fund. It added that the federal government obtained ex-post facto authorization from the NA in the form of a supplementary budget statement for this purpose.

It added that the normal practice was for the statement to be laid before the NA. The order further said that there could be therefore no doubt that the federal cabinet "all along itself had the authority and power to authorize the expenditure of Rs21 billion" for election expenses. It added that the AGP had not tried to "seriously dispute" this position.

The order read that the judges were not satisfied that the NA resolution expressing disapproval of the fund release stood in the way of the cabinet exercising its constitutional power under Article 84. The order read that when viewed from this perspective, the NA's rejection of the demand to release poll funds held serious constitutional implications.<sup>102</sup>

The chief justice of Pakistan's supreme court has stood by its decision to order elections next month in its most populous province, a move that pits the judiciary against the country's government and the military establishment.



The court has announced elections in Punjab for 14 May after declaring a delay to the vote unconstitutional and rejecting a petition from the defense ministry to instead hold elections simultaneously across the country later, amid deteriorating security and economic conditions.

Salahuddin Ahmed, a former president of the Sindh high court bar association, said there was now “a serious risk of martial law” if no side backed down.

“Historically, whenever there has been a constitutional and political deadlock in Pakistan, the military acted opportunistically,” he said.

Michael Kugelman, a director at the South Asia Institute at the Wilson Center, correctly said that in defying the defense ministry and, by extension, the powerful military, and the judiciary was showing how determined it was to hold firm on its position.

“But the other side, referring to the military, is not backing down either. So, it has become a game of chicken, with no end in sight,” Kugelman said.<sup>103</sup>

Today, the Supreme Court is faced with an adamant government and military. But if they back down now, especially after meeting top military officials, the bench will be faced with allegations that they were cowed down by the military,” he said.

Kugelman said the current standoff was set in motion by Khan, who could have focused on preparing for elections after his removal from office.

“Instead, he rejected his ouster – though it was a constitutional move – alleged a global conspiracy, galvanized his base, and dissolved two provincial assemblies in a gamble to get early elections,” he said. “But he rolled the dice and lost, and now it’s landed the country in a constitutional crisis – a dangerous distraction amid an economic meltdown and resurgent terrorism.”<sup>104</sup>

He added: “This latest crisis is about upholding the constitution. The judiciary believes that delaying elections would be unconstitutional. And so, if the civilian and military leadership, who are on one page, refuse to hold polls on time, they can be accused of trampling on the constitution, and that is highly worrisome for democracy. Some analysts believe the government would build a consensus with Khan. If Sharif and his party negotiated with Khan, it would mean surrender for them, as both parties are fighting over Punjab province.

If the government does not build a consensus or reach negotiations with the opposition to decide a date for the election, the court can disqualify the prime minister for contempt of court, as the court has disqualified premiers in the past.<sup>105</sup>

Shahzad Chaudhry, in his excellent article “Nearing a perfect implosion,” published in The Express Tribune, on April 14, 2023, said:106

Parliament is half-eaten and fragmented with at least 150 constituencies unrepresented. Those still in Parliament are all government members with a nominated token opposition — most are PTI renegades and hope to receive a PMLN membership in the next general elections. Any parliament, which is incomplete and seriously deficient in its composition, has an ineffective and deficient voice that does not qualify to be the voice of all the people with half the country unrepresented. Rather than function as a force of change and progress the government has become a force of regression and status quo. It wishes to hold on to power in contravention of its constitutional obligation of holding elections denying people their fundamental right to elect their representatives. It has put to question the government’s credibility, ability, and intent to lead the nation and resolve its predicaments. It violates the constitution as it seeks a fig cover and a ruse to win reprieve and a revised interpretation of the laws and articles of the constitution to its benefit. It assumes a cart blanche with the audacity to impose its will in denial of the obligations regulating its functioning in a democracy. It is barely democratic and violates the tenets of the Constitution with impunity.... That leaves only two other agents of change in a country that is at its lowest ebb in all aspects of its existence as a nation-state that can change the course of events and bring back promise to a hopeless populace reeling under crushing adversity: the people and the military. Both are quiet and sit idly by as total ruin beckons. The people are the most helpless. Rampant poverty, joblessness, galloping inflation, an empty treasury, and a heartless government mean they are in their battle for survival. Whether a final push before extinction will be their calling to rise against such exploitation of the elites or will the system drip-feed them to survive without ever getting their oomph to stand up in defiance against such adversity is to be seen.... Patent political interests, dynastic and familial ends, and hugely disproportioned egos are at .... There are only two ways to avoid this unfortunate culmination: one, that political forces on both sides wake up to the explosive consequence of what may only be gameplay for them but calamitous for the country, and resort to a dialogue that can find a way out of the current morass and dysfunction. And two, the military rises to its unfortunate role of intervening when poor politics has derailed a whole nation. It could help start a dialogue between

the warring politicians or resort to what it has done over the decades, even if a bitter pill, to get the country back on track.

Today, Pakistan is at a historic crossroads, as never before in history. National institutions are at loggerheads over the issue of provincial elections and the powers of the Chief Justice. Pakistan's legal fraternity has expressed its full support to the Constitution and the Supreme Court of Pakistan and demanded that elections to the Punjab and KP assemblies should be held at once, as per the dictates of the Constitution and orders of the apex court. Numerous civil rights groups also support the lawyer's initiative. Welcome development, indeed. Nevertheless, the PDM Government and the military think otherwise. Great tension in Pakistan resultantly.

As expected, the constitution of Pakistan has been empowered by the historic Supreme Court April 4 ruling. The court upheld the Rule of Law and the Constitution of the Islamic Republic of Pakistan, which is being trampled by the PDM government backed by the military. The Supreme Court upheld the demand of the Opposition PTI to hold elections in KP and Punjab within 90 days of the dissolution of the assemblies, as per the law. That much is a great development certainly. The public stood with the Supreme Court of Pakistan on the occasion. The Supreme Court has now forever buried the infamous "Doctrine of Necessity" in Pakistan.

The scheduled provincial elections in Punjab are planned to be held on May 14, as per Pakistan's Constitution and the historic Supreme Court judgment. This was seen as an attempt to strengthen Pakistan's democracy by empowering the people, the supreme power in the political system.

The Punjab elections were supposed to be the vital first step to a new era of relative political stability in the country. However, the PDM government does not want these elections because of their unpopularity. Not a good reason by any stretch of the imagination. The Supreme Court desired to ensure that they happen, however. Meanwhile, The Election Commission of Pakistan (ECP) had given a new schedule, this was expected. The federal bureaucracy was supposed to follow the Supreme Court's directives, no matter what the PDM government wanted. This would have been a victory for the Opposition PTI.

Meanwhile, the PDM government in Pakistan is bent on crushing the Opposition PTI, as it fears its increasing popularity. Ridiculous allegations of terrorist activity are being leveled against Imran Khan the party's leader. The PDM government does not count in today's Pakistan. The real power is vested with the powerful military brass. Can Pakistan come out of the grave

political crisis on its own? No chance at all. Now it is up to its friends to step in and resolve the conflict tearing the country. Given the grave economic crisis, Pakistan has little time left for that to happen.

Given Pakistan's tragic history, it bears repetition that a military has no role in a country's politics. Simple as that. Can the political parties of Pakistan create an alternate political system? There is no evidence that they can. They have no democracy within them.

Pakistan is a mess. There is a crisis of leadership in Pakistan. There is no statesman guide. That is the real tragedy of the country. Nevertheless, Pakistan must move on. Hoping against hope now.

Today, the country faces a profound governance crisis because of an ineffective, weak, and corrupt government brought into power by the powerful military and effectively sustained by it too. Political instability is leading to economic instability, and not the other way around. The country faces a slow implosion now. Thus, the announcement of the May 14 Punjab provincial elections is a good development for Pakistan. It is hoped that they take place peacefully and are accepted by all. That would be good news for the country suffering from a complex and deep crisis.

Today, Pakistan's hybrid system is dysfunctional. There is an urgent need to strengthen the foundation of democracy, which is the Constitution. The constitution empowers the people who are supreme in a democracy. Therefore, there is a need to bury the infamous "Doctrine of Necessity" forever in Pakistan. The Supreme Court of Pakistan will just do that today. The court will uphold the Rule of Law and the Constitution of the Islamic Republic of Pakistan, which is being trampled by the PDM government backed by the military. The Supreme Court will uphold the demand of the Opposition PTI to hold elections in KP and Punjab within 90 days of the dissolution of the assemblies. That much is certain. The public stands with the Supreme Court of Pakistan now

It can be easily predicted that scheduled provincial elections will be held with some grace period, as per the requirements of the Election Commission of Pakistan, and as per the Constitution. A historic Supreme Court judgment is expected soon.

The PDM government in Pakistan, backed by the powerful military, is in a virtual standoff with the Supreme Court over the issue of the Punjab and Khyber Pakhtunkhwa general elections and a bill that looks to restrict the Chief Justice's suo motu powers—never been seen in the

history of parliamentary democracies worldwide. The country cannot continue like this as the economy suffers tremendously because of political instability. What will happen? Anyone's guess now?

As expected, the Supreme Court on April 19, 2023, made it clear that it would not backtrack from its April 4 order to hold the elections in Punjab on May 14. The court reminded that it is an imperative obligation under Articles 112 and 224 of the Constitution to hold a general election to a provincial assembly within 90 days of its dissolution. The apex court also again warned the government of “serious consequences” if it failed to release the funds required for conducting polls in Punjab and Khyber Pakhtunkhwa. The court requires that appropriate remedial measures be taken in full measure to make available the required Rs21 billion for the holding of the general elections to the Punjab and KP assemblies.

The PDM government and the very powerful military don't want the election at all on the designated dates. Therefore, the election date can be extended to make the elections possible. Otherwise, it may not happen on May 14. Later, the Supreme Court summoned the leaders or representatives of all political parties.

Shahid Khaqan Abbasi, a senior leader of the ruling Pakistan Muslim League-Nawaz party, served as the 21st prime minister of Pakistan from August 2017 to May 2018. PTI, April 24, 2023

Former Prime Minister Shahid Khaqan Abbasi has warned that Pakistan's economic and political turmoil is so dire that it has the potential to attract a military takeover even as he urged all stakeholders to initiate a dialogue to chart a way forward, media reports said on April 23, 2023

Abbasi, a senior leader of the ruling Pakistan Muslim League-Nawaz (PML-N) party, served as the 21st prime minister of Pakistan from August 2017 to May 2018. He said that martial law always remained a possibility if the system failed or when there was a conflict between institutions and the political leadership was unable to chart a way forward. “Pakistan has had many long periods of martial law in very similar situations,” the 64-year-old leader said. “I would say Pakistan has never witnessed a [more] severe economic and political situation before. In much less severe circumstances, the military has taken over,” he said.<sup>107</sup>

Pakistan had been directly ruled for about half of its history by military generals. The Pakistan Army, which has ruled the coup-prone country for more than half of its 75-plus years of existence, has hitherto wielded considerable power in matters of security and foreign policy.

Abbasi warned of anarchy if friction within society and institutions became too deep, adding that such a situation could also see the powerful Army step in. “It has happened in many countries. When the political and constitutional system fails, extra-constitutional (measures) take place,” the report quoted him as saying.

The PML-N leader, however, hoped that the military was not considering the option of imposing martial law. “I do not think they are considering that but when they are left with no choice,” he added.

Amidst the tense relations between former Prime Minister Imran Khan and the military before his ouster last year, the Pakistan Army has repeatedly said that it would stay out of politics.

Relations between the judiciary and the ruling coalition have soured ever since the ruling Pakistan Muslim League-Nawaz (PML-N)-led government has been pushing for the Supreme Court (Practice and Procedure) Bill 2023 to dilute the powers of Chief Justice of Pakistan Umar Ata Bandial to take suo motu action and form a panel of judges for hearing of cases.

It was initially passed by both houses of parliament and sent to President Arif Alvi for his assent. However, the president, who is a member of ousted Prime Minister Imran Khan’s Pakistan Tehreek-e-Insaf (PTI) party, sent it back, saying that the proposed law traveled “beyond the competence of parliament.”

Earlier, the Supreme Court had afforded a temporary respite to the country’s main political parties, giving them a week to develop a consensus on the date for elections in the country. The apex court had granted time to the parties after the Ministry of Defence had urged the apex court to review its decision on Punjab polls and sought elections for provincial assemblies and the National Assembly on the same day in October, the month when the National Assembly will complete its five-year term. The PML-N then moved to initiate contacts with the PTI. On April 22, 2023, Imran Khan said that if the government disobeys the Supreme Court's orders concerning Punjab elections, he will "bring the nation out on the streets". Imran directed his party to prepare for elections on the court-mandated date of May 14.<sup>108</sup>

The PTI leadership on April 24, 2023, accused the ruling Pakistan Muslim League-Nawaz (PML-N) of creating a smokescreen about offering talks on elections in Punjab and Khyber-Pakhtunkhwa, saying the government's attitude was non-serious as no one from the PML-N or the ruling alliance approached their leaders nominated for holding talks. Vice Chairman Shah Mahmood Qureshi said Imran Khan had nominated him and PTI Senior Vice President Fawad Chaudhry for holding talks with the government but no one from the PML-N approached him nor Fawad yet, following the Supreme Court's proposal to the political parties to sit together and find a way out of the political impasse.<sup>109</sup>

To the news that the PML-N leaders had approached PTI leader Asad Qaiser, the former foreign minister questioned what the purpose of reaching out to someone who was not tasked with the responsibility of holding talks, saying PML-N leaders Saad Rafique and Ayaz Sadiq were former colleagues, they had their contact numbers and the correct thing to do was contacting the right persons. Qureshi said there was "zero progress" in connection with the government-PTI talks initiative and whatever was being presented as talks offered by the PML-N leadership was only a "smokescreen" as no serious efforts had so far been made by the government to advance negotiations that had not even started. Qureshi said, "The PML-N leadership may have conducted an internal meeting and presented it as talks offered to the PTI. I have heard that the ruling alliance has called a meeting on April 26 where they are likely to take some decisions regarding talks with the PTI. Qureshi's statement is in line with the PTI chairman's statement that no one from the ruling alliance had approached Qureshi for negotiations on general elections in Punjab and K-P provinces."<sup>110</sup>

Earlier, the PML-N leaders had contacted former National Assembly speaker Asad Qaiser but there was no progress at all after that phone call. Meanwhile, as the ruling alliance failed to sit on the negotiation table with the opposition for holding elections of Punjab and K-P assemblies as proposed by the Supreme Court, the PTI chair said that dialogue with the government was only possible if they dissolved assemblies in May and bring caretaker setups.

Imran Khan said that the caretaker governments in both provinces have already completed their constitutional term and are "illegal" now. The apex court had given May 14 date for general elections in Punjab; however, the government was running away from elections by adopting delaying tactics.<sup>111</sup>

Using a carrot and stick policy, the Supreme Court had recently asked all political parties to evolve a consensus on the date for holding simultaneous general elections of the national as well as four provincial assemblies expeditiously; otherwise, the court noted, its order regarding the Punjab Assembly elections on May 14 would come into force.

The political and legal impasse on elections had started soon after the PTI government was ousted through a vote of no confidence in April 2022, but it intensified after Imran Khan ordered to dissolve of Punjab and K-P assemblies to force elections on the federal government back in January. He, however, remained unsuccessful in achieving the objective as the ruling coalition at the Centre refused to cave in, vowing to complete the remaining constitutional period. “The PTI will not allow them [the ruling alliance] to break the Constitution by escaping the elections,” Imran vowed. “The PTI and the people of Pakistan are standing with the Supreme Court for supremacy of the Constitution. “The PML-N’s attempts to run away from elections, Imran pointed out, clearly indicated that the party was completely broken.<sup>112</sup>

Imran reiterated that the Election Commission of Pakistan (ECP) had teamed up with the PDM parties. He claimed that whenever transparent investigations were conducted in the prohibited funding and Toshakhana (gifts repository) cases, all of them would be caught. The ruling alliance, he said, was proposing to hold elections in October but what was the guarantee that they will not try to find another excuse to run away from elections?

He underscored that the PML-N was continuously making attempts to pressure the apex court, adding that the Constitution was noticeably clear that elections would be held within 90 days after the dissolution of an assembly. However, he alleged, a guarantee was given to Nawaz Sharif in London that the PTI would be crushed before elections in the country. All sham cases against the PTI leaders and workers were part of this scheme. He reiterated that a small group is making schemes to eliminate me from the political scene. Earlier, they tried on my life in Wazirabad and later at the Federal Judicial Complex. Come what may, I will fight against thieves till my last breath.” The PTI chair also tweeted: “It has been five days since our PTI Instagram head Attaur Rehman was abducted. We demand his immediate release and an end to the abductions and torture of our social media activists. These young people have committed no crime and are being penalized simply for being part of the PTI's social media team.”<sup>113</sup>



Meanwhile, Pakistan has witnessed a dramatic uptick in attacks since late 2022r. The attacks had been focused on its border regions with Afghanistan. In January 2023, a suicide bomber detonated his vest in a mosque inside a police compound in Peshawar, killing more than 80 officers as the building collapsed and rained down rubble on worshippers. In February 2023, five were killed when a suicide squad stormed a police compound in the southern port city of Karachi, prompting an hours-long shootout.<sup>114</sup>

On April 24, 2023, a mysterious blast reduced an office of the Counter Terrorism Department (CTD) in the Kabal area of Khyber Pakhtunkhwa's (K-P) in Swat valley to rubble which at least 12 people and injured 53 others, mostly police officers. After the incident, Prime Minister Shehbaz Sharif took to Twitter to "strongly condemn the suicide attack" on the CTD police station in Swat.

"Nation is deeply grieved over the martyrdom of police officials. Our police have been the first line of defense against terrorism. We will not rest until we eliminate this scourge. My condolences to bereaved families," he wrote.

There was no immediate claim of responsibility; however, two attacks on large police bases have been linked to the Pakistani Taliban, known as Tehreek-e-Taliban Pakistan (TTP), since the start of the year.<sup>115</sup>

The BBC reported that at least 17 people have been killed in the two explosions. Islamist militants once controlled the Swat Valley before they were forced out in 2009. In 2012, Taliban militants also shot and wounded Nobel Laureate Malala Yousafzai in the valley.

The Pakistani Taliban group has conducted several attacks targeting security forces in recent months but has not claimed involvement in these explosions. Prime Minister Shehbaz Sharif initially called the blasts a "suicide attack", but later tweeted that "the nature of the blast is being investigated." Pakistani counter-terrorist forces maintain a strong presence in the valley, which has been prone to insurgency.<sup>116</sup>

In a surprising development Inter-Services Public Relations (ISPR) Director-General (DG) Major General Ahmed Sharif Chaudhry said on April 25, 2023, that law enforcers had "proven" contacts between the banned Tehreek-e-Taliban Pakistan (TTP), Baloch insurgents, and foreign spy agencies as the nation faces a fresh wave of terrorism. The ISPR DG said: "The contacts between the Tehreek-e-Taliban Pakistan (TTP) and Baloch [insurgent] organizations and foreign

intelligence agencies have been proven." Pakistan's civil and military agencies took great steps against terrorists, he said.<sup>117</sup>

Sharing an update about the devastating attack on a mosque in the Police Lines area of Peshawar earlier this year — which claimed the lives of over 70 people — the ISPR DG revealed that the attack was conducted by a member of the banned militant outfit Jamaat-ul-Ahrar, on the orders of TTP. He confirmed that the suicide bomber involved in the attack belonged to and was trained in Afghanistan and added that the facilitators of the attack have been arrested. The masterminds of an attack on the Karachi police chief's office have also been arrested, he said, adding that the terrorists had taken Rs3 million to conduct the attack. "No individual or group will be allowed to take the law into their own hands," he stressed. "Attempts to sabotage CPEC (China-Pakistan Economic Corridor) and other projects are being thwarted. All projects are being provided with complete security."<sup>118</sup>

He also declared that: "Different social welfare programs have been announced after slashing the army's budget. The navy and air force have also participated in relief activities. "The ISPR DG said the army had reviewed its expenditures given the country's economic situation. "Petroleum, ration, and non-operational movement are being reduced. "The journey towards permanent peace has begun. "Maj Gen Chaudhry further said around 3141-kilometer-long border has been fenced along the frontiers with Afghanistan and Iran to prevent infiltration of terrorists. He said 98% border with Afghanistan and 85% with Iran has been fenced, while 85% of forts along the Afghanistan frontier and 33% with Iran have been completed. He further said that 65% of erstwhile tribal areas have been cleared of land mines.<sup>119</sup>

The ISPR DG added that it isn't possible to completely seal the border between the two countries, and in the local context, Pakistan is home to over five million Afghan refugees, while the movement of people between the borders of the two states was substantial." On an annual basis, around 20,000 people cross the Pak-Afghan borders," he said, noting that the local authorities were in talks with the interim Afghan government over border management. Highlighting measures for the socio-economic uplift of the people, the ISPR DG said that 3,654 projects are being completed for Rs162 billion in Khyber Pakhtunkhwa, while 95% of the affected population has returned to homes. He said that around 14,000 people have been given jobs in Pakistan Army and the Frontier Corps under Youth Employment Scheme. Similarly, over 1,200 students are getting an education in various institutions.<sup>120</sup>

He said the purpose was to elaborate on the army's professional activities, including analyzing its counterterrorism operations. He stated that the contacts between the Tehreek-e-Taliban Pakistan (TTP) and Baloch insurgent organizations and foreign intelligence agencies have been proven. Pakistan's civil and military agencies took great steps against terrorists. Giving a breakdown of the menace of terrorism during the current year, he said 436 incidents had occurred, in which 293 people were martyred and 523 injured. During this period, security forces conducted 8,279 intelligence-based operations (IBOs), in which 1,535 terrorists were killed. Around 70 IBOs were being conducted daily, he added. "There is no no-go area in Pakistan," he emphasized. However, terrorists were still disturbing the country's peace.

The ISPR DG further said that 137 security officials have been martyred so far this year while 117 have been wounded. "The war against terrorism that Pakistan has fought is unprecedented and will continue till the last terrorist is eliminated," he asserted.

"Terrorist organizations and their facilitators' have no ideology, religion, or faith. They attack mosques, police, religious scholars, media persons, and citizens," he said.

He also expressed sadness that the police were blamed for any terrorist incident no matter how small. The police had made countless sacrifices, he said. Major General Chaudhry said India's propaganda continues against Pakistan as he slammed the neighboring nation for ceasefire violations. The ISPR DG said that India had committed several ceasefire violations along the LoC this year and Pakistan had also taken down six Indian spy quadcopters. He noted that Pakistan had taken United Nations observers to the Line of Control (LoC) several times, while India had not done the same. "India's aggressive designs and baseless allegations cannot change history. India cannot change the historical status of Kashmir. If India plans any adventure, Pakistani forces will give a strong response. "Chief of Army Staff (COAS) General Asim Munir visited the LoC on his first tour after becoming army chief, he recalled. "Pakistan has fought the war against terrorism for two decades. Every Pakistani soldier is devoted to faith, piety, and jihad in the cause of Allah. "Referring to Operation Swift Retort in 2019 — in which Pakistan Air Force (PAF) shot down two Indian aircraft inside Pakistani airspace and arrested an Indian pilot on the ground — the military spokesperson said that Pakistan could defend its territory. Pakistan's situation holds importance in India's internal matters, he said, adding that the Indian government talks about Pakistan's politics also to divert attention from its problems. India has been conducting false flag operations and propaganda against Pakistan, he iterated. "Some

local elements advance India's agenda knowingly or unknowingly," he said without elaborating.  
121

He reiterated the army's stance that it does not have a leaning towards any political party or ideology as the Pakistan Tehreek-e-Insaf (PTI) calls on the establishment for intervening in politics. "The Pakistan Army is a national army. All political parties are respectable to us [...] but we do not lean towards any political party or ideology," the ISPR DG said. The army's spokespersons have repeatedly denied that the military is leaning toward anyone as political parties blame each other for having the establishment's backing. "If any army was used to further a specific political ideology anywhere in the world, it led to anarchy," the ISPR DG said and called upon Pakistan's political leadership to support the military's professional thinking. The ISPR DG added that the government and the military have constitutional and non-political ties — a stance that the army has long stood by. "This non-political relationship should not be given a political color. "With several retired army men supporting PTI, the ISPR DG said that the veterans' organizations should not become political, as their purpose was to ensure veterans' welfare and highlight their issues.122

In response to a question, he said the Ministry of Defence had already given a briefing to the Supreme Court regarding the deployment of troops for elections, which was based on "ground realities." The defense ministry briefed the apex court last week on why the government could not provide army personnel for elections in Punjab and Khyber Pakhtunkhwa — and the report has not been made public yet. The PDM government has repeatedly maintained that the polls cannot take place not only due to the ongoing economic turmoil, but also due to terrorism threats, and with the army busy in counterterrorism operations, it could not allocate security forces for elections. To a question about what was in the report that the defense ministry had submitted to the top court, Maj Gen Chaudhry said that had there been a need to make the briefing provided to Chief Justice Umar Ata Bandial public, then it would have already been disclosed. "Those talks were held just between the institutions," he said.123

"It is not in the interest of the nation, country, and the army to push the armed forces into politics," the military's spokesperson remarked, a position that his predecessors have also maintained. The ISPR DG added that it is the government's prerogative to summon the Pakistan Army under Article 245 for election security or during natural disasters.124

The statement was meant to somehow lay the ground for the postponement of The Punjab elections due May 14. Given the brief time left for the May 14 election, it is easily concluded that they will not happen now. Meanwhile, the political parties are to decide on an alternate date in July or somewhere around that month.

Can the political parties of Pakistan, civil society organizations, and the legal fraternity ever unite to curtail the political role of the immensely powerful military? That is the million-dollar question in today's Pakistan. The answer is obvious. Not at all. So much for the pretensions of democracy in Pakistan.

The prevailing political and economic crisis in Pakistan demands an immediate response. Nevertheless, the stakeholders, including the powerful military, are not capable of doing it on their own. The primary reason is their vested interests and lack of imagination for workable solutions to the country's predicaments.

Is the PDM government going to ban PTI? If you cannot defeat them in the elections, then just ban them instead. Absurd arguments will make the rounds. A crisis in the making.

Notwithstanding Pakistan's PDM Government claims elections to the provincial assemblies in Punjab and KP will be held on schedule. The elections are the requirement of the law. The people demand them, and they will take place, as per the law. No lame excuses. No one can postpone them no matter what. Just watch now.

Meanwhile, the PDM Government and the PTI are at a loggerhead breeding great tension in Pakistan.

Only friends of Pakistan, chiefly, Saudi Arabia, UAE, China, and even the USA may be needed here to ease a workable solution to the current crisis. Friends need to help Pakistan. Otherwise, Pakistan is going to remain stuck in a deepening quagmire with horrific consequences for the entire region. Meanwhile, the United States for its part has supported democracy in the country. Since Pakistan desperately wants the stalled IMF bailout this is to be considered important. Pakistan's other friends like Saudi Arabia, Qatar, UAE, and China also desperately want to see a stable country. The sooner the political crisis is resolved the better for Pakistan.

Pakistan is facing a political crisis. The volatile situation has been defused only by court verdicts. Imran Khan, PTI leader, is now in Islamabad facing about a hundred court cases. As expected, he fears arrest and disqualification from contesting the coming elections. However, Imran Khan is upholding the symbolism of respecting the Rule of Law and fighting these mostly

bogus allegations against him in various courts of the country. Today, this symbolism matters a lot as he is gaining public sympathy. Most importantly, the world is watching now and will note actions taken by the state authorities.

Notwithstanding Pakistan's PDM Government's clear inclination to not hold elections as per the Supreme Court verdict, the people demand them, as per the law. Attempts to crush the Opposition forces do not make sense anymore. Is Pakistan descending into a direct military rule? Hope not for the sake of the country.

The solution is adherence to the Rule of Law. It bears to repeat infinitely that no one, including the military, can stop the provincial elections from taking place next month. The Supreme Court verdict must be implemented, no matter what. All are subordinate to the doctrine of the Rule of Law, with no exceptions. There are no sacred cows in Pakistan. The will of the people is supreme. However, setting up a democratic foundation in the country is no easy task. Given Pakistan's history, building it will need time and earnest effort.

The PDM government in Pakistan is bent on crushing the Opposition PTI as it fears its increasing popularity. Ridiculous allegations of terrorist activity are being leveled against Imran Khan the party's leader. The PDM government does not count in today's Pakistan. The real power is vested with the powerful military brass. Can Pakistan come out of the grave political crisis on its own? No chance at all. Now it is up to its friends to step in and resolve the conflict tearing the country. Given the grave economic crisis, Pakistan has little time left for that to happen.

Given Pakistan's tragic history, it bears repetition that a military has no role in a country's politics. Can the political parties of Pakistan create an alternate political system? There is no evidence that they can. They have no democracy within them. The litmus test of Pakistan's democracy was whether the provincial election was held on May 14. It appears not.

Pakistan is a mess. There is a crisis of leadership in Pakistan. There is no statesman guide. That is the real tragedy of the country. Nevertheless, Pakistan must move on.

There is an urgent need to adhere to the country's constitution for workable solutions to the current crisis. It bears repetition that the military has no role in Pakistan's political system at all. Let constitutional law prevail for once. Not likely to happen though. Hoping still.

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expected, he fears arrest and disqualification from contesting the coming elections. However, Imran Khan is upholding the symbolism of respecting the Rule of Law and fighting these mostly bogus allegations against him in various courts of the country. Today, this symbolism matters a lot as he is gaining public sympathy. Most importantly, the world is watching now and will note actions taken by the state authorities.

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Pakistan is a mess. There is a crisis of leadership in Pakistan. There is no statesman guide. That is the real tragedy of the country. Nevertheless, Pakistan must move on. There is still room for a political compromise of sorts. Given the immense power of the military, it must also be involved in the backstage of the grand compromise. Emphasis must be on peaceful, fair, and fair elections. Meanwhile, time is running out for Pakistan's ruling elite. Only outside intervention can now resolve the significant crisis in the country.

Today, Pakistan faces a multifaceted crisis of extraordinarily complex dimensions. The paralysis in the PDM Government was affecting timely decisions on important political matters. Pakistan was faced with a horrendous situation inside the country as rapid population growth was fueling a massive rural-to-urban migration, strain on the cities, and massive environmental degradation. People were suffering from a poor environment, lack of social services, and neglect of state institutions to respond to the situation coherently. Bad governance was the norm, not the exception in state institutions. The poverty gap was striking and was widening in many areas of the country. Pakistan was deficient in governance matters as public services were inadequate and there was immense poverty in the country. The Human Development Index (HDI) was extremely low in Pakistan. The HDI was devised and launched in 1990 and was a statistic that ranked countries into four tiers of human development based on indicators like life expectancy, education, and per capita income. A higher lifespan, higher level of education, and higher GDP per capita result in a country scoring higher HDI.

Earlier, the 2015 Human Development Report (HDR), by the UN Development Program (UNDP) declared that with an HDI value of 0.538, Pakistan ranks 147 out of 188 countries and territories. Pakistan ranks 121st out of 155 countries in terms of its Gender Inequality Index: only 19.3 percent of women reach secondary education compared to 46.1 percent of men, while female participation in the labor market is 24.6 percent compared to 82.9 percent for men.<sup>125</sup>

Therefore, the Pakistan government must campaign for smaller families with greater vigor across the country and invest in accelerated family planning and female literacy to lower the fertility rate. With its pulse on economic development policies, the government must realize that investment and sound policies in health, education, and good governance are the only way to create a quality workforce.

It is intolerable that, regionally, Pakistan has the highest rate of infant mortality when the government is obligated to implement policy changes having signed up to the United Nation's Sustainable Development Goals. Moreover, the World Bank has declared that it would name and shame countries before potential investors for failing to tackle stunting. The death of children due to hunger and the absence of government action and outrage was a stain on Pakistan's collective conscience. There were 400,000 starving children in Thar and despite international food fortification assistance of over \$1m; malnutrition had deplorably increased in Pakistan.



Undoubtedly, Pakistan's national institutions had deteriorated in the last decade. The overall record of Pakistan's last National Assembly was poor. It had passed only 187 laws during its five-year tenure. 126 Also, Pakistan's democratic institutions are fragile and need to be strengthened through patient and sustained efforts. It is done when there is the required political will. Pakistan's overall governance form simply refutes democratic principles and practices. The personalized political system does not allow the building of any workable democratic institutions. The prevailing norm of loyalty to the political leader has superseded the much-needed ethics of professionalism, merit, proper administration of governed funds, neutral bureaucracy, and focus on national socio-economic development. The only thing that matters in government is unconditional loyalty to the political leadership. Thus, the political leadership dispenses largesse and favors the public instead of public rights and entitlements. The social contract has broken, and a patronage system has developed instead. The patronage system exists in full glare where the elected leadership bestows favors to only those who voted for them. Elections are a business and are also getting more expensive with time. The whole environment of governance has been corrupted as money makes a disproportionate impact on election outcomes. The leadership that is elected in the electoral system was mostly transactional-minded. Meaning the elected leadership was only there to reap hay while the sun shines and pocket as much money as was possible under the circumstances. Notwithstanding some exceptions, the entire leadership of the country was now corrupted beyond imagination. Resultantly, new values entered the governed system of Pakistan. Sycophancy and timid behavior of the ruling circles and the bureaucracy that served them had all but destroyed the integrity of the entire system. Policymaking is on whims and becoming ineffective, as serious deliberations are not the norm anymore. Mistakes result as the leadership cannot see the whole picture, nor get professional advice speaking truth to power. Even figures are routinely fudged to present a better picture to the world. This is sorry is now a reality in Pakistan. How can Pakistan's political leadership and military rulers turn the county into a modern civilized nation with a contemporary system of government? Pakistan society is failing to confront the daunting challenges facing it. How can the state face these challenges when some sections of it are even supporting Islamic extremism? How can the government, media, enlightened scholars, and jurists unite to formulate the path for essential reform in the legal, political, and social spheres? Why are not enough voices of sanity speaking up now in the face of such cynical manipulation of Islamic sentiment? In any

civilization, the rule of law must be a supreme principle, and all state institutions must guarantee that the principle exists and not the law of the jungle. It is a stark failure of both the Pakistani state and society, that the populace negated the belief that all people are innocent until proven guilty. Finally, questions must also be asked of the Pakistan Army establishment, which still considers some preservation of Islamic militancy as an essential and required element of the country's security policy. Though continuous military operations are designed to eradicate terrorism, the relentless flow of Islamic messaging of Jihad and the fear of India has now entered the very fabric of Pakistani society. The country's political and military leadership used Islam to manipulate the people and legitimize their power. Thus, society is being radicalized. If critical actions are not taken to finish the appeasement of Islamic extremism, no National Action Plan or military operation shall be adept to suppress the threatening forces of Islamic extremism that are now being let loose across the country. Pakistan has seen an unprecedented surge in Islamic extremism and fanaticism in the past decade. Islamist groups have constantly targeted religious minorities in Pakistan to impose their version of strict Islamic law on the people. Pakistan is facing an existential challenge from within by Islamic fundamentalism, which has taken deep roots in the country and cannot be easily uprooted. Given the weaknesses of the ruling establishment, both military and civilian, it will take decades to eradicate the menace from Pakistan's state and society. The anarchy unleashed by Islamic fundamentalists must be checked in Pakistan before it engulfs the whole region in further chaos. A lot of deliberations have led to several initiatives but nothing remarkable has been done so far. Pakistan's response to terrorism is lacking a comprehensive approach. There is too much emphasis on Army operations and not enough is done at the critical civil administration, civil intelligence apparatuses, and local policing spheres. Resultantly, the country shall continue to be challenged by terrorism, Islamic extremism, and insurgencies for decades to come. There was no positive aspect on the horizon. This was Pakistan's tragedy.

### Economic Crisis

Meanwhile, the mismanagement of Pakistan's economy continues unabated. Pakistan on March 27, 2023, deferred a decision on a request by pharmaceutical firms to raise the prices of more than 100 medicines, prolonging a standoff with an industry struggling to stem losses from

soaring inflation and a weakened currency. Inflation is also surging, hitting a 50-year-high of 31.5% in February, raising overall costs.<sup>127</sup>

The request was discussed during a meeting of the finance ministry's Economic Coordination Committee, but no decision was taken, a ministry statement said. It was unclear when the matter would be discussed again.

Since June, local and multinational companies, including Sanofi SA, have been lobbying the government to raise prices through industry lobby groups the Pharma Bureau and the Pakistan Pharmaceutical Manufacturer's Association (PPMA).

Some member companies have completely shut down, while others have cut output to offset production costs that have risen by 60% over the last six months. More shutdowns can happen if things do not get better.

Data from the statistics bureau compiled by Reuters showed the industry had cut overall output by 55% since June 2022. PPMA Chairman Farooq Bukhari said production could fall further. "If the government does not agree to adjust prices..., the PPMA cannot keep telling pharma companies to continue production."

In addition to a global increase in the price of raw materials, the pharma companies have been hit by fiscal measures aimed at staving off economic collapse and securing more than \$1 billion in funds from an International Monetary Fund bailout.

These measures include the removal of an artificial exchange rate for the rupee, which has fallen in value against the dollar by about a fifth since the start of the year. The country also suppressed imports, including inputs for the pharma sector earlier in the fiscal year as foreign exchange reserves dropped.<sup>128</sup>

"The industry is asking for an across-the-board increase in prices based on high inflation and unprecedented devaluation," a representative of Sanofi Aventis Pakistan Ltd said, declining to be named, as company officials were not authorized to speak to the media.

Health Minister Abdul Qadir Patel recently met representatives of several pharma companies and discussed their demands, a spokesperson told Reuters, without elaborating.

Higher drug prices will add to the pain of many Pakistanis already grappling with higher fuel and food prices. Due to the production cuts, the supply of some medicine for diabetes such

as glimepiride and insulin, is running low, said Mustafa Bilwani, director of the major pharmacy chain Dvago.<sup>129</sup>

Pakistan hopes that China will bail out Pakistan yet again. China spent \$240 billion bailing out 22 developing countries between 2008 and 2021, with the amount soaring in recent years as more have struggled to repay loans spent building "Belt & Road" infrastructure, and according to a study published March 28, 2023. Chinese loans to countries in debt distress soared from less than 5% of its overseas lending portfolio in 2010 to 60% in 2022, the study found.<sup>130</sup>

Argentina received the most, with \$111.8 billion, followed by Pakistan with \$48.5 billion. China is negotiating debt restructurings with many countries and has been criticized for holding up the processes. In response, China has called on the World Bank and International Monetary Fund to also offer debt relief.

Pakistan banks its hopes on reports that China is overhauling its overseas lending strategy that would somehow give concessions to its longtime ally.

China's emergency support for borrowers from its Belt and Road infrastructure program has ballooned as foreign governments struggle under heavy debts, highlighting the extent of Beijing's bad loan problem as it works to overhaul its overseas lending strategy. The scale of China's often-opaque assistance to borrowers in distress means Beijing has effectively established a new system for international rescue lending that exists alongside the International Monetary Fund and other Western institutions, according to new research published by the World Bank.<sup>131</sup>

Pakistan must focus on the development of its human resources, sustainable economy, and the eradication of poverty, which can only happen if bold policy decisions are taken now. The Sharif government can only fail at its peril. The people hoped for change, and it is now time to deliver. The Sharif government came into power on April 11, 2022. It is imperative to set the right direction at the beginning of the 16 months remaining term. There is still hope in Pakistan. The priority of the Sharif coalition government should be the following:<sup>132</sup>

The South Punjab promise to be conducted at once. On March 25, 2022, the PTI-led government sponsored a bill in the National Assembly seeking the creation of the south Punjab province. Foreign Minister Shah Mehmood Qureshi had given the constitutional amendment bill to the National Assembly seeking to split Punjab into two provinces. South Punjab would be constituted of Multan, Dera Ghazi Khan, and Bahawalpur divisions. Under the draft bill, the

south Punjab province would have fifty-six seats in the National Assembly and 119 in its provincial assembly. The creation of the south Punjab province had the support of both the PML and the PPP.<sup>133</sup> A Task Force be set up for this purpose.

Later, Pakistan must be divided into at least ten provinces. Punjab is divided into three: central, north, and south. Sindh into two: north and south.

Formation of a think tank to conduct research and guide the Government using the Next Steps approach and acting as a consultancy. Form a steering committee of experienced professionals in various areas to guide the government on various issues. These groups will manage the actualization of public policy in various areas.

A Modernization Unit to be set up in the office of the prime minister be tasked to formulate Key Performance Indicators and metrics for all public sector agencies and departments. A Key Performance Indicator (KPI) is a quantifiable value that decides how effectively an organization is reaching key goals. The KPIs are employed by organizations to calculate their success at achieving the established targets. The federal government is combined into a smaller and more effective administration. Some public agencies are bloated and need to be cut. Some departments may need to be merged or even dismantled. A review be held for this purpose.

A Task Force be set up to restructure vital public enterprises like WAPDA, PIA, Steel Mills, NHA, and Railways. A restructuring exercise be conducted to improve efficiency in collaboration with the Modernization Unit in the Prime Minister's office.

A detailed reform plan is being prepared for the education sector. Technical schools be set up in the pattern of Germany, preferably with the help of the German government. The purpose is to impart skills to youth not able to get a regular college education. Free quality public education, along with free health services, is envisaged in the concept of an Islamic welfare state. Free education like free health services will be a costly endeavor. Therefore, distribute 5% of GNP to the education sector, as recommended by UNESCO. End the paper mills in the private higher education sector where rampant corrupt practices exist. Higher education may not be employed to make quick and easy money anymore.

Revival of the Musharraf era Local Government System, as it showed promise. Despite shortcomings, some important developments did take place in this area and there were some success stories at the local level.

A national crusade against the "qabza" mafia and encroaches must be conducted. This is an endemic problem in Pakistan and has grown in the last decade. While not just private space but also public space is threatened. That is most unfortunate. Public space is a sacred trust.

The PTI national curriculum agenda be advanced with input from all stakeholders. It must be flexible though to incorporate regional diversity. A framework would be formulated with a common core for the entire nation (1/3) and then a regional section to be the responsibility of the provinces (2/3). The purpose is to create national unity and cohesion. The framework will set up the teaching units in terms of syllabi, timetables, modules for class instruction, total study period, and testing.

There was a mushrooming growth of housing societies in the past decade or so. Most of these are frauds and people have lost billions of hard-earned savings. The State must come to the rescue of the public and take these swindlers to task. It must then simply nationalize these societies and put them under the control of various state authorities. Nationalization would be considered the last resort since it would require an act of parliament.

A National Health Service on the pattern of the UK. The founding principle shall be that the service be comprehensive, universal, and free at the point of delivery. However, patients would be required to pay prescription charges with a range of exemptions for the poorest of the poor. This is a costly endeavor and will require immense allocations of budgeted money. This measure, along with health, is one of the fundamental aims of the Islamic welfare system. Therefore, distribute 5% of GNP to the health services sector.

Privatization of Public Sector Enterprises is postponed for at least a year. Focus on improving the performance of these enterprises instead. Giving enough autonomy and removal of needless political interventions is the key to the success of this effort.

Merge all department and services housing authorities like Police, Parliament, and Defense, into a single Federal Employees Housing Authority. Announce entitlement of all employees for housing as a priority.

The focus of the performance of police services. Depoliticize them at once, especially in Punjab and Sindh. Employ technology to improve police efficiency. A detailed plan is needed to revamp the police services and stop political interference at once. The public has a low opinion of the police service except for KP. Establish a Taskforce for Improving Police Services with input from capable retired police officials and foreign experts.

The parliament's performance is poor and needs to be improved. The oversight function of the parliament is inadequate, at best. There is nothing more political than passing the budget as it deals with the allocation of scarce resources. Therefore, present the budget at least three months in advance of its passage date. The budget be discussed on the floor of the National Assembly in the first reading and then sent to Select Committees to be debated in detail with department heads, outside experts, and witnesses. The budget be agreed upon within these committees along with recommendations. The budget then was again debated on the floor of the house and eventually passed. Establish a separate television Parliament Channel within PTV to broadcast live the working of the parliament. The purpose is to improve the quality of deliberations in the legislature.

Revamp civil services as a priority. Give tenure protection of postings for at least three years. Stop the shuffle dupe of endless postings as it causes service inefficiency and disruption.

Increase the retirement age of the employees to sixty-five.

Give life tenure to the higher judiciary so that the judges can concentrate on their jobs.

Focus on employing technology in governance (electronic governance measures) can improve the effectiveness of not all public services but also Legislature and Judiciary.

Take over the fund to construct Diamer Bhasha and Mohmand dams from Chief Justice Pakistan at once. Mobilize the public within the country and the global diaspora community for donations. Meanwhile, build much smaller dams at once on the Indus River system.

Plan to build new cities to decrease the pressure of rural-to-urban migration on the big urban areas.

Have comprehensive expert plans made or revised for better land management of all urban areas.

Land records be in digital format in a single land authority.

Initiate an austerity drive in the federal and provincial governments at once. Cut the budget of these government outlays, including defense.

Revise the inter-governmental arrangements in education and health sectors after the 18th Amendment, to formulate a uniform policy.

Azad Kashmir and Gilgit Baltistan be set up as Pakistan's new provinces by amending the constitution. Pakistan has no choice but to revamp the FBR on a priority basis. Also, improve

governance issues to increase the pitiable exports. Distressed economic conditions require bold actions. Focus on stabilizing the economy on a priority basis.

End corrupt practices in the economic sector. For example, the Benaami property like done recently in India. Attach these properties to the state authorities. Expand the services of the Ehsaas program at once and ensure prompt delivery of income support to the poorest of the poor. Reduction of national holidays Standardization of weights, measures, and the like. For example, stop using “arubs,” “crores” and “lakhs” and use only millions, and billions, and discard the use of “maunds” only kilograms are allowed.

A detailed Plan of Action is to be prepared within a month to strengthen key institutions like State bank, FBR, AGP, NACTA, IB, FIA, NAB, and FPSC.

Initiate social, cultural, and educational activities like those done by the BJP’s Sangh Parivar group in India. Some activities can be arranged in collaboration with effective NGOs working in the field already. For example, a Razakar Force for young men and women trained in martial arts; monsoon tree plantation campaigns in collaboration with agriculture departments, adult literacy centers, libraries, and urban clean-up campaigns using volunteers.

## Security

Pakistan has long struggled with terrorism and is once again reeling from the brutal grip of militancy and radicalism, a grave challenge that requires urgent attention and action from all. There has been a spate of terrorist incidents in Pakistan from December 2022 to the March 2023 period. Security forces have killed at least 142 terrorists during the last three months as operations to eliminate terrorism from the country continue. At least 1,007 terrorists were arrested during 6,921 operations by security forces across the country in the last three months. 134A total of 1,960 operations were conducted in K-P, of which 1,516 were area-domination operations, 301 were intelligence-based operations, and 143 were area-sanitization operations. As a result of the operations conducted by the security forces, 98 terrorists were killed and 540 were arrested in K-P.135

A high-ranking Inter-Services Intelligence (ISI) officer embraced martyrdom while seven others were injured, including two critically, in an encounter with terrorists in the northwestern region of the country on March 20, 2023.



The region has seen a resurgence of terrorist attacks since late last year, including a deadly bombing of a mosque in the city of Peshawar in which 100 people, mostly police officers, were martyred.

According to a statement issued by the military's media wing, Brigadier Mustafa Kamal Barki encountered hardcore terrorists in the Angoor Adda locality of South Waziristan, a mountainous region that borders Afghanistan and has long been a hotbed of militants.

The Inter-Services Public Relations (ISPR) said that Brigadier Barki and his team put up a valiant resistance against the terrorists during the encounter and the officer sacrificed his life for the peace of the homeland.

"Intense firing was exchanged with terrorists and two of Brigadier Barki's team members are in critical condition."

No group has claimed responsibility. Most attacks in the region have been claimed by the outlawed Tehreek-e-Taliban Pakistan (TTP).

"[The] defense forces of Pakistan and intelligence agencies pledge to reaffirm and demonstrate firm resolve to eliminate the menace of terrorism from every inch of the country," it added.

Brigadier Barki was instrumental in locating and eradicating terrorists responsible for vicious assaults in Pakistan, including the Army Public School (APS) attack in Peshawar.

He received his commission in the esteemed Frontier Force Regiment of Pakistan on October 12, 1995. The martyred officer is survived by his spouse, daughter, and son.

The nation mourns the loss of their fallen hero, as he is honored for his bravery and sacrifice.

Pakistan's security forces have conducted numerous operations against terrorism across the country, not only arresting terrorists and their facilitators but also foiling several attacks during the last three months.

Brigadier Barki is the second most high-ranking ISI official who embraced martyrdom.

In January, two ISI officials — Director Naveed Sadiq Sial and Inspector Nasir Abbas — were martyred in a gun attack at a roadside restaurant in the Pirowal area of Khanewal.

A little-known terrorist group calling itself Lashkar-e-Khorasan immediately claimed responsibility, but the TTP later claimed that the deadly attack was conducted by its "secret squad." Separately, three soldiers of the Pakistan Army embraced martyrdom when terrorists

opened fire on a police check post in the general area Khutti in K-P's Dera Ismail Khan district, the ISPR said in a statement.

According to the ISPR, the security forces immediately cordoned off the area and blocked all escape routes.

It said that the fleeing terrorists were intercepted in the Saggu area of the district. After an intense exchange of fire, three terrorists were killed, and weapons and ammunition were recovered from them.

During the intense exchange of fire, 42-year-old Havaldar Muhammad Azhar Iqbal from Lodhran, 34-year-old Naik Muhammad Asad from Khanewal, and 22-year-old Sepoy Muhammad Essa from South Waziristan fought bravely but were martyred.

The ISPR added that the area is being sanitized to eliminate any remaining terrorists. "Pakistan Army remains determined to eradicate terrorism, and the sacrifices of our brave soldiers strengthen our resolve," the statement said.<sup>136</sup>

A terrorist attack that took place in Peshawar Khyber Pakhtunkhwa in Pakistan on January 30, 2023, resulted in the deaths of more than 100 people and left over 200 others injured. The attack targeted a mosque situated in the highly secure zone of the city, where police and other security agencies are stationed. This is one of the deadliest incidents to have occurred in the city in several years. The responsibility for the attack was initially claimed by the Mohmand chapter of the banned Tehreek-i-Taliban Pakistan (TTP), but the TTP Central later denied any involvement. Most of the victims were police officers.<sup>137</sup>

In recent years, Pakistan has made significant strides in its efforts to combat terrorism. The country has launched numerous military operations, tightened security measures, and implemented tougher laws to crack down on extremist groups. These efforts have yielded some success, with the number of terrorist attacks declining significantly over the past few years. However, the recent mosque bombing in Peshawar is a stark cue that the threat of terrorism remains very real. While Pakistan has made progress in its fight against extremism, the country cannot afford to let its guard down. The neoteric onslaught is a clear indication that more needs to be done to address the root causes of terrorism and extremism in the country.

Not only does this attack point to an utter failure in security and intelligence, but it reaffirms the TTP's message: "we can kill you anywhere, anytime, including in mosques, and the army and government cannot protect you." Following the Taliban's takeover of Afghanistan in

August 2021, there has been an 84 percent increase in TTP attacks. This can be attributed to the close ideological, tribal, and operational ties between the Taliban and the TTP, with the TTP having rear bases in Afghanistan to launch attacks into Pakistan. Despite the Taliban condemning the attacks, it is widely believed that their words are insincere. Pakistan has been pressuring the Taliban to shut down TTP camps in Afghanistan, where an estimated 6,000 fighters are located, since the Taliban takeover. However, the Taliban have refused to comply, and it is unlikely that they will do so in the foreseeable future. This confirms that Pakistan's support for the Taliban's return to power in Kabul was a flawed decision and is posing a security nightmare for Pakistan. One of the major challenges in addressing terrorism in Pakistan is the complex nature of the problem. Extremist groups are often deeply entrenched in local communities, making it difficult to root them out.

A day after the Peshawar attack, a police station in Mianwali, Punjab, came under a gun attack by heavily armed TTP fighters. It was the first terror attack of its kind in Punjab province. While the attack was repulsed, it illustrates the extent of the TTP's present reach along areas of the Afghan-Pakistan border. In November 2022, the TTP announced a unilateral ceasefire with the Pakistani government, but it was short-lived. The insurgent group has frequently attacked police check posts and stations in Khyber Pakhtunkhwa and areas bordering Afghanistan since ending their unilateral ceasefire with the Pakistani government in November 2022.

One of the major challenges in addressing terrorism in Pakistan is the complex nature of the problem. Extremist groups are often deeply entrenched in local communities, making it difficult to root them out. Furthermore, poverty, illiteracy, and political instability have created an environment in which extremism can thrive. To effectively combat terrorism in Pakistan, a multi-faceted approach is needed. This includes addressing the root causes of extremism by investing in education, creating job opportunities, and addressing political grievances. It also means strengthening the country's law enforcement agencies and improving intelligence-gathering capabilities to better identify and neutralize terrorist threats. In addition to these efforts, it is also essential for Pakistan to work closely with its regional and international partners to address terrorism. The recent attack in Peshawar is a reminder that terrorism is a global problem that requires a coordinated response from the international community.

Thus far, all attempts at negotiating with local terrorist organizations have failed. With groups like TTP growing increasingly confident and conducting more complex attacks, there has

been an increasing demand for a “military solution” to the problem. The military would need to implement a comprehensive strategy to effectively deal with the growing threat posed by terrorist groups like the TTP. At any rate, the military will need to be seen doing something. This means it will need to ruthlessly go after the TTP not only inside Pakistan but in Afghanistan as well. The Pakistan army will be very reluctant to do this, but they have no choice if they want to see an end to terrorist acts throughout the country. Given that bilateral relations with Kabul are already at an all-time low, that should not be a critical factor in the army’s counter-terrorism calculations. At last, the military could work towards improving community engagement and strengthening local law enforcement agencies to help prevent the radicalization of individuals and disrupt terrorist recruitment efforts.

## Section II: External Challenges

### Chapter 5: Pakistan-Afghanistan Relations

History was a factor in the challenges posed to Pakistan by Afghanistan. The two nations were divided by the “Durand Line,” a 2,400-kilometer frontier drawn by the British in 1896 and disputed by Kabul, which does not officially recognize it as an international border. Ethnic Pashtuns living along the border had traditionally paid it little heed, with villages straddling the frontier that had mosques and houses with one door in Pakistan and another in Afghanistan. The border was not the only area of dispute between the neighbors. It was the history of Afghanistan itself that had shaped politics in Pakistan in a meaningful manner. Pakistan had a history of Islamic militancy, which goes back to the 1980s, and the Cold War period. When the government of General Zia-ul Haq supported the Afghan Mujahideen fighting the Soviet Union’s occupation in Afghanistan. The U.S. and other Western states had then supported Pakistan’s creation of a formidable Jihadi network for the Islamic war against the “Evil Empire” in neighboring Afghanistan. However, with General Zia-ul-Haq’s manipulation of religion for political purposes, Pakistan’s state and society had become increasingly polarized, intolerant, and violent. He had empowered Islamic extremist groups in Pakistan. Jihadist proxies were then employed to gain influence in Afghanistan and Kashmir. Zia-ul-Haq wanted to manage the

Islamic extremists so that they would serve only the Army's purposes. The politicization of Islam remained even later.<sup>138</sup>

The historical factor was to be considered to understand the current challenge. Several million Afghans had moved into Pakistan since the Soviet invasion of the 1980s. These refugees disrupted the life of the people in the adjoining tribal areas of Pakistan. At times, Pakistanis had loudly demanded that the Afghan refugees be sent home to their country. The geographical factor was also significant to be considered to analyze current challenges. Afghanistan and Pakistan had an uninhabited, rugged, mountainous, desolate, porous border that had allowed the movement of militants from both sides for exceedingly long. Pakistan believed that recent terrorist attacks in and near Peshawar, Pakistan had involved terrorists who had freely crossed into the country from Afghanistan. It was only now that the Pakistan Army has significantly moved to tighten controls along the border with Afghanistan. Pakistan's building of fences and fortifications has also triggered some cross-border skirmishing. Pakistan has periodically shut the border when it wants to express annoyance at Afghanistan. Pakistan's Army insists that tighter controls are a security measure, unrelated to the region's power politics. Pakistan-Afghanistan relations stay problematic as they are figured out by deep mistrust, suspicion, and persisting resentment which has contributed to political deadlock and conflict in the whole region. The Afghan government has routinely accused Pakistan of sponsoring the Afghan Taliban. Pakistan has long rejected accusations that it has supplied support and sanctuary for the Afghan Taliban and its leaders, saying it has for years itself been a victim of terrorism, much of it from groups based in Afghanistan. It is alleged that Pakistan's "double game" — in which the country serves simultaneously as a military partner of the U.S. and a patron of its enemies — has been clear since the very beginning of the war in Afghanistan. But only recently, following the withdrawal of most U.S. forces from Afghanistan has the U.S. seriously begun to consider withholding substantial amounts of aid from Pakistan over its alleged double-dealing.

The best reason given by many in the U.S. is to cut aid to Islamabad because of Pakistan's extensive and longstanding support to radical Islamist groups that have managed the deaths of countless U.S. and Afghan lives. However, it is conveniently forgotten that in the past the U.S. had supported militants in Afghanistan.

Today, the foremost challenge for Pakistan is the deteriorating situation in Afghanistan. The country is certainly a mess. President Ashraf Ghani came into power in September 2014. His

government is widely seen as weak, corrupt, and ineffective. Poor governance and incapacity are the norms and not the exception in Afghanistan. Although the same can be said of the Nawaz government also. However, Pakistan is no failed state. America's longest war has entered its eighteenth year and is in a downward spiral as insurgents score significant territorial gains; Afghan casualties reach a new high; political rifts between Afghan leaders hinder long-overdue governance reforms and opium production increases by significant amounts. Meanwhile, security poses the gravest concern. Emboldened by their battlefield success after foreign troop drawdowns, the Taliban appear even less inclined to make peace in Afghanistan and are more likely to escalate fighting to further project their power by seizing more territory.

Meanwhile, the Taliban and IS threats are on the increase and the Ghani Government cannot get its act together. Plus, the possibility of a peace deal with the Taliban seems to be remote. Relations between Pakistan and Afghanistan remain strained. The Ghani Government alleges that Pakistan-based terror groups such as Lashkar-e-Taiba (LeT), the Taliban, Jaish-e-Mohammad (JeM), and al-Qaida target India's interests and goals in Afghanistan and pursue other objectives like creating sanctuaries and safe havens in tribal areas between Kabul and Islamabad. In Afghanistan, regional terrorist groups have cooperated with the Taliban based on their common goals and mutual interests. These groups include LeT, Tehreek-i-e-Taliban (TTP), JeM, al-Qaida and Lashkar-e-Islam, Sipah-e-Sahaba, Islamic Movement of Uzbekistan, and Eastern Turkistan Islamic movement. These groups pose a strategic threat to the security and stability of Afghanistan. Afghanistan and India had long accused Pakistan's leadership of backing terrorist organizations, which, they claimed, were used by the nation's military establishment to create unrest on their soil and gain geopolitical leverage. There have been severe clashes between Afghan and Pakistani troops along the Afghan-Pakistani border, and the situation wasn't very different on the LOC, Kashmir.<sup>139</sup> Pakistan's deep hostility with India had complicated Pakistan's relations with Afghanistan. The choice of supporting the Taliban by Pakistan's security establishment was motivated primarily to countervail India. This gave rise to Pakistan's brand of Taliban that had been attacking the state. Fortunately, by July 2018 Pakistan had been able to have the insurgency and showed the writ of the state.

Michael Kugelman, a Pakistani affairs specialist at the Woodrow Wilson Center in Washington, had argued that:<sup>140</sup>

Pakistan is in an unenviable position now in that it faces major security challenges on three of its borders...the roots of these challenges are all extraordinarily complex, and there is one single theme that animates these border disputes: allegations of Pakistani support for militants on its soil that stage cross-border attacks.

Today, Pakistan's relations with the Taliban are strained. It demands that the Taliban neutralize the TTP inside Afghanistan. However, the Taliban are reluctant to do so. The Taliban are reluctant to act against the TTP because they are preoccupied with meeting the enormous economic and governance challenges and are understandably reluctant to conduct further fighting missions inside the country. In the future, Pakistan will cooperate with the U.S. in its quest to end the terrorist threats from Afghanistan territory.

Meanwhile, Pakistan's positive role in the Afghan peace process, recent facilitation of the multinational evacuation effort from Afghanistan, and continued support for an inclusive political settlement in Afghanistan have been duly acknowledged by the Biden administration. Pakistan had also played a critical role in helping the U.S. counter Al Qaeda's core leadership in Afghanistan, as per the international coalition's core aim. Both Pakistan and the U.S. shared a desire for achieving an inclusive political settlement in Afghanistan that stands for the country's diversity. Today, Pakistan desires that the international community continue engaging with the Taliban to avoid a humanitarian crisis in Afghanistan and ensure durable peace and stability in the war-torn state. Pakistan was actively engaging with the international community to achieve this.<sup>141</sup>

Notwithstanding, the very recent blame game between Pakistan and the U.S. in which the U.S. lawmakers and Secretary of State Antony Blinken first criticized Pakistan during the recent Congressional hearings on Afghanistan, and Pakistan's reaction to it, the Biden administration will look to partner with Pakistan intelligence agencies, at some level, to achieve common objectives. Pakistan will ease such missions and may even provide some secret base facilities to the U.S., as before. Most probably, both will be a quest in these secret missions to end terrorist threats in Afghanistan. Most probably, the Afghan government would also be on board with this mission. These operations will be of the kinetic type involving mostly drone strikes, like elsewhere in Asia and Africa.

Lately, Pakistan has played a key role in helping the panicked evacuation from Afghanistan. More importantly, it continues to exert a positive influence on the Taliban. There

was a convergence of interests between the U.S. and Pakistan during the final years of the Afghan war. Today, Pakistan is being used as a scapegoat for the entire mess of the 20-year Afghan war. Both the U.S. and Pakistan now hope that the Taliban will respect minority and women's rights, though the US wishes more. 142 Today, Pakistan insists that all efforts should be made to immediately support Afghanistan's socio-economic reconstruction without political preconditions to stave off an impending humanitarian crisis there that could destabilize the region.

There is now hope that Pakistani American relations will improve. There is again some talk about connectivity projects in the region. A TAPI gas pipeline project will connect Turkmenistan, Afghanistan, Pakistan, and India

President Biden is the most experienced leader in foreign policy area to hold the august office of the country. Undoubtedly, he will order a rethink of the entire war strategy of the US so to avoid mistakes in the future. Overall, the Biden administration is going to chart a new way away from the militarized foreign policy of the past, especially the earlier Trump administration. He will focus more on diplomacy and less on using military power as a tool of foreign policy. That change in direction is ensured. However, the overall change in direction does not mean a change in focus on the Biden administration's counterterrorism efforts, which will be enhanced instead of an all-out war strategy.

The era of American grand interventions of the type that happened in Afghanistan and Iraq is now over. The Biden administration will not start a new major war on its watch. Thereby, the primary lesson of a failed "forever" Afghan war would have been learned. That much is guaranteed. Also, the focus of the Biden administration would be to transform the entire defense infrastructure for future wars which will significantly be much more tech-savvy, especially in the advanced computer and Information Technology domains requiring better design of the American military machine. Much importantly, the focus will be on counterterrorism and a move away from the big wars of the earlier period, which includes the Iraq and Afghanistan wars. The humiliation of the U.S. is very real and therefore a rethink of the entire gamut of war and military power will soon be undertaken. No future wars will ever stretch to years, as in the past. It bears repetition that the Biden administration is soon going to embark on a fundamental paradigm shift about military power as a tool of foreign policy and shift focus to other tools such as diplomacy, economics, and technology. The Biden administration is rightly convinced that America faces no



existential challenge from its adversaries. The only existential challenge faced by the U.S. is climate change, which requires global action. Therefore, the focus will soon shift to cooperation with all, including rivals Russia and China. All that is certain to happen. This shift does not suggest that the U.S. will not challenge Chinese expansionism in South and East Asia. It will do so. The Biden administration, unlike the earlier Trump administration, believes in multilateralism, not unilateralism. Therefore, it will simultaneously cooperate with rivals on other key areas like climate change. That much is certain also.

Given the Taliban government's full control over Afghanistan, Pakistan remained overly concerned about the country's stability. Afghanistan was faced with the formidable and urgent challenges of an impending humanitarian crisis and economic meltdown. No country has yet recognized the Taliban government. The international community has warned it will judge the Taliban by their actions, and that the recognition of a Taliban-led government would be linked to the treatment of women and minorities and the inclusion of other groups. Since the Taliban took control of the Afghan capital Kabul in August 2021, Pakistan has been calling upon the international community to play its role in rebuilding the war-ravaged country to ensure peace and stability. Pakistan has also urged the Afghan Taliban to form an inclusive government including all ethnicities including Tajiks, Hazaras, and Uzbek. The PTI-led government urged the international community to engage with Afghanistan at this critical juncture as abandoning the country would lead to civil strife and economic meltdown. Pakistan feared that in case the global community refused to engage with the Taliban government, the people of Afghanistan would suffer greatly. This would then also result in civil war, an exodus of refugees, drug trafficking, and transnational organized crime. The PTI-led government, like the world community, was demanding that the Taliban must set up an inclusive government that respects human rights in the country and ensure that Afghan soil would not be used by terror outfits against any country. Imran Khan, the prime minister of Pakistan had said the priority was to prevent a humanitarian crisis and an economic meltdown, and abandoning the country would lead to civil strife and economic meltdown.

Although Pakistan had the closest ties to the Taliban of any neighbor, there began a security problem emanating from Afghanistan. By September 2021, Pakistan began to face many TTP attacks, which resulted in thirty people killed in KPK and Balochistan. Pakistan will face more challenges from the TTP. Today, Pakistan is also concerned about the spillover of the

violence in Afghanistan as the new Taliban rulers are facing deadly attacks by the ISIS-K, which is still unreconciled to the Taliban. Several people have been killed in very recent attacks. The ISIS-K group remained a danger, even if it did not have enough fighters and resources to seize territory. ISIS-K is believed to draw many of its fighters from the ranks of the Taliban or the TTP. The ISIS-K's total strength is believed to be under 2,000 fighters, compared to as many as 100,000 Taliban fighters. The ranks of ISIS-K were swollen with prisoners released when The Taliban opened jails during their sweep of Afghanistan in August 2021.<sup>143</sup>

The ISIL-K had fought the Taliban over smuggling routes and other economic interests, but it also supports a global Caliphate under Islamic law, in contrast with the Taliban, which insisted it had no interest anywhere outside Afghanistan. The ISIS-K had declined from its peak around 2018 following a series of heavy losses inflicted by both the Taliban and U.S. forces. According to a June 2021 report by the UN Security Council, ISIS-K's financial and logistic ties to its parent organization in Syria have weakened, though it does keep some channels of communication. "Funding support to the Khorasan branch from the core is believed to have effectively dried up," the report said.<sup>144</sup>

However, the report said signs of divisions within the Taliban, which have already started to appear, could encourage more fighters to defect as the wartime insurgency tries to reshape itself into a peacetime administration. "It remains active and dangerous, particularly if it is able, by positioning itself as the sole pure rejectionist group in Afghanistan, to recruit disaffected Taliban and other militants to swell its ranks," the UN said.<sup>145</sup>

In early 2022 there began a surge in terrorist attacks on security personnel. In April 2022, two Pakistan Army soldiers were killed in the South Waziristan district during a gun battle with terrorists. Similarly, on April 23, three Pakistan Army soldiers were killed in North Waziristan during an exchange of fire with terrorists from across the Afghan border.<sup>146</sup>

At least six people—three Pakistan Army soldiers and three children—were martyred on Sunday in a suicide blast near Miranshah, North Waziristan, according to a statement issued by the Inter-Services Public Relations (ISPR).

In a statement posted on Twitter, Prime Minister Shehbaz Sharif condemned the suicide attack and offered his "heartfelt condolences to the bereaved families." Describing killers of "innocent children" as enemies of both Islam and humanity, he said Pakistan would not rest until

such brutalities had been eradicated. “Blood of our soldiers and citizens is a debt to us that we will repay by eradicating terrorism from our country,” he added.

Information Minister Marriyum Aurangzeb and Foreign Minister Bilawal Bhutto-Zardari also condemned the attack, adding that the entire nation stood with the Army against terrorism.<sup>147</sup>

## Chapter 8: Pakistan-India Relations

India and Pakistan are historic enemies, and their relations are extremely strained now. The foremost external challenge of Pakistan was perceived to be India.

Kashmir remained a lingering dispute between the two neighbors. Kashmir being a territorial issue was difficult to solve because of its very nature. Given the political uncertainty in both India and Pakistan, the Kashmir conflict was not going to be solved soon.

More importantly, such was the level of distrust between India and Pakistan that a grave territorial matter like Kashmir could not be solved easily. There are other disputes with India: Siachen, Sir Creek, and support of terrorism. India is supporting the ongoing insurgency in Baluchistan by aiding the Baluchistan Liberation Army fighting cadres in neighboring Afghanistan. India accused Pakistan of supporting the Lashkar-i Taiba (LeT) involved in the 2008 Mumbai terrorist incident. In sum relations are sour. However, some improvement has been made in Pakistan-India relations in the business and trade sectors. Overall, relations between the two nuclear neighbors are still frosty. No breakthrough in relations is imminent. Suffice to state here the nature of continuing rivalry with India had made Pakistan extremely cautious about its national security and the safety of the homeland. Pakistan’s tense relations with its Indian and Afghan neighbors are unlikely to abate. Pakistan and India seem likely to continue their rhetorical barbs and border skirmishes. While both nuclear-armed powers look to avoid a deepening conflict, another major terrorist attack could however loosen Indian restraint. Pakistan’s suspicions about Afghanistan may grow in 2017 should further Taliban military gains force the Kabul government to turn more to India for its security needs. Under a new American administration, the long partnership with Pakistan may become more transparently transactional and carry more sticks than carrots. <sup>148</sup>

India continued to develop its military capabilities. India already owns a huge military force some 1.2 million strong. It was equipped with a formidable arsenal of weapons both conventional and nuclear. India is expanding its military ability in a big way. Earlier, in 2003 India had signed a deal with Russia for the supply of \$3 billion worth of military hardware. In 2004, India announced that buy \$15 billion worth of weapon systems for its armed forces in the next five years. In 2006, India's defense budget had increased to \$20.11 billion. Earlier, India's defense 2017-18 budget increased to \$40.6 billion. The core defense budget amounted to around 12% of total government spending for the fiscal year and about 1.6% of GDP. Total defense-related expenditure, including military pensions, rose to \$53.1 billion, around 2.2% of GDP.<sup>149</sup> Another report claimed that in the budget for the 2017-18 fiscal year, some \$ 53.5 billion were allocated to defense <sup>150</sup>

The total allocation for the defense included four components: The Ministry of Defense (MoD) budget (which covers the operating expenditure of the civilian ministry and its related agencies); defense services revenue budget (comprising the operating costs of the military, including pay); defense services capital budget (which funds most equipment procurement and development for the armed services); and the defense pensions budget (covering the costs of military pensions).

Despite a gloomy global economic environment, the Indian economy continued to a bright spot, with the first estimates of the GDP showing a growth of over seven percent per annum for three consecutive years between 2014-15 and 2016-17. Earlier, pressure had been growing on the Modi Government to increase defense spending even more. People asked whether the allocation had been adequate to meet the security needs of the country. <sup>151</sup>

India's defense budget was increased to 2.74 trillion Indian rupees compared to the previous fiscal year's (2016-17) budget of Indian rupees 2.49 trillion. The allocation was about 13% of total government expenditure, which was Indian rupees 21.47 trillion.<sup>152</sup> This was the second consecutive increase of over 10% in the defense budget, Indian analysts said the increase would be necessary to deal with inflation and the ongoing modernization drive in military hardware.<sup>153</sup>

Meanwhile, the Indian economy was doing well. The country's finance ministry had forecasted that growth in the coming fiscal year would be between 6.75 and 7.5%.<sup>154</sup> Compared to India, Pakistan's defense budget was small with an outlay of \$7 billion is in 27th position at

the top in sharp contrast to its regional rival India which stands seventh in ranking. Saudi Arabia had an enormous budget of \$56.7 billion. It was now the third defense spender on the global list.<sup>155</sup>

Earlier, Turkish President Tayyip Erdogan had called for Pakistan and India to settle the dispute in Kashmir finally through talks. Erdogan's statement comes in the wake of a violent month in Indian-occupied Kashmir during which many Kashmiri youths have been killed by Indian troops.<sup>156</sup>

It was exceedingly difficult politically for any Pakistani government to move towards peace with India. Kashmir being a territorial dispute, like some others in history, was not easily resolvable. Given the current hostility, it was impossible to be settled through bilateral talks as demanded by India. That was a dead-end strategy. Pakistanis feared that is what India wanted all along. A permanent status quo situation. Third-party facilitation like that offered by Erdogan would certainly be helpful to start any negotiation process. There was no easy answer and there was no quick solution also. Most importantly, the Kashmir dispute could only be resolved with the consent of the Kashmiris themselves. It required an improvement in the climate between Pakistan and India. Nothing was written in the stars, the status quo could be changed through patient diplomacy and third-party mediation efforts. The foremost outside power to help such peace talks was the U.S. Only the U.S. had enough soft power to get Pakistan and India to agree on one settlement of the Kashmir dispute. Meanwhile, Pakistani realists were convinced that the only workable option was something like a scheme in 2004 by General Pervez Musharraf, which included "no exchange of territory but freedom for Kashmiris to move between the two sides, demilitarization and greater self-government for the region".<sup>157</sup> However, such a compromise would have needed good relations with India.

Later, events inside Pakistan further strained relations between it and its eastern neighbor. In a terrorist incident in Quetta in the summer of 2021 five people died and ten were injured. Pakistan's Interior Minister, Sheikh Rasheed pointed towards India's activities aimed at destabilizing Pakistan, saying that during the past eight to 10 days, an estimated 250,000-300,000 social media accounts were created in India. He said these were efforts to destabilize Pakistan from within "by foreign elements." "These foreign forces cannot see Pakistan prosper and progress," said the minister.<sup>158</sup>

Meanwhile, the U.S. had said that it encouraged direct dialogue between Pakistan and India on “issues of concern,” as signs had appeared of rapprochement in relations between the South Asian neighbors. Previously, Islamabad had downgraded its diplomatic relations with New Delhi and suspended bilateral trade in August 2019, after India had revoked a special clause from its constitution to remove the special status of Indian-administered Kashmir. Meanwhile, top intelligence officers from India and Pakistan held secret talks in Dubai in January in a new effort to calm military tension over the disputed Himalayan region of Kashmir.

Foreign Minister Shah Mahmood Qureshi on April 16, 2021, said that Pakistan never evaded talks and wants to live in peace with all its neighbors including India. He added Pakistan desired peace in the region as peace would ensure a better economy and more economic opportunities will be created. He further said that the government wanted to give the right to vote to overseas Pakistanis and it is consulting with other political parties on the issue.<sup>159</sup>

Pakistan’s new push in Afghanistan and beyond cannot work without stable ties with India, as hinted at by both Prime Minister Imran Khan and army chief Gen Qamar Bajwa. A 2018 World Bank study estimated that the two countries are missing \$37 billion in trade due to tariffs and non-existent connective infrastructure. Pakistan’s aspirations of being a connectivity hub also make more sense if it can serve as a conduit for Indian goods into Central Asia and Europe.

As always, the key bottleneck in improving Indian-Pakistani ties is still to be Kashmir. New Delhi is unlikely to change its post-Article 370 stance, while Pakistan will, at minimum, continue to call for demilitarization, provisions for self-governance, and some redressal of rampant human rights violations in occupied Kashmir, especially since 2019. As these entrenched differences resurface, India’s historic reluctance for third-party involvement will also kick in, limiting the extent to which the growing number of interested international actors can sway outcomes. By early August 2021, the ceasefire has been held so far but there are widespread concerns that the promise generated by the announcement is fast withering away.<sup>160</sup>

Relations between Pakistan and India are deteriorating. Kashmir is still the core issue in the bilateral relations between the two neighbors. Without its final settlement, there can never be enduring peace between the two countries. Both rivals must now show flexibility and ensure an end to violence. The SAARC summit in Islamabad in 2021, could have been the best forum for

showing the common commitment to regional peace, giving a boost to South Asian cooperation, and reviving the stalled India-Pakistan dialogue. The summit never happened.

Enmity with India is an ongoing affair with no evidence of a thaw in the relationship.

Very recently, in an unprecedented move, India denied Pakistan's participation in the Shanghai Cooperation Organization (SCO) seminar on armed forces' contributions to military medicine, healthcare, and pandemics, held in New Delhi. India is currently the president of the SCO and is hosting a series of events. Pakistan was expected to attend the conference. As expected, India objected to the map used by the Pakistani side, showing Jammu and Kashmir as its territory. After the matter came to the Indian external affairs ministry's notice, the Pakistani side was asked to show the "correct map" or to stay away from the seminar.<sup>161</sup>

The Pakistani delegation chose to stay away.

Pakistan rejected the Indian excuse that it could deny participation of a member state in an SCO event based on a flawed understanding of the nature of a disputed territory between Pakistan and India. Pakistan has urged India not to exploit its SCO leadership to advance its self-serving objectives and politicize the organization.

India has invited Pakistan's defense and foreign ministers to attend the SCO meetings in April and May. Pakistan has yet to respond to the Indian invitation.<sup>162</sup> Strained relations are expected to continue unabated in the future.

Given the history of past peace breakthroughs with India, there is an urgent need to develop an out-of-the-box-thinking paradigm yet again. In the past, certainly, there have been Indo-Pak channels of communication outside formal institutions. Referred loosely as track-II, most of these dialogues have been supported by sources outside South Asia (for example, the U.S., Canada, United Kingdom, and Germany), and have been seen with apprehension by the two states. While some of these dialogues were comprehensive, others were focused on specific issues such as nuclear and military cooperation, water, and Afghanistan. Some track-II dialogues (for example the Chaudhary and Ottawa dialogues) had met regularly, even during difficult circumstances. Led by big names on both sides, these dialogues featured former bureaucrats, retired military officials, academics, and media professionals. While track II dialogue is a useful resource, unfortunately, Indo-Pak bureaucracies tend to listen little to external input, even if it is projected through their former secretaries and retired military officials. Unlike the West, our

bureaucracies are not known for consulting outside resources — both formally and informally. As a result, the track-II channels remain under-utilized.

Pakistan and all its neighbors desired regional peace but that was only possible with the solution to the Kashmir dispute. Nothing else will convince the powerful Pakistan military establishment to suspend the further development of the nuclear arsenals. Remember the country with the most rapid expansion of nuclear weapons is Pakistan. This is indeed ironic because Pakistan is also a country imploding from within. Pakistan's nuclear weapons cannot save it from this landslide. Bad governance and corruption are now endemic in the country. The Pakistan military leadership must realize that having such a large nuclear establishment is not helping matters at all. We are facing an unconventional war and nuclear weapons are of no use here. The primary threat is from within, as rightly acknowledged by the Army brass recently. Pakistan had suffered from militancy more than any other country in the world. The new Sharif coalition government must concentrate on fighting those Islamic radicals who have set up themselves for foreign jihad ventures thereby acting against the national interests of the Pakistani state. This is not a war but a counter-terrorism problem much like what India has seen in the last few decades. Meaning that it must be taken as basically police operations only. No massive use of force is necessary here. Plus, the real battle is to win over the dissatisfied local populace through economic and social development. Only here can the battle be won. This was not a conventional war but an extraordinary unconventional conflict that required the military establishment and the PTI government to use new weapons and tactics to fight and win. Pakistan's leadership had to act smart and think outside of the box. Things are vastly different from Pakistan's experiences in earlier wars with India. By resolving the Kashmir dispute, both India and Pakistan can become more stable; and the stability in the two countries could promote a more stable South Asia. The foreign ministers of Pakistan and India should meet soon. Both countries should begin to normalize relations now. Discuss all disputes, including Kashmir. All lingering disputes can be resolved with time. It is necessary that a dialogue mechanism must be started, and the archrivals must agree to talk.

Chapter Four: The Pakistan Democratic Movement (PDM) Coalition Government 2022-2023



Earlier, the PTI formed a coalition government that ruled Pakistan from 2018 to 2022. The incumbent (PDM), an alliance of 13 political parties, came into power on April 9, 2022, by removing the PTI government through a no-confidence motion in the National Assembly. The PDM government is led by the PMLN and PPP and is set to complete its first year in office. Meanwhile, as of March 27, 2023, the country is deeply engulfed in a political, economic, and constitutional crisis. The military stays entrenched in the country's politics, as before.

Today, the Shabaz Sharif coalition government faces daunting internal governance challenges of an overly complex nature. Pakistan faces an economic crisis and needs help from its Western allies, especially USA. It would be prudent to mend relations with America at the earliest possible because of various issues, especially the matter of the urgently needed IMF bailout revival. The Sharif coalition government must also try its best to improve relations with India. Peace with India will decrease the tensions in South Asia and provide Pakistan with access to the growing Indian market. It was time for a new beginning. Pakistan requires bold policy measures to chart the country on a trajectory of rapid economic development.

### Political Crisis Situation

Pakistan is the fifth largest country in the world with a population of 240 million. It has a functional democracy, although critics say Pakistan ranks among the worst democracies in the world. Today, Pakistan is a mess. It faces a complex internal challenge: weakened political leadership, the poor overall performance of state institutions, poor public services, massive poverty, burgeoning population, rampant urbanization, continuing military control of Pakistan's foreign and security policy framework, bad governance, the impact of continuing conflicts with India, Afghanistan war situation, increased militancy, and endemic corruption allegations. Pakistan continues to suffer from an ineffective and inefficient bureaucracy and most importantly a lack of political will to see a comprehensive agenda of reforms through to completion. Notwithstanding its pious declarations, the current Pakistan Democratic Movement (PDM) coalition government simply does not have the will to implement the reform agenda.

The PTI and the PDM government are at loggerheads. Notwithstanding Imran Khan's outlandish political rhetoric, he should be allowed to continue with it. The Opposition marches will be a great nuisance but certainly not wreck the Sharif Government. Maturity requires that

the Opposition blasts, though without merit, be tolerated only because Pakistan is a democracy, though a fragile one. The Sharif coalition government is bent on overreaction to Imran Khan's protest politics. Such action an overreaction by the Sharif Government will create more chaos and anarchy in the country. Tolerance must be shown and let politics play out without state intervention. Wisdom must prevail. Why no action? The Sharif government must only focus on delivering good governance. It does not have to be obsessed with Imran Khan, as it will be bad for the government, and the country. Pakistan deserves better.

The country is facing an acute image problem. Today Pakistan was misunderstood and was, therefore, being unfairly treated by the U.S. and other Western powers for its perceived connections to global terrorism. It was more complicated now. However, there is indeed a need for a foremost reappraisal of Pakistan's domestic and foreign policies. Pakistan should strengthen its system of democracy because it was very deficient in countless ways and not functioning at all. The political paralysis was a result of these systematic faults. Islamic fundamentalism, poor governance, absence of democratic norms, intolerance in society, and inertia was the principal cause of the situation. Lack of political will to reform both state and society may be the single biggest reason for the mess. Examine the deeper problem of bolstering the deficient, undemocratic decision-making structures. Due to the disinterest towards institutionalized decision-making by Pakistan's rulers, it was hardly surprising that policy and decision-making of national importance remained personalized and incoherent. It was this very flaw that prevented the Government of Pakistan from conducting a truly national strategy. Until and unless there was an institutional decision-making process Pakistan would continue to lack intellectual content the country would always be faced with a crisis. Pakistan faced much larger challenges because of this poor policymaking. The county's past was haunting it now. Reckless decisions like the infamous U-turn of Genera Musharraf after 9/11 where Pakistan became an ally of the U.S. without weighing the full consequences of this abrupt departure of foreign policy. The Army's alleged support of Jihadist entities like the Jaish-e-Mohammad, Haqqani network, and Quetta Shura. The main reason for this was the personal nature of rule in Pakistan. The civilian leaders do not follow democratic norms of decision-making. This empowered the Army even more and provided further leverage to it to influence Pakistan's decision-making. Neither the Cabinet nor the Parliament is fulfilling their given roles assigned to them. Even the Judiciary is very deficient, especially at the lower levels. The Parliament does not properly fulfill

the required function of legislative oversight in Pakistan, as was the norm in the system of democracy. The Cabinet does not deliberate as was needed for the proper administration of the state institutions. The notion of national security was the primary driver of Pakistan's national interest, which had given significant leverage to the military. The military itself had a deficient national security paradigm and a very narrow focus on the regional situation, let alone the global one. It was obsessed with its enmity with India, the historic rival. This does not condone Indian actions in any way. The point was that the military as an institution was necessarily focused on fighting wars and winning them and not working for peace. The U.S. and other Western powers continued to consider Pakistan through an Indian or Afghan lens. The erroneous view of Pakistan, in which security remained the paramount national interest for the U.S. and other powers, had exaggeratedly increased Pakistan's domestic political problems. India was now employing territory in Afghanistan for deploying TTP and other dissident elements against Pakistan. In clear contrast, to the criticism of Pakistan's support of some Jihadist entities that had an external focus, there was not any disapproval by the U.S. and other Western powers regarding India's brutal repression of the Kashmiri independence movement and its policies towards Pakistan. Indian interference in Pakistan's internal affairs and support of Baluch insurgents, MQM and TTP was well documented but remained ignored by the U.S. and other Western powers. On the contrary, there were powerful voices in the U.S. that were producing legislation punishing Pakistan. The reason for this biased approach was obvious. The U.S. had tilted towards India in an incredibly significant manner because of perceived commercial gains and other economic interests. The two countries had grown remarkably close in the last few years or so. The U.S. now considered India as a strategic partner and the nefarious role of India in destabilizing Pakistan was conveniently ignored. The TTP and these anti-Pakistan groups based in Afghanistan and operating from Afghanistan's territory was not targeting the U.S. or other Western powers. Hence, they turned a blind eye to their nefarious activities. To expect Pakistan to turn direction at once was simply expecting too much. This was not going to happen any time soon. However, a peace deal between India and Pakistan and a solution to the Kashmir dispute can turn things around in the desired direction. Here the U.S. can play a key role.

Undoubtedly, Pakistan's current policy of permanent Indian enmity and conflict was going nowhere. Pakistan was a security state because of this approach. The Pakistan military was adamant in confronting and was still supporting some jihadist elements like the LeT, HQN, and

Quetta Shura for its purposes. A change in direction was required now. Given the complexity of the regional situation, more robust diplomacy was urgently to get Pakistan out of the current morass and crisis. However, the Nawaz government was not up to the task and was failing to protect Pakistan's vital national interests. Plus, it faced an immense image problem because of the Panama Papers case pending in the Supreme Court of Pakistan.

The country was expected to improve on the economic front thanks to the CPEC initiative but the sheer negligence of the ruling establishment to tackle the issue of social justice and enlightened Islam will draw it back from reaching its true potential. The anarchy unleashed by Islamic fundamentalists must be checked in Pakistan before it engulfs the whole region in further chaos. Much depends on timely action taken by the ruling establishment of Pakistan to get its act together to achieve the true prospects of economic development presented to the country by the CPEC initiative. Bad governance is still the norm in Pakistan and is not an exception. Desperately needed reform measures still await the nation? The nation is poorer because of its poor leadership, both military and civilian. It is hoped that a turnaround yet happens as a new civilian leadership replaces the current lot. Pakistan has enormous potential in its youth but lacks the leadership to make full use of the potential. The leadership is bickering among itself, complacent and corrupt. Too bad for the country. There was also a bright side to the country's dismal picture, however. Pakistan can indeed have a great future and be on the road to success and sustainable peace. Pakistanis are the most resilient nation. Pakistan can indeed position itself in the region as a massive trade corridor that will catapult this country to economic prosperity and a symbol of geostrategic integration. Pakistan as the regional trade, industrial, and economic hub will be in a position of strength and the world will endeavor to improve relations with Pakistan. Pakistan believes in cooperation, instead of competition. Pakistan is carving out a trajectory of progress for the region by way of economics, which the world needs to recognize and acknowledge. Pakistan faced an existential crisis of a daunting magnitude. The primary threat was from within the country.

The time was to go back to the liberal message of Islam and propagate the Sufi version of it where the principle of Sulh-i Kul or peace with all must become the new societal paradigm of governance and mutual conduct of communal affairs. The message of peace and tolerance in the liberal version of Islam must be adopted by both state and society in Pakistan. Given the sorry

situation in Pakistan, there was little choice in the matter. It was time to act. Bold measures were needed and enlightened leadership at the helm of affairs in the country.

Much depends on the future leadership of the country not only at the governmental level but also at the societal level, especially the intellectual level. It was hoped that Pakistan would indeed make the best of the excellent opportunity made available by the CPEC project and turn around the country towards a path of economic development, prosperity for all, peace, and national security. Thus, the CPEC could help address an urgent political and economic predicament of Pakistan as well. The CPEC could have a regional impact that will promote connectivity in it and beyond. CPEC would make the country a manufacturing and commerce hub. It could improve infrastructure in the entire region. Given the trust deficit between Afghanistan and Pakistan, China should take the lead and play a “leadership” role. CPEC and BRI could become a vehicle of cooperation and friendship between Afghanistan and Pakistan.

India was adamantly opposed to the CPEC initiative and had very openly expressed its concern to China several times. India shall continue its protestations to China that CPEC goes through the Gilgit-Baltistan region claimed by it. It was amazing that India had not protested the building of the Karakoram highway in the 1960s, which also was going through the same territory. Meanwhile, Pakistan was apprehensive of rising Indian influence in Afghanistan, which could threaten CPEC. Also, Iranian-Pakistani relations have been tensing for quite some time, but lately, there has been a sharp rise in hostility between the two neighboring countries. Experts say that Islamabad’s alleged support to Sunni militant groups, most of which operate freely inside Pakistan, was one of the reasons behind the deteriorating ties. Iran was not the only country in the region that was unhappy with Islamabad’s handling of Sunni militants.

The growing tensions between all three neighbors are not only straining Pakistan’s precarious politics and the civil-military equilibrium harmony but also hindering its economic development. In the past, the daunting failure of Pakistan’s government to stop Pakistan-based militant groups from launching attacks against its neighbors was hurting political and economic ties. Later, a rethink of Pakistan’s foreign policy was made, and the attacks were stopped. The PTI government has successfully reappraised the country’s policy framework. Pakistan desires peace in the region, which is desperately needed for its stability, progress, and economic development. However, it is hampered from achieving its desired goals by a corrupt political system and weak leadership. Bold leadership is missing in the country. The Army which still

oversees foreign and security policymaking is still myopic in its views and is obsessed with the enmity of India. Thus, Pakistan was moving closer to China, and Russia as its mortal enemy — India — moved remarkably close to the U.S. For the military establishment in Pakistan, it was a zero-sum game. Pakistan must make efforts for peace with its neighbors but is challenged to do so by its weak leadership at the helm of state affairs.

Pakistan is now isolated on the world stage. It has strained relations with three of its neighbors, India, Afghanistan, and Iran. Enmity with India continues unabated. There is no evidence of a thaw in the tense relations between India and Pakistan. Both countries play the blame game. Despite India's continuing persecution of Kashmiri Muslims in IOJK, Pakistan must try its best to improve relations with India. India is a neighbor with an exceedingly long tense border with Pakistan. Peace with India will decrease the tensions in South Asia and provide Pakistan with access to the growing Indian market. It is time for a new beginning. Indeed, a new era can begin in Pakistan. For that to happen bold policy measures and out-of-the-box thinking are now urgently required. Pakistan should focus on the development of its human resources, sustainable economy, and the eradication of poverty, which can only happen if bold policy decisions are taken now. However, given the military dominance of Pakistan's politics today such development is ridiculously hard to imagine. Pakistani leadership can only fail at its peril. The people hope for change, and it is now time to deliver. It is imperative to set the right direction. There is still hope in Pakistan.

Undoubtedly, Pakistan's current policy of permanent Indian enmity and conflict was going nowhere. Pakistan was a security state because of this approach. The Pakistan military was adamant about confronting India and was still supporting some jihadist elements like the LeT, HQN, and Quetta Shura for its purposes. A change in direction was required now. Given the complexity of the regional situation, more robust diplomacy was urgently to get Pakistan out of the current morass and crisis. The Pakistani government was not up to the task and had miserably failed to protect Pakistan's vital national interests.

#### Political Chaos

Pakistan is heading toward chaos. The political temperature in Pakistan is on the rise owing to the lingering situation. The cat-and-mouse game keeps on increasing political turbulence.

Political conflict can lead to a decisive police operation against Tehreek-e-Insaf (PTI), which may lead to more violence. The PDM Government is trying to somehow diminish the great popularity of the PTI party.

Interior Minister Rana Sanaullah on March 22 sought a parliament ruling to empower authorities to tackle the PTI's alleged involvement in violence.

The ruling was asked for in a joint session of parliament convened over the instability caused by the crisis over PTI chair and deposed premier Imran Khan.

Speaking in the National Assembly, Sanaullah said 68 security personnel were injured in clashes on March 18.

The clashes erupted after Imran's activists prevented police and Rangers from arresting him in the Toshakhana case in which he was accused of unlawfully selling state gifts during his tenure as the premier between 2018 and 2022.

Sanaullah added that police vehicles, motorcycles, and public properties were set on fire during the clashes.

He continued that 316 PTI activists had been arrested and would face trial in an anti-terrorism court.

The minister requested the House to give "guidance" to the government about the violence stoked by Imran's activists and supporters, whom he claimed included "miscreants, armed groups, and terrorists."

"Parliament has the responsibility to guide the nation in various affairs and it would have to play a role now to check the attempts of creating an administrative crisis in the country," he added.

He continued that parliament should also give directions to overcome the economic crisis.

"It is required that the security forces should be given the authority and other measures to deal with this issue," he said, adding that the PTI chief's agenda was "chaos and anarchy."

The government has alleged that Imran's activists had militants among them, and ministers have called for proscribing the PTI.

Sanaullah highlighted that parliament was the supreme institution.

He added that other institutions had their domains, responsibilities, and authorities as per the Constitution.

He pointed out that parliament could amend the Constitution and increase or decrease the authority of other institutions.

The minister said parliament should discuss the overall situation and provide directions to all institutions on their basic roles.

The minister claimed that Imran had been involved in creating chaos and unrest in the country for the last 10 years.

“[The] sit-in for 126 days; foul language in speeches; disrespect for parliament; and long marches and protests from 2013-18 were aimed at creating anarchy in the country,” he added.

Sanaullah alleged that elections were rigged and managed to bring Imran into power in 2018.

He claimed that Imran tried to sideline the opposition.

The minister maintained that Imran had rejected the offers of PML-N President (and now prime minister) Shehbaz Sharif and PPP Chairman Bilawal Bhutto-Zardari, also the incumbent foreign minister, for cooperation to steer the country out of the challenges it was facing.

He claimed that Imran had used abusive language against opposition leaders during his term as the prime minister and victimized them.

Sanaullah recalled that the leadership of the PML-N including Shehbaz, Khawaja Asif, Saad Rafique, Shahid Khaqan Abbasi, and PPP Co-Chairperson Asif Ali Zardari and his sister Faryal Talpur were detained in jail. He added that Mirza Shahzad Akbar, then Premier Imran’s aide was launched to target the opposition leaders and cases were filed against them.

Later, he added that a “propagandist,” in a reference to Imran, was brought into power with a thin majority.

He continued that the propagandist was later ousted constitutionally.

The minister claimed Imran had spread propaganda about the US cipher and tried to destabilize the constitutional government through protest calls on May 25 as well as November 26 when an important appointment was about to be announced.

He added that the Wazirabad attack – in which Imran suffered bullet wounds to his foot -- was also exploited and allegations were leveled against political opponents.

Sanaullah maintained that the people had rejected Imran’s politics, which stood exposed in his long march, which culminated in Rawalpindi.



After this “defeat” on the political front, the minister said a “frustrated” Imran then announced the dissolution of assemblies in two provinces.

Sanaullah noted that the Constitution made it mandatory to hold elections in 90 days, but it also asked for free and fair polls.

He said elections had been announced in Punjab on April 30, but this date was not as per the constitutional deadline of 90 days.

The minister also questioned the transparency of elections if held in phases.

He continued that allegations would be leveled if the polls for National Assembly seats were held in two provinces in the presence of elected governments.

Sanaullah maintained Imran had no answers in the cases against him including Toshakahana, prohibited funding, and Tyrian White ones.

About the remarks of Chief Justice of Pakistan Umar Ata Bandial about the elections, the minister said the top judge's directions were already being followed and the PML-N's preparations were underway to participate in the provincial polls.

Sanaullah demanded that a reference should be fixed against a sitting judge of the apex court for a hearing in the Supreme Judicial Council (SJC).

He added that the Pakistan Bar Council had filed a reference against that judge.

The minister also condemned the remarks of former CJP Saqib Nisar against a female political leader in a leaked audio.

He said that charges of embezzlement against the judiciary should be investigated as two sons of a sitting judge allegedly remained involved in managing cases.

In an interview on March 26, 2023, with a local news channel, Interior Minister Rana Sanaullah, the second-most powerful official in the government, issued what many say are not-so-veiled threats to Khan, who since his removal from power last year has been demanding immediate elections.

“He [Khan] has brought the nation’s politics to a point where only one of us can exist,” Sanaullah said. “When we feel our existence is being threatened, we will go to a point where we will not bother whether a move is democratic or not,” he added.<sup>163</sup>

Calling Khan an “enemy” who is “incurable,” the minister said there will be “no normalcy or political stability” in the country so long as the Pakistan Tehreek-e-Insaf (PTI) party chief

“exists.” “He accuses us of plotting to kill him, and if he thinks we want to kill him, obviously he wants to kill us as well,” he said.

Khan’s PTI slammed the federal minister’s comments.

“A fight to the death? This is not an ordinary person talking but Pakistan’s interior minister. In any other country, he would have been made to resign,” party leader Taimur Jhagra told Al Jazeera. “No one from the government has contradicted [the remarks]. No one has apologized. This exposes their political values, and sadly, is also an honest admission of how afraid they are of Imran Khan.”<sup>164</sup>

In a news conference on March 26, 2023, senior PTI member Fawad Chaudhry asked if the minister was a “goon”.

“Is he doing politics or running a gang? This is not how politics is done. Politics is about listening to each other and moving on. You say we have reached a point where Imran Khan remains for us, but we do not think of you like that,” he said.

Since his removal from power in April 2022, Khan has held several rallies to demand immediate national elections. He was shot in the leg at one such rally in November.

Khan has repeatedly alleged a plot by Prime Minister Shehbaz Sharif’s government and the powerful military to either jail or assassinate him ahead of the general polls due later this year.

In recent weeks, the bitter feud between the ruling coalition and the opposition leader has seen violent clashes between Khan’s supporters and the security forces in the capital Islamabad and his hometown Lahore.

Imran Khan has been slapped with more than 80 cases, including those related to alleged corruption and even “terrorism”. Sanaullah refuted the claim, saying there are 40 cases against the opposition leader.

On March 27, 2023, Khan is scheduled to make another court appearance in Islamabad in a case of alleged “terrorism”.<sup>165</sup>

At a rally in Lahore, the capital of Punjab province – Khan’s stronghold where assembly elections were controversially delayed by the government last week – the PTI chief attacked the government for failing to act when the country faced an economic crisis.

“I want to pose a question to Pakistan’s establishment. It is quite evident that you do not want to let Imran Khan win. All the antics, including an attack on my home, delaying elections –

the objective of all this is just to make sure that Imran Khan does not come back to power,” he said.

“So, I ask, sure do not let me win. But do you have a program to save the country from this disaster? Do you have a roadmap?”<sup>166</sup>

Meanwhile, a total of 143 cases were registered against Khan, mostly on terrorism charges. A Pakistani court on March 27, 2023, granted interim bail to Imran Khan in seven different cases registered against him following clashes at the federal judicial complex here earlier this month when the former prime minister arrived from Lahore to appear in a corruption case hearing. Imran Khan, the chair of the PTI party, sought interim bail in seven cases registered against him in Golra, Bara Kahu, Ramna, Khanna, and CTD police stations.<sup>167</sup>

Barrister Salman Safdar, Khan’s counsel, who filed the pleas, stated that the former prime minister would suffer “irreparable loss” if he was arrested. “Furthermore, being head of the single largest political party, there is an apprehension that his political adversaries and opponents would be able to further their nefarious designs and political ambitions if pre-arrest bail is not granted to the petitioner,” according to the petition. The court after hearing arguments granted interim bail to the former premier.<sup>168</sup>

Intense clashes erupted outside the judicial complex on March 18 when Khan arrived from Lahore to attend a much-awaited hearing in the Toshakhana case. During the confrontation between PTI workers and police, over 25 security personnel were injured, prompting Additional District and Sessions Judge Zafar Iqbal to defer the court hearing in this case till March 30. Khan has been repeatedly claiming that his life is under threat because of which he was abstaining from attending court hearings. Earlier, Imran Khan alleged that the PML-N-led government was plotting to assassinate him in the pattern of Murtaza Bhutto, who was killed in police firing when his sister Benazir Bhutto was in power in 1996.<sup>169</sup>

PTI leader Shireen Mazari claimed that Khan’s photographer and three other civilians were taken into custody ahead of Monday’s court hearing.

“It is shameful how PTI workers are being arrested in Islamabad today. Why are people not even in uniform putting our people in prison vans?” Mazari asked.<sup>170</sup>

In Islamabad, authorities have imposed Section 144 of the Pakistan Penal Code that barred the gathering of people and warned of arrests in case of the violation of its order.

Khan was ousted from power in April 2022 after losing a no-confidence vote, becoming the first Pakistani prime minister to be voted out by the National Assembly.

Since his ouster, he has been demanding snap polls in the country to remove what he termed an “imported government” led by Prime Minister Shehbaz Sharif. Meanwhile, a Pakistan court grants interim bail to Imran Khan in seven cases.<sup>171</sup>

### The Crisis Situation in Pakistan

Pakistan is facing a political crisis. The volatile situation has been defused only by court verdicts. Imran Khan, PTI leader, is now in Islamabad facing about a hundred court cases. As expected, he fears arrest and disqualification from contesting the coming elections. However, Imran Khan is upholding the symbolism of respecting the Rule of Law and fighting these mostly bogus allegations against him in various courts of the country. Today, this symbolism matters a lot as he is gaining public sympathy. Most importantly, the world is watching now and will note actions taken by the state authorities.

Notwithstanding Pakistan’s PDM Government’s apparent inclination to not hold elections as per the Supreme Court verdict, the people demand them, as per the law. Attempts to crush the Opposition forces do not make sense anymore. Is Pakistan descending into a direct military rule? Hope not for the sake of the country.

The litmus test of Pakistan’s sacred cows is whether the two provincial elections are held next month. It appears not. For the sake of Pakistan, they must be held as scheduled. Hoping against hope now.

The solution is adherence to the Rule of Law. It bears to repeat infinitely that no one, including the military, can stop the provincial elections from taking place next month. The Supreme Court verdict must be implemented, no matter what. All are subordinate to the doctrine of the Rule of Law, with no exceptions. There are no sacred cows in Pakistan. The will of the people is supreme. However, establishing a democratic foundation in the country is no easy task. Given Pakistan’s history, building it will need time and earnest effort.

The PDM government in Pakistan is bent on crushing the Opposition PTI, as it fears its increasing popularity. Ridiculous allegations of terrorist activity are being leveled against Imran Khan the party’s leader. The PDM government does not count in today’s Pakistan. The real

power is vested with the powerful military brass. Can Pakistan come out of the grave political crisis on its own? No chance at all. Now it is up to its friends to step in and resolve the conflict tearing the country. Given the grave economic crisis, Pakistan has little time left for that to happen.

Given Pakistan's tragic history, it bears repetition that a military has no role in a country's politics. Can the political parties of Pakistan create an alternate political system? There is no evidence that they can. They have no democracy within them.

Pakistan is a mess. There is a crisis of leadership in Pakistan. There is no statesman guide. That is the real tragedy of the country. Nevertheless, Pakistan must move on.

Meanwhile, Pakistan is also facing a severe economic crisis requiring immediate attention. The precarious nature of Pakistan's economy requires swift action. Yet some hurdles remain in securing the IMF deal. The government of Pakistan must now fulfill the remaining IMF conditions immediately, and get it done. No choice in the matter now. The sooner the better. Simple as that.

This is a catch-22 situation for Pakistan if there ever was one. The IMF says that Saudi Arabia, and other friends, must help now before they release the tranche money themselves. Meanwhile, Saudis say that Pakistan must get the IMF deal first. Meanwhile, internal conflict is now wrecking the country. Military interference continues unabated. The PDM Government is both ineffective and clueless to resolve the matter. Pakistan's ruling elite should have seen it coming. But that is expecting too much from a mediocre and callous elite. Something must give. The real crisis in Pakistan. Hoping against hope now.

Debt servicing in Pakistan is now equaling its federal income. Not a good prospect at all. Meanwhile, Pakistan's political instability is severely affecting its economy. Not that it is being managed wisely in the first place. But still, political stability is paramount and fundamental for economic stability. Pakistan's economic crisis demands bold actions by the Sharif Government. All lenders are looking up to the future IMF signal to assist the country. Therefore, Pakistan must adhere to the IMF conditionalities, sooner than later. Populist measures, though understandable, will not work.

There are opportunities now available for rapid economic growth because of recent Saudi Arabia's rapprochement with Iran.

Very recent developments in the Gulf vis a viz Saudi Arabia and Iran have occurred which can surely benefit neighboring Pakistan. But first Pakistan must put its own house in order. Will that happen anytime soon? There is little evidence of that yet. The ruling elite is not up to the task, to say the least. That much is unfortunate for the people.

There is an urgent need to adhere to the country's constitution for workable solutions to the current crisis. It bears repetition that the military has no role in Pakistan's political system at all. Let constitutional law prevail for once. Not likely to happen though. Hoping still.

The ongoing turmoil is highly likely to witness fundamental changes in Pakistan, which is currently suffering from issues like economic meltdown, political polarization as well as the fragility of state institutions. Contrary to the Supreme Court's order – whereby elections to Punjab and Khyber-Pakhtunkhwa provincial assemblies are to be held within 90 days of the assembly dissolution or the closest date – the Election Commission of Pakistan (ECP) has announced the postponement of the Punjab Assembly election, scheduled on April 30, to October 8. This threatens a head-on collision between the top court and the electoral watchdog – something that does not auger well for a country mired in a host of crises.<sup>172</sup>

It is the power-hungry elites who have brought the country to a pass where national security, sovereignty, economic well-being, and political stability are all at stake. Confusion and incoherence persist on issues of national interest. Imprudence and short-sightedness tend to shape the perceptions of those who wield power, as they are only interested in clinging on to power as long as possible. In sheer disrespect to vote, they are denying the people of Punjab and K-P their legitimate right to elect their representatives.<sup>173</sup>

None of the constituent parties of the PDM, which is thought to be backed by the powerful security establishment, is serious about complying with the Supreme Court order to hold an election to the two provincial assemblies within the constitutional timeframe. Scared of the PTI's popularity, the ruling coalition is using the excuse of the prevailing monetary crisis to delay the vote and maintain the status quo to serve their political interests.<sup>174</sup>

An unmanageable economy and painfully poor governance tend to augment popular resentment against the incumbent government which has failed to deliver since it dislodged the PTI-led government through a vote of no-confidence in April 2022.

With the executive, the election commission, and the security establishment on one side and the PTI, judiciary, and presidency on the other, one fears an institutional collision coming up

in the days to come. The way the incumbents are trying to deny the people their right to vote in Punjab and K-P points towards fragility and vacuum of strategic decision-making, which threatens further escalation of the prevailing crises.

When the federal government and the election commission do not care about complying with the Supreme Court order to hold elections, in blatant violation of the Constitution, the outcome is not difficult to gauge.

Moonis Ahmar, in his excellent article ‘When vacuum in strategic decision-making deepens,’ published in The Express Tribune, on March 28, 2023, maintained:175

The strategic vacuum in the decision-making process can have three major implications. One, polarization and division may trigger institutional collapse. Like never before, the federal government is hell-bent on delaying elections in Punjab and K-P on one pretext or the other and has even used the so-called joint sitting of parliament to postpone the vote. The election commission obliged the PDM by deferring the elections in a clear violation of the Constitution and the Supreme Court order. An open confrontation between powerful state institutions is sure to destabilize the country at all levels. Not only the defense ministry but the ministries of finance and interior have also refused to provide the needed support for holding the elections, which is tantamount to disobeying the Supreme Court order and violating the Constitution. The warnings from the PTI, the Supreme Court Bar Association, and all others who are sensing a dangerous scenario must be taken seriously. The PDM clearly seems bogged down by ‘Imran phobia’ and taking decisions accordingly – the consequences of which are not difficult to comprehend. Two, the country's most powerful and organized institution with deep-rooted involvement in the governance affairs cannot remain oblivious to the prevailing political tussle. Already, internal, and external forces are targeting that institution, and those in command of it are required to make decisive moves to avert a disaster. Rather than putting its image at stake, the institution should avoid taking sides in the ongoing power game. Gone are the days of takeovers in Pakistan – more so because of the serious security challenges in Balochistan and former FATA. And third, the lack of strategic foresight on the part of the PML-N and the PPP, the two oldest parties of the country, to deal with the grave economic and political crises is a sad reminder of their failure to learn from history. How Pakistan got disintegrated in 1971 and how political violence in the wake of the 1977 general election led to the imposition of the country's longest martial law must be taken seriously, as continued lust for power will result in worsening of the many prevailing

crises and an irreparable loss to the country's national interests, security, sovereignty, and governance.

An excellent editorial "Internal chaos," published in Daily Dawn on March 28, 2023, states:<sup>176</sup>

The incumbent government is having great trouble asserting itself while remaining within the limits of the law. With the interior minister making it clear that he is willing to go to any lengths — "democratic or undemocratic; principled or unprincipled" — to counter the PTI, he has just confirmed the worst fears of political analysts and observers who have been warning about Pakistan's gradual slide towards totalitarianism. 'There are no laws and no rules binding the government any longer, to paraphrase Rana Sanaullah. In other words, the PDM government will abuse state power if it needs to neutralize the once again resurgent PTI. "It is us or them," as the interior minister quite candidly explained in a recent interview during which he made these remarks. This hardly bodes well for national stability. However, one may interpret Sanaullah's statement, the PML-N is struggling to counter the PTI politically. It may not acknowledge this, but the large rally in Lahore's Greater Iqbal Park late Saturday was a clear enough message that using state-sanctioned violence to cut the party down to size does not appear to be working. The rally was, by most independent accounts, quite well attended despite the Punjab administration's efforts. The arrest and disappearance, respectively, of two prominent young faces in the PTI — lawyer Hassaan Niazi and head of the PTI's social media team, Azhar Mashwani — reports of the detention of lower-level party organizers and their family members; police raids at supporters and sympathizers' homes; and the willy-nilly blocking of Lahore's roads with containers and other impediments on the day of the rally all failed to have a chilling effect on the PTI's supporters. No wonder the interior minister feels frustrated. Brute force only looks like an 'answer' where politics fails. We saw this when PML-N activists were rounded up in July 2018 to sabotage the PML-N's electoral chances, and we see it happening to a diverse set of actors today. In both cases, the forces behind the campaigns of abduction and harassment appear to be the same. In both cases, the shameful acquiescence of civilian leaders — clearly hoping to derive political benefits from the violent repression of their opponents — allowed rogue actors to expand their influence in the political domain. Mr. Sanaullah — himself a victim of the state's excesses — should have known better. The enforced disappearance of Mr. Mashwani and other workers, regulatory bans on the media's coverage of the PTI, frivolous arrests of political



workers, and unleashing of the police on the citizenry will not win the PML-N any ‘free and fair’ elections. Instead, they will worsen the anarchy that the interior minister himself concedes is prevailing in the country. Sanaullah should consider setting better precedents rather than repeating the mistakes of the past.

## Constitutional Crisis

Due to fears that PTI Chairman Imran Khan will clean sweep, the government is dragging its feet from holding the elections. The Election Commission of Pakistan (ECP) on March 22, 2023, announced the postponement of elections in the nation’s largest province, which was scheduled for April 30. It was seen as a shocking development.

Elections in Punjab will now be held on October 8 together with general elections in the country, it said in a late-night notification.

The Constitution requires that new elections be held within 90 days of the dissolution of any of the legislative assemblies, both central and provincial. The government, however, insisted on holding national and provincial elections simultaneously.

The government of Shehbaz Sharif has rejected the demand for an early election citing economic challenges the country faces including ongoing talks with the International Monetary Fund (IMF) for a bailout.

The (PTI, for its part, rejected the ECP decision, terming it “unjust and unconstitutional.”<sup>177</sup>

On March 23, 2023, it was announced to file a petition in the Supreme Court against the electoral body’s decision of putting off elections in Punjab until October.

In an eight-page order, the ECP said that it could not hold the election “honestly, justly and fairly in a peaceful manner due to security threats [and] in the absence of funds” and being unable to provide “level-playing field” to all political parties.

It is worth mentioning that PML-N Vice President Maryam Nawaz has been demanding a ‘level-playing field’ for her party, saying that elections can only be held if Imran Khan is sent behind bars and disqualified and that her father, Nawaz Sharif, is allowed to return to Pakistan and his disqualification verdict is overturned so as he can contest elections.

Subsequently, the ECP withdrew its notification regarding the Punjab elections and postponed the voting for the provincial assembly until October 8, 2023, adding that a fresh election schedule would be announced in due course.<sup>178</sup>

“We have decided to challenge this decision legally and a petition will be filed tomorrow. Barrister Ali Zafar is working on the petition,” said PTI Secretary General Asad Umar on March 23, 2023.

He was addressing a press conference in Lahore flanked by Fawad Chaudhry, the party’s senior vice president.

In the petition, Umar said the party would plead to the apex court to set aside the ECP’s decision, which is against the Constitution as well as Supreme Court’s verdict on Punjab and K-P polls.

The PTI leader said they would request the top court to ensure that elections to Punjab Assembly are held on April 30, as per the schedule announced by the ECP earlier in line with the court’s order.<sup>179</sup>

Speaking on the occasion, Fawad said the PTI was moving the apex court against the ECP’s “unconstitutional” move and added that as many as 96 lawyers’ bodies in the country including the Supreme Court Bar Association had also rejected the decision to postpone the Punjab polls.<sup>180</sup>

“PTI will fully support if any lawyers’ movement is launched against the ECP decision,” he added.

The ECP order came at a time when it has increasingly become clear that the polls in Punjab may not take place on the stipulated date, while the Khyber-Pakhtunkhwa (K-P) governor has yet to give the timeframe for the assembly election due in the province.

Surprising as it may seem, when all eyes were on the joint session of Parliament and a meeting of the federal cabinet on Wednesday, the ECP released its order, carrying its decision to delay the elections in Punjab.

In the federal cabinet meeting, the ministers opined that general elections should be held simultaneously across the country as neither was it possible to hold polls in only two provinces nor did the security and monetary situation favor them.<sup>181</sup>

The ECP said that it had exercised the powers conferred upon it by the Elections Act, of 2017. The postponement of the polls, however, has triggered a debate about whether the ECP

decision had violated the 1973 Constitution by postponing the polls beyond 90 days of the dissolution of the Punjab Assembly.

Earlier, the ECP was informed that the Pakistan Army would not be available for poll-related duties due to the prevalent security situation within the country and on the borders.

Referring to the above briefing and other various briefings from government departments on the overall security situation in the country, the ECP order said that currently, only one security personnel on average was available per polling station due to a “massive shortfall in police personnel” and the non-provision of army personnel as a static force.

“The commission is unable to make alternate arrangements to ensure the security of the election material, polling staff, voters, and the candidates,” the order reads.

It added that the finance ministry had also shown an “inability to release funds due to financial crunch and unprecedented economic crisis in the country.”

The order pointed out that despite the ECP’s best efforts, the executive authorities and federal and provincial governments were not able to assist the electoral body in conducting free, fair, and transparent elections in Punjab.

It added that after the briefings from the law enforcement agencies and federal ministries, the ECP had convened meetings on March 20, 21, and 22 to “deliberate extensively” on the matter of the Punjab elections.

“The commission after considering the reports, briefing, and material brought before it, has arrived at the just conclusion that it is not possible to hold and organize the elections honestly, justly, fairly in a peaceful manner and under the Constitution and the law,” the order reads.

In a mammoth public gathering in November last year, former prime minister Imran Khan announced that his party would disassociate itself from the “current corrupt political system” by quitting the two provincial assemblies where PTI was in power.

Despite several obstacles put up by the coalition government, the Punjab and KP assemblies were dissolved on Jan 14 and Jan 18, respectively. Under the law, the elections are to be held within 90 days after the dissolution of assemblies.

But the two governors, instead of setting dates for elections after receiving the proposal from the ECP, had advised the commission to consult stakeholders.

Chief secretaries and inspectors-general of the two provinces during meetings with the ECP had said they were short of the police force and talked of terrorism threats, making out a case for putting off elections.

The finance division had also expressed its inability to provide funds and the interior ministry told the ECP that the army and civil armed forces would not be available.

On Feb 17, President Alvi had invited CEC Raja for an urgent meeting regarding consultations on election dates, but the ECP told him he had no role in the announcement of dates for general elections to provincial assemblies and the commission was aware of its constitutional obligation in this regard.

Subsequently, the president unilaterally announced April 9 as the date for holding general elections for the Punjab and KP assemblies.

The move drew sharp criticism from his political opponents, who accused him of acting like a PTI worker while the ECP said it would announce the poll schedule only after the “competent authority” fixes the date.

Postponement of the elections is a violation of the Constitution. This is a deliberate and malafide function as elections remain the only legal way forward.

Legal experts argue that the postponement of the election was such a gruesome violation of the Constitution it could provide the basis for martial law in the country.

They argue that if there is no government after 90 days in Punjab and Khyber Pakhtunkhwa provinces which constitute 70 percent of Pakistan because the caretaker governments will have no power and they would have to go home. He asserted that if this postponement were accepted, the Chief Election Commissioner would have the nod to do any illegal activity in the future under Article 254.

The decision to withdraw the election schedule and delay the date of general elections in Punjab the ECP was in gross violation of the Constitution of Pakistan, 1973 along with the Supreme Court’s Judgment on the subject.

Barrister Azhar Siddique, who serves as the chair of the Judicial Activism Panel, has criticized the decision of the Election Commission of Pakistan (ECP) to postpone elections in Punjab on the flimsy pretext of the security situation in the country and the shortage of funds.

Azhar has written a letter to the tribunal, observing the decision to delay the elections is against the Constitution and the law, and is also in contempt of the Supreme Court judgment ordering elections in Punjab and Khyber Pakhtunkhwa within 90 days.

The lawyer has argued that the ECP is obligated by the Constitution to hold clear and transparent elections, and the apex court has given a clear order in this regard. According to Azhar, postponing the election till October 8 is also a violation of the Constitution and the Election Act, of 2017.

He has suggested that the ECP should withdraw its decision to postpone the election and complete arrangements to hold the election on April 30.

Azhar has warned that if the ECP does not withdraw its decision, a contempt of court petition will be filed in the higher courts.<sup>182</sup>

Recently, all eyes were then set on the Chief Justice of Pakistan (CJP) Umar Ata Bandial in the wake of the ECP decision.

CJP Bandial had already made it clear that the Supreme Court would interfere in case the polls were delayed. He had earlier invoked suo motu jurisdiction to hold general elections of both provincial assemblies within 90 days. Now, the ECP's announcement has potentially thrown the ball back to the SC's court, renewing debate about whether the top court would compel the ECP and executive authorities to hold elections of two provincial assemblies immediately.<sup>183</sup>

As expected, in a statement issued on March 23, 2023, the government threw its weight behind the ECP's decision deeming the postponement a move in the right direction. Information Minister Marriyum Aurangzeb said: "<sup>184</sup>keeping in mind the economic, political, and security situation".

"Under Article 218 of the Constitution, the ECP is duty bound to ensure transparent, impartial, and fair elections," she said, adding that "Article 224 provides that there must be caretaker set-ups in the center and provinces at the time of elections".

Marriyum also revealed the electoral watchdog had announced its decision only after completing consultations with all stakeholders and hoped that the decision would pave the way for political stability in the country.

"There were reservations that elections might be imposed on two provinces only to feed one man's ego," she said, "[but] governments will be formed in the two provinces only after national assembly elections are held".

The statement also stressed that holding elections in April would have caused several issues due to the ongoing census. "It cannot be that elections are held in Punjab and K-P before the census and everywhere else after the census".

"If elections were held in the two provinces, they would have been controversial," the minister added predicting that if the earlier schedule had been followed, "Punjab and K-P assemblies would have dissolved in 6 months". "The ECP has saved the country from a major constitutional crisis", she maintained, "The constitution cannot run at the whims of one man.

Undoubtedly, the reference by Marriyum the "man" was Imran Khan.

Interior Minister Rana Sanaullah on March 23, 2023, said that if the Supreme Court does not make a prudent decision regarding the ECP postponing polls in Punjab, then the economic and political stability of the country would be impacted. In a series of tweets, the minister furthered that an unwise decision from the apex court would cause anarchy, chaos, and riots across the country. He said that there are different opinions regarding the election and that the Parliament had the authority to guide the government and institutions. Sana added that the incumbent government wanted to proceed according to the Constitution.<sup>185</sup>

The interior minister stated that on orders from the SC, the electoral watchdog gave the election schedule, and the government had initiated the process under those directives. Sana maintained that the government could "not even think" of revoking the top court's orders.

Sana added that there would be no level playing field in the National Assembly elections in the presence of the ruling government after the provincial elections, adding that questions would be raised on the conduct of fair and transparent elections.

The interior minister further said that it would be better for the country if the elections of all the assemblies were transparent, fair, and conducted at the same time in the presence of caretaker governments.<sup>186</sup>

On March 27, 2023, the apex court accepted a petition moved by PTI against the order of the tribunal to delay the elections, which it ruled would now be held together with general elections in the country.

A larger bench of five justices, headed by Chief Justice Umar Ata Bandial and comprising justices Ijaz ul-Ahsan, Munib Akhtar, Amin ud-Din Khan, and Jamal Khan Mandokhail, heard the case and served notices on the federation, ECP, and caretaker administrations in Punjab and KP.

The Supreme Court called the order of the Election Commission of Pakistan (ECP) to delay the elections in Punjab, which were scheduled for April 30, until October 8 an “obstruction” in the way of its directive to hold fresh elections in Punjab and Khyber Pakhtunkhwa within a constitutional timeframe of 90 days.<sup>187</sup>

Earlier, the ECP postponed the elections for more than five months, claiming “it is not possible to hold and organize the elections honestly, justly, fairly, in a peaceful manner.” It said it would be unable to provide a “level playing field” to all political parties.

The move violated the Supreme Court ruling earlier this month that a new election be held within 90 days of the two parliaments being disbanded.

Subsequently, Barrister Syed Ali Zafar filed a petition on behalf of PTI, requesting that the tribunal be directed to hold the elections on the previously scheduled date of April 30. It contended that the decision violated the Constitution and amounted to amending and subverting it.

During the proceedings, Zafar informed the Supreme Court that the election commission had failed to comply with the court’s March 1 orders to set a date for elections in Punjab and Khyber Pakhtunkhwa.

Presenting his arguments, the lawyer for the opposition party said the ECP had violated the Supreme Court’s orders thrice. He explained that the electoral watchdog had rejected the election schedule announced by the president and had now postponed the elections until October 8, even though it did not have the authority to set a new date for the polls.

He added that the ECP had overlooked the court’s orders and had violated the 90 days for announcing the election date.

In response, Justice Mandokhail asked what the petitioner wanted from the court to which Zafar replied that they wanted the court to ensure the implementation of the Constitution and its orders. At this, the judge reminded the lawyer that the execution of court orders is the responsibility of the high court.

Zafar argued that the apex court had jurisdiction over the matter since it had previously used its authority in the case. Justice Akhtar concurred with the PTI lawyer and noted that the decision of the ECP had become an obstruction to the court's orders.

He observed that only the Supreme Court could decide whether the orders had been violated or not.

During the hearing, CJP Bandial asked all political parties to give assurance to holding free and fair elections, adding that "political parties should restore calm and peace".

"We cannot interpret the Constitution in a vacuum," remarked the CJP.<sup>188</sup>

Justice Bandial furthered the court "needs assurance that elections would be held transparently."

The apex court chief justice also said that the electoral watchdog "is just institution," adding that "it may have gone a little off track, but it can be brought back."

CJP Bandial stated that elections are important for democracy but can only be held in a conducive environment. He also questioned whether the ECP can annul the date of elections given by the president.

"Instead of amending the schedule, can it wipe out the schedule?" the CJP asked.

He also said "Article 254 of the Constitution could not condone the wrongdoing which is referred to by ECP".

The apex court chief justice also noted "there is a viewpoint that elections should be held in the country only when there is peace and order, elections should be free, transparent and fearless."

"What are our politicians doing for stability in the country? This is a very disturbing situation," remarked Justice Bandial.

Justice Jamal Khan Mandokhail also made his remarks during the hearing and raised questions on the maintainability of the petition.

"Why the petitioner did not approach the high court for the implementation of the order," inquired Justice Mandokhail.

He also asked, "Where is the order of the court in the suo motu case regarding the announcement of the date to hold elections". However, Justice Munib Akhtar said, "All five judges had signed the short order."<sup>189</sup>



PTI approached the apex court on March 25 maintaining that the ECP's move to postpone the polls violates the Constitution as well as the apex court order.

The Supreme Court registrar's office allotted a number to the PTI petition and fixed it for hearing without raising any objection.

The PTI petition added that the party has approached the SC as the matter involved in the petition is of public importance regarding the enforcement of fundamental rights of the millions of people of Pakistan, particularly the people of Punjab and Khyber Pakhtunkhwa (K-P).

The move came after the electoral watchdog, in a surprising development, delayed the election in Punjab till Oct 8 because it could not conduct transparent and peaceful polls on the scheduled date of April 30.<sup>190</sup>

It said that the elections could not be held in Punjab under the circumstances conveyed to it by the law enforcement agencies, finance, defense, and interior ministries as well as the Punjab chief secretary and others, who all opposed the polls on various grounds.

Subsequently, the ECP withdrew its notification regarding the elections in Punjab, postponing the voting for the provincial assembly until Oct 8, adding that a fresh election schedule would be announced in due course.

Earlier this month, the apex court ordered that President Arif Alvi should announce the date of the Punjab Assembly election, while the Khyber-Pakhtunkhwa (K-P) governor would set the election date for the K-P assembly in consultation with the ECP.

A five-judge larger bench of the apex court on March 1 gave a 3-2 split verdict on a suo motu case about the election date for the two provincial assemblies after holding a hearing for two days.

The Punjab Assembly was dissolved by then chief minister Chaudhry Parvez Elahi in January on the instructions of PTI Chairman Imran Khan. Imran had also ordered the dissolution of the K-P Assembly, which was also dissolved in the same month.

The PTI chief has been holding rallies and protests in different cities to force the federal government to call an early election in the country. The dissolution of the Punjab and K-P assemblies was also part of his efforts for early elections.

The federal government has been opposing the early elections. It says that elections should be held on the same day once the incumbent government completes its constitutional term.

The government side argues that holding elections separately would increase political crisis. Both sides, however, admit that the deadlock has led to political instability and deteriorated economic situation<sup>191</sup>

Chief Justice of Pakistan (CJP) Umar Ata Bandial said on March 28, 2023, that it is clear the Election Commission of Pakistan (ECP) has no authority to extend the polling date.

The CJP's remarks during the hearing of a petition filed by the Pakistan Tehreek-e-Insaf (PTI) against the Election Commission of Pakistan's (ECP) decision to delay elections in Punjab till October 8.<sup>192</sup>

A five-member larger bench, headed by CJP Bandial, and comprising Justice Ijazul Ahsan, Justice Munib Akhtar, Justice Aminuddin Khan, and Justice Jamal Khan Mandokhail presided over the hearing.

As proceedings commenced, Attorney General of Pakistan (AGP) Usman Awan raised questions over the maintainability of the PTI's petition, arguing that matters related to the elections should be referred to the Lahore High Court (LHC) after two apex court judges issued their detailed opinion wherein, they held that the earlier suo motu in the matter was dismissed by 4 - 3.

He said that the LHC had not given the president the authority to announce the election date. The AGP also requested the court to constitute a full bench to preside over the case.

However, CJP Bandial stated that the present case was a completely different matter wherein, the apex court is examining whether the ECP had the authority to postpone the election date.

He observed that the "question before the court is a simple one, can the ECP postpone the election date or not". "If it has the authority to do so, the proceedings will end right there," he said.<sup>193</sup>

The recently appointed AGP argued before the court that two SC judges had given their verdict on the matter earlier.

However, CJP Bandial held that the opinion expressed by the two judges was not relevant in this matter.

"If the verdict was 3 - 4, then the 'breached' orders do not exist," responded AGP Awan. "If there were no court orders, then the president had no authority to give an election date even," he added, urging the court to first settle the issue of SC's March 1 orders.

CJP Bandial observed that the AGP's arguments were based on a "technical point" while the bench was seeing the question raised in the application.

He also urged the AGP to refrain from "complicating" the matter by asking questions that would delay the proceedings.<sup>194</sup>

The CJP asked Awan to raise these points in a separate application, saying that the issue before the court was not about "the fixing, rather the postponement of the election date".

Justice Mandokhail remarked that the court would examine how the ECP was empowered to extend the election date.

Justice Aminuddin Khan questioned whether the election schedule could be "reduced to less than 90 days", while Justice Ijazul Ahsan observed that the ECP "has the right to adjust the election schedule within 90 days", but added that it could not exceed the 90-day limit.

"Ninety days have been surpassed even now," observed Justice Mandokhail, adding that polls "must take place under all circumstances but now the question is who will exceed the election date beyond the 90-day limit".

"The other question is, should an assembly be dissolved at the whims of one person alone," remarked Justice Mandokhail.

PTI's lawyer Ali Zafar responded, "prime ministers and chief ministers are elected representatives of the people.

"If the premier's party wishes to initiate a vote of no confidence against them, then the assembly can be dissolved," said Justice Mandokhail.

"If a motion is moved for a vote of no confidence, then the assembly cannot be dissolved," replied Ali Zafar, to which Justice Mandokhail said, "Should the parliament not take this issue up?"

"The parliament can debate the powers of the prime minister and the chief minister," said Zafar.

"The first principle of the constitution is Islam and the second is a democracy," the PTI lawyer stressed, "and democracy only exists through elections".

"The ECP has the powers granted under Section 58 to ensure elections," he added.<sup>195</sup>

"What would happen if the ECP reverses its decision and says nobody is supporting the electoral body in holding elections," inquired Justice Mandokhail.

The commission will have to turn to the court to resolve the difficulties it faces," the judge observed.

Later, CJ Bandial questioned how elections could be delayed "for such a long period" by the electoral body.

"When Benazir Bhutto was martyred, elections were only delayed by 40 days," the judge observed, noting that at the time "protestors had set ECP offices on fire" and "the entire country was in the grips of demonstrations".

The CJ stressed the need for "political stability" and "maturity" to hold elections.

"The ECP's decision was drafted with haste," he remarked, "the commission had no authority or legal provisions available to extend the election date".

Meanwhile, Pakistan People's Party (PPP) Senator and former law minister Farooq Naek requested political parties be made parties to the case, arguing that they were also "stakeholders" in the issue at hand.

Earlier, coalition parties in government decided to become parties to the case, whereby PPP, PML-N, and JUI-F are expected to file their applications.

On the matter, Federal Law Minister Azam Nazeer Tarar maintained that the ECP is independent of all orders.

"We had said it on the first day, the verdict is 3-4," said the minister as he reached the SC premises, "the ECP was merely doing its job as per Article 218(3)".<sup>196</sup>

Bandial remarked: "Elections can only be postponed by declaring an emergency." He also asked if the ECP's decision recommended imposing an emergency. The chief justice observed that it was clear that the ECP had no authority to change the date given by the president for holding the election in Punjab. "The ECP passed its order on March 22 in haste, postponing the election until October 8," the CJP remarked.<sup>197</sup>

He said that the court would not prolong the instant matter, adding that they had raised an amazingly simple question as to whether the ECP was competent to extend the date for the election. "And if the ECP has the authority then there will be no question and the matter will come to an end," the CJP said. The chief justice further observed that maintaining the rule of law was necessary for the smooth functioning of democracy, adding that democracy cannot flourish without adhering to the rule of law.<sup>198</sup>

Farooq H Naek, representing the Pakistan People's Party, however, stressed that democracy also rests under trust, adding that the petitions were going to decide the fate of political parties. "We are representatives of the people and stakeholders in the instant case," Naek contended, adding that right now there was anarchy and fascism.<sup>199</sup>

The chief justice asked Naek that he had himself told the court that 90 days were required for holding the elections once the assemblies were dissolved. "Rule of law and democracy are two sides of the same coin," the CJP said, adding that the court cannot decide the legal controversy in a vacuum but would interpret the Constitution on facts. The CJP recalled that in his March 1 order, he had declared that the law empowers the president to announce the date for the election.<sup>200</sup>

Justice Jamal Khan Mandokhail asked Naek why the parliamentarians were not raising the issue on the floor of parliament. We are contemplating this, the PPP counsel replied.

Barrister Ali Zafar, counsel for the PTI, while arguing before the court, questioned whether the order passed by ECP on March 22 was a violation of the Constitution. He submitted that the apex court had issued various judgments about articles 224 and 105 of the Constitution, adding that the most popular judgment of the apex court was that of Khwaja Sharif's case wherein it was held that an election should be held within 90 days after the dissolution of assemblies, so it was a fit case on the issue.

Similarly, he submitted that another case titled Mian Nawaz Sharif versus the Federation which was penned down by 12 judges of the apex court had specifically talked about the right to participate in government as well as in legislative matters and that elections were related to fundamental rights. He submitted that Justice Saleem Akhtar, one of the judges of the said bench, in his judgment had held that if the right to participate in the election matters were denied, it would be the worst form of violation of fundamental rights.<sup>201</sup>

Justice Ijazul Ahsen observed that the ECP "has the right to adjust the election schedule within 90 days", but added that it could not exceed the 90-day limit. Justice Jamal Khan Mandokhail observed that 90 days have passed, adding that elections must take place under all circumstances. "But who will exceed the election date beyond the 90-day limit, and this is the main question," Justice Mandokhail added. The PTI counsel submitted that democracy only exists through elections and the ECP was constitutionally mandated under Section 58 to ensure timely elections.<sup>202</sup>

Similarly, he submitted that Article 218(3) of the Constitution says that it will be the duty of the ECP to organize and conduct elections honestly, and fairly per the law and guard against corrupt practices. “Suppose we ask the ECP to ensure election and they do not comply with our order, then what we could do?” Justice Mandokhail asked the PTI counsel.

The counsel replied that every institution is bound to render its constitutional obligation while staying within its constitutional limits. He submitted that Article 220 bounds all the executive authorities to extend cooperation to the ECP in the discharge of its duties for holding elections in the country.

Justice Ijazul Ahsen observed that the ECP should have consulted the president before postponing the schedule for holding elections in Punjab. Barrister Ali Zafar submitted that the ECP took decisions after taking feedback from different institutions. He alleged that the Commission remained confined only to the extent of holding meetings but never asked either for money or security personnel. Justice Munib Akhtar observed that if there was no possibility of holding elections, and then the commission should have consulted the apex court first but could not take the decision on its side as well.<sup>203</sup>

“If the Commission can extend the date for election for six months, then it could also extend the date even for two years,” Justice Munib Akhtar remarked. “But the Constitution is silent on the point as to who could extend the date of elections,” Justice Mandokhail said. “But on whatever basis the elections were postponed, it can never happen,” Ali Zafar submitted.<sup>204</sup>

Justice Muneeb Akhtar observed that the federal government said that it had imposed taxes of Rs500 billion till February 2023. But, strangely, Rs20 billion is not given for holding elections in the two provinces. The PTI’s lawyer contended that the issuance of funds was a technical issue. Chief Justice Bandial remarked that the country was going through an economic crisis, and it was a reality that could not be ignored. “Sacrifice is necessary to deal with the crisis. The cost of the election can be accumulated by cutting five percent of salaries,” said the CJP. He added that in Turkey apart from the earthquake-hit areas, elections were being held everywhere. <sup>205</sup>

On March 29, 2023, while responding to concerns raised by the Elections Commission of Pakistan (ECP) about security threats to timely elections, the chief justice of Pakistan noted that despite facing militancy for the past two decades, elections have been held regularly in Pakistan.

The remarks by Bandial came as Supreme Court resumed hearing the Pakistan Tehreek-i-Insaf (PTI) petition requesting that the tribunal be directed to hold the elections on the previously

scheduled date of April 30. It contends that the decision to delay the polls violated the Constitution and amounted to amending and subverting it.<sup>206</sup> Meanwhile, Justice Bandial also noted the ECP lacked the legal authority to extend the election date until October 8 and requested the Attorney General for Pakistan to seek instructions from the federal government.<sup>207</sup>

The Supreme Court (SC) of Pakistan on March 28, 2023, resumed hearing a petition by the Pakistan Tehreek-e-Insaf (PTI) against the Election Commission of Pakistan's (ECP) decision to delay elections in Punjab. A five-member larger bench, headed by Chief Justice of Pakistan (CJP) Umar Ata Bandial and comprising Justice Ijazul Ahsan, Justice Munib Akhtar, Justice Aminuddin Khan, and Justice Jamal Khan Mandokhail is presiding over the hearing. As proceedings commenced, CJ Bandial observed that the "question before the court is a simple one, can the ECP postpone the election date or not." "If it has the authority to do so, the proceedings will end right there," he said.

Pakistan People Party (PPP) Senator and former law minister Farooq Naek appeared before the court and argued that political parties were "stakeholders" in the matter and should be heard by the court. Justice Mandokhail questioned why the issue had not been raised in parliament, to which the senator responded by saying that it was under consideration.<sup>208</sup> The recently appointed Attorney General of Pakistan (AGP) Usman Awan argued before the court that two SC judges had given their verdict on the matter earlier. CJ Bandial, however, remarked that the issue before the court did not concern the previous judgments but rather the powers of the ECP. "If the verdict was 3-4, then such orders do not exist that were breached," responded AGP Awan. "If there were no court orders, then the president had no authority to give an election date even," he added urging the court to first settle the issue of SC's March 1 orders. CJ Bandial observed that the AGP's arguments were based on a "technical point" while the bench was seeing the question raised in the application. The AGP requested the SC to constitute a full bench as he said he wished to argue against the maintainability of the petition as well. Justice Mandokhail remarked that "how many members decided the verdict is an internal matter of the court" as he asked Awan to inform the court if the constitution does not posit that polls must be held within 90 days. Chief Justice Bandial further remarked that the matter before the court does not concern the granting of the election date but rather its delay. Justices Shah and Mandokhail issued an order stating that Punjab polls suo motu were dismissed 4-3. Two judges of the Supreme Court – Justice Syed Mansoor Ali Shah and Justice Jamal Khan Mandokhail – issued a

27-page order on March 27, 2023, stating that the suo motu case regarding the Punjab and K-P elections date announcement was dismissed by a majority of four judges out of seven.

The two judges aimed to “revisit the power of the one-man show enjoyed by the office of the Chief Justice of Pakistan” to “strengthen” the institution and “ensure public trust and confidence” in the apex court. The order stated that the court could not be dependent on the solitary decision of one man but should be “regulated through a rule-based system approved by all judges of the court under Article 191 of the Constitution”.

“In regulating the exercise of its jurisdiction under Article 184(3) including the exercise of suo motu jurisdiction; the constitution of benches to hear such cases; the constitution of Regular Benches to hear all the other cases instituted in this Court; and the constitution of Special Benches,” it stated.<sup>209</sup> They maintained that the “power of doing a “one-man show” is not only anachronistic, outdated, and obsolete but also is antithetical to good governance and incompatible to modern democratic norms.”

“One-man show leads to the concentration of power in the hands of one individual, making the system more susceptible to the abuse of power. In contrast, a collegial system with checks and balances helps prevent abuse and mistakes in the exercise of power and promotes transparency and accountability... We must not forget that our institution draws its strength from public perception.”

It continued that the CJP was conferred with “wide discretion in the matter of constituting Benches and assigning cases to them under the present Supreme Court Rules 1980” and the “unbridled power enjoyed by the Chief Justice” had “brought severe criticism and lowered the honor and prestige of this Court”.

The judges advised “to build a strong, open, and transparent institution, we have to move towards a rule-based institution.”

They added that where “the matter of constituting a bench for hearing a case under Article 184(3) of the Constitution is concerned, there must also be uniformity and transparency, which can be best assured by constituting a regular five or seven-member bench once at the commencement of every judicial year, or twice a year for each term of six months, by including in that bench the senior most Judges or the senior-most Judges of each Province on the strength of this court with the Chief Justice or the Senior Puisne Judge as head of that bench”.



According to the order, the constituting of special benches on a case-to-case basis, after the institution of the cases, “is a complete negation of fairness, transparency, and impartiality required of a judicial institution to maintain its legitimacy and credibility of its judgments.”<sup>210</sup>

The judges stated, “The suo motu proceedings, in the facts and circumstances of the case, are wholly unjustified in the mode and manner they were taken up under Article 184(3) of the Constitution, besides being initiated with undue haste”.

They furthered that the matter did not constitute a fit case to exercise extraordinary original jurisdiction of the apex court under Article 184(3) and was this “not maintainable” as the “same constitutional and legal issues seeking the same relief are pending and being deliberated upon by the respective Provincial High Courts in Lahore and Peshawar”.

The order maintained that there was “no justification to invoke” the court’s extraordinary jurisdiction to initiate suo motu proceedings, as a single bench of the Lahore High Court “has already decided the matter in favor of the petitioner before the said High Court.”

It added that the intra-court appeals filed against the said judgment were pending before the division bench of the LHC and none of the petitioners had approached the apex court.

“Once a constitutional issue is pending before a Provincial High Court, keeping in view the Federal structure of our Constitution the autonomy and independence of the apex provincial constitutional court, should not be readily interfered with but rather be supported to strengthen the provincial autonomy and avoid undermining the autonomy of the provincial constitutional courts.” The order concluded that even otherwise “without prejudice to the above,” such matters “should best be resolved by the Parliament.” Justices Shah and Mandokhail highlighted that they agreed with the decisions of Justice Yahya Afridi and Justice Athar Minallah when they questioned the intent of the suo motu and urged the constitution of a full bench. The judges dismissed the present constitution petitions and dropped the suo motu proceedings.<sup>211</sup>

The National Assembly on March 29, 2023, unanimously passed the Supreme Court (Practice and Procedure), Bill 2023, curbing the chief justice of Pakistan’s suo moto powers. In the most dramatic manner on March 28, 2023, the federal government not only ruled that the chief justice of Pakistan (CJP) can no longer constitute benches and initiate suo motu proceedings alone but tabled the same bill curtailing unbridled powers of the top judge in the National Assembly for approval. Subsequently, NA Speaker Raja Pervaiz Ashraf while referring to the order of the day noted that though the bill related to CJP’s powers had to be passed on

Tuesday, the sense of the house suggested that the bill should be referred to the law and justice committee for further deliberation.<sup>212</sup>

Earlier, the Standing Committee on Law and Justice unanimously approved the bill with additional amendments. The bill suggested that a committee consisting of three senior-most judges of the Supreme Court would decide on the suo motu notice, while there would be a right to file an appeal within 30 days of the suo motu decision. The appeal must be fixed for a hearing within 14 days of filing and after taking suo motu notice, the hearing will be conducted by a three-member bench and the decision of the majority in this regard will be acceptable, added to the bill. After the passage of the law, no decision of the SC or high court, or any other law will be able to affect it. Under the additional amendments, the right of appeal will also be available in pending cases, while under the additional amendment, the bench constituted on constitutional and legal matters will consist of at least five judges. Tarar said that the bill was presented in the National Assembly yesterday to make the proceedings transparent, not having the right to appeal in Article 184(3) is against the basic principles of the Constitution, and that there is no immediate hearing on cases of urgent nature. He said “Article 184(3) started being used rampantly from 2008 to 2010 when a former chief justice started taking suo motu and used it rampantly. “The law minister also stated that there should not be a "one-man show" in a suo motu case hearing. Tarar added that NA directed not to make any law that could be challenged, saying that the bill was handed over to the committee for consideration and the purpose of the bill is to have a transparent process in the Supreme Court. Things started quickly unfolding a day earlier as first Prime Minister Shehbaz Sharif addressed the NA session, then the federal cabinet approved the proposed bill – The Supreme Court (Practice and Procedure) Act, 2023 – and finally, the bill was tabled in National Assembly in the presence of the premier, who came back to attend the session after he chaired the cabinet meeting.

Today, the military is in control of Pakistan’s politics. The footprint of the military’s already formidable influence has increased. On March 21, 2023, Imran Khan accused the Army’s top brass of working with the government to ensure that he is unable to contest elections. “Imran Khan has become too big for the establishment to swallow,” says Fawad Chaudhry, who served as minister of information in Imran Khan’s government. “In Pakistan, the army has always functioned as a deep state. They are the ones who take the decisions. Now, the kind of political

environment in Pakistan is that they must accept the role of a junior partner, which they are not ready to do.”<sup>213</sup>

In his farewell address at the end of November, outgoing army chief Gen. Qamar Javed Bajwa made a promise that in the future the army would refrain from meddling in the country’s political affairs. Yet many, including PTI stalwart and former Human Rights Minister Shireen Mazari, allege that the army is now even more intrusive than it was under General Bajwa.

“Our military has redefined the term ‘neutral;’ the interventions have become more violent and more aggressive,” she says, adding that she and others in the party believe some military leaders are driven by “a personal dislike or vendetta against Mr. Khan.”

The current military leadership would find itself “near extinction” if Imran Khan came back into power. <sup>214</sup>

In an interview with Voice of America, Imran Khan reluctantly conceded that the person calling the shots is the current army chief, General Asim Munir. Imran Khan is certainly right in this claim. While the prime minister is the de jure head of government only, de facto power rests with the Army chief. The military once backed the PTI but then later ran afoul of him. Imran Khan was ousted from power last April through a normal democratic method. Today, over a hundred cases have been filed against Imran Khan, mostly politically motivated. It is an excessive number of cases, even in Pakistan’s dirty politics of revenge. Imran Khan’s fault, as per military thinking, is that he is offering serious resistance to being removed from power.

There is now considerable strain on the body politics of the country, even enmities between political parties. Meanwhile, the military establishment has become divided with some supporting Imran Khans. The PTI is now the country’s most popular party and will sweep the general elections due in Pakistan this October.

After a smear campaign against Pakistan's Chief of Army Staff (COAS) General Asim Munir, authorities on March 23, 2023 sprang into action and picked up ousted prime minister Imran Khan's focal person on social media Azhar Mashwani. The Federal Investigation Agency (FIA) in collaboration with the intelligence agencies and police have launched a countrywide operation against those social media activists, especially of Khan's Pakistan Tehreek-i-Insaf (PTI) following an online campaign against Gen Munir. More arrests are expected in the coming days.

In the other crackdown on PTI political workers, police have so far arrested 740, mostly from Lahore and Islamabad where the PTI-Police clash took place last week in the authorities' bid to arrest Imran Khan in the Toshakhana gifts case. "Enough is enough. Police in Punjab & Islamabad are breaking all laws with impunity as they target PTI. Today Azhar Mashwani was abducted in the afternoon from Lahore & his whereabouts are unknown. On March 18 Senator Shibli Faraz & Omar Sultan were savagely beaten by Islamabad Capital Territory police," Khan said in a series of tweets.<sup>215</sup> He further said: "Over 740 unarmed PTI workers have been arrested from ICT, Lahore & across Punjab. These are poor people, many daily wage earners. The Cabal of Crooks has no respect for the sanctity of the Holy month of Ramazan when people want to have security to fast & pray. Demand immediate release of our workers." PTI leader and former federal minister Moonis Elahi said in a tweet: "Azhar Mashwani abducted today. Despicable behavior of this current government. All this just because he stood with PM @ImranKhanPTI." In his last tweet before his arrest on March 23, 2023, Mashwani said that those raising their voices against this regime on social media are given threats that they and their families will be eliminated. "This is worse than Gen Musharraf's martial law," he said.<sup>216</sup> Meanwhile, Mashwani has been shifted to an undisclosed location for interrogation by the agencies. He was also the main person looking after the PTI social media in Pakistan.

Prime Minister Shehbaz Sharif recently condemned the "vile campaign" of General Asim Munir, especially abroad.

"The campaign against the army chief is intolerable and a continuation of the conspiracy against the institutions. PTI Chairman Imran Khan is dragging state institutions and their heads into his dirty politics, which is against the Constitution," Sharif said and instructed the interior minister that those behind such anti-institution campaigns within the country should be dealt with "iron hands".<sup>217</sup>

"Strict legal action should be taken against those who instigate chaos, riots, and rebellion in Pakistan," the premier said.

Social media especially Twitter would see more often trends in Pakistan against the Army and the Army chief for 'siding' with the Shehbaz government and its alleged involvement in the oppression of Imran Khan and his party men. <sup>218</sup>

Undoubtedly, Pakistan's current policy of permanent Indian enmity and conflict was going nowhere. Pakistan was a security state because of this approach. The Pakistan military was adamant in confronting and was still supporting some jihadist elements like the LeT, HQN, and Quetta Shura for its purposes. A change in direction was required now. Given the complexity of the regional situation, more robust diplomacy was urgently to get Pakistan out of the current morass and crisis. However, the PDM government was not up to the task and was failing to protect Pakistan's vital national interests. Plus, it faced an immense image problem because of the Panama Papers case pending in the Supreme Court of Pakistan.

The time was to go back to the liberal message of Islam and propagate the Sufi version of it where the principle of Sulh-i Kul or peace with all must become the new societal paradigm of governance and mutual conduct of communal affairs. The message of peace and tolerance in the liberal version of Islam must be adopted by both state and society in Pakistan. Given the sorry situation in Pakistan, there was little choice in the matter. It was time to act. Bold measures were needed and enlightened leadership at the helm of affairs in the country.

Much depends on the future leadership of the country not only at the government level but also at the societal level, especially the intellectual level. It is hoped that Pakistan would indeed make the best of the excellent opportunity made available by the CPEC project and turn around the country towards a path of economic development, prosperity for all, peace, and national security. Thus, the CPEC could help address an urgent political and economic predicament of Pakistan as well. The CPEC could have a regional impact that will promote connectivity in it and beyond. CPEC would make the country a manufacturing and commerce hub. It could improve infrastructure in the entire region. Given the trust deficit between Afghanistan and Pakistan, China should take the lead and play a "leadership" role. CPEC and BRI could become a vehicle of cooperation and friendship between Afghanistan and Pakistan.

India is adamantly opposed to the CPEC initiative and had been very openly expressed its concern to China several times. India shall continue its protestations to China that CPEC goes through the Gilgit-Baltistan region claimed by it. It was amazing that India had not protested the building of the Karakoram highway in the 1960s, which also was going through the same territory. Meanwhile, Pakistan was apprehensive of rising Indian influence in Afghanistan, which could threaten CPEC. Also, Iranian-Pakistani relations have been tensing for quite some time, but lately, there has been a sharp rise in hostility between the two neighboring countries. Experts

say that Islamabad's alleged support to Sunni militant groups, most of which operate freely inside Pakistan, was one of the reasons behind the deteriorating ties. Iran was not the only country in the region that was unhappy with Islamabad's handling of Sunni militants. Meanwhile, the growing tensions between all three neighbors are not only straining Pakistan's precarious politics and the civil-military equilibrium harmony but also hindering its economic development. In the past, the daunting failure of Pakistan's government to stop Pakistan-based militant groups from launching attacks against its neighbors was hurting political and economic ties. Later, a rethink of Pakistan's foreign policy was made, and the attacks were stopped. The new Sharif coalition government can successfully reappraise the country's policy framework. Pakistan desires peace in the region, which is desperately needed for its stability, progress, and economic development. However, it is hampered from achieving its desired goals by a corrupt political system and weak leadership. Bold leadership is missing in the country. The Army which still oversees foreign and security policymaking is still myopic in its views and is obsessed with the enmity of India. Thus, Pakistan was moving closer to China, and Russia as its mortal enemy — India — moved remarkably close to the U.S. For the military establishment in Pakistan, it was a zero-sum game. Pakistan must make efforts for peace with its neighbors but is challenged to do so by its weak leadership at the helm of state affairs.

Much is now expected from the Sharif government. Despite India's continuing persecution of Kashmiri Muslims in IOJK, Pakistan must try its best to improve relations with India. India is a neighbor with an exceedingly long tense border with Pakistan. Peace with India will decrease the tensions in South Asia and provide Pakistan with access to the growing Indian market. It is time for a new beginning. Indeed, a new era can begin in Pakistan. For that to happen bold policy measures and out-of-the-box thinking are now urgently required. Pakistan should focus on the development of its human resources, sustainable economy, and the eradication of poverty, which can only happen if bold policy decisions are taken now. However, given the military dominance of Pakistan's politics today such development is ridiculously hard to imagine. Pakistani leadership can only fail at its peril. The people hope for change, and it is now time to deliver. It is imperative to set the right direction. There is still hope in Pakistan.

Undoubtedly, Pakistan's current policy of permanent Indian enmity and conflict was going nowhere. Pakistan was a security state because of this approach. The Pakistan military was adamant about confronting India and was still supporting some jihadist elements like the LeT,

HQN, and Quetta Shura for its purposes. A change in direction was required now. Given the complexity of the regional situation, more robust diplomacy was urgently to get Pakistan out of the current morass and crisis. The previous governments were not up to the task and had miserably failed to protect Pakistan's vital national interests.

Many people in Pakistan are considering a way out of the security situation and tension between Pakistan and India. Much earlier, there was a meeting between Pakistani Prime Minister Nawaz Sharif and Indian business tycoon Sajjan Jindal. It was a very low-key and secretive affair. Track II talks continued later with a little positive outcome, however,

Earlier, Pakistan facilitated the Afghan peace talks, which is much appreciated by the US. Notwithstanding the strained relations between Pakistan and the US, there is new hope for the normalization of ties between the two countries. The Biden administration is signaling that it is willing to support Pakistan. An improvement of relations between Pakistan and the US is very much possible. The US will support a prosperous, stable, and secure Pakistan as that is in its national interest, as claimed by the Biden administration. There can yet be a convergence of interests as the new Sharif coalition government can negotiate a mutual win-win outcome.

#### US Intervention?

Contacts between visitors from the US and political parties in Pakistan have picked up the pace, as the country inches closer to general elections. Last month, a US congressional delegation led by Senate Majority Leader Chuck Schumer visited Pakistan to discuss the "broad-based partnership" between the two countries. After that, PTI Vice President Fawad Chaudhry met US Ambassador Donald Blome and apprised him of the 'worsening human rights situation' in the country. Then, just last week, a delegation of lawmakers from the California assembly met PTI Chairman Imran Khan. This engagement is the result of hectic lobbying by PTI representatives in the US, especially in areas such as California, Texas, and Illinois (there is a sizable Pakistani presence in Houston and Chicago). Since their government's ouster, PTI leaders, particularly those from Houston, have been hosting US lawmakers as part of their campaign to convince Americans that neither Imran. Khan neither his party is against the US.

Meanwhile, PTI had hired another lobbying firm to build good relations with the US and the diaspora living here. Documents that surfaced yesterday confirm that PTI USA signed a contract with a Washington-based lobbying firm, Praia Consultants LLC, to support the party's goals for "good relations with the United States and the Pakistani diaspora in the US." The

contract was signed on 21st February for six months, according to the documents filed with the US Justice Department under the Foreign Agents Registration Act.

Earlier, in the immediate aftermath of the PTI government's ouster, Washington became overly cautious in the way that it conducted its diplomacy with Pakistan. This coincided with Imran Khan's accusations of a US-backed conspiracy for his ouster, and as a result, the American response to any question about the political situation in Pakistan became quite formulaic. "The US does not have a position on one political candidate or party versus another. We support the peaceful upholding of democratic, constitutional, and legal principles. The US values our longstanding cooperation with Pakistan and has always viewed a prosperous and democratic Pakistan as critical to US interests," Ned Price would say, whenever he was asked about Khan's allegations. But even before the former PM accused a high-ranking State Department official of being part of a "regime-change operation," the relationship between the PTI regime and Washington was conspicuously icy. After his removal, however, there seemed to be a thaw. The devastating monsoon floods offered a window for further rapprochement as the US became one of the biggest contributors of aid, giving over \$50 million to support relief efforts. But that flurry too seemed to cool off when Pakistan was unable to secure a lifeline deal with the International Monetary Fund (IMF) in the final quarter of 2022. Hectic efforts were made by officials — such as former army chief Gen Qamar Bajwa, Foreign Minister Bilawal Bhutto-Zardari, and Finance Minister Ishaq Dar — who met a slew of US officials to win over the White House. The recent resurgence of terrorism in the country and a deepening of the economic crisis is the latest opening that seems to have prompted a great deal of engagement between the two capitals, but this time around, the meetings are not confined to government functionaries alone. The US reaffirmed the commitment to stay engaged as Pakistan faced grave economic uncertainty foreign assistance to Pakistan has increased over the past year and the United States remains one of the largest providers of civilian assistance to Pakistan. The US has committed almost \$33.5 billion in civilian and military support since 2002. No country had provided more grant-based assistance to Pakistan than the US. The US has been a leading investor in Pakistan for the past 20 years and over the past year our investments went up 50 percent."

Meanwhile, the love-hate relationship between Pakistan and the United States seems to be front and center during the current political crisis, as well. Publicly, both the opposition and the



ruling parties are trying not to seem too keen on Washington; but privately, both are giving the impression that “America is on our side.” However, the Biden administration is maintaining a safe distance from both sides. This stance was reiterated in the latest US report on human rights as well, which indicates that Washington is carefully watching the current political situation in Pakistan, but has no desire to get involved, so far. US scholars and lawmakers have avoided taking sides in this dispute, although, unlike US officials, they have not minced words in depicting the situation in Pakistan as alarming. Senior US diplomat Zalmay Khalilzad, who negotiated the peace deal with the Taliban working closely with Pakistan, on March 22, 2023, advised the Pakistani government to refrain from proceeding against Pakistan Tehreek-e-Insaf (PTI) Chairman Imran Khan despite being asked by Pakistan to stay away from domestic issues.

The CPEC could have a profound regional impact that will promote connectivity in it and beyond. It could make the West Asian region a manufacturing and commerce hub by improving its infrastructure. Given the trust deficit between regional powers, especially Afghanistan and Pakistan, China should take the lead and play a leadership role. The CPEC could become a vehicle of cooperation and friendship between Afghanistan and Pakistan. The CPEC was an important part of the greater BRI, which was certainly a path-breaking global project, and regional powers would be advised to join it immediately.

The CPEC project might yet prove to be the required catalyst for a meaningful rapprochement between Pakistan and its neighbors. It all depends on the current leadership in the two countries. Pakistan’s regional isolation will hamper the CPEC initiative. Pakistan’s internal contradictions can also thwart CPEC’s effectiveness. The CPEC’s success was dependent on Pakistan’s internal stability and better relations with neighboring countries. For now, the civil-military leadership should find ways to end the undeclared state of war with three immediate neighbors.

Briefly, a pragmatic and political approach needs to be the focus now. A comprehensive strategy of counterterrorism was desperately needed which composed the military tools with that other societal and political tools. The application of military tools employing force was easier and more immediate while the political approach was by its very nature tedious, slow, and baffling at times. But then, it was far more lasting and viable. A complete rethink needed to be done on the military’s militant mainstreaming project now. Pakistan has suffered enough from Islamic militancy and cannot afford it anymore. Hopefully, future governments will consider the

matter much more seriously. It is not just the threat of Islamic radicalism, which Pakistan faces. It is also challenged by nationalist forces.

Meanwhile, the political parties are discredited because of their actions, the bureaucracy is demoralized because of bad governance, and society is divided on sectarian, linguistic, and ethnic social cleavages.

The PDM government failed to act boldly and change Pakistan from within. Pakistan does not have the luxury of time. Hopefully, the new government will act immediately. The future of Pakistan depends on such rethinking. A frank and open discussion on these issues must commence immediately. Remember there are no sacred cows within Pakistan. Notwithstanding the opinion of the military brass, the Islamic Republic of Pakistan was the only thing sacred for the citizens of the country and not it is military. Because of past failures, Pakistan was facing an existential crisis that emanates from several internal and external factors. The PDM government was impaired because of massive corruption, incapacity, and endless and unwarranted political bickering with the PTI, its main rival for power. The morale of the people is at its lowest in history. India, the arch-foe of Pakistan, smells blood and is going for the proverbial kill. It is accusing Pakistan of supporting terrorism and is bent on destroying its global image as a responsible military power. Tragically, the PDM government did not have a foreign policy to speak of. It only reacts to events by external powers, especially the US and India. The Army was in charge as far as foreign and defense policies are concerned, virtually dictating foreign policy now. Earlier, Pakistan's dependence on US aids as well as its historic closeness to Saudi Arabia means Iran will continue to be wary of the country. Staying on good terms with the Middle Eastern rivals is a tough diplomatic tightrope to walk in the first place. Earlier, moves in the region might just have made things tougher. However, later in March 2023, the two sides decided to mend their relations in a historic meeting facilitated by China. Relations between the two erstwhile rivals are going to improve soon enough. Much to the surprise of the world. There is a golden opportunity for Pakistan to make the most of the thaw in relations between Saudi Arabia and Iran. It can benefit from the new regional peace only if it becomes organized. However, there is no evidence of that happening anytime soon.

It was prudent to realize that Pakistan was not only threatened from the outside but also threatened from within. The current political and military leadership now stands discredited and does not have any credibility left. The tragedy of Pakistan does not stop here. The country's

political parties are also discredited because of their actions, the bureaucracy demoralized because of bad governance, and the society itself badly divided on sectarian, linguistic, and ethnic social cleavages. Pakistan is now certainly a mess. The country is now among the list of top ten failed states in the world. This is ironic because Pakistan also happens to be one of the strongest military powers in the world today. Pakistan's military strength cannot prevent an implosion of sorts like what happened with the Soviet Union in the late 1980s. The country was now dangerously isolated. It was only China that has shown some support. The people were feeling hapless and disillusioned as never. The country was in a mess with no positive aspect on the horizon. The only good thing happening in Pakistan was the rising awareness thanks to the Information Revolution and the media. This awareness needs to be channelized into a political force of some reckoning.

Pakistan has also failed to make the necessary progress toward a modern and enlightened Islamic state. The country has a constitution that reflects Islamic values, more than any other country. Therefore, all political parties must adhere to it. The state cannot, and should not, allow any violation of the Constitution under the guise of religion. Pakistan is threatened by extremism. The Sharif government must tackle religious extremism now, as it is becoming a threat to the country's progress. It is hoped that the new government chooses the correct path on this sensitive issue, however. Rule of law is paramount in any democracy but some of the Supreme Court's verdicts have not helped the cause.

Undoubtedly, previous governments were not up to the task and had failed to protect Pakistan's vital national interests. Plus, both faced an immense image problem because of corruption allegations pending in the courts of Pakistan. Soon, the leadership of both parties will face jail terms for their gross corruption and other misdeeds.

Undeniably, Pakistan had suffered from an acute image problem and must shed its image as a hotbed of international terrorism. It was only now that there was some evidence of a change of direction. Much more needed to be done on this score, however. Pakistan desperately needs a change of direction. The previous civilian governments, both the PPP and the PMLN, had miserably failed to boldly act and change Pakistan from within. The PTI government was also not that good. Pakistan does not have the luxury of time. The future governments coming will be facing a plethora of problems and will have to act immediately. The future of Pakistan depends on such prudent actions and some rethinking. A frank and open discussion on these issues must

commence immediately. Remember, there are no sacred cows within Pakistan. Notwithstanding the opinion of the military brass, the Islamic Republic of Pakistan is the only thing sacred for the citizens of the country and not is military. Because of past failures, Pakistan is facing an existential crisis that emanates from several internal and external factors. In the end, all governments had been impaired because of massive corruption, incapacity, and endless and unwarranted political bickering within themselves. The people are dejected now and India, the arch-foe of Pakistan, is bent on exploiting the situation to its advantage. It was accusing Pakistan of supporting terrorism and was bent on destroying its global image as a responsible military power. There are some serious challenges facing Pakistan of Islamic fundamentalism. It certainly does have a tiny lunatic fringe. Although specifying it to a particular region like KPK is not true, as such. More importantly, the role of madrassahs or seminaries as incubators of jihadists is exaggerated and a myth. Islamic radicalism is misunderstood in the West, especially in the US. Anti-Western sentiments are now very pronounced not only in Pakistan but all over the Muslim world. All segments of Muslim societies, including the educated classes, have turned against the West. The distrust between the two peoples is not just at the level of the governments, but at the societal level also. Hence, the urgency to start a frank dialogue. Remember, Pakistanis are a proud nation. Notwithstanding all the problems, they demand respect and some space to resolve their problems. Eventually, the radicals, among the Muslims, will be defeated but not through military means alone.

If the global alliance does not cater to the roots of the Islamic fundamentalist phenomenon, then even with the defeat of IS the problem will not be solved. As explained elsewhere, a “mushrooming effect” takes place, and another successor shall be launched sooner than later. The near elimination of its parent organization al-Qaeda from the Af-Pak region did not end the story and it resurfaced in the shape and form of IS which is growing in Afghanistan today. Therefore, it is prudent to wage a comprehensive global war on Islamic radicalism by employing both tools - military and softer ones. The emphasis in the long term must be on the softer tools. That is but obvious.

Among other stark failures of the Muslim world, including Pakistan, is the serious intellectual failure that had resulted in paralysis of both thought and action. Why this has occurred due to the glaring failure of leadership, especially national political leadership? With very few exceptions, the entire Muslim world, including Pakistan, is beset with brutal, corrupt,

insincere, and very mediocre political leadership, which has prevented the people to grow to their full potential as politically active citizens.

Pakistan faces an acute crisis of leadership and capacity at all levels of society and in all institutions of the country.

The incumbent PDM coalition government faces enormous and complex challenges. It was hoped that with the emergence of the Sharif coalition government, the military's power would be gradually reduced. However, the opposite has happened, which is unfortunate, to say the least. The hybrid political system is becoming problematic, to say the least. In the future, only a clean, efficient government that delivers required public services can keep the military in check. Such is the sharp reality of Pakistan's troubled politics. It is hoped that future governments will deliver and earn the trust of the people, and then be able to keep a lid on the military's interventions.

Going back to the Pakistan movement in the 1940s, one realizes the spirit of being Muslim and the slogans of the Muslim League. Islam had always been part of the Pakistani nation. Any understanding of Pakistan should place Islam as an integral part of the nation's development. However, Pakistan was far more liberal in the past, as compared to today. This is tragic, to say the least.

Why is religiosity in large parts of the Muslim world, including Pakistan, increasing but not the true practice? The cardinal principles of Islamic society: social justice, compassion, and fair play are not being actualized today anywhere. The basic governing principles are being discarded. The question is why? The people still hope for a just, tolerant, and liberal Islamic Pakistan. The nation desperately needs across-the-board accountability now. The government must be obliged to haul up all the corrupt, regardless of background or profession. Meaning that all are under the accountability net, which includes the military and judiciary too. No sacred cows are to be left in the Islamic Republic of Pakistan. This is the pious wishes of the people. Many wished that PTI had followed a pragmatic policy, meaning that it would have kept in check the powerful military. Instead, the PTI let the military grow even more powerful in the last two years. It failed to focus on serving the people through real reforms, good governance, and clean government. Earning the trust of the people first is essential. No other option is available. The supremacy of the civilian leadership over the military must be established eventually as it is the cardinal principle of democracy. Democracy is a process and is inherently tedious, and complex. Some analysts are expressing concerns that the military will continue to manipulate

politics soon in the country. The test of the future political leadership is whether it would hold accountable powerful army chiefs such as General Bajwa and General Kayani, who are also deemed to be corrupt like Zardari and Nawaz Sharif. However, it is very doubtful that it can happen though. That is the whole point.

The PDM parties are a vast patronage network spun over a period of 50 years or so. The mafia rules Pakistan for now but stands exposed. Their party system has been discredited and will be in shambles very soon. The era has ended. It is earnestly hoped that the accountability of this PDM leadership will happen in the future as it cannot happen now, and thereby change the direction of Pakistan. It remains to be seen whether this happens, though.

Pakistan is facing an economic crisis because of massive corruption, bad planning, bad governance, and even political instability. Like elsewhere, Pakistan was also challenged by global problems like Covid-19 lockdowns, the near recession, and energy supply shortages, which have also severely affected the country's economy. Meanwhile, political uncertainty is taking a toll on the country's economy, as the PDM government is not ready to take bold decisions to stabilize the economy. The country was expected to improve on the economic front thanks to the CPEC initiative but the sheer negligence of the ruling establishment to tackle the issue of social justice.

Meanwhile, extremism and Islamic fundamentalism are again spreading unabated in Pakistan. This phenomenon saps the energy of the nation and draws it back from reaching its true potential. The anarchy unleashed by Islamic fundamentalists must be checked in Pakistan before it engulfs the whole region in further chaos. Much depends on timely action taken by the ruling establishment of Pakistan to get its act together to achieve the true prospects of economic development presented to the country by the CPEC initiative. Bad governance is still the norm in Pakistan and is not an exception. Desperately needed reform measures still await the nation. The nation is poorer because of its poor leadership, both military and civilian. It is hoped that a turnaround yet happens as a new civilian leadership replaces the current lot. Pakistan has enormous potential in its youth but lacks the leadership to make full use of the potential. The leadership is bickering among itself, complacent and corrupt. Too bad for the country. There was also a bright side to the country's dismal picture, however. Pakistan can indeed have a great future and be on the road to success and sustainable peace. Pakistanis are the most resilient nation. Pakistan can indeed position itself in the region as a massive trade corridor that will

catapult this country to economic prosperity and a symbol of geostrategic integration. Pakistan as the regional trade, industrial, and economic hub will be in a position of strength and the world will endeavor to improve relations with Pakistan. Pakistan believes in cooperation, instead of competition. Pakistan is carving out a trajectory of progress for the region by way of economics, which the world needs to recognize and acknowledge. Pakistan faced an existential crisis of a daunting magnitude. The primary threat was from within the country.

The fault of Pakistan's problematic democracy was primarily on the shoulders of the leadership, both civilian and military because they had failed to deliver on their promises. The current Prime Minister of Pakistan, Shabaz Sharif, was weakened even further with the turn of events in the country. He was the younger brother of Nawaz Sharif, who has been premier three times and now lives in exile in the UK. Shabaz himself had been in control of Punjab for over 32 years. Punjab was the biggest province and had dominated Pakistan's politics for decades. Although the military had no constitutional role in the governance of the country it was the most powerful institution in the country and controlled Pakistan's foreign and security policies. It also had sway on other political matters. The military had ruled for half of Pakistan's history and had wielded considerable influence even when it was not in power. The only time it had been eclipsed by the civilian government was in Zulfikar Ali Bhutto's era in the early 1970s. Undoubtedly, Pakistan's democratic system had been weakened because of prolonged military rule. Even today, the military establishment was also not willing to give up control of the country. Most probably, the military will continue its control of the country's politics.

Hence, the tragedy unfolding in Pakistan It was an irony that Pakistan was one of the strongest nations in the world as far as the military might be concerned yet weak as far as societal and economic development indicators were concerned. Pakistan had achieved a lot in the military, but national leadership had failed to make the nation strong and united to face the terrorism challenges. Pakistan's security challenges required a comprehensive strategy that should include a partnership between the PDM government, the Opposition, the military, and the country's considerable civil society. Most importantly, Shabaz Sharif himself was required to provide strong leadership to galvanize the nation to join forces to achieve the national objectives. Here Shabaz Sharif had failed. Political matters needed deft political handling and the use of force was not always the most significant method to solve many issues in the country. For

example, the issue of militancy in the country needed to be addressed also through political means and not just be dependent upon the use of force to eliminate militancy in the country. Much earlier, the Chinese country had often stated that the BRI plan could only advance if there was a safe and steady setting. China was particularly concerned about security in Pakistan where Chinese workers have been attacked by militants.<sup>219</sup> Much earlier, upon the demand of the Chinese government, Pakistan had deployed a security force of around 10,000 soldiers to guard the CPEC against militant attacks.<sup>220</sup>

The national military leadership was too focused on the acquisition of a military edge over India considered a mortal enemy of Pakistan. While the PDM Government was indeed corrupt and ineffective, Pakistan's military also did not want to lose its power over the civil government because of vested interests. Its focus on Indian enmity was the rationale given and the only possible solution to the predicament was to resolve the Kashmir dispute and then cut the military to size. However, the weakened PDM Government could not move in that direction. Given the increased power of the military in Pakistan, the status quo could not be changed soon. This was the tragedy of Pakistan.

Thus, the politics of Pakistan was entering a crisis. The biggest threat to the country was the prospect of instability because of the further weakening of the PDM Government. Unfortunately, Pakistan's internal dynamics were threatening its capacity to achieve good relations with neighbors and allies. Pakistan needed a tough foreign policy to cope with growing regional tensions. Much earlier, Huma Yusuf argued in her article aptly titled "Balancing Act" published on May 8, 2017, that: <sup>221</sup>

Pakistanis have quickly resigned themselves to the reality of a 'hybrid' democracy, one in which the security establishment defines policies and civilians implement them. But the hybridity does not seem to be working. Civilian-military tensions are raging, and as our institutions seek to rout each other, their ability to maintain a democratic facade and pursue diplomatic means is eroding. The variation in our engagements with our neighbors over recent days should make it clear that diplomacy is always preferable, but for that, we need effective, empowered civil servants.

The Army and PDM Government had not coordinated their policies, which had created a dysfunctional foreign policy. There was no foreign minister in the country for more than four years, and the military was in charge. Consequently, Pakistan suffered because of the confusion



and lack of proper policy directions. Pakistan had immensely suffered because of a parallel government of sorts.

The serious economic crisis in Pakistan demands that all major political parties, across the divide, immediately agree on a common minimum Economy Charter. Politics can be postponed for a while till the approval of the upcoming budget. This would be a very prudent act by them. Time to step back and reflect on the crisis. Serious introspection is needed for a way out of the crisis. The serious economic crisis in Pakistan demands that all major political parties, across the divide, immediately agree on a common minimum Economy Charter. Politics can be postponed for a while till the approval of the upcoming budget. This would be a very prudent act by them.

Undoubtedly, Pakistan faces profoundly serious governance challenges, and the new coalition government must focus on them. Attention should be paid to delivery alone and not Imran Khan. The people expect relief soon enough as they suffer from inflation and other economic issues. There is no time for general elections in Pakistan shortly. They are held at the end of 2023, as required by law. Sharif's coalition government is expected to take bold decisions to stabilize the economy and thereby strengthen the country. The government is not prepared to do it. Too bad for Pakistan.

Pakistani Prime Minister Shehbaz Sharif appealed to parliament on March 29, 2023, to act against his predecessor Imran Khan over accusations that his party participated in the violence that erupted when police tried to arrest him for alleged corruption. The clashes occurred earlier after Khan's supporters prevented police and paramilitary forces from detaining him over allegations, he unlawfully sold state gifts during his 2018-22 tenure as premier. He denied any wrongdoing.<sup>222</sup> Interior Minister Rana Sanaullah asked for a parliamentary ruling to empower authorities to crack down on Khan's party and his supporters. Some of Sharif's ministers have called for a ban on Khan's Pakistan Tehreek-e-Insaf (PTI) party, but it was not clear whether the government was seeking this from parliament.<sup>223</sup> Sharif's coalition government has alleged that Khan's supporters had Islamist militants among them. Since being removed, Khan has been demanding early elections and holding protests across the country to press his case. The clashes between Khan's supporters and security forces have brought a new flare-up of political instability to the country, which is during a crippling economic crisis. Imran Khan says the government and the powerful military are trying to stop him from contesting the next election, scheduled for

November. Both the government and military deny this. If convicted in any case, Khan could be disqualified from the vote.<sup>224</sup>

Unfortunately, the polarization in Pakistan's politics has been accentuated and tension prevails now. The Sharif government must only focus on delivering good governance. It should not be obsessed with Imran Khan, as it will be bad for the country. Pakistan deserves better.

Notwithstanding Imran Khan's outlandish political rhetoric, he should be allowed to continue with it. The Opposition march on Islamabad at month's end will be a great nuisance but certainly not wreck the Sharif Government. Maturity requires that the Opposition blasts, though without merit, be tolerated only because Pakistan is a democracy, though a fragile one. The Sharif coalition government is bent on overreaction to Imran Khan's protest politics. Such action an overreaction by the Sharif Government will create more chaos and anarchy in the country. Tolerance must be shown and let politics play out without state intervention. Wisdom must prevail. Simple as that.

On March 28, 2023, the Human Rights Commission of Pakistan (HRCP) stated it is deeply concerned that this crisis has resulted in polarization across the political spectrum. The situation was triggered by events designed to stall the democratic process and undermine the efficacy and legitimacy of the parliament. One political party first abandoned the National Assembly and then dissolved two provincial assemblies. Others in government blocked the subsequent reversal of this move by thwarting the opposition's attempt to return to the National Assembly.<sup>225</sup>

Despite its considered view that the dissolution of the Punjab and KP assemblies was politically expedient, HRCP was concerned that these assembly elections have been postponed till October by the Election Commission of Pakistan. "We are also aware of legitimate apprehensions that such decisions could become a precedent to be used to derail the democratic process in the future," stated the HRCP.<sup>226</sup>

While HRCP believes that the Constitution does provide solutions that may legitimize delayed elections, any such delay should be as short as possible and necessary and proportionate to the aims of the delay.

Accordingly, there must be a consensus among all political parties and stakeholders on the rationale for such a delay. They should also recognize that this is an unwelcome precedent and must not recur. The election process must also remain free, fair, credible, and transparent, and the results acceptable to all political stakeholders, it added.<sup>227</sup>

HRCP noted with dismay the judicial overreach in conflict with the constitutional principle of the trichotomy of powers. There is a need to dispel the impression that, in interpreting the Constitution, the Supreme Court enhances its powers at the expense of other democratic institutions.

The judiciary must safeguard its independence, integrity, and credibility. It must resist any urge to interfere in the domain of other constitutional bodies and instead help strengthen all such institutions by giving them the room to resolve issues that fall within their constitutional remit, the HRCP said.<sup>228</sup>

It added, “We also firmly believe that there is no room for threats of any undemocratic interventions.”

HRCP strongly condemned violent and unlawful behavior by political elements aimed at creating disorder to further their political agendas. At the same time, HRCP denounced the strong-arm tactics and disproportionate use of force by the state as a means of political repression. “We are deeply concerned to observe that this has involved resorting to the use of colonial laws of sedition, unwarranted charges of terrorism against political opponents, enforced disappearances, and attempts to gag freedom of expression through ill-conceived proposals and actions through PEMRA,” remarked the HRCP.

The crux of the ongoing crisis is political and not legal. There is no other option for the political opposition and the government but to hold serious and meaningful dialogue in parliament to resolve it in the larger interests of the people, concluded the HRCP.<sup>229</sup>

The HRCP on March 28, 2023, warned that the current political crisis was designed to “stall the democratic process” and undermine the efficacy and legitimacy of the parliament speaking at a press conference on Tuesday, HRCP Chairperson Hina Jilani demanded all politicians sit together and resolve issues to strengthen the democratic process. She said political parties should also not look towards the Supreme Court and armed forces to resolve their problems and should sit together to amicably solve their issues. The HRCP chairperson also noted how the dissenting order issued by two judges of the Supreme Court had ‘vindicated’ the political parties’ apprehension of the court’s decision on holding elections. Jilani said the order, authored by Justice Syed Mansoor Ali Shah and Justice Jamal Khan Mandokhail, was “an eye opener” and it was now the institutions’ turn to prove their impartiality. To a question about the Supreme Court’s role in conducting elections, the HRCP chairperson said the court should not

intervene in political matters as the matter was challenging the judiciary's freedom. She added that there should be a constitutional court to address the matters related to the Constitution or a full court bench should be established for adjudicating on these issues. Jilani said that it was important to uphold and strengthen the democratic process and expressed profound concern at the crises and polarization across the political spectrum. In an apparent reference to the PTI, the HRCP governing body said a political party first abandoned the National Assembly and then dissolved two provincial assemblies. Those in the government blocked the reversal of this move by thwarting the opposition's attempted return to the National Assembly. Although the commission agreed the dissolution of Punjab and KP assemblies was "politically expedient," it expressed concern over the postponement of the elections till October by the Election Commission of Pakistan. "We are also aware of legitimate apprehensions that such decisions could become a precedent to be used to derail the democratic process in the future." 230

The HRCP also called for a consensus among all political parties and stakeholders on the rationale for the delay and to ensure that the "unwelcoming precedent" must not be repeated. "The crux of the ongoing crisis is political and not legal," the commission said, adding that the government and the opposition have no option but to "hold serious and meaningful dialogue in the Parliament" to resolve their differences in the larger interests of the people. HRCP said the judicial overreach conflicted with the constitutional principle of the trichotomy of powers. 231The commission said the judiciary must safeguard its independence, and resist any urge to interfere in the business of other institutions. HRCP also condemned violent and unlawful behavior by political elements "aimed at creating disorder to further their political agendas. "At the same time, it denounced the "strong-arm tactics and disproportionate use of force" by the state as a means of political repression. "We are deeply concerned to observe that this has involved resorting to the use of colonial laws of sedition, unwarranted charges of terrorism against political opponents, enforced disappearances, and attempts to gag freedom of expression through ill-conceived proposals and actions through Pemra," the HRCP added.232

On March 28, 2023, Pakistan Tehreek-e-Insaf (PTI) Chairman and former Prime Minister Imran Khan warned the government and "neutrals" that human rights violations can take an ugly turn if they did not mend their ways.

“I want to tell the ‘neutrals’ that remunerably failed lections are the only way forward as their strategy of threatening the public has badly failed and backfired,” the PTI chief said while addressing the nation via video link from his Zaman Park residence on March 28, 2023.<sup>233</sup>

The former premier reiterated that the responsibility of implementing the rule of law in the country was now on the shoulders of the legal fraternity. “The government is hatching a conspiracy to divide the superior judiciary for its interests,” he maintained.

Imran invited the lawyers of the country to participate in the Lawyers’ Convention being held in Lahore, as it was high time for the legal community to put their differences aside for the implementation of the rule of law in the country.

On the other day, he highlighted, Barrister Hassan Niazi was arrested, and a series of fake cases were registered against him in different provinces.

The imported government and its handlers had also abducted several social media activists to silence their voices, he said, adding that restrictions were being imposed on media to silence opposing voices.

“The legal fraternity is not being allowed to function for the implementation of the rule of law in the country,” he added.<sup>234</sup>

The former premier stressed that every Pakistani citizen had to raise his voice for the rule of law in the country otherwise the situation would further deteriorate, and provision of justice would become a distant dream from common citizens, and human rights violations would further increase.

The gross human rights violations witnessed in the last 11 months, Imran pointed out, were not witnessed in any democracy.

“Unprecedented inflation has been witnessed during this period as the imported rulers have no plan to rein in the economic chaos in the country. Their complete focus is to find an escape route from elections.”

The PTI chair warned that the way the government and the establishment were trying to silence opposing voices and the deteriorating economic situation had pushed the country towards a dangerous point.

Torture on political workers and common citizens was increasing hatred among the masses and this situation could go to the point where nobody would be able to manage the situation.

“I am trying my best to calm down my workers and supporters, but it will not work for long,” he added.

Imran pointed out that when he appeared for a hearing in the Islamabad court, the police and “unidentified” persons attacked his party workers to instigate violence. The same happened at the previous hearing.

A journalist on a foreign TV channel had witnessed how the police and neutrals attacked peaceful workers of his party. Because neither the government nor the neutrals wanted to hold elections in the country. “We want free and fair elections to bring back political stability, but the government and their handlers want to create unrest in the country,” he maintained.<sup>235</sup>

Amnesty International on March 29, 2023, raised concern over the disappearance of Pakistan Tehreek-e-Insaf (PTI) activist Azhar Mashwani who was “arrested and abducted” last week.

The NGO took to Twitter and stated that the organization is “alarmed by reports of the enforced disappearance of Azhar Mashwani, whose whereabouts remain unknown.”

“Enforced disappearances have stained Pakistan's human rights record for decades and continue with impunity,” it added.<sup>236</sup>

The NGO, which focuses on human rights, urged the “government of Pakistan to immediately release all disappeared people or promptly bring them before a judge in a civilian court of law to rule on the awfulness of their arrest or detention and whether they should be released.”

A day earlier, the PTI announced it would raise the issue of cases filed against its leadership and the arrests of workers at the international level.

Senior party leader Dr. Shireen Mazari said that the party had prepared a document chronicling the “human rights violations” of the PTI supporters from April 10, 2022, to March 21, 2023.

Pakistan should strengthen its system of democracy because it was very deficient in countless ways and not functioning at all. The political paralysis was a result of these systematic faults. Islamic fundamentalism, poor governance, absence of democratic norms, intolerance in society, and inertia was the principal cause of the situation. Lack of political will to reform both state and society may be the single biggest reason for the mess. Examine the deeper problem of bolstering the deficient, undemocratic decision-making structures. Due to the disinterest towards

institutionalized decision-making by Pakistan's rulers, it was hardly surprising that policy and decision-making of national importance remained personalized and incoherent. It was this very flaw that prevented the Government of Pakistan from conducting a truly national strategy. Until and unless there was an institutional decision-making process Pakistan would continue to lack intellectual content the country would always be faced with a crisis. Pakistan faced much larger challenges because of this poor policymaking. The country's past was haunting it now. Reckless decisions like the infamous U-turn of General Musharraf after 9/11 where Pakistan became an ally of the U.S. without weighing the full consequences of this abrupt departure of foreign policy. The Army's alleged support of Jihadist entities like the Jaish-e-Mohammad, Haqqani network, and Quetta Shura. The main reason for this was the personalist nature of rule in Pakistan. The civilian leaders do not follow democratic norms of decision-making. This empowered the Army even more and provided further leverage to it to influence Pakistan's decision-making. Neither the Cabinet nor the Parliament is fulfilling their given roles assigned to them. Even the Judiciary is very deficient, especially at the lower levels. The Parliament does not properly fulfill the legislative and oversight in Pakistan, as was the norm in the system of democracy. The Cabinet does not deliberate as was needed for the proper administration of the state institutions. The notion of national security was the primary driver of Pakistan's national interest, which had given significant leverage to the military. The military itself had a deficient national security paradigm and a very narrow focus on the regional situation, let alone the global one. It was obsessed with its enmity with India, the historic rival. This does not condone Indian actions in any way. The point was that the military as an institution was necessarily focused on fighting wars and winning them and not working for peace.

Pakistan continues to suffer from an ineffective and inefficient bureaucracy and most importantly a political will to see a comprehensive agenda of reforms through to completion. Notwithstanding its pious declarations, the current Sharif Coalition government simply does not have the will to implement the reform agenda. Given the precarious nature of Pakistan's economy, the Sharif coalition government has no choice but to adhere to IMF conditionalities, no matter how tough. Other lenders are watching to see whether the Pakistan government does so, as promised. The sooner the better. Pakistan's economic crisis demands bold actions by the Sharif Government. All lenders are looking up to the future IMF signal to assist the country.

Therefore, Pakistan must adhere to the IMF conditionalities, sooner than later. Populist measures, though understandable, will not work.

Notwithstanding Sharif Government claims, Pakistan will not receive any funds from friendly countries. Meanwhile, Government has agreed with IMF's demand to reduce fuel subsidies phase-wise. IMF has agreed to continued subsidies for the marginalized section of society. Pakistan faces profoundly serious governance challenges, and the new Sharif coalition government must focus on them. Attention should be paid to delivery alone and not Imran Khan. The people expect relief soon enough as they suffer from inflation and other economic issues.

Given the precarious nature of Pakistan's economy, the Sharif coalition government has no choice but to adhere to IMF conditionalities, no matter how tough. Other lenders are watching to see whether the Pakistan government does so, as promised. The sooner the better.

The Sharif coalition government is not at all ready to take bold decisions to stabilize the economy. The paralysis in decision-making is hurting Pakistan. A rainbow coalition is in power, which makes it even more difficult. Did they expect smooth sailing once in power? Action needed. As of May 18, 2022, the Pakistani government had taken no action to meet IMF demands to revoke the very costly energy subsidies. It had failed to swallow the bitter pill. Meanwhile, the economic situation worsened.

Today, it is imperative that the Sharif government immediately gain the trust of the international community to ensure a good deal with the IMF, and other international financial institutions. The country needs foreign help to stabilize its economy and therefore must take quick action in this area. Plus, it is in Pakistan's national interest to eradicate the menace of money laundering and terrorist financing quickly. The country's population had now crossed 240 million. Pakistan faces a horrendous situation as the rapid population growth is fueling massive rural-to-urban migration, the strain on the cities, and massive environmental degradation. People are suffering from a poor environment, lack of social services, and neglect of state institutions to respond to the situation in any coherent manner. Bad governance is the norm, not the exception in state institutions. The poverty gap is striking and is widening in many areas of the country. Pakistan is deficient in governance matters as public services are inadequate and there was immense poverty in the country. Today, Pakistan suffers from poor social indicators.

The Human Development Index (HDI) is extremely low in Pakistan. The HDI was devised and launched in 1990 and was a statistic that ranked countries into four tiers of human



development based on indicators like life expectancy, education, and per capita income. A higher lifespan, higher level of education, and higher GDP per capita result in a country scoring higher HDI. Earlier, in the 2016 Human Development Report, by the UN Development Program (UNDP) Pakistan had ranked 147 among 188 countries.<sup>237</sup> Today, Pakistan's HDI rank is 154 globally.<sup>238</sup> Pakistan ranks low on human development indicators because of severe neglect of public health and education. Pakistan is at number 110 on the Global Competitiveness Index. The country's rate of overall fixed investment as a percent of GDP averages around 14pc — exactly half the average for South Asia. FDI into Pakistan was the equivalent of 0.8pc of GDP in 2019, less than half the rate for India, which was 1.8pc of GDP. In terms of inflows, the country receives around \$3 billion in gross FDI annually, compared to \$50bn-plus for India.<sup>239</sup> Pakistan's standing in the World Justice Project's Rule of Law Index. Pakistan ranks at 130 out of 139 countries, behind Honduras, Zimbabwe, Myanmar, Mozambique, Bangladesh, Uganda, and Bolivia. Within South Asia, it ranks second from the bottom, just above Afghanistan. In the Worldwide Governance Indicators, the country was ranked in the 25th percentile on 'Rule of Law', meaning that Pakistan is lower than 75pc of the countries worldwide.<sup>240</sup> Pakistan is in the 22nd percentile on 'Control of Corruption', meaning that the country is worse than 78pc of the countries worldwide. Pakistan is ranked in the 32nd percentile on 'Government Effectiveness', meaning that Pakistan was worse than 68pc of the countries globally. For 'Political Stability' and 'Absence of Violence,' Pakistan ranks in the fifth percentile, meaning that the country is worse than 95pc of the countries worldwide.<sup>241</sup> Undoubtedly, Pakistan suffers from serious and complex bad governance structural design. A lot of effort must be made to turn the tide in Pakistan. A just, secure, egalitarian, and clean Pakistan can be established. A liberal Pakistan can indeed be fashioned by the will of the people. It is hoped that a turnaround happens soon.

Meanwhile, the new Shabaz Sharif coalition government faces daunting internal governance challenges of an overly complex nature. Pakistan faces an economic crisis and needs help from its Western allies, especially USA. It would be prudent to mend relations with America at the earliest possible because of various issues, especially the matter of the urgently needed IMF bailout revival. The Sharif coalition government must also try its best to improve relations with India. Peace with India will decrease the tensions in South Asia and provide Pakistan with access to the growing Indian market. It was time for a new beginning. Pakistan

requires bold policy measures to chart the country on a trajectory of rapid economic development.

### Economic Crisis March and April 2023

Shabaz Sharif is now the premier of Pakistan and the rainbow coalition government composed of some eleven political parties is in power till August 2023. Meanwhile, the new Shabaz Sharif coalition government faces daunting internal governance challenges of an overly complex nature. Pakistan faces an economic crisis and needs help from its Western allies, especially USA. It would be prudent to mend relations with America at the earliest possible because of various issues, especially the matter of the urgently needed IMF bailout revival. The Sharif coalition government must also try its best to improve relations with India. Peace with India will decrease the tensions in South Asia and provide Pakistan with access to the growing Indian market. It was time for a new beginning. Pakistan requires bold policy measures to chart the country on a trajectory of rapid economic development.

The country faces an economic crisis. When Imran Khan came to power in 2018, he inherited a bad economic situation, but his bad policy decisions have now made it even worse. In the fiscal year 2020-21, Pakistan's economy grew by around 5.5%, which will decrease to 4% in the current fiscal year 2021-2022. It may be even lower, as Moody's expected real GDP growth lies between 3pc and 4pc for the fiscal year. Meanwhile, the IMF has set out five major conditions for the revival of the \$6 billion bailout package, including reversal of fuel subsidies and withdrawal of the tax amnesty scheme, the new finance minister, Miftah Ismail, said on April 20, 2022.<sup>242</sup>

The other conditions are an increase in electricity tariffs, the imposition of new taxes, and ensuring fiscal savings aimed at bringing down the projected primary budget deficit of Rs1.3 trillion to the earlier agreed limit of Rs25 billion surplus. The IMF program stays stalled due to the earlier government's back-pedaling on implementation of the condition it had agreed with the IMF in addition to fixing the fuel prices at their March 1st level. The conditions have been set out for the next loan tranche of around \$960 million under the seventh review of the program.<sup>243</sup> The finance minister clarified that at this stage, he was not interested in the two program reviews. Now three program reviews are pending, and their completion will pave the way for the

release of a total of \$3 billion still three tranches before the program is completed in September 2022. The finance minister added that the revised estimates suggested that the country would need to pay Rs192 billion more in fuel subsidies for the May-June 2022 period, bringing the total subsidies to Rs293 billion since March 1, 2022.<sup>244</sup> He hoped that the country would get \$4.3 billion breathing space from China in the shape of earlier disbursement of a \$2.3 billion commercial loan and rollover of \$2 billion SAFE deposits. Miftah Ismail said that his immediate challenge was to sustain the foreign exchange reserves at the current levels and arrange \$4 billion more to pay for the current account deficit. The government has a plan to get financial aid from China and secure liquefied natural gas (LNG) on deferred payments from Qatar aimed at taking off pressure from the external sector.<sup>245</sup>

The delay in the revival of the IMF bailout along with the lack of pledges of funding from friendly countries is adding pressure to the foreign reserves and the local unit.

Prime Minister Shehbaz Sharif faces a battle to secure the revival of the IMF bailout, as it is a prerequisite for further financial aid from other bilateral and multilateral creditors. The country needs quick foreign currency inflows to meet import and debt payments amid falling foreign exchange reserves. However, the present government will have to cut costly energy subsidies, which were introduced by the then-Khan government. It requires increasing petroleum and electricity prices to get the nod from the IMF for the release of the next loan tranche. The Sharif government at once needed to ensure compliance with FATF demands. Pakistan needed to gain the trust of the international community to ensure a good deal with the IMF.

Pakistan and the IMF were likely to start policy-level discussions on May 18, 2022, in Doha, which would depend on withdrawing fuel subsidies to resume the program and extend its tenure by up to one year and size to \$8 billion. The editorial “Economy and elections,” published in The News on May 12, 2022, has aptly kept that: <sup>246</sup>

The most crucial issue now for the government – more than elections or Imran Khan on A Container – is the way the economy is tanking. By most assessments, when Finance Minister Miftah Ismail went to Washington, he gave an assurance to the IMF those the earlier government’s subsidies on petrol and diesel would be reversed – the IMF too had specifically mentioned the unfunded subsidies in its press release following the meeting. Despite Miftah’s commitment to the IMF, PM Shehbaz rejected OGRA’s summary to increase fuel prices. When reports appeared that Miftah had convinced the PM to increase these prices, Ishaq Dar stated that

we would not take dictation from the IMF, putting both PM Shehbaz and Miftah Ismail on the backfoot. Now we have IMF negotiations on May 18 but if we do not take any decision on this by then, where does Miftah's credibility as a finance minister stand for the IMF? If the intention is to pull strings from London, then they need to wake up and realize that this is not 2013. Pakistan has already made commitments with the IMF. We know that Saudi Arabia has not given us anything concrete. If anything, the \$3 billion given by the Saudis was on the condition that Pakistan stays in the IMF program. Pakistan's reserves are \$10.5 billion – not even enough for two months of import cover. If Saudi Arabia takes out \$3 billion, then we will hardly be left with a one-month import cover. If there is no IMF and we are left with one-month reserves, even the World Bank or Asian Development Bank will not give funding to us. The Shehbaz government wants to complete its tenure so that it can give two budgets. This year's budget will be a tough one with a high increase in petrol and power prices. If elections were to take place in October, the government would have to dissolve the assemblies after the budget. But if the government stays till 2023, then it will look to stabilize the economy to some extent and then go into elections after giving an election budget next year – with a tailor-made narrative of having saved Pakistan from the brink of default. But none of this is possible if the government is not allowed to make decisions on its own. For all the talk about 'interference,' who would have imagined that the London 'interference' would also be something to have to be contended with? If the government is to continue dithering, it may well dissolve the assemblies right now, bring in a caretaker setup that will take tough decisions, and hold new elections in three months. A government with one prime minister and one finance minister can function but a government run by two finance ministers and two prime ministers will be ungovernable.

Earlier, at the end of February 2022, government domestic debt and liabilities stood at Rs28.3 trillion. In January 2022, the total external public debt of \$86.4 billion.<sup>247</sup> Meanwhile, inflation is high and is in double-digits, which is the third highest among the major economies of the world.<sup>248</sup>

In mid-May 2022, the budgetary deficit was Rs5, 000 billion and the trade deficit was about \$50 billion, the biggest deficit in Pakistan's history.<sup>249</sup> Pakistan at once needs \$4 billion for debt servicing and an equal amount to cover the current account deficit. In the next year, Pakistan's gross external financing requirement stands at \$32 billion.<sup>250</sup> The foreign exchange reserves are extremely low. Pakistan's central bank foreign exchange cash reserves (excluding

gold) have dropped to just \$6.5 billion or by 50 percent since the end of February 2022, barely enough to cover just a few weeks of imports. The currency was under pressure and dropped by 6 percent in 2022.<sup>251</sup> On May 6, 2022, the foreign currency reserves held by the SBP were recorded at \$10,308.7 million, down \$190 million compared with \$10,499 million on April 30, 2022.<sup>252</sup> According to the central bank, the decrease came due to external debt repayments.

Overall liquid foreign currency reserves held by the country, including net reserves held by banks other than the SBP, stood at \$16,375.7 million. Net reserves held by banks amounted to \$6,067 million.<sup>253</sup> On May 14, 2022, amidst a devastating energy crunch in Pakistan, the government decided to gradually revive the stalled IMF program by raising the electricity tariffs by Rs7.14 per unit along with hiking the petrol prices.

Meanwhile, Pakistan and the IMF were scheduled to hold review talks on May 18 to renew attempts to reach a staff-level agreement so that the fund's executive board approves the delivery of the next \$1 billion tranches.

Notably, if the prices stay the same—during the current fiscal year—Pakistan would have to bear the cost of about Rs140 billion till June for a duration of four months.

Additionally, the Sharif coalition government is also under pressure to increase the tariffs on gas to improve the liquidity crisis faced by Sui Southern Gas and Sui Northern Gas in Pakistan. Moreover, if current POL prices in the international market remain intact, it is estimated that fuel subsidies might incur a cost of Rs118 billion.<sup>254</sup>

Furthermore, the Sharif government acknowledged that it requires Rs200 billion to pay gas utility companies—bringing the total amount to Rs701 billion, or over 1% of GDP.

In the meantime, with the delay in the revival of the IMF program and falling foreign currency reserves, the PKR has hit an all-time low against the US Dollar—crippling Pakistan's economy further.

Poverty remains a big challenge for Pakistan as some 34 percent of the country's population lives on just a \$3.2 a day income.<sup>255</sup> Meanwhile, Pakistan Human Development Report published by the United Nations in 2021 found that the economic privileges accorded to Pakistan's elite groups, including the corporate sector, feudal property owners, and the country's powerful military, add up to an estimated \$17.4bn, or 6 percent of the country's economy.

The biggest beneficiary of the privileges – in the form of tax breaks, cheap input prices, higher output prices, or preferential access to capital, land, and services – was found to be the country's corporate sector, which gained an estimated \$4.7bn in privileges, the report said.<sup>256</sup>

According to the IMF, Pakistan's exports as a share of GDP have declined over the past decade as export volume growth has stagnated amid considerable de-industrialization. Consequently, Pakistan's share in global trade has steadily declined. The export basket lacks technological sophistication and is concentrated on primary goods at the lowest rungs of the value chain. Pakistani exports are moreover susceptible to high volatility due to terms of trade shocks and face growing competition from lower-cost economies.

In short, a rent-seeking economy driven by tax exemptions and concessions is not competitive internationally and is the primary reason for the country's recurring balance of payments crises. Since Pakistan's exports have not grown compared to its competitors, it is especially vulnerable to oil price shocks given its huge dependence on imported fuel.

India surpassed \$400 billion in exports in FY2022, an all-time high, comfortably higher than the five-year average of \$300 billion before coronavirus struck. India's FX reserves at \$600 billion are the world's fourth largest.

Bangladesh's export earnings in July-April of the current fiscal year 2021-22 stood at \$43.34 billion (Pakistan \$26.2 billion) with a 35.14-per cent growth (Pakistan 25.5 percent) compared with that of \$32.07 billion in the same period of FY 2020-21.<sup>257</sup>

Oil prices collapsed between 2013 and 2016 and dropped by more than 50%, from \$108 in 2013 to \$43 in 2016. Pakistan's external account improved, and the rupee was stable. Oil prices bottomed out in 2016 and started rising again.<sup>258</sup>

Pakistan's trade deficit crossed \$39 billion in the first 10 months (July 2021-April 2022) of the current fiscal year, as the pace of increase in imports was double the surge in exports, causing a rapid decline in Pakistan's foreign exchange reserves.<sup>259</sup> A lot more will need to be done but the current government's position is weak, and the policy choices are limited. However, any further delay in corrective steps would aggravate the crisis and could prove to be very costly if the foreign exchange reserves continue to drop and the rupee crosses two hundred level against the U.S. dollar.<sup>260</sup>

The International Monetary Fund (IMF) has demanded that Pakistan fix next fiscal year's tax collection target at Rs7.25 trillion, which will require the imposition of added taxes of around

Rs300 billion, including withdrawal of agriculture tax exemptions and increase in the burden on the salaried class. The target is Rs350 billion higher than what tax authorities believe can be generated in the fiscal year 2022-23 without imposing new taxes. The Rs7.25 trillion tax collection target will be Rs1.15 trillion, or 19%, higher than this year's revised target of Rs6.1 trillion. The IMF was asking Pakistan for the Rs7.25 trillion tax target in addition to fulfilling the commitments made by the earlier PTI government to withdraw the tax exemptions and revise the tax slabs for salaried individuals.<sup>261</sup>

The last IMF report on Pakistan said that there was a need to remove exemptions to include fertilizers and tractors, which form 23% of the current GST expenditure and whose removal was under consideration as a 2023 budget measure. The FBR has collected Rs4.86 trillion in taxes during the first 10 months of the current fiscal year, leaving itself with a task to collect another Rs1.24 trillion in just two months to achieve the revised annual target. Tax authorities now need to collect taxes at an average of Rs20.4 billion a day during May and June to achieve the target. The FBR's performance has remained dependent on imports that contributed 52% to the total tax collection, which camouflaged the weaknesses in the domestic sales tax collection that remained negative. The finance ministry is projecting 9.5% inflation and 5.5% economic growth for the fiscal year 2022-23, which could increase the revenue collection by around Rs900 billion in the next fiscal year without resorting to added revenue measures.<sup>262</sup>

The country faces an economic crisis. When Imran Khan came to power in 2018, he inherited a bad economic situation, but his bad policy decisions have now made it even worse. In the fiscal year 2020-21, Pakistan's economy grew by around 5.5%, which will decrease to 4% in the current fiscal year 2021-2022. It may be even lower, as Moody's expected real GDP growth lies between 3pc and 4pc for the fiscal year. Meanwhile, the IMF has set out five major conditions for the revival of the \$6 billion bailout package, including reversal of fuel subsidies and withdrawal of the tax amnesty scheme, the new finance minister, Miftah Ismail, said on April 20, 2022.<sup>263</sup>

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set out for the next loan tranche of around \$960 million under the seventh review of the program. 264The finance minister clarified that at this stage, he was not interested in the two program reviews. Now three program reviews are pending, and their completion will pave the way for the release of a total of \$3 billion still being in the three tranches before the program is completed in September 2022. The finance minister added that the revised estimates suggested that the country would need to pay Rs192 billion more in fuel subsidies for the May-June 2022 period, bringing the total subsidies to Rs293 billion since March 1, 2022.265He hoped that the country would get \$4.3 billion breathing space from China in the shape of earlier disbursement of a \$2.3 billion commercial loan and rollover of \$2 billion SAFE deposits. Miftah Ismail said that his immediate challenge was to sustain the foreign exchange reserves at the current levels and arrange \$4 billion more to pay for the current account deficit. The government has a plan to get financial aid from China and secure liquefied natural gas (LNG) on deferred payments from Qatar aimed at taking off pressure from the external sector.266

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Today, the country is facing continuously deteriorating macroeconomic indicators, like the depreciating rupee and depleting forex reserves, increasing current account and budget deficits. As of mid-May 2022, the current account deficit and budget deficits have increased and so has the national debt, both internal and external.

Earlier, at the end of February 2022, government domestic debt and liabilities stood at Rs28.3 trillion. In January 2022, the total external public debt of \$86.4 billion.<sup>268</sup> Meanwhile, inflation is high and is in double-digits, which is the third highest among the major economies of the world.<sup>269</sup>

As of mid-May 2022, the budgetary deficit is Rs5,000 billion and the trade deficit is about \$50 billion, the biggest deficit in Pakistan's history.<sup>270</sup> Pakistan at once needs \$4 billion for debt servicing and an equal amount to cover the current account deficit. In the next year, Pakistan's gross external financing requirement stands at \$32 billion.<sup>271</sup> The foreign exchange reserves are extremely low. Pakistan's central bank foreign exchange cash reserves (excluding gold) have dropped to just \$6.5 billion or by 50 percent since the end of February 2022, barely enough to cover just a few weeks of imports. The currency was under pressure and dropped by 6 percent in 2022.<sup>272</sup> On May 6, 2022, the foreign currency reserves held by the SBP were recorded at \$10,308.7 million, down \$190 million compared with \$10,499 million on April 30, 2022.<sup>273</sup> According to the central bank, the decrease came due to external debt repayments.

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Meanwhile, Pakistan and the IMF were scheduled to hold review talks on May 18 to renew attempts to reach a staff-level agreement so that the fund's executive board approves the delivery of the next \$1 billion tranches. Notably, if the prices stay the same—during the current fiscal year—Pakistan would have to bear the cost of about Rs140 billion till June for a duration of four months. Additionally, the Sharif coalition government was also under pressure to increase the tariffs on gas to improve the liquidity crisis faced by the Sui Southern Gas and Sui Northern Gas in Pakistan. Moreover, if current POL prices in the international market remain intact, it was estimated that fuel subsidies might incur a cost of Rs118 billion.<sup>275</sup>

Furthermore, the Sharif government acknowledged that it required Rs200 billion to pay gas utility companies—bringing the total amount to Rs701 billion, or over 1% of GDP. In the meantime, with the delay in the revival of the IMF program and falling foreign currency

reserves, the Pakistan Rupee had hit an all-time low against the US Dollar that crippled Pakistan's economy further.

Poverty remains a big challenge for Pakistan as some 34 percent of the country's population lives on just a \$3.2 a day income.<sup>276</sup> Meanwhile, Pakistan Human Development Report published by the United Nations in 2021 found that the economic privileges accorded to Pakistan's elite groups, including the corporate sector, feudal property owners, and the country's powerful military, add up to an estimated \$17.4bn, or 6 percent of the country's economy. The biggest beneficiary of the privileges – in the form of tax breaks, cheap input prices, higher output prices, or preferential access to capital, land, and services – was found to be the country's corporate sector, which gained an estimated \$4.7bn in privileges, the report said.<sup>277</sup>

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China has invested billions of dollars in Pakistan, much of it in the China-Pakistan Economic Corridor (CPEC), which is a sprawling package that includes everything from road construction and power plants to agriculture. It has an estimated cost of up to \$75 billion. The largest component of the CPEC project is a 3,200-kilometer (2,000-mile) road linking China to Pakistan's deep-water port of Gwadar in the southwest. Pakistan hopes the project will bring prosperity to the country. China has also deposited much-needed millions into Pakistan's central bank to boost its fast-declining foreign exchange reserves to save Pakistan from a default amid the country's worst-ever economic crisis.<sup>282</sup> The delay in the revival of the IMF bailout along with the lack of pledges of funding from friendly countries is adding pressure to the foreign reserves and the local unit.

Prime Minister Shehbaz Sharif faces a battle to secure the revival of the IMF bailout, as it is a prerequisite for further financial aid from other bilateral and multilateral creditors. The country needs quick foreign currency inflows to meet import and debt payments amid falling foreign exchange reserves. However, the present government will have to cut costly energy subsidies, which were introduced by the previous PTI government. It requires increasing petroleum and electricity prices to get the nod from the IMF for the release of the next loan tranche. Pakistan needed to gain the trust of the international community to ensure a good deal with the IMF.

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Today, Pakistan is facing an economic crisis because of massive corruption, bad planning, bad governance, and even political instability.

Like elsewhere, Pakistan is also challenged by the global slowdown because of previous Covid-19 lockdowns, which have also severely affected the country's economy. Pakistan's economic crisis demands bold actions by the Sharif Government. All lenders are looking up to the future IMF signal to assist the country. Therefore, Pakistan must adhere to the IMF

conditionalities, sooner than later. Populist measures, though understandable, will not work. Notwithstanding Sharif's government claims, Pakistan will not receive any funds from friendly countries. Meanwhile, it had agreed with IMF's demand to reduce fuel subsidies phase-wise. IMF has agreed to continued subsidies for marginalized sections of the population.

As of mid-May 2022, the current account deficit and budget deficits have increased and so has the national debt, both internal and external. Earlier, at the end of February 2022, government domestic debt and liabilities stood at Rs28.3 trillion. In January 2022, the total external public debt of \$86.4 billion.<sup>284</sup> Meanwhile, inflation was high and was in double-digits, which was the third highest among the major economies of the world.<sup>285</sup>

As of mid-May 2022, the budgetary deficit is Rs5, 000 billion and the trade deficit is about \$50 billion, the biggest deficit in Pakistan's history.<sup>286</sup> Pakistan at once needs \$4 billion for debt servicing and an equal amount to cover the current account deficit. In the next year, Pakistan's gross external financing requirement stands at \$32 billion.<sup>287</sup> The foreign exchange reserves are extremely low. Pakistan's central bank foreign exchange cash reserves (excluding gold) have dropped to just \$6.5 billion or by 50 percent since the end of February 2022, barely enough to cover just a few weeks of imports. The currency was under pressure and dropped by 6 percent in 2022.<sup>288</sup> On May 6, 2022, the foreign currency reserves held by the SBP were recorded at \$10,308.7 million, down \$190 million compared with \$10,499 million on April 30, 2022.<sup>289</sup> According to the central bank, the decrease came due to external debt repayments.

Overall liquid foreign currency reserves held by the country, including net reserves held by banks other than the SBP, stood at \$16,375.7 million. Net reserves held by banks amounted to \$6,067 million.<sup>290</sup> On May 14, 2022, amidst a devastating energy crunch in Pakistan, the government decided to gradually revive the stalled IMF program by raising the electricity tariffs by Rs7.14 per unit along with hiking the petrol prices.

Meanwhile, Pakistan and the IMF are scheduled to hold review talks on May 18 to renew attempts to reach a staff-level agreement so that the fund's executive board approves the delivery of the next \$1 billion tranches. Notably, if the prices stay the same—during the current fiscal year—Pakistan would have to bear the cost of about Rs140 billion till June for a duration of four months.

Additionally, the Sharif coalition government is also under pressure to increase the tariffs on gas to improve the liquidity crisis faced by Sui Southern Gas and Sui Northern Gas in

Pakistan. Moreover, if current POL prices in the international market remain intact, it is estimated that fuel subsidies might incur a cost of Rs118 billion. 291

Furthermore, the Sharif government acknowledged that it requires Rs200 billion to pay gas utility companies—bringing the total amount to Rs701 billion, or over 1% of GDP. In the meantime, with the delay in the revival of the IMF program and falling foreign currency reserves, the PKR has hit an all-time low against the US Dollar—crippling Pakistan’s economy further.

Poverty remains a big challenge for Pakistan as some 34 percent of the country’s population lives on just a \$3.2 a day income.<sup>292</sup> Meanwhile, Pakistan Human Development Report published by the United Nations in 2021 found that the economic privileges accorded to Pakistan’s elite groups, including the corporate sector, feudal property owners, and the country’s powerful military, add up to an estimated \$17.4bn, or 6 percent of the country’s economy.

The biggest beneficiary of the privileges – in the form of tax breaks, cheap input prices, higher output prices, or preferential access to capital, land, and services – was found to be the country’s corporate sector, which gained an estimated \$4.7bn in privileges, the report said.<sup>293</sup>

According to the IMF, Pakistan’s exports as a share of GDP have declined over the past decade as export volume growth has stagnated amid considerable de-industrialization. Consequently, Pakistan’s share in global trade has steadily declined. The export basket lacks technological sophistication and is concentrated on primary goods at the lowest rungs of the value chain. Pakistani exports are moreover susceptible to high volatility due to terms of trade shocks and face growing competition from lower-cost economies.

In short, a rent-seeking economy is driven by tax exemptions and concessions are not competitive internationally, and are the primary reason for the country’s recurring balance of payments crises. Since Pakistan’s exports have not grown compared to its competitors, it is especially vulnerable to oil price shocks given its huge dependence on imported fuel.

India surpassed \$400 billion in exports in FY2022, an all-time high, comfortably higher than the five-year average of \$300 billion before coronavirus struck. India’s FX reserves at \$600 billion are the world’s fourth largest. Bangladesh’s export earnings in July-April of the current fiscal year 2021-22 stood at \$43.34 billion (Pakistan \$26.2 billion) with a 35.14-per cent growth (Pakistan 25.5 percent) compared with that of \$32.07 billion in the same period of FY 2020-21.<sup>294</sup>

Oil prices collapsed between 2013 and 2016 and dropped by more than 50%, from \$108 in 2013 to \$43 in 2016. Pakistan's external account improved, and the rupee was stable. Oil prices bottomed out in 2016 and started rising again.<sup>295</sup>

Pakistan's trade deficit crossed \$39 billion in the first 10 months (July 2021-April 2022) of the current fiscal year, as the pace of increase in imports was double the surge in exports, causing a rapid decline in Pakistan's foreign exchange reserves.<sup>296</sup> A lot more will need to be done but the current government's position is weak, and the policy choices are limited. However, any further delay in corrective steps would aggravate the crisis and could prove to be very costly if the foreign exchange reserves continue to drop and the rupee crosses two hundred level against the U.S. dollar.<sup>297</sup>

The International Monetary Fund (IMF) had demanded that Pakistan fix next fiscal year's tax collection target at Rs7.25 trillion, which will require the imposition of added taxes of around Rs300 billion, including withdrawal of agriculture tax exemptions and increase in the burden on the salaried class. The target is Rs350 billion higher than what tax authorities believe can be generated in the fiscal year 2022-23 without imposing new taxes. The Rs7.25 trillion tax collection target will be Rs1.15 trillion, or 19%, higher than this year's revised target of Rs6.1 trillion. The IMF was asking Pakistan for the Rs7.25 trillion tax target in addition to fulfilling the commitments made by the earlier PTI government to withdraw the tax exemptions and revise the tax slabs for salaried individuals.<sup>298</sup>

The last IMF report on Pakistan said that there was a need to remove exemptions to include fertilizers and tractors, which are 23% of the current GST expenditure and whose removal was under consideration as a 2023 budget measure. The FBR has collected Rs4.86 trillion in taxes during the first 10 months of the current fiscal year, leaving itself with a task to collect another Rs1.24 trillion in just two months to achieve the revised annual target. Tax authorities now need to collect taxes at an average of Rs20.4 billion a day during May and June to achieve the target. The FBR's performance has remained dependent on imports that contributed 52% to the total tax collection, which camouflaged the weaknesses in the domestic sales tax collection that remained negative. The finance ministry is projecting 9.5% inflation and 5.5% economic growth for the fiscal year 2022-23, which could increase the revenue collection by around Rs900 billion in the next fiscal year without resorting to more revenue measures.<sup>299</sup>



Meanwhile, Pakistan is also facing a severe economic crisis requiring immediate attention. The precarious nature of Pakistan's economy requires swift action. Yet some hurdles are still in securing the IMF deal. The government of Pakistan must now fulfill the remaining IMF conditions at once, and get it done. No choice in the matter now. The sooner the better. Simple as that.

This is a catch-22 situation for Pakistan if there ever was one. The IMF says that Saudi Arabia, and other friends, must help now before they release the tranche money themselves. Meanwhile, Saudis say that Pakistan must get the IMF deal first. Meanwhile, internal conflict is now wrecking the country. Military interference continues unabated. The PDM Government is both ineffective and clueless to resolve the matter. Pakistan's ruling elite should have seen it coming. But that is expecting too much from a mediocre and callous elite. Something must give. The real crisis in Pakistan. Hoping against hope now.

Debt servicing in Pakistan is now equaling its federal income. Not a good prospect at all. Meanwhile, Pakistan's political instability is severely affecting its economy. Not that it is being managed wisely in the first place. But still, political stability is paramount and fundamental for economic stability.

There are opportunities now available for rapid economic growth because of recent Saudi Arabia's rapprochement with Iran.

Very recent developments in the Gulf vis a viz Saudi Arabia and Iran have occurred which can surely help neighboring Pakistan. But first Pakistan must put its own house in order. Will that happen anytime soon? There is little evidence of that yet. The ruling elite is not up to the task, to say the least. That much is unfortunate for the people.

Miftah said the PTI-led government violated the conditions of the IMF agreement, which put the program on hold.

"We must renew the IMF agreement. Imran created problems in relations with all countries, including China and Saudi Arabia," he added.<sup>300</sup>

The Pakistani rupee continued its nosedive against the US dollar on Friday, for the fifth consecutive working day, as it declined by 0.64% (Rs1.23) to a new historical low, reaching Rs193 against the greenback in the inter-bank market.

The domestic currency had closed at Rs191.77 against the global currency on May 13, 2022, according to the State Bank of Pakistan (SBP).

The latest depreciation recorded was followed by the central bank's report that the country's foreign exchange reserves had depleted to a 22-month low, at \$10.3 billion.

The dwindling reserves have continued to weaken the country's balance of payments; as a result, Pakistan's ability to import and repay foreign debt has contracted during the past several months. The \$10.3 billion reserve has reduced the country's import cover to less than two months as compared to the usual three-month import cover.

Meanwhile, by mid-May 2022, Pakistan had not received any major financial support from its three friendly countries.<sup>301</sup>

Finance Minister Miftah Ismail on May 15, 2022, again accused the PTI government of not curbing the smuggling of wheat and petroleum, adding that its policies had “wrecked” the country’s economic stability. <sup>302</sup>

Earlier, in the Extended Fund Facility, the PTI-led government had agreed with the International Monetary Fund (IMF) to end the fuel subsidy to revive the suspended bailout. The PMLN coalition government is now mulling over a plan to cut subsidies on petroleum products in phases in a bid to reduce the volume of the mounting price differential claims.

The subsidies on petroleum products continue to swell because of higher global oil prices and depreciation of the local currency against the US dollar, which may lead to a higher budget deficit.<sup>303</sup> The hike in global oil prices and depreciation of the Pakistani rupee against the US dollar continues to swell subsidies on petroleum products.

With the rupee’s fall, a 3.17% increase in prices of petroleum products has been projected from May 16, 2022. The average exchange rate had been Rs185.95 to the dollar a few days ago, which rose to Rs191.84, having an impact of around Rs5.90 per liter on the prices of petroleum products.<sup>304</sup>

The price differential has also started affecting the state-run oil marketing company, Pakistan State Oil (PSO), which is to receive Rs41.62 billion.

The company’s total receivables have swelled to Rs551 billion. Gas utility Sui Northern Gas Pipelines Limited (SNGPL) must pay Rs282 billion to PSO on account of liquefied natural gas (LNG) supply.<sup>305</sup>

The price differential has added Rs41 billion, which took the total receivables to an all-time high at Rs551 billion.

The power sector is another major defaulter of PSO, which must pay Rs172 billion on account of fuel supply.

Earlier, the economists and the government authorities had urged Prime Minister Shehbaz Sharif to increase the prices of petroleum products to ease the pressure of price differential claims.

Pakistan had also committed to the IMF to end energy subsidies. However, PM Shehbaz had not increased the prices of petroleum products fearing a political backlash.<sup>306</sup>

As the price differential claims continue to pile up, the Petroleum Division is seeking an allocation of Rs118 billion to bear the cost of freezing oil prices amid surging crude oil in the global market due to the Russia-Ukraine war.

The government has projected subsidy claims of Rs226 billion from the oil companies for the March-June 2022 period. The Finance Division endorsed the allocation of Rs52 billion for the first fortnight of May 2022, saying that the allocation for the next fortnight would be considered later.<sup>307</sup>

The Petroleum Division projected a total subsidy of Rs118.6 billion for May, which the government would have to give to the oil companies for leaving petroleum prices unchanged.

To supply relief to the consumers, the former government announced a relief package on February 28, 2022. It had slashed prices of petrol and HSD by Rs10 per liter each, saying that the prices would be kept unchanged till the next fiscal year's budget.

As a cap had been placed on oil prices, the petroleum levy and general sales tax for petrol and diesel were brought down to zero.<sup>308</sup>

As a result, the price differential claims between the capped rates and prices of the later period from March-June 2022 of petrol and HSD were projected at Rs336.01 billion -- to be paid to the oil marketing companies (OMCs) and refineries by the government.

To avert any shortage in the market, petroleum ministry officials said it was essential to supply confidence to the OMCs and refineries that any price differential borne by them during a fortnight should be provided to them promptly.<sup>309</sup> Finally, on May 26, 2022, the Government raised the petroleum prices, as per IMF demands.

Finance Minister Miftah Ismail on May 15, 2022, announced that the incumbent coalition government was not ending the subsidy on petroleum products and increasing prices "for now," while warning that this decision may be reversed at any "anytime in the future" to pass on the

full burden of international oil prices to consumers. Later, the finance minister stressed that the current pricing freeze did not suggest the government would “never” increase the prices. 310

Ismail claimed that “friendly” countries, including Saudi Arabia, had assured the Sharif government of their economic cooperation and talks were underway to extend the duration of funds they have parked with the State Bank of Pakistan to shore up Pakistan’s foreign exchange reserves. They had also agreed to negotiate an increase in deposits.311

Ismail also warned that the current account deficit was unlikely to reduce in the near term, as imports in the 2021-2022 fiscal year would hit \$75 billion against exports of \$30 billion. As of May 15, 2022, the SBP’s foreign reserves currently stood at \$10.4 billion and blamed the “mismanagement” of the earlier administration for this situation. He also claimed that the tax-to-GDP ratio in the earlier government had dropped to 8.5%.312

The government’s decision to continue the fuel subsidy has been criticized by economic experts, who keep it is unsustainable and would affect the economic stability of the country. It also risks the IMF refusing to revive the suspended bailout program, a key requirement for other countries and lenders to help Pakistan overcome its economic crises. The government’s indecision over the vital decision has boosted uncertainty, with the Pakistan Stock Exchange continuously losing its value and the Pakistani rupee also continuing a slide against the U.S. dollar.313

By mid-May 2022 Pakistan's tottering economy was headed toward a default-like situation.

Earlier, sensing the economic emergency and the bad shape of the economy, PML-N supremo Nawaz Sharif on May 10, 2022, summoned top party brass including Prime Minister Shehbaz Sharif and the party's federal ministers to London for consultations.

The PML-N is caught in a tricky situation when it comes to making unpopular economic decisions.

Insiders claim the PML-N high command would prefer to dissolve the assemblies and call fresh elections instead of paying the political cost of Khan's ruinous years in power.314

Pakistan’s foreign exchange reserves are falling, food inflation is spiraling, and the Pakistani rupee is on slippery ground, showing a massive 21.72% drop during the 2021-2022 fiscal year.315

Economic experts and analysts have been demanding a financial emergency to deal with the looming economic challenges. They suggest that Rs.800 billion (US\$4.1 billion) tax

exemptions available to the corporate sector be withdrawn and higher taxes be levied on land and property holdings.

They also want cuts to non-combat defense spending, a special emergency tax on vehicles of 1600cc or more, doubling the electricity tariff on residential properties of eight hundred square yards or more, and downsizing federal government departments.<sup>316</sup>

The pressure on the rupee is increasing due to decreasing dollar inflows and a lack of support from friendly countries including China, Saudi Arabia, and the United Arab Emirates (UAE). The delay in the revival of the International Monetary Fund (IMF) bailout package of \$6 billion has also plummeted the country's reserves.<sup>317</sup>

The rupee was at a record low against the dollar, the Pakistan Stock Exchange had shed an added nine hundred points, financial markets were crashing, investor confidence was eroding, and the State Bank of Pakistan (SBP) was left with only \$10.44 billion, including \$6 billion in cash deposit loans from China, Saudi Arabia, and the UAE.<sup>318</sup>

The Pakistan Stock Exchange (PSX) almost crashed after an intense bout of selling, with the benchmark KSE-100 index losing more than 1,100 points in intraday trading. Earlier, the PSX saw a meltdown where the KSE-100 lost 1,447.67 points. But while economic activity was slowing down, the political heat has been rising rapidly.<sup>319</sup>

The biggest worry for the unity government is how to stop the erosion of the reserves and how to finance the non-funded fuel subsidies given by the earlier government days before the no-confidence vote.

The SBP net reserves excluding private bank deposits were only \$10.3 billion for the week ended on May 6, 2022, hardly enough to foot the bill for four weeks of imports.<sup>320</sup>

The country's current account deficit almost doubled in March, taking the total gap during the first nine months (July-March) of the current fiscal year to more than \$13 billion. Data compiled by the SBP revealed that import growth was 41.3 % during the nine months compared with 11.5% in the same period last year.

The imports cost a total of \$62.137 billion during July-March, compared with exports of \$28.855 billion. <sup>321</sup>

The rising imports widened the trade deficit and destroyed the exchange rate, as the demand for dollars remained abnormally high during the current fiscal year. The total trade

deficit escalated to \$35.52 billion in the first nine months (July-March) period of the 2021-2022 fiscal year against \$20.8 billion in the same period 2020-2021 fiscal year.

In absolute terms, the trade deficit surged by more than \$15 billion, showing the worsening external account position. With this deficit, Pakistan is likely to plunge into a balance of payments crisis in the coming months.<sup>322</sup>

On the internal front, whopping food inflation of 17% has played havoc with the lives of the poor and middle classes, who are stuck in a demanding situation trying to make ends meet. Analysts claim a new wave of inflation would hit when the government went ahead and withdrew fuel subsidies.<sup>323</sup>

Earlier, in the Extended Fund Facility, the PTI-led government had agreed with the IMF to end the fuel subsidy to revive the suspended bailout. The PMLN coalition government is now mulling over a plan to cut subsidies on petroleum products in phases in a bid to reduce the volume of the mounting price differential claims. The subsidies on petroleum products continue to swell because of higher global oil prices and depreciation of the local currency against the US dollar, which may lead to a higher budget deficit.<sup>324</sup> The hike in global oil prices and depreciation of the Pakistani rupee against the US dollar continued to swell subsidies on petroleum products. With the rupee's fall, a 3.17% increase in prices of petroleum products has been projected from May 16, 2022. The exchange rate had risen to Rs191.84, having an impact of around Rs5.90 per liter on the prices of petroleum products.<sup>325</sup> The price differential has also started affecting the state-run oil marketing company, Pakistan State Oil (PSO), which is to receive Rs41.62 billion. The company's total receivables had swelled to Rs551 billion. Gas utility Sui Northern Gas Pipelines Limited (SNGPL) must pay Rs282 billion to PSO on account of liquefied natural gas (LNG) supply.<sup>326</sup> The price differential has added Rs41 billion, which took the total receivables to an all-time high at Rs551 billion. The power sector was another major defaulter of PSO, which must pay Rs172 billion on account of fuel supply.

Earlier, the economists and the government authorities had urged Prime Minister Shehbaz Sharif to increase the prices of petroleum products to ease the pressure of price differential claims. Pakistan had also committed to the IMF to end energy subsidies. However, PM Shehbaz had not increased the prices of petroleum products fearing a political backlash.<sup>327</sup> As the price differential claims continue to pile up, the Petroleum Division is seeking an allocation of Rs118 billion to bear the cost of freezing oil prices amid surging crude oil in the global market due to

the Russia-Ukraine war. The government had projected subsidy claims of Rs226 billion from the oil companies for the March-June 2022 period. The Finance Division endorsed the allocation of Rs52 billion for the first fortnight of May 2022, saying that the allocation for the next fortnight would be considered later.<sup>328</sup>

The Petroleum Division had projected a total subsidy of Rs118.6 billion for May, which the government would have to give to the oil companies to leave petroleum prices unchanged. To supply relief to the consumers, the former government announced a relief package on February 28, 2022. It had slashed prices of petrol and HSD by Rs10 per liter each, saying that the prices would be kept unchanged till the next fiscal year's budget. As a cap had been placed on oil prices, the petroleum levy and general sales tax for petrol and diesel were brought down to zero.<sup>329</sup> As a result, the price differential claims between the capped rates and prices of the later period from March-June 2022 of petrol and HSD were projected at Rs336.01 billion -- to be paid to the oil marketing companies (OMCs) and refineries by the government. To avert any shortage in the market, petroleum ministry officials said it was essential to supply confidence to the OMCs and refineries that any price differential borne by them during a fortnight should be provided to them promptly.<sup>330</sup>

The PDM government had failed to get any relief from friendly countries. Experts had argued that the IMF and other friendly countries would not supply much-needed financial support unless the government increased petroleum prices. The step, he claimed, would fuel inflation, and hurt the working classes even more.

Regarding a cut on federal expenses of Rs5.2 trillion (\$27 billion), he said it was easier said than done because 40% of expenses go into debt servicing, 25% in defense including pensions, 6% to the civil administration, 11% in subsidies and another 5% is for the social support program.<sup>331</sup>

“Pakistan needs \$15 billion to stabilize the forex reserves position and strengthen the rupee. The SBP Foreign Exchange reserves are negative, excluding loans from friends. There is no way Pakistan can do without an immediate bailout by the IMF. There should be no doubt about it,” he tweeted.<sup>332</sup>

Later, on May 13, 2022, Finance Minister Miftah Ismail alleged that the PTI-led government had entered a “flawed” deal with the International Monetary Fund (IMF) that had resulted in rampant inflation and currency devaluation. He further said that the PTI-led coalition

government had borrowed Rs. 20,000 billion during his tenure, which was 80% of the total debt of 71 years. The PTI-led government had also left Rs. 10.4 billion in the foreign exchange reserves, which were equivalent to 45 days of imports.<sup>333</sup>

Miftah Ismail had held earlier the PTI-led government responsible for the current economic crisis in the country, he said in a statement on May 13, 2022. He added that the subsidy on petroleum products announced by the PTI government had put financial pressure on the economy. Fuel subsidies were estimated at Rs120 billion this month, the minister said, adding that no government can bear the burden of such many subsidies. If the government does not have money and it still gives subsidies then it must borrow more, he added.<sup>334</sup> Pressure on the rupee is mounting due to rising interest rates and Imran Khan-led government borrowed loans worth Rs20, 000 billion which is the largest ever amount in the country's history, said Miftah. Due to this debt, the PMLN-led government came under severe financial pressure and the foreign exchange reserves left by the earlier government were only sufficient to pay for only a few days of the import bill, he added.<sup>335</sup> Miftah said the PTI-led government violated the conditions of the IMF agreement, which put the program on hold. Pakistan must renew the IMF agreement. Imran created problems in relations with all countries, including China and Saudi Arabia.<sup>336</sup>

Meanwhile, the Pakistani rupee continued its nosedive against the US dollar on Friday, for the fifth consecutive working day, as it declined by 0.64% (Rs1.23) to a new historical low, reaching Rs193 against the greenback in the inter-bank market. The domestic currency had closed at Rs191.77 against the global currency on May 13, 2022, according to the State Bank of Pakistan (SBP). The latest depreciation recorded was followed by the central bank's report that the country's foreign exchange reserves had depleted to a 22-month low, at \$10.3 billion.

The dwindling reserves have continued to weaken the country's balance of payments, as a result, Pakistan's ability to import and repay foreign debt has contracted during the past several months. The \$10.3 billion reserve has reduced the country's import cover to less than two months as compared to the usual three-month import cover. By mid-May 2022, Pakistan had not received any major financial support from its three friendly countries.<sup>337</sup> Miftah Ismail on May 15, 2022, again accused the PTI government of not curbing the smuggling of wheat and petroleum, adding that its policies had “wrecked” the country's economic stability. <sup>338</sup>



Miftah also claimed that the lender had been “promised” the primary deficit would be Rs. 25 billion, while the total deficit would be around Rs. Four trillion. “The primary deficit has increased from Rs. Twenty-five billion to Rs. 1.32 trillion,” he added, and asked how a government that had only been in power for a month could reduce it.<sup>339</sup> Although tax revenues had increased during the PTI government period, the tax-to-GDP ratio had dropped to 8.5%, as per Ismail.<sup>340</sup>

Finance Minister on May 15, 2022, announced that the incumbent coalition government was not ending the subsidy on petroleum products and increasing prices “for now,” while warning that this decision may be reversed at “anytime in the future” to pass on the full burden of international oil prices to consumers. Later, the finance minister stressed that the current pricing freeze did not suggest the government would “never” increase the prices. <sup>341</sup> Ismail claimed that “friendly” countries, including Saudi Arabia, had assured the Sharif government of their economic cooperation and talks were underway to extend the duration of funds they have parked with the State Bank of Pakistan (SBP) to shore up Pakistan’s foreign exchange reserves. They had also agreed to negotiate an increase in deposits.<sup>342</sup> Ismail also warned that the current account deficit was unlikely to reduce in the near term, as imports in the 2021-2022 fiscal year would hit \$75 billion against exports of \$30 billion. As of May 15, 2022, the SBP’s foreign reserves currently stood at \$10.4 billion and blamed the “mismanagement” of the earlier administration for this situation. He also claimed that the tax-to-GDP ratio in the earlier government had dropped to 8.5%.<sup>343</sup>

The PMLN-led government’s decision to continue the fuel subsidy has been criticized by economic experts, who keep it is unsustainable and would affect the economic stability of the country. It also risks the IMF refusing to revive the suspended bailout program, a key requirement for other countries and lenders to help Pakistan overcome its economic crises. The government’s indecision over the vital decision has boosted uncertainty, with the Pakistan Stock Exchange continuously losing its value and the Pakistani rupee also continuing a slide against the U.S. dollar.<sup>344</sup>

Earlier, sensing the economic emergency and the bad shape of the economy, PML-N supremo Nawaz Sharif on May 10, 2022, summoned top party brass including Prime Minister Shehbaz Sharif and the party's federal ministers to London for consultations.

The PML-N was caught in a tricky situation when it comes to making unpopular economic decisions. Insiders had then claimed that the PML-N high command would prefer to dissolve the assemblies and call fresh elections instead of paying the political cost of Khan's ruinous years in power.<sup>345</sup> Pakistan's foreign exchange reserves were falling, food inflation is spiraling, and the Pakistani rupee is on slippery ground, showing a massive 21.72% drop during the 2021-2022 fiscal year.<sup>346</sup> Economic experts and analysts had been demanding a financial emergency to deal with the looming economic challenges. They suggested that Rs.800 billion (US\$4.1 billion) tax exemptions available to the corporate sector be withdrawn and higher taxes be levied on land and property holdings. They also wanted cuts to non-combat defense spending, a special emergency tax on vehicles of 1600cc or more, doubling the electricity tariff on residential properties of eight hundred square yards or more, and downsizing federal government departments.<sup>347</sup>

The pressure on the rupee was increasing due to decreasing dollar inflows and a lack of support from friendly countries including China, Saudi Arabia, and the United Arab Emirates (UAE). The delay in the revival of the IMF bailout package of \$6 billion had also plummeted the country's reserves.<sup>348</sup> The rupee was at a record low against the dollar, the Pakistan Stock Exchange had shed an additional nine hundred points, financial markets were crashing, investor confidence was eroding, and the State Bank of Pakistan (SBP) was left with only \$10.44 billion, including \$6 billion in cash deposit loans from China, Saudi Arabia, and the UAE.<sup>349</sup>

The Pakistan Stock Exchange (PSX) almost crashed after an intense bout of selling, with the benchmark KSE-100 index losing more than 1,100 points in intraday trading. Earlier, the PSX saw a meltdown where the KSE-100 lost 1,447.67 points. But while economic activity was slowing down, the political heat has been rising rapidly.<sup>350</sup>

The biggest worry for the government was how to stop the erosion of the reserves and how to finance the non-funded fuel subsidies given by the earlier government days before the no-confidence vote. The SBP net reserves excluding private bank deposits were only \$10.3 billion for the week ended on May 6, 2022, hardly enough to foot the bill for four weeks of imports.<sup>351</sup>

The country's current account deficit almost doubled in March, taking the total gap during the first nine months (July-March) of the current fiscal year to more than \$13 billion. Data compiled by the SBP revealed that import growth was 41.3 % during the nine months compared

with 11.5% in the same period last year. The imports cost a total of \$62.137 billion during July-March, compared with exports of \$28.855 billion. 352

The rising imports widened the trade deficit and destroyed the exchange rate, as the demand for dollars remained abnormally high during the current fiscal year. The total trade deficit escalated to \$35.52 billion in the first nine months (July-March) period of the 2021-2022 fiscal year against \$20.8 billion in the same period 2020-2021 fiscal year. In absolute terms, the trade deficit surged by more than \$15 billion, showing the worsening external account position. With this deficit, Pakistan is likely to plunge into a balance of payments crisis in the coming months.<sup>353</sup> On the internal front, whopping food inflation of 17% has played havoc with the lives of the poor and middle classes, who are stuck in a demanding situation trying to make ends meet. Analysts claim a new wave of inflation would hit when the government went ahead and withdrew fuel subsidies.<sup>354</sup>

The new government has failed to get any relief from friendly countries. Experts had argued that the IMF and other friendly countries would not supply much-needed financial support unless the government increased petroleum prices. Reducing federal expenditures was suggested. However, a cut on federal expenses of Rs5.2 trillion (\$27 billion), was easier said than done because 40% of expenses go into debt servicing, 25% into defense including pensions, 6% to the civil administration, 11% into subsidies and another 5% is for the social support program.<sup>355</sup>

Meanwhile, Pakistan needed \$15 billion to stabilize the forex reserves position and strengthen the rupee. The SBP Foreign Exchange reserves were negative, excluding loans from friends. There simply was no way Pakistan could do without an immediate bailout by the IMF.<sup>356</sup>

Finance Minister Miftah Ismail announced on May 28, 2022, that Pakistan is expected to reach an agreement with the International Monetary Fund (IMF) in June, as the country is projected to need \$36-37 billion in foreign financing in the fiscal year 2022-23.<sup>357</sup> He revealed that at present the government was not considering raising fresh foreign debt from the global capital market and commercial banks after the country's international bonds lost almost one-third of their value, while their yields went up significantly. He said that instead of economic growth, controlling inflation was the top priority of the government. Giving the breakdown of the

external financing requirement, Ismail said that Pakistan is to repay \$21 billion in foreign debt in the fiscal year 2022-23.<sup>358</sup>

Besides, the country will require another \$10-15 billion to finance the current account deficit. The government is also targeting to boost the country's foreign exchange reserves by \$5 billion to \$15 billion next year. Therefore, Pakistan must enter the IMF loan program which was worth \$6 billion to arrange the required financing," Ismail said. The value of Pakistan's US dollar-denominated international bonds has shrunk by around 30% - like a \$1 bond was trading at 70 cents when the PML-N-led coalition government came to power in early April. "Now it is trading at 65 cents," he said.<sup>359</sup> "This means we cannot float Eurobonds in the world market to raise fresh funds, nor can we go to (global) commercial banks (right now)," the minister said. At present, the practical choice is to borrow from multilateral and bilateral lenders. Miftah strongly and correctly argued that to take loans from multilateral institutions, it is a must to be in the IMF program which unlocks financing from the World Bank, Asian Development Bank, and particularly the Chinese-led Asian Infrastructure Investment Bank. All these institutions were waiting for the revival of the IMF program. Even Saudi Arabia and other friendly countries are ready to extend loans, but only after the country enters the IMF program. Meanwhile, the IMF has linked the revival of its loan program to the removal of subsidies on petroleum products. Ending the subsidy was a correct decision, as the economy cannot afford to pay Rs120-140 billion per month in energy subsidy. The subsidy amount is three times the cost of Rs41-42 billion a month for running the civilian government. The energy subsidy was simply unaffordable. Pakistan could become bankrupt. Finally, the government started the process of reversing the subsidy with effect from May 27, 2022.<sup>360</sup>

Ismail reiterated that the government had announced an Rs28 billion package for the poor, under which Rs2, 000 would be provided per household to protect them from the spike in inflation. Anyone earning less than Rs40, 000 per month is eligible for financial aid of Rs2, 000 per month. The country needed to increase agricultural yields to cut the import bill. The finance minister invited all political parties to frame the Charter of Economy, which could include the smallest economic agenda by setting aside political differences. The charter may include consensus on privatizing the loss-making state-owned enterprises.<sup>361</sup>

The PDM coalition government is unable to take tough decisions to stabilize Pakistan's precarious economy. The politics of the coalition government on the one hand, and that of the powerful opposition, on the other hand, has created this paralysis of sorts.

According to the IMF, Pakistan's exports as a share of GDP have declined over the past decade as export volume growth has stagnated amid considerable de-industrialization. Consequently, Pakistan's share in global trade has steadily declined. The export basket lacks technological sophistication and is concentrated on primary goods at the lowest rungs of the value chain. Pakistani exports are moreover susceptible to high volatility due to terms of trade shocks and face growing competition from lower-cost economies.

In short, a rent-seeking economy driven by tax exemptions and concessions is not competitive internationally and is the primary reason for the country's recurring balance of payments crises. Since Pakistan's exports have not grown compared to its competitors, it is especially vulnerable to oil price shocks given its huge dependence on imported fuel.

India surpassed \$400 billion in exports in FY2022, an all-time high, comfortably higher than the five-year average of \$300 billion before coronavirus struck. India's FX reserves at \$600 billion are the world's fourth largest.

Bangladesh's export earnings in July-April of the current fiscal year 2021-22 stood at \$43.34 billion (Pakistan \$26.2 billion) with a 35.14-per cent growth (Pakistan 25.5 percent) compared with that of \$32.07 billion in the same period of FY 2020-21.<sup>362</sup>

Oil prices collapsed between 2013 and 2016 and dropped by more than 50%, from \$108 in 2013 to \$43 in 2016. Pakistan's external account improved, and the rupee was stable. Oil prices bottomed out in 2016 and started rising again.<sup>363</sup>

Pakistan's trade deficit crossed \$39 billion in the first 10 months (July 2021-April 2022) of the current fiscal year, as the pace of increase in imports was double the surge in exports, causing a rapid decline in Pakistan's foreign exchange reserves.<sup>364</sup> A lot more will need to be done but the current government's position is weak, and the policy choices are limited. However, any further delay in corrective steps would aggravate the crisis and could prove to be very costly if the foreign exchange reserves continue to drop and the rupee crosses two hundred level against the U.S. dollar.<sup>365</sup>

The International Monetary Fund (IMF) has demanded that Pakistan fix next fiscal year's tax collection target at Rs7.25 trillion, which will require the imposition of added taxes of around

Rs300 billion, including withdrawal of agriculture tax exemptions and increase in the burden on the salaried class. The target is Rs350 billion higher than what tax authorities believe can be generated in the fiscal year 2022-23 without imposing new taxes. The Rs7.25 trillion tax collection target will be Rs1.15 trillion, or 19%, higher than this year's revised target of Rs6.1 trillion. The IMF was asking Pakistan for the Rs7.25 trillion tax target in addition to fulfilling the commitments made by the earlier PTI government to withdraw the tax exemptions and revise the tax slabs for salaried individuals.<sup>366</sup>

The last IMF report on Pakistan said that there was a need to remove exemptions to include fertilizers and tractors, which are 23% of the current GST expenditure and whose removal was under consideration as a 2023 budget measure. The FBR has collected Rs4.86 trillion in taxes during the first 10 months of the current fiscal year, leaving itself with a task to collect another Rs1.24 trillion in just two months to achieve the revised annual target. Tax authorities now need to collect taxes at an average of Rs20.4 billion a day during May and June to achieve the target. The FBR's performance has remained dependent on imports that contributed 52% to the total tax collection, which camouflaged the weaknesses in the domestic sales tax collection that remained negative. The finance ministry is projecting 9.5% inflation and 5.5% economic growth for the fiscal year 2022-23, which could increase the revenue collection by around Rs900 billion in the next fiscal year without resorting to more revenue measures.<sup>367</sup>

### The Reform Agenda

Given the dysfunctional nature of most public services in the country, there is an urgency to adopt a modernization agenda for ability building to deliver the required outcomes. It is important to adopt a comprehensive approach to the modernization task. The plan will be spearheaded by the Modernization Unit created for the Prime Minister's office. A detailed Action Plan will be devised for each state sector (such as education health, commerce, communications, and agriculture) both at the federal level and the provincial level. A very simplified transformation process would include three stages, namely:

- Action Plan formulation

- Sector Tasks and Implementation

- Outcomes and Feedback mechanisms.

Initially, a preliminary examination of the environment and resource availability of each sector shall be undertaken at once. The environment includes an examination of both legal and political factors affecting the performance of the sector. The resource availability includes an examination of all fiscal constraints in the area. This is needed to get a general idea of the sector's requirements, priorities, and the organizational structures of the state agencies or departments. A preliminary examination of the workforce and ability of these agencies or departments is needed. Such knowledge is needed to find out whether the state agencies or departments are performing effectively and efficiently. It will help in finding areas of performance that have become problematic, if any. Such scrutiny will supply a clearer picture of the sector needed for the formulation of a workable modernization plan.

Meanwhile, the Modernization Unit will conduct a simultaneous exercise to decide on qualitative and quantitative indicators to gauge the performance of the agencies and departments of the sector. The task must be completed in two months. After the examination of the first report is complete, a detailed strategy will be devised for each sector. Comprehensive action plans will be prepared in the third month.

The second phase includes the formulation of detailed individual and group tasks per the agreed action plans. The time for the implementation of the action plan can stretch from a year to three years, depending upon the strategy and sector. Therefore, action plans will be formulated in one, two, and three-year formats.

The third phase relates to the feedback on the outcomes of the Action Plans in the second phase. It supplies feedback to the Prime Minister on the success or failures of these plans. A separate Monitoring and Evaluation group will be created to follow a framework given in the Action Plan itself. It will include agreed-upon performance indicators and targets for each program. For example, performance indicators of the FBR may include, both quantitative and qualitative indicators, such as:

Quantitative

Number of registered taxpayers by year

Number of large taxpayers by year

Amount of tax collected and tax type by year.

Amount of taxes in arrears by year

Amount of taxes refunded by year.

Number of employees in different sections or regions by year

Qualitative

The public belief of the bureau's performance by year

Effectiveness of the employment of technology

Integrating various tax data sets in the bureau.

Employment of IT for individual income tax ability assessment.

Overall successful use of technology for enhancing the bureau's performance.

Overall, the assessment of corrupt practices hampers the performance of the bureau.

Assessment of organizational structure and weaknesses of the bureau.

The morale of employees and the self-image of the bureau over the years.

### Reporting Mechanisms

An annual report will be prepared for each sector. The scrutiny of the departments or agencies will be conducted by a third party, preferably donor agencies. Required changes shall be incorporated next year in the concerned action plans, as per the recommendations of these reports.

#### The Function of Task Forces

This is a three-tier design. Each sector will be assigned three task forces: federal, provincial, and district. They will be headed by the minister or district head. Each Taskforce will manage the implementation of sector plans. The Task Force will supply oversight of the sector's process. Each Task Force will consist of fifteen members, who will include government officials and outside experts.

The primary function of the Task Force shall be to:

Approve the Action plan.

Oversee the implementation of the sector strategy.

Deliberate on policy issues that affect the implementation of the plan and approve remedial measures.

Review the strategic direction of the plan in detail after six months.

Undertake the annual review of the plan with the aid of third-party reviewers.



Review the feedback on the performance of the department or agency and approve the implementation of the recommendations.

Follow up on the implementation of recommendations if any.

Conduct oversight of the Provincial Task Force

Undertake joint resource mobilization.

The Provincial task forces are a duplication of the federal task force. The Provincial Task Force shall oversee the work of the next tier of the District Task Force.

The entire effort will be backed up by a think tank working for the Prime Minister's office.

The greatest urgency is to formulate a Digital -Pakistan strategy for a revamped and robust IT ministry, which is direly needed. The application of modern technology is essential to integrate the work of the entire government of Pakistan, both at the federal and provincial levels. An urgent effort needs to be made to modernize the state's IT infrastructure. The present structure is inadequate to meet the future requirements of the government of Pakistan. A reputable global company will be given a five-year contract for this purpose.

The successful planning and implementation efforts will yield dividends in two years, or so.

### Social Sector Reforms

Pakistan must focus on the development of its social sectors. The country has shown a significant decline in poverty, from 50.4 percent in 2005-06 to 24.3 percent in 2015-16, both at the regional and national levels. However, despite the significant decline in poverty, over fifty million people live in poverty, and more than seventy-five million people are deprived of basic needs such as health, education, and shelter. Furthermore, Pakistan suffers from extreme forms of social exclusion and significant infrastructure gaps. Economic growth has not resulted in job creation at the rate necessary to accommodate the approximately 1.5 million people who enter the workforce every year in Pakistan.<sup>368</sup>

Human capital indicators, namely education and health, show miserable progress as compared to the rest of the South Asian region. According to the World Bank report, 'World Development Report 2019: The Changing Nature of Work' in 2017, Pakistan's human capital index (HCI) was lower than the average for its region and income group. Pakistan ranked 134

while India ranked 115, Bangladesh 106, and Sri Lanka 74 out of 157 countries. Pakistan has one of the lowest female labor force participation rates in the region.<sup>369</sup>

Education poverty is remarkably high in Pakistan due to low education capital. Children in Pakistan can expect to complete 8.8 years of pre-primary, primary, and secondary school by age 18. However, when the years of schooling are adjusted for the quality of learning, it is only equivalent to 4.8 years: a learning gap of four years.<sup>370</sup>

According to a Pakistan Education Statistics report, over 22.84 million children are still out of school (that's 44 percent of our total children). The report says that 70 percent of the children in Balochistan, 57 percent in Fata, and 52 percent in Sindh are out of school. The report has shown that 26 percent of primary schools are run by a single teacher while 18 percent of the schools consist of one classroom and 32 percent are run without electricity, 22 percent without toilets, 21 percent without boundary walls, and 22 percent without drinking water. While seven percent of the total primary schools in the country are without buildings. Public spending on education is only 2.2 percent of GDP in FY2017.<sup>371</sup>

An analogous situation can be seen in the health sector. The World Bank report shows that forty-five out of one hundred children are stunted, and so at the risk of cognitive and physical limitations that can last a lifetime. The ratio is remarkably high compared to other developing countries like India (38), Bangladesh (36), and Sri Lanka (17). Pakistan has shown slow progress on maternal mortality and child mortality rates over time. The maternal mortality ratio is exceedingly high compared with other countries in the region (178 per 100,000 live births) in 2015. Similarly, the infant mortality rate is extremely high in Pakistan (66 per 1,000 live births).<sup>372</sup>

Apart from low investment in the health sector, rapid population growth is resulting in the inadequacy of healthcare facilities. This is reflected in estimates that show 957 persons against one doctor, and one dentist per 9,730 persons. The current ratio of population and availability of hospital beds works out to 1,580 persons per bed in 2017-18. Public spending on health was only 0.9 percent of GDP in FY2017.<sup>373</sup>

There is a need to develop a comprehensive strategy to enhance education and health facilities both in terms of quality and quantity across Pakistan, especially in the backward areas like southern Punjab, interior Sindh, Khyber Pakhtunkhwa, and Balochistan.

Apart from the provision of these facilities, the government should develop a monitoring mechanism to track the progress and service delivery of these facilities.

Finally, Pakistan's economic crisis is again forcing the Sharif government to seek aid from friendly countries. However, it is not cutting wasteful state expenditures and increasing tax revenue, as promised. The nation expects quick actions on that score. Given the Covid-19 pandemic and the devastating effect on the economy, exceedingly tough economic times lie ahead for Pakistan. Given the serious situation, the Sharif coalition government would be seriously challenged to at once expand the federal Income Support Program's direct money transfers to the poorest of the poor. Nevertheless, it would be prudent to continue to cut other federal outlays, including defense, and thereby help the poorest of the poor in the country. The Sharif coalition government should make health and education sectors the highest priority state expenditures. Given scarce resources, the Sharif coalition government must cut defense expenditures, as the real threats faced by the country are mostly internal, not external. It must also nationalize the military's corporate interests in Pakistan. The country's military takes part in business activities like in Egypt, Thailand, and Indonesia. In principle, the military must not be involved in running businesses at all. Rapid urbanization and overall residential growth are ruining Pakistan's historical architectural legacy. The Sharif coalition government must preserve the classical national heritage of historic buildings and monuments while it can. Time to act now before it is too late. A national conservation policy is desperately needed. The Sharif coalition government needs to stop the massive corruption rampant in the private education sector. Excessive fees at the school level are a national issue. Diploma mills in the higher education sector have lowered standards of education to the bare minimum. Rote learning is a national curse. There is a housing crisis in Pakistan. Therefore, a massive house-building scheme be launched through a public-private business model. An overall plan can be prepared by hiring international consultants experienced in the field.

New cities need to be built to ease the immense pressure. The Sharif coalition government must start a crusade against land-grabbers or the “qabza” mafia in Pakistan. The worth of these land grabs would be in trillions not billions, mind you. The people will cooperate in finding these land grabs. Swift action will yield hundreds of billions of rupees. Such crime spread today. Today, an unprecedented accountability drive being is being seen in Pakistan. Elevated levels of

corruption in the past decades have eroded not only the state structures but also the social fabric of the nation. Commendable drive by Supreme Court and the National Accountability Bureau.

Mainstreaming of erstwhile jihadist elements be conducted on a priority basis in collaboration with the military. A special task force has been set up for this purpose.

There is a need to galvanize the public for a new era of austerity, challenging work, discipline, and sacrifice. In the future, Pakistan's government must focus on reviving a faltering economy. It will face a balance of payments crisis and will have to seek its IMF bailout, once again. The government will have to act fast to shore up the country's shaky economy and end a years-long chronic energy crisis that has crippled industry. Decades of corruption and bad governance by the rulers of Pakistan have severely eroded Pakistan from within. The Sharif coalition government is desperately trying to reverse the trend. It needs time to stem the rot it has inherited. Therefore, it needs to adopt a rapprochement policy with neighbors. In the past, governments had been discredited and did not have much credibility left. Most importantly, the country's political parties are also discredited because of their actions, the bureaucracy demoralized because of bad governance, and the society itself badly divided on sectarian, linguistic, and ethnic social cleavages. Pakistan was now certainly a mess. The country was now among the list of top ten failed states in the world. This was ironic because Pakistan also happened to be one of the strongest military powers in the world. Pakistan's military strength cannot prevent an implosion of sorts like what happened with the Soviet Union in the late 1980s. The country was now dangerously isolated. It is only China, Turkey, and Malaysia that have shown some support. The people are feeling hapless and disillusioned as never before. The country is in a mess, with no positive aspect on the horizon. The only good thing happening in Pakistan was the rising awareness thanks to the Information Revolution and the expanded media. This awareness needs to be channelized into a political force of some reckoning. Meanwhile, most political parties have lost their steam and suffered from poor and visionless leadership.

However, with help from friends the Sharif coalition government was expected to make a breakthrough. As of Mid-May 2022, there are no indications that it might do so, however. Hence the existential crisis engulfing Pakistan. Sharif's coalition government is not at all ready to take bold decisions to stabilize the economy. The paralysis in decision-making is hurting Pakistan. A rainbow coalition is in power, which makes it even more difficult. Did they expect smooth sailing once in power? Action needed.

Given the precarious nature of Pakistan's economic crisis, the Sharif coalition government has no choice but to get its act together and focus on the required solutions. Pakistan cannot go into election mode any time soon as the IMF will not negotiate with an interim setup at all. Without the IMF's positive signal, no country or agency will lend to Pakistan. Simple as that. Therefore, bold actions are needed now. But the Pakistan government is paralyzed, unfortunately.

### The Issue of Electoral Reforms

In August 2017, the National Assembly passed the Election Reforms Bill. The new law was a unified version of nine election laws and enhanced the powers of the ECP by reducing its dependence on the government and parliament to make rules and budget and create positions. Section 103 of the new law discussed the use of technology i.e., electronic voting machines (EVM) and I-voting for overseas citizens of Pakistan in Section 94. Subsequently, the ECP incorporated the use of technologies in its Strategic Plan 2019-23. In October 2018, the Supreme Court also ordered the ECP to form a plan for overseas Pakistanis to cast votes through I-voting in the forthcoming by-elections.

Before the bill was passed in August 2017, the parliamentary committee met seventy times within two years to discuss electoral reforms. The general election in 2018 was held under the new law. By the end of 2020, serious differences appeared between the PTI government and the opposition parties on the use of technology, which have intensified since the PTI government has been ousted. The new ruling coalition is serious about reversing the use of technology in future elections, while PTI wants strict adherence to the election law.

One lone factor that can decide the politics of EVM and I-voting is: who will benefit more from its use. Considering that PTI is more popular amongst overseas Pakistanis, it wants to translate that popularity into a vote bank by providing overseas Pakistanis with the facility of I-voting. On the other hand, for the same reason, the ruling coalition wants to deprive PTI of this advantage. Sarwar Bari, in his article "Electoral reforms — by the elites, for the elite," The Express Tribune convincingly argues that:<sup>374</sup>

In the general election of 2018, the margin of victory in the case of eight dozen candidates was less than 5,000 votes, and it was less than 3,000 votes in the case of four dozen candidates.

Simply, if you are a rich candidate and have no scruples, you just need to bribe some polling staff to tamper with a few ballots in a few polling stations. Unfortunately, there is no dearth of such politicians. A common method used by the polling staff is to not sign the counterfoils or backside of ballot papers. Another method is to make some extra marks on the ballot papers. A candidate could also ask the presiding officers to stuff ballot boxes with extra ballots. Analyses of election data from earlier general elections reveal many errors in result preparations. For instance, on average in more than one-fourth of Form 45 and Form 46 several inconsistencies were found, and these errors could have a significant impact on the results. EVMs will cut all the above-mentioned rigging practices because they will end human involvement at every step of the polling and counting processes. Polling authorities commit many errors and irregularities due to a lack of diligence and training or intentionally. However, EVMs will help produce error-free counting and results.

This is the main reason that some parties have taken a U-turn on the use of EVM. Many politicians oppose the use of EVM based on one factor — why are some of the most advanced countries not using EVM? My simple answer is their electoral systems do not suffer from the malaise that we have. But the real question is: why is the ruling coalition/elite hell-bent on reversing the law, which they passed just five years ago? Now let us briefly examine why elites have second thoughts about the use of I-voting by overseas Pakistanis. About one hundred countries have given the right to their overseas citizens to take part in polling from afar. Some use postal ballots, others allow fax machines and the Internet. Most South Asian countries are adopting some form of technology for their overseas citizens. According to some overseas Pakistani activists, out of 272 National Assembly constituencies, overseas votes may affect ninety-four. One study commissioned by a media group concluded that overseas voters could swing forty hotly contested NA seats — in Lahore, Rawalpindi, Gujranwala, Dera Ghazi Khan, Faisalabad, and Sialkot. However, those who intend to disenfranchise overseas Pakistanis from voting must know that Article 25 of our Constitution guarantees equality to citizens and grants all adult citizens (whether they live inside or outside of the country) the fundamental right to vote. The state must not disenfranchise the rights of its nine million citizens just because they live abroad and have been remitting billions of dollars each year to our economy. Is it not strange that the elites who had held seventy meetings over two years to develop the Election Reforms Bill do not feel any shame in reversing it after realizing that its implementation can harm them?

How long will the few dozen elite dynasties continue fooling the 230 million Pakistanis? It is only natural for people to feel outraged.

The Election Commission of Pakistan should take the requisite steps for ensuring transparency in the Senate elections, in the light of the Supreme Court's decision. The citizens of Pakistan want an end to so-called horse trading or corrupt practices in Senate elections. Many have alleged that senate seats had been bought by political parties, namely the PPP and PMLN. The fact of vote buying and military manipulation in the Senate elections is well known and uncontested by all independent observers of Pakistan politics. The question is whether it can be curtailed through reform of the election system. Open balloting is one such reform measure agreed upon by very many experts in Pakistani politics.

Pakistan must focus on the development of its human resources, sustainable economy, and the eradication of poverty, which can only happen if bold policy decisions are taken now. The Sharif government can only fail at its peril. The people hoped for change, and it is now time to deliver. The Sharif government came into power on April 11, 2022. It is imperative to set the right direction at the beginning of the 16 months remaining term. There is still hope in Pakistan. The priority of the Sharif coalition government should be the following:<sup>375</sup>

The South Punjab promise to be conducted at once. On March 25, 2022, the PTI-led government sponsored a bill in the National Assembly seeking the creation of the south Punjab province. Foreign Minister Shah Mehmood Qureshi had given the constitutional amendment bill to the National Assembly seeking to split Punjab into two provinces. South Punjab would be constituted of Multan, Dera Ghazi Khan, and Bahawalpur divisions. Under the draft bill, the south Punjab province would have fifty-six seats in the National Assembly and 119 in its provincial assembly. The creation of the south Punjab province had the support of both the PML and the PPP.<sup>376</sup> A Task Force can be set up for this purpose.

Later, Pakistan must be divided into at least ten provinces. Punjab is divided into three: central, north, and south. Sindh into two: north and south.

Formation of a think tank to conduct research and guide the Government using the Next Steps approach and acting as a consultancy. Form a steering committee of experienced professionals in various areas to guide the government on various issues. These groups will manage the actualization of public policy in various areas.

A Modernization Unit to be set up in the office of the prime minister can be tasked to formulate Key Performance Indicators and metrics for all public sector agencies and departments. A Key Performance Indicator (KPI) is a quantifiable value that decides how effectively an organization is reaching key goals. The KPIs are employed by organizations to calculate their success at achieving the established targets. The federal government is combined into a smaller and more effective administration. Some public agencies are bloated and need to be cut. Some departments may need to be merged or even dismantled. A review can be held for this purpose.

A Task Force can be set up to restructure vital public enterprises like WAPDA, PIA, Steel Mills, NHA, and Railways. A restructuring exercise be conducted to improve efficiency in collaboration with the Modernization Unit in the Prime Minister's office.

A detailed reform plan is being prepared for the education sector. Technical schools can be set up in the pattern of Germany, preferably with the help of the German government. The purpose is to impart skills to youth not able to get regular college education. Free quality public education, along with free health services, as envisaged in the concept of an Islamic welfare state. Free education like free health services will be a costly endeavor. Therefore, distribute 5% of GNP to the education sector, as recommended by UNESCO. End paper mills in the private higher education sector where rampant corrupt practices exist. Higher education may not be employed to make quick and easy money anymore.

Revival of the Musharraf era Local Government System, as it showed promise. Despite shortcomings, some important developments did take place in this area and there were some success stories at the local level.

A national crusade against the "qabza" mafia and encroaches must be conducted. This is an endemic problem in Pakistan and has grown in the last decade. While not just private space but also public space is threatened. That is most unfortunate. Public space is a sacred trust.

The PTI national curriculum agenda can be advanced with input from all stakeholders. It must be flexible though to incorporate regional diversity. A framework would be formulated with a common core for the entire nation (1/3) and then a regional section to be the responsibility of the provinces (2/3). The purpose is to create national unity and cohesion. The framework will set up the teaching units in terms of syllabi, timetables, modules for class instruction, total study period, and testing.



There was a mushrooming growth of housing societies in the past decade or so. Most of these are frauds and people have lost billions of hard-earned savings. The State must come to the rescue of the public and take these swindlers to task. It must then simply nationalize these societies and put them under the control of various state authorities. Nationalization would be considered the last resort since it would require an act of parliament.

A National Health Service on the pattern of the UK. The founding principle shall be that the service be comprehensive, universal, and free at the point of delivery. However, patients would be required to pay prescription charges with a range of exemptions for the poorest of the poor. This is a costly endeavor and will require immense allocations of budgeted money. This measure, along with health, is one of the fundamental aims of the Islamic welfare system. Therefore, distribute 5% of GNP to the health services sector.

Privatization of Public Sector Enterprises is postponed for at least a year. Focus on improving the performance of these enterprises instead. Giving enough autonomy and removal of needless political interventions is the key to the success of this effort.

Merge all department and services housing authorities like Police, Parliament, and Defense, into a single Federal Employees Housing Authority. Announce entitlement of all employees for housing as a priority.

The focus of the performance of police services. Depoliticize them at once, especially in Punjab and Sindh. Employ technology to improve police efficiency. A detailed plan is needed to revamp the police services and stop political interference at once. The public has a low opinion of the police service except for KP. Establish a Taskforce for Improving Police Services with input from capable retired police officials and foreign experts.

The parliament's performance is poor and needs to be improved. The oversight function of the parliament is inadequate, at best. There is nothing more political than passing the budget as it deals with the allocation of scarce resources. Therefore, present the budget at least three months in advance of its passage date. The budget be discussed on the floor of the National Assembly in the first reading and then sent to Select Committees to be debated in detail with department heads, and outside experts and witnesses. The budget can be agreed upon within these committees along with recommendations. The budget was then again debated on the floor of the house and eventually passed. Establish a separate television Parliament Channel within PTV to

broadcast live the working of the parliament. The purpose is to improve the quality of deliberations in the legislature.

Revamp civil services as a priority. Give tenure protection of postings for at least three years. Stop the shuffle dupe of endless postings as it causes service inefficiency and disruption.

Increase the retirement age of the employees to sixty-five.

Give life tenure to the higher judiciary so that the judges can concentrate on their jobs.

Focus on employing technology in governance (electronic governance measures) can improve the effectiveness of not all public services but also Legislature and Judiciary.

Hand over the collected funds for the construction of Diamer Bhasha and Mohmand dams from the Chief Justice Pakistan's appointed judges committee to WAPDA. Meanwhile, build much smaller dams at once on the Indus River system.

Plan to build new cities to decrease the pressure of rural-to-urban migration on the big urban areas.

Have comprehensive expert plans made or revised for better land management of all urban areas.

Land records be in digital format in a single land authority.

Initiate an austerity drive in the federal and provincial governments at once. Cut the budget of these government outlays, including defense.

Revise the inter-governmental arrangements in education and health sectors after the 18th Amendment, to formulate a uniform policy.

Azad Kashmir and Gilgit Baltistan be set up as Pakistan's new provinces by amending the constitution. Pakistan has no choice but to revamp the FBR on a priority basis. Also, improve governance issues to increase the pitiable exports. Distressed economic conditions require bold actions. Focus on stabilizing the economy on a priority basis.

End corrupt practices in the economic sector. For example, the Benaami property like done recently in India. Attach these properties to the state authorities. Expand the services of the Ehsaas program at once and ensure prompt delivery of income support to the poorest of the poor. Reduction of national holidays Standardization of weights, measures, and the like. For example, stop using "arubs," "crores" and "lakhs" and use only millions, and billions, and discard the use of "maunds" only kilograms are allowed.

A detailed Plan of Action is to be prepared within a month to strengthen key institutions like State bank, FBR, AGP, NACTA, IB, FIA, NAB, and FPSC.

Initiate social, cultural, and educational activities like those done by the BJP's Sangh Parivar group in India. Some activities can be arranged in collaboration with effective NGOs working in the field already. For example, a Razakar Force for young men and women trained in martial arts; monsoon tree plantation campaigns in collaboration with agriculture departments, adult literacy centers, libraries, and urban clean-up campaigns using volunteers. Pressure on the rupee is mounting due to rising interest rates and Imran Khan-led government borrowed loans worth Rs20,000 billion which is the largest ever amount in the country's history, said Miftah.

Due to this debt, the PMLN-led government came under severe financial pressure and the foreign exchange reserves left by the earlier government were only sufficient to pay for only a few days of the import bill, he added.<sup>377</sup>

Miftah said the PTI-led government violated the conditions of the IMF agreement which put the program on hold.

"We must renew the IMF agreement. Imran created problems in relations with all countries, including China and Saudi Arabia," he added.<sup>378</sup>

The Pakistani rupee continued its nosedive against the US dollar on Friday, for the fifth consecutive working day, as it declined by 0.64% (Rs1.23) to a new historical low, reaching Rs193 against the greenback in the inter-bank market.

The domestic currency had closed at Rs191.77 against the global currency on May 13, 2022, according to the State Bank of Pakistan (SBP).

The latest depreciation recorded was followed by the central bank's report that the country's foreign exchange reserves had depleted to a 22-month low, at \$10.3 billion.

The dwindling reserves have continued to weaken the country's balance of payments, as a result, Pakistan's ability to import and repay foreign debt has contracted during the past several months. The \$10.3 billion reserve has reduced the country's import cover to less than two months as compared to the usual three-month import cover.

Meanwhile, by mid-May 2022, Pakistan had not received any major financial support from its three friendly countries.<sup>379</sup>

Finance Minister Miftah Ismail on May 15, 2022, again accused the PTI government of not curbing the smuggling of wheat and petroleum, adding that its policies had “wrecked” the country’s economic stability. 380

Earlier, in the Extended Fund Facility, the PTI-led government had agreed with the International Monetary Fund to end the fuel subsidy to revive the suspended bailout. The PMLN coalition government is now mulling over a plan to cut subsidies on petroleum products in phases in a bid to reduce the volume of the mounting price differential claims.

The subsidies on petroleum products continue to swell because of higher global oil prices and depreciation of the local currency against the US dollar which may lead to a higher budget deficit.<sup>381</sup> The hike in global oil prices and depreciation of the Pakistani rupee against the US dollar continues to swell subsidies on petroleum products.

With the rupee’s fall, a 3.17% increase in prices of petroleum products has been projected from May 16, 2022. The average exchange rate had been Rs185.95 to the dollar a few days ago, which rose to Rs191.84, having an impact of around Rs5.90 per liter on the prices of petroleum products.<sup>382</sup>

The price differential has also started affecting the state-run oil marketing company, Pakistan State Oil (PSO), which is to receive Rs41.62 billion.

The company’s total receivables have swelled to Rs551 billion. Gas utility Sui Northern Gas Pipelines Limited (SNGPL) must pay Rs282 billion to PSO on account of liquefied natural gas (LNG) supply.<sup>383</sup>

The price differential has added Rs41 billion, which took the total receivables to an all-time high at Rs551 billion.

The power sector is another major defaulter of PSO, which must pay Rs172 billion on account of fuel supply.

Earlier, the economists and the government authorities had urged Prime Minister Shehbaz Sharif to increase the prices of petroleum products to ease the pressure of price differential claims.

Pakistan had also committed to the IMF to end energy subsidies. However, PM Shehbaz had not increased the prices of petroleum products fearing a political backlash.<sup>384</sup>

As the price differential claims continue to pile up, the Petroleum Division is seeking an allocation of Rs118 billion to bear the cost of freezing oil prices amid surging crude oil in the global market due to the Russia-Ukraine war.

The government has projected subsidy claims of Rs226 billion from the oil companies for the March-June 2022 period. The Finance Division endorsed the allocation of Rs52 billion for the first fortnight of May 2022, saying that the allocation for the next fortnight would be considered later.<sup>385</sup>

The Petroleum Division projected a total subsidy of Rs118.6 billion for May, which the government would have to give to the oil companies for leaving petroleum prices unchanged.

To supply relief to the consumers, the former government announced a relief package on February 28, 2022. It had slashed prices of petrol and HSD by Rs10 per liter each, saying that the prices would be kept unchanged till the next fiscal year's budget.

As a cap had been placed on oil prices, the petroleum levy and general sales tax for petrol and diesel were brought down to zero.<sup>386</sup>

As a result, the price differential claims between the capped rates and prices of the later period from March-June 2022 of petrol and HSD were projected at Rs336.01 billion -- to be paid to the oil marketing companies (OMCs) and refineries by the government.

To avert any shortage in the market, petroleum ministry officials said it was essential to supply confidence to the OMCs and refineries that any price differential borne by them during a fortnight should be provided to them promptly.<sup>387</sup> Finally, on May 26, 2022, the Government raised the petroleum prices, as per IMF demands.

Finance Minister Miftah Ismail on May 15, 2022, announced that the incumbent coalition government was not ending the subsidy on petroleum products and increasing prices "for now," while warning that this decision may be reversed at any "anytime in the future" to pass on the full burden of international oil prices to consumers. Later, the finance minister stressed that the current pricing freeze did not suggest the government would "never" increase the prices. <sup>388</sup>

Ismail claimed that "friendly" countries, including Saudi Arabia, had assured the Sharif government of their economic cooperation and talks were under way to extend the duration of funds they have parked with the State Bank of Pakistan to shore up Pakistan's foreign exchange reserves. They had also agreed to negotiate an increase in deposits.<sup>389</sup>

Ismail also warned that the current account deficit was unlikely to reduce in the near term, as imports in the 2021-2022 fiscal year would hit \$75 billion against exports of \$30 billion. As of May 15, 2022, the SBP's foreign reserves currently stood at \$10.4 billion and blamed the "mismanagement" of the earlier administration for this situation. He also claimed that the tax-to-GDP ratio in the earlier government had dropped to 8.5%.<sup>390</sup>

The government's decision to continue the fuel subsidy has been criticized by economic experts, who keep it is unsustainable and would affect the economic stability of the country. It also risks the IMF refusing to revive the suspended bailout program, a key requirement for other countries and lenders to help Pakistan overcome its economic crises. The government's indecision over the vital decision has boosted uncertainty, with the Pakistan Stock Exchange continuously losing its value and the Pakistani rupee also continuing a slide against the U.S. dollar.<sup>391</sup>

By mid-May 2022 Pakistan's tottering economy was headed toward a default-like situation.

Earlier, sensing the economic emergency and the bad shape of the economy, PML-N supremo Nawaz Sharif on May 10, 2022, summoned top party brass including Prime Minister Shehbaz Sharif and the party's federal ministers to London for consultations.

The PML-N is caught in a tricky situation when it comes to making unpopular economic decisions.

Insiders claim the PML-N high command would prefer to dissolve the assemblies and call fresh elections instead of paying the political cost of Khan's ruinous years in power.<sup>392</sup>

Pakistan's foreign exchange reserves are falling, food inflation is spiraling, and the Pakistani rupee is on slippery ground, showing a massive 21.72% drop during the 2021-2022 fiscal year.<sup>393</sup>

Economic experts and analysts have been demanding a financial emergency to deal with the looming economic challenges. They suggest that Rs.800 billion (US\$4.1 billion) tax exemptions available to the corporate sector be withdrawn and higher taxes be levied on land and property holdings.

They also want cuts to non-combat defense spending, a special emergency tax on vehicles of 1600cc or more, doubling the electricity tariff on residential properties of eight hundred square yards or more, and downsizing federal government departments.<sup>394</sup>

The pressure on the rupee is increasing due to decreasing dollar inflows and a lack of support from friendly countries including China, Saudi Arabia, and the United Arab Emirates (UAE). The delay in the revival of the International Monetary Fund (IMF) bailout package of \$6 billion has also plummeted the country's reserves.<sup>395</sup>

The rupee was at a record low against the dollar, the Pakistan Stock Exchange had shed an added nine hundred points, financial markets were crashing, investor confidence was eroding, and the State Bank of Pakistan (SBP) was left with only \$10.44 billion, including \$6 billion in cash deposit loans from China, Saudi Arabia, and the UAE.<sup>396</sup>

The Pakistan Stock Exchange (PSX) almost crashed after an intense bout of selling, with the benchmark KSE-100 index losing more than 1,100 points in intraday trading. Earlier, the PSX saw a meltdown where the KSE-100 lost 1,447.67 points. But while economic activity was slowing down, the political heat has been rising rapidly.<sup>397</sup>

The biggest worry for the unity government is how to stop the erosion of the reserves and how to finance the non-funded fuel subsidies given by the earlier government days before the no-confidence vote.

The SBP net reserves excluding private bank deposits were only \$10.3 billion for the week ended on May 6, 2022, hardly enough to foot the bill for four weeks of imports.<sup>398</sup>

The country's current account deficit almost doubled in March, taking the total gap during the first nine months (July-March) of the current fiscal year to more than \$13 billion. Data compiled by the SBP revealed that import growth was 41.3 % during the nine months compared with 11.5% in the same period last year.

The imports cost a total of \$62.137 billion during July-March, compared with exports of \$28.855 billion. <sup>399</sup>

The rising imports widened the trade deficit and destroyed the exchange rate, as the demand for dollars remained abnormally high during the current fiscal year. The total trade deficit escalated to \$35.52 billion in the first nine months (July-March) period of the 2021-2022 fiscal year against \$20.8 billion in the same period 2020-2021 fiscal year.

In absolute terms, the trade deficit surged by more than \$15 billion, showing the worsening external account position. With this deficit, Pakistan is likely to plunge into a balance of payments crisis in the coming months.<sup>400</sup>

On the internal front, whopping food inflation of 17% has played havoc with the lives of the poor and middle classes, who are stuck in a demanding situation trying to make ends meet. Analysts claim a new wave of inflation would hit when the government went ahead and withdrew fuel subsidies.<sup>401</sup>

The new government has failed to get any relief from friendly countries.

Experts have argued that the IMF and other friendly countries would not supply much-needed financial support unless the government increased petroleum prices.

The step, he claimed, would fuel inflation, and hurt the working classes even more.

Regarding a cut on federal expenses of Rs5.2 trillion (\$27 billion), he said it was easier said than done because 40% of expenses go into debt servicing, 25% in defense including pensions, 6% to the civil administration, 11% in subsidies and another 5% is for the social support program.<sup>402</sup>

“Pakistan needs \$15 billion to stabilize the forex reserves position and strengthen the rupee. The SBP Foreign Exchange reserves are negative, excluding loans from friends. There is no way Pakistan can do without an immediate bailout by the IMF. There should be no doubt about it,” he tweeted.<sup>403</sup>

Later, on May 13, 2022, Finance Minister Miftah Ismail alleged that the PTI-led government had entered a “flawed” deal with the International Monetary Fund (IMF) that had resulted in rampant inflation and currency devaluation. He further said that the PTI-led coalition government had borrowed Rs. 20,000 billion during his tenure, which was 80% of the total debt of 71 years. The PTI-led government had also left Rs. 10.4 billion in the foreign exchange reserves, which were equivalent to 45 days of imports.<sup>404</sup>

Miftah Ismail had held earlier the PTI-led government responsible for the current economic crisis in the country, he said in a statement on May 13, 2022. He added that the subsidy on petroleum products announced by the PTI government had put financial pressure on the economy. Fuel subsidies were estimated at Rs120 billion this month, the minister said, adding that no government can bear the burden of such many subsidies. If the government does not have money and it still gives subsidies then it must borrow more, he added.<sup>405</sup>

Pressure on the rupee is mounting due to rising interest rates and Imran Khan-led government borrowed loans worth Rs20,000 billion which is the largest ever amount in the country’s history, said Miftah.



Due to this debt, the PMLN-led government came under severe financial pressure and the foreign exchange reserves left by the earlier government were only sufficient to pay for only a few days of the import bill, he added.<sup>406</sup>

Miftah said the PTI-led government violated the conditions of the IMF agreement which put the program on hold.

“We must renew the IMF agreement. Imran created problems in relations with all countries, including China and Saudi Arabia,” he added.<sup>407</sup>

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To avert any shortage in the market, petroleum ministry officials said it was essential to supply confidence to the OMCs and refineries that any price differential borne by them during a fortnight should be provided to them promptly.<sup>416</sup>

Miftah also claimed that the lender had been “promised” the primary deficit would be Rs. 25 billion, while the total deficit would be around Rs. Four trillion. “The primary deficit has increased from Rs. Twenty-five billion to Rs. 1.32 trillion,” he added, and asked how a government that had only been in power for a month could reduce it.<sup>417</sup> Although tax revenues had increased during the PTI government period, the tax-to-GDP ratio had dropped to 8.5%, as per Ismail.<sup>418</sup>

Finance Minister on May 15, 2022, announced that the incumbent coalition government was not ending the subsidy on petroleum products and increasing prices “for now,” while warning that this decision may be reversed at “anytime in the future” to pass on the full burden of international oil prices to consumers. Later, the finance minister stressed that the current pricing freeze did not suggest the government would “never” increase the prices. <sup>419</sup> Ismail claimed that “friendly” countries, including Saudi Arabia, had assured the Sharif government of their economic cooperation and talks were underway to extend the duration of funds they have parked with the State Bank of Pakistan to shore up Pakistan’s foreign exchange reserves. They had also agreed to negotiate an increase in deposits.<sup>420</sup> Ismail also warned that the current account deficit was unlikely to reduce in the near term, as imports in the 2021-2022 fiscal year would hit \$75 billion against exports of \$30 billion. As of May 15, 2022, the SBP’s foreign reserves currently stood at \$10.4 billion and blamed the “mismanagement” of the earlier administration for this situation. He also claimed that the tax-to-GDP ratio in the earlier government had dropped to 8.5%.<sup>421</sup>

The PMLN-led government’s decision to continue the fuel subsidy has been criticized by economic experts, who keep it is unsustainable and would affect the economic stability of the country. It also risks the IMF refusing to revive the suspended bailout program, a key requirement for other countries and lenders to help Pakistan overcome its economic crises. The government’s indecision over the vital decision has boosted uncertainty, with the Pakistan Stock

Exchange continuously losing its value and the Pakistani rupee also continuing a slide against the U.S. dollar.<sup>422</sup>

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Economic experts and analysts had been demanding a financial emergency to deal with the looming economic challenges. They suggested that Rs.800 billion (US\$4.1 billion) tax exemptions available to the corporate sector be withdrawn and higher taxes be levied on land and property holdings. They also wanted cuts to non-combat defense spending, a special emergency tax on vehicles of 1600cc or more, doubling the electricity tariff on residential properties of eight hundred square yards or more, and downsizing federal government departments.<sup>425</sup>

The pressure on the rupee was increasing due to decreasing dollar inflows and a lack of support from friendly countries including China, Saudi Arabia, and the United Arab Emirates (UAE). The delay in the revival of the IMF bailout package of \$6 billion had also plummeted the country's reserves.<sup>426</sup> The rupee was at a record low against the dollar, the Pakistan Stock Exchange had shed an additional nine hundred points, financial markets were crashing, investor confidence was eroding, and the State Bank of Pakistan (SBP) was left with only \$10.44 billion, including \$6 billion in cash deposit loans from China, Saudi Arabia, and the UAE.<sup>427</sup>

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The biggest worry for the government was how to stop the erosion of the reserves and how to finance the non-funded fuel subsidies given by the earlier government days before the no-

confidence vote. The SBP net reserves excluding private bank deposits were only \$10.3 billion for the week ended on May 6, 2022, hardly enough to foot the bill for four weeks of imports.<sup>429</sup>

The country's current account deficit almost doubled in March, taking the total gap during the first nine months (July-March) of the current fiscal year to more than \$13 billion. Data compiled by the SBP revealed that import growth was 41.3 % during the nine months compared with 11.5% in the same period last year. The imports cost a total of \$62.137 billion during July-March, compared with exports of \$28.855 billion. <sup>430</sup>

The rising imports widened the trade deficit and destroyed the exchange rate, as the demand for dollars remained abnormally high during the current fiscal year. The total trade deficit escalated to \$35.52 billion in the first nine months (July-March) period of the 2021-2022 fiscal year against \$20.8 billion in the same period 2020-2021 fiscal year.

In absolute terms, the trade deficit surged by more than \$15 billion, showing the worsening external account position. With this deficit, Pakistan is likely to plunge into a balance of payments crisis in the coming months.<sup>431</sup>

On the internal front, whopping food inflation of 17% has played havoc with the lives of the poor and middle classes, who are stuck in a demanding situation trying to make ends meet. Analysts claim a new wave of inflation would hit when the government went ahead and withdrew fuel subsidies.<sup>432</sup>

The new government has failed to get any relief from friendly countries.

Experts had argued that the IMF and other friendly countries would not supply much-needed financial support unless the government increased petroleum prices. Reducing federal expenditures was suggested. However, a cut on federal expenses of Rs5.2 trillion (\$27 billion), was easier said than done because 40% of expenses go into debt servicing, 25% into defense including pensions, 6% to the civil administration, 11% into subsidies and another 5% is for the social support program.<sup>433</sup>

Meanwhile, Pakistan needed \$15 billion to stabilize the forex reserves position and strengthen the rupee. The SBP Foreign Exchange reserves were negative, excluding loans from friends. There simply was no way Pakistan could do without an immediate bailout by the IMF.<sup>434</sup>

Finance Minister Miftah Ismail announced on May 28, 2022, that Pakistan is expected to reach an agreement with the International Monetary Fund (IMF) in June, as the country is projected to need \$36-37 billion in foreign financing in the fiscal year 2022-23.<sup>435</sup>

He revealed that at present the government was not considering raising fresh foreign debt from the global capital market and commercial banks after the country's international bonds lost almost one-third of their value, while their yields went up significantly. He said that instead of economic growth, controlling inflation was the top priority of the government. Giving the breakdown of the external financing requirement, Ismail said that Pakistan is to repay \$21 billion in foreign debt in the fiscal year 2022-23.<sup>436</sup>

Besides, the country will require another \$10-15 billion to finance the current account deficit. The government is also targeting to boost the country's foreign exchange reserves by \$5 billion to \$15 billion next year. Therefore, Pakistan must enter the IMF loan program which was worth \$6 billion to arrange the required financing," Ismail said. The value of Pakistan's US dollar-denominated international bonds has shrunk by around 30% - like a \$1 bond was trading at 70 cents when the PML-N-led coalition government came to power in early April. "Now it is trading at 65 cents," he said.<sup>437</sup>

"This means we cannot float Eurobonds in the world market to raise fresh funds, nor can we go to (global) commercial banks (right now)," the minister said.

At present, the practical choice is to borrow from multilateral and bilateral lenders. Miftah strongly and correctly argued that to take loans from multilateral institutions, it is a must to be in the IMF program which unlocks financing from the World Bank, Asian Development Bank, and particularly the Chinese-led Asian Infrastructure Investment Bank. All these institutions were waiting for the revival of the IMF program. Even Saudi Arabia and other friendly countries are ready to extend loans, but only after the country enters the IMF program. Meanwhile, the IMF has linked the revival of its loan program to the removal of subsidies on petroleum products. Ending the subsidy was a correct decision as the economy cannot afford to pay Rs120-140 billion per month in energy subsidy. The subsidy amount is three times the cost of Rs41-42 billion a month for running the civilian government. The energy subsidy was simply unaffordable. Pakistan could become bankrupt. Finally, the government started the process of reversing the subsidy with effect from May 27, 2022.<sup>438</sup>

Ismail reiterated that the government had announced an Rs28 billion package for the poor, under which Rs2,000 would be provided per household to protect them from the spike in inflation. Anyone earning less than Rs40,000 per month is eligible for financial aid of Rs2,000 per month. The country needed to increase agricultural yields to cut the import bill. The finance minister invited all political parties to frame the Charter of Economy, which could include the smallest economic agenda by setting aside political differences. The charter may include consensus on privatizing the loss-making state-owned enterprises.<sup>439</sup>

The new coalition government is unable to take tough decisions to stabilize Pakistan's precarious economy. The politics of the coalition government on the one hand, and that of the powerful opposition, on the other hand, has created this paralysis of sorts.

### The Reform Agenda

Given the dysfunctional nature of most public services in the country, there is an urgency to adopt a modernization agenda for ability building to deliver the required outcomes. It is important to adopt a comprehensive approach to the modernization task. The plan will be spearheaded by the Modernization Unit created for the Prime Minister's office. A detailed Action Plan will be devised for each state sector (such as education health, commerce, communications, and agriculture) both at the federal level and the provincial level. A very simplified transformation process would include three stages, namely:

Action Plan formulation

Sector Tasks and Implementation

Outcomes and Feedback mechanisms.

Initially, a preliminary examination of the environment and resource availability of each sector shall be undertaken at once. The environment includes an examination of both legal and political factors affecting the performance of the sector. The resource availability includes an examination of all fiscal constraints in the area. This is needed to get a general idea of the sector's requirements, priorities, and the organizational structures of the state agencies or departments. A preliminary examination of the workforce and ability of these agencies or departments is needed. Such knowledge is needed to find out whether the state agencies or

departments are performing effectively and efficiently. It will help in finding areas of performance that have become problematic, if any. Such scrutiny will supply a clearer picture of the sector needed for the formulation of a workable modernization plan.

Meanwhile, the Modernization Unit will conduct a simultaneous exercise to decide on qualitative and quantitative indicators to gauge the performance of the agencies and departments of the sector. The task must be completed in two months. After the examination of the first report is complete, a detailed strategy will be devised for each sector. Comprehensive action plans will be prepared in the third month.

The second phase includes the formulation of detailed individual and group tasks by the agreed action plans. The time for the implementation of the action plan can stretch from a year to three years, depending upon the strategy and sector. Therefore, action plans will be formulated in one, two, and three-year formats.

The third phase relates to the feedback on the outcomes of the Action Plans in the second phase. It supplies feedback to the Prime Minister on the success or failures of these plans. A separate Monitoring and Evaluation group will be created for the purpose by a framework given in the Action Plan itself. It will include agreed-upon performance indicators and targets for each program. For example, performance indicators of the FBR may include, both quantitative and qualitative indicators, such as:

Quantitative

Number of registered taxpayers by year

Number of large taxpayers by year

Amount of tax collected and tax type by year.

Amount of taxes in arrears by year

Amount of taxes refunded by year.

Number of employees in different sections or regions by year

Qualitative

Public feeling about the bureau's performance by year

Effectiveness of the employment of technology

Integrating various tax data sets in the bureau.

Employment of IT for individual income tax ability assessment.

Overall successful use of technology for enhancing the bureau's performance.



Overall, the assessment of corrupt practices hampers the performance of the bureau.

Assessment of organizational structure and weaknesses of the bureau.

The morale of employees and the self-image of the bureau over the years.

### Reporting Mechanisms

An annual report will be prepared for each sector. The scrutiny of the departments or agencies will be conducted by a third party, preferably donor agencies. Required changes shall be incorporated in a later year in the concerned action plans, as per the recommendations of these reports.

### The Function of Task Forces

This is a three-tier design. Each sector will be assigned three task forces: federal, provincial, and district. They will be headed by the minister or district head. Each Taskforce will manage the implementation of sector plans. The Task Force will supply oversight of the sector's process. Each Task Force will consist of fifteen members, which will include government officials and outside experts.

The primary function of the Task Force shall be to:

Approve the Action plan.

Oversee the implementation of the sector strategy.

Deliberate on policy issues that affect the implementation of the plan and approve remedial measures.

Review the strategic direction of the plan in detail after six months.

Undertake the annual review of the plan with the aid of third-party reviewers.

Review the feedback on the performance of the department or agency and approve the implementation of the recommendations.

Follow up on the implementation of recommendations if any.

Conduct oversight of the Provincial Task Force

Undertake joint resource mobilization.

The Provincial task forces are a duplication of the federal task force. The Provincial Task Force shall oversee the work of the next tier of the District Task Force.

The entire effort will be backed up by a think tank working for the Prime Minister's office.

The greatest urgency is to formulate a Digital -Pakistan strategy for a revamped and robust IT ministry, which is direly needed. The application of modern technology is essential to integrate the work of the entire government of Pakistan, both at the federal and provincial levels. An urgent effort needs to be made to modernize the state's IT infrastructure. The present structure is inadequate to meet the future requirements of the government of Pakistan. A reputable global company will be given a five-year contract for this purpose.

The successful planning and implementation efforts will yield dividends in two years, or so.

### Social Sector Reforms

Pakistan must focus on the development of its social sectors. The country has shown a significant decline in poverty, from 50.4 percent in 2005-06 to 24.3 percent in 2015-16, both at the regional and national levels. However, despite the significant decline in poverty, over fifty million people live in poverty, and more than seventy-five million people are deprived of basic needs such as health, education, and shelter. Furthermore, Pakistan suffers from extreme forms of social exclusion and significant infrastructure gaps. Economic growth has not resulted in job creation at the rate necessary to accommodate the approximately 1.5 million people who enter the workforce every year in Pakistan.<sup>440</sup>

Human capital indicators, namely education and health, show miserable progress as compared to the rest of the South Asian region. According to the World Bank report, 'World Development Report 2019: The Changing Nature of Work' in 2017, Pakistan's human capital index (HCI) was lower than the average for its region and income group. Pakistan ranked 134 while India ranked 115, Bangladesh 106, and Sri Lank 74 out of 157 countries. Pakistan has one of the lowest female labor force participation rates in the region.<sup>441</sup>

Education poverty is remarkably high in Pakistan due to low education capital. Children in Pakistan can expect to complete 8.8 years of pre-primary, primary, and secondary school by age

18. However, when the years of schooling are adjusted for the quality of learning, it is only equivalent to 4.8 years: a learning gap of four years.<sup>442</sup>

According to a Pakistan Education Statistics report, over 22.84 million children are still out of school (that's 44 percent of our total children). The report says that 70 percent of the children in Balochistan, 57 percent in Fata, and 52 percent in Sindh are out of school. The report has shown that 26 percent of primary schools are run by a single teacher while 18 percent of the schools consist of one classroom and 32 percent are run without electricity, 22 percent without toilets, 21 percent without boundary walls, and 22 percent without drinking water. While seven percent of the total primary schools in the country are without buildings. Public spending on education is only 2.2 percent of GDP in FY2017.<sup>443</sup>

An analogous situation can be seen in the health sector. The World Bank report shows that forty-five out of one hundred children are stunted, and so at the risk of cognitive and physical limitations that can last a lifetime. The ratio is remarkably high compared to other developing countries like India (38), Bangladesh (36), and Sri Lanka (17). Pakistan has shown slow progress on maternal mortality and child mortality rates over time. The maternal mortality ratio is exceedingly high compared with other countries in the region (178 per 100,000 live births) in 2015. Similarly, the infant mortality rate is extremely high in Pakistan (66 per 1,000 live births).<sup>444</sup>

Apart from low investment in the health sector, rapid population growth is resulting in the inadequacy of healthcare facilities. This is reflected in estimates that show 957 persons against one doctor, and one dentist per 9,730 persons. The current ratio of population and availability of hospital beds works out to 1,580 persons per bed in 2017-18. Public spending on health was only 0.9 percent of GDP in FY2017.<sup>445</sup>

There is a need to develop a comprehensive strategy to enhance education and health facilities both in terms of quality and quantity across Pakistan, especially in the backward areas like southern Punjab, interior Sindh, Khyber Pakhtunkhwa, and Balochistan.

Apart from the provision of these facilities, the government should develop a monitoring mechanism to track the progress and service delivery of these facilities.

Finally, Pakistan's economic crisis is again forcing the Sharif government to seek aid from friendly countries. However, it is not cutting wasteful state expenditures and increasing tax revenue, as promised. The nation expects quick actions on that score. Given the Covid-19

pandemic and the devastating effect on the economy, exceedingly tough economic times lie ahead for Pakistan. Given the serious situation, the Sharif coalition government would be seriously challenged to at once expand the federal Income Support Program's direct money transfers to the poorest of the poor. Nevertheless, it would be prudent to continue to cut other federal outlays, including defense, and thereby help the poorest of the poor in the country. The Sharif coalition government should make health and education sectors the highest priority state expenditures. Given scarce resources, the Sharif coalition government must cut defense expenditures, as the real threats faced by the country are mostly internal, not external. It must also nationalize the military's corporate interests in Pakistan. The country's military takes part in business activities like in Egypt, Thailand, and Indonesia. In principle, the military must not be involved in running businesses at all. Rapid urbanization and overall residential growth are ruining Pakistan's historical architectural legacy. The Sharif coalition government must preserve the classical national heritage of historic buildings and monuments while it can. Time to act now before it is too late. A national conservation policy is desperately needed. The Sharif coalition government needs to stop the massive corruption rampant in the private education sector. Excessive fees at the school level are a national issue. Diploma mills in the higher education sector have lowered standards of education to the bare minimum. Rote learning is a national curse. There is a housing crisis in Pakistan. Therefore, a massive house-building scheme be launched through a public-private business model. An overall plan be prepared by hiring international consultants experienced in the field.

New cities need to be built to ease the immense pressure. The Sharif coalition government must start a crusade against land-grabbers or the “qabza” mafia in Pakistan. The worth of these land grabs would be in trillions not billions, mind you. The people will cooperate in finding these land grabs. Swift action will yield hundreds of billions of rupees. Such crime spread today. Today, an unprecedented accountability drive being is being seen in Pakistan. Elevated levels of corruption in the past three decades have eroded not only the state structures but also the social fabric of the nation. Commendable drive by Supreme Court and the National Accountability Bureau.

Mainstreaming of erstwhile jihadist elements be conducted on a priority basis in collaboration with the military. A special task force has been set up for this purpose.

There is a need to galvanize the public for a new era of austerity, challenging work, discipline, and sacrifice. In the future, Pakistan's government must focus on reviving a faltering economy. It will face a balance of payments crisis and will have to seek its IMF bailout, once again. The government will have to act fast to shore up the country's shaky economy and end a years-long chronic energy crisis that has crippled industry. Decades of corruption and bad governance by the rulers of Pakistan have severely eroded Pakistan from within. The Sharif coalition government is desperately trying to reverse the trend. It needs time to stem the rot it has inherited. Therefore, it needs to adopt a rapprochement policy with neighbors. In the past, governments had been discredited and did not have much credibility left. Most importantly, the country's political parties are also discredited because of their actions, the bureaucracy demoralized because of bad governance, and the society itself badly divided on sectarian, linguistic, and ethnic social cleavages. Pakistan was now certainly a mess. The country was now among the list of top ten failed states in the world. This was ironic because Pakistan also happened to be one of the strongest military powers in the world. Pakistan's military strength cannot prevent an implosion of sorts like what happened with the Soviet Union in the late 1980s. The country was now dangerously isolated. It is only China, Turkey, and Malaysia that have shown some support. The people are feeling hapless and disillusioned as never before. The country is in a mess, with no positive aspect on the horizon. The only good thing happening in Pakistan was the rising awareness thanks to the Information Revolution and the expanded media. This awareness needs to be channelized into a political force of some reckoning. Meanwhile, most political parties have lost their steam and suffered from poor and visionless leadership.

However, with help from friends the Sharif coalition government was expected to make a breakthrough. As of Mid-May 2022, there are no indications that it might do so, however. Hence the existential crisis engulfing Pakistan. Sharif's coalition government is not at all ready to take bold decisions to stabilize the economy. The paralysis in decision-making is hurting Pakistan. A rainbow coalition is in power, which makes it even more difficult. Did they expect smooth sailing once in power? Action needed.

Given the precarious nature of Pakistan's economic crisis, the Sharif coalition government has no choice but to get its act together and focus on the required solutions. Pakistan cannot go into election mode any time soon as the IMF will not negotiate with an interim setup at all. Without the IMF's positive signal, no country or agency will lend to Pakistan. Simple as that.

Therefore, bold actions are needed now. But the Pakistan government is paralyzed, unfortunately.

### Pakistan's Economic Crisis

Pakistan faces a profoundly serious economic crisis. The economy is experiencing stagflation where unemployment increases along with an acceleration in prices. This is a complicated situation for policymakers to address.

In February 2023, annualized food inflation shot up to 41.9 percent in urban areas and 47pc in rural areas of Pakistan. In February last year, these readings stood at 14.3pc and 14.6pc, respectively. This means that food inflation has more than tripled in just one year. But what does it mean for households? It means that a rural family needed Rs14,700 in February 2023 to buy the same amount of food that they had bought for Rs10,000 in February 2022. For an urban household, the requirement was a little less — Rs14190. So, what if rural and urban households did not have more than Rs10,000 to spend on food? Well, in that case, in Feb 2023, a rural and an urban household ended up buying with their Rs10,000 only as much food as was worth Rs5,300 and Rs5,810, respectively, in Feb 2022.<sup>446</sup>

This painful food inflation has hit Pakistanis amidst a sharp economic slowdown (GDP growth of 1.3pc in FY23 versus 6pc in FY22), rendering about two million people jobless. It is not difficult to imagine the disastrous impact of such high food inflation rates on the lives of jobless people and those whose incomes have fallen due to the economic crisis. No wonder people are losing lives in stampedes occurring at the distribution of free wheat flour and some are committing suicide. However, most financially constrained people are living on meager incomes by working in the shadow economy, supplemented by debts, charity, and the government's cash handouts and subsidies. The sad news is food inflation is here to stay. Supply shocks caused by the last year's floods, higher international commodity prices, the rupee's depreciation, lack of administrative checks on retail prices amidst a worsening political crisis, hoarding of food commodities, and the unabated smuggling of food items to neighboring Afghanistan may keep food inflation high in near future. Stories of the smuggling of wheat, wheat flour, and cooking oil to Afghanistan make headlines regularly in newspapers. But who cares to stop it amidst the ongoing political and constitutional crisis? Admittedly smuggling and

hoarding of food items alone are not fueling food inflation — and there are solid economic reasons for it like an increase in support prices, the rupee's depreciation, higher international prices, etc. But if a country is unable to overcome these and other “economic reasons,” should it allow hoarding and smuggling to go on? The answer is obvious. In eight months of this fiscal year (between July 2022 and Feb 2023), forex-starved Pakistan had to spend \$6.687 billion on food imports, according to the Pakistan Bureau of Statistics. Chances are that the full fiscal year food import bill will exceed \$10bn. At a time when the country is running dry of foreign exchange, no one can deny the need for putting more effective checks on the smuggling of food items out of the country. Similarly, it is essential to ensure that food commodities are not hoarded and that retailers do not overcharge customers or short sell to them. But such things can be done only in an environment of at least some political stability. That, sadly, remains absent. So, food inflation may continue to remain high in the coming months as well. Possible further interest rate tightening by the State Bank of Pakistan in April, at the urging of the International Monetary Fund, may not ease food inflation. Stubbornly high food prices will start easing only when our agricultural output increases and energy prices become stable. Reducing consumer inflation makes agricultural inputs cheaper, and more importantly, political stability returns to the country while the hoarding and smuggling of food items fall significantly. In addressing food inflation — as in all other matters — sincerity of intent counts more than anything else. For decades, our rulers have made it a habit to talk more and do less. That has resulted in weak, or no accountability of the government departments and agencies entrusted with certain responsibilities. Do our federal or provincial food ministers keep a check on whether officials responsible for gathering food prices do their jobs honestly? If you visit the Pakistan Bureau of Statistics (PBS) website and download weekly prices of essential items, you will be amazed to see wheat flour, milk, and curd are still selling at cheap rates.<sup>447</sup>

A temporary pause in the dialogue between Pakistan and the International Monetary Fund (IMF) was also aggravating the economic situation. Political turbulence and the dialogue standoff are enhancing economic uncertainty.

The dwindling foreign exchange reserves, which are hovering around \$4.6 billion, are also posing a significant challenge to the government, which has already imposed import curbs to maintain a minimal level of reserves.

Import curbs have slowed down the country's economy a great deal. A considerable number of large-scale manufacturing plants are bound to shut down due to the shortage of raw materials and intermediate inputs.

Pakistan's economy is experiencing shortages owing to import dependence. The journey of import dependence increased when critics came down hard on the import substitution strategy and pushed for export-led growth.

Proponents of export-led growth could not anticipate the current situation. They have been maintaining this position since the 1990s when a policy shift was taken to orient the economy towards the so-called export-led growth.

Now and then, these analysts find faults in import substitution and recommend tariff reforms.

Some analysts consider export-led growth an effortless way out of the current impasse. They are oblivious to the fact that business firms must face tough competition where price and quality play a pivotal role. Price and quality competitiveness comes through learning by doing.

Learning by doing is achieved through an enormous amount of effort where business firms act in small steps. Then these steps are combined to achieve proficiency, which requires a lot of time.

Many firms normally fail to achieve this proficiency. Hence, a few firms become successful in this vein.

Business firms must plow back to expand and remain competitive in the globalized world. This requires industrial capitalists to focus on their core business and stay away from speculative business activities.

However, the country's industrial capitalists engage in real estate and other speculative activities. They even invest their profits in buying stocks. These quick capital gains divert their attention from the core business.

That is the reason a mushroom growth in housing schemes is being witnessed.

Housing schemes are still hitting the deck when industrial growth is negative. The unplanned growth of housing schemes will have environmental and ecological consequences, which have started to create havoc for metropolitan cities.



The cities are experiencing water, noise, and air pollution. Green land is being converted into brown one in haste. There is a need to accurately assess the cultivated area as food grains are not meeting domestic needs.

In addition, there is a shortage of food grains, which is making them dearer day by day.

For instance, the support price of wheat was fixed at Rs2,200 per 40 kg in 2022, which has been jacked up to Rs4,000 per 40 kg in 2023 as the impact of the devaluation of the rupee played a key role in it.

The expensive food grains increase the money wage of the working class. In a labor-intensive industry, high money wages make products expensive. As a result, expensive products lose their competitiveness in a tough competitive environment.<sup>448</sup>

Pakistan's economy is facing significant challenges, with the country's public debt burden continuing to escalate, and its external financing requirements exceeding its available resources. To avoid default and stabilize the economy, the government needs to undertake significant reforms to address its economic weaknesses and restore investor confidence.

The government's primary challenge is to increase revenue collection by broadening the tax base and improving tax administration. Pakistan's tax-to-GDP ratio remains one of the lowest in the region, with only 1.3 percent of the population paying income tax. This has resulted in a significant shortfall in government revenues, making it difficult for the government to meet its debt obligations and maintain essential services. The government should prioritize revenue collection by strengthening the tax collection infrastructure and expanding the tax base to include more taxpayers.<sup>449</sup>

To reduce non-essential spending, the government should prioritize cutting down its defense and subsidy budgets. The defense budget is one of the largest items of government spending, and reducing it would free up resources that could be used to finance growth-enhancing investments, such as education, health, and infrastructure. Similarly, subsidies for essential commodities such as electricity and gas have increased the government's debt burden and need to be re-evaluated to ensure that they are targeted toward those who need them the most.<sup>450</sup>

At a time when the foreign exchange reserves held by the SBP stood at \$4.3 billion on March 10, 2023, Pakistan would have to repay its external debt obligations to the tune of \$3 billion in the last quarter (April-June) period of the current fiscal year. Pakistan would have to

repay in the shape of principal and mark-up amounts of \$316 million in April 2023. This external debt repayment amount would increase up to \$753 million in May 2023. In June 2023, the total external debt servicing requirements will jump up to \$1.894 billion.

This external debt servicing requirement does not include IMF's repayments. However, the official sources said that these were tentative numbers of external debt repayments which might vary due to exchange rate movements.

Pakistan and the International Monetary Fund (IMF) have been locked in negotiations since early February for the release of a \$1.1 billion tranche of a \$6.5 billion bailout agreed upon in 2019.

Pakistan has been experiencing a double-edged sword as on the one side, the country would have to repay \$23 billion in external debt servicing, including rollovers, and on the other hand, the capability of fetching dollars in the shape of foreign loans also shrank significantly. Pakistan's total external debt servicing requirements stood at \$23 billion for the current fiscal year. In the ongoing quarter (Jan-March) period of the current fiscal year, the total debt servicing requirements on the external front were estimated at \$5.462 billion.

It includes principal repayment amounts of \$5.03 billion such as repayments of \$761.1 million and a second amount of \$874.73 million, totaling the principal amount going up to \$1.635 billion. There are another two repayments in the shape of a principal amount to the tune of \$1.4 billion and another \$2 billion as Chinese SAFE deposits. Very recently, China agreed to the rollover of SAFE deposits of \$2 billion for one year. It was one of the requirements of the IMF for getting the rollover of Chinese SAFE deposits for meeting external financing needs to move towards striking the much-awaited staff-level agreement.

There are nine tables under the Memorandum of Economic and Financial Policies (MEFP) that require to be filled.

One of the tables is related to the Net International Reserves (NIR) as an indicative target, which cannot be fulfilled without incorporating the external financing needs of the program period till the end of June 2023.<sup>451</sup>

In the shape of interest repayments on the external front, it stood at \$428.88 million including \$147.38 million, and \$189.15 million total amount of \$336.5 million. There are two other markup repayments of \$72.19 million and \$18.16 million, so the total markup amounts would climb to \$426.88 million.

There is another challenge as the country's capability to generate dollar inflows in the shape of loans was slashed significantly as Islamabad could only secure only \$7.4 billion in the first eight months (July-Feb) period of the current fiscal year against over \$12 billion in the same period of the last fiscal year, registering a decline by over 39 percent.

In another bid to unlock the International Monetary Fund (IMF) program, the State Bank of Pakistan (SBP) is likely to further raise the interest rate by 2% during its upcoming meeting of the Monetary Policy Committee (MPC). The staff-level agreement between the IMF and Pakistan was scheduled to take place on February 9. However, the government failed to convince the global lender. The Shehbaz Sharif-led government is taking desperate measures to get the much-needed funds, but the IMF is not satisfied with the prior steps taken by the incumbent government. The sources said that the IMF demanded Pakistan jack up the interest rate by 4%. The fund was of the view that inflation was lower in Pakistan as per the interest rate. The SBP recently raised the interest rate by 2% but now the IMF is forcing Islamabad to again increase the interest rate by 2%. It has been learned that the SBP's MPC will meet on April 4 to review the interest rate on IMF's demand. The sources further said the SBP will increase the interest rate by 2% as agreed with the Fund. On March 2, in a surprise move, the SBP raised the monetary policy rate by 300 basis points to 20%.<sup>452</sup>

The IMF said on March 21, 2023, that Pakistan has made "substantial progress" toward meeting policy commitments needed to unlock loans the country needs to avoid default. It is putting pressure on the government to secure assurances from countries that have promised financing support.

Pakistan is now the only South Asian country that is yet to secure a bailout from the multilateral lender as Sri Lanka clinched financing very recently and Bangladesh pushes on with conducting IMF-mandated reforms.

A staff-level agreement will follow once the few remaining points are closed," the report quoted Esther Perez Ruiz, the IMF's resident representative for Pakistan, as saying. "Ensuring there is sufficient financing to support the authorities in the implementation of their policy agenda is the paramount priority."<sup>453</sup>

Earlier, Finance Minister Ishaq Dar had said that the IMF wanted to see countries finalize commitments they have made to help Pakistan shore up its funds before signing off on the

bailout package. Pakistan needs to repay about \$3 billion of debt by June, while \$4 billion is expected to be rolled over.

The country has taken tough measures including increasing taxes and energy prices, and allowing its currency to weaken to restart a \$6.5 billion IMF loan package. The funds will offer some relief to a nation still reeling from a dollar shortage that has raised the probability of the economy slipping into a recession ahead of elections this year.

Sources in the finance ministry told The Express Tribune that the global lender has inquired about the source of financing for the Prime Minister's petrol scheme. The IMF also asked about the mechanism for implementing the new subsidy program, they added.

In her reaction, Esther Perez, the Resident Representative of the IMF, told The Express Tribune that the Pakistani "authorities did not consult with the IMF staff ahead of announcing their recent fuel subsidy proposal."

She added that the IMF staff was seeking "greater details on the scheme in terms of its operation, cost, targeting, protections against fraud and abuse, and offsetting measures, and will carefully discuss these elements with the authorities."

"As a general matter, the IMF sees strengthening support for those eligible for social assistance through the unconditional Kafalat cash transfer scheme (BISP) as the most direct way to help the neediest in Pakistan," said Esther.

The federal government plans to collect Rs50 per liter extra from car owners above the 800cc category and give it to car owners below 800cc and motorcyclists.

Ruiz said the Washington-based lender was not consulted on the government's plan to raise fuel prices for wealthier motorists to finance a subsidy for lower-income people.

"Fund staff are seeking greater details on the scheme in terms of its operation, cost, targeting, protections against fraud and abuse, and offsetting measures, and will carefully discuss these elements with the authorities," she said.

This is not the first-time petrol price subsidies have been a sticking point for IMF. The previous government led by former premier Imran Khan had given out petrol subsidies, which stalled the IMF program last year.<sup>454</sup>

The government should have taken the IMF into confidence before announcing such a scheme, said Tahir Abbas, head of research at Karachi-based Arif Habib Ltd. "The fuel subsidy could further delay the much-awaited resumption of the loan program."

While addressing a news conference on Monday, Minister of State for Petroleum Musadiq Malik said that the government will charge Rs100 more for petrol from the affluent so that relief could be provided to the low-income segments in fuel tariff.

The government considers an owner of a 1,000cc car “affluent” but it does not have the guts to slap taxes on the richest property owners and retailers.

While talking to The Express Tribune, Malik said that the owners of above 800cc cars will pay a higher price of Rs50 over and above the normal OGRA-determined petroleum products prices, which will be utilized to reduce the rate for low-income consumers.

The per liter petrol price is Rs273, which will be increased to Rs323 at the current rates for the car owners using above 800cc to help the PML-N and its allied parties to win the next general elections.

The Government has now placed its bets on winning over the middle- and upper-middle-income groups to lure votes from the lower-middle-income groups through such schemes.

In the words of a senior PML-N party leader, the cross-fuel subsidy is a double-edged sword for the government.

The state minister explained that an escrow account will be opened with the National Bank of Pakistan and the dealers' claims of subsidized fuel will be settled daily.

He added that the beneficiaries will be registered against the national identity card numbers and will receive a one-time password to claim the cheaper fuel.

A motorcyclist will receive a maximum of 21 liters per month of cheaper fuel with a daily cap of 3 liters while an 800cc car owner will get a maximum of 30 liters per month of petrol, said Malik.<sup>455</sup>

The petrol subsidy program would be implemented within the next six weeks without any provision of subsidies being paid from the budget, said Malik.

The PDM Government claims that they had accepted the difficult conditions set by the International Monetary Fund (IMF) as it was asked to fulfill them first to proceed ahead with the loan program.

However, Pakistan Muslim League-Nawaz (PML-N) leader Miftah Ismail has blamed Finance Minister Ishaq Dar to have “sabotaged” the IMF deal with the

Miftah raising alarm over the long-due continuation of the deal with the international money lender, Miftah claimed: “IMF lacks ‘interest’ in giving money to cash-strapped Pakistan.”

Recalling his dealing with the lender while he was heading the country's finances, Miftah claimed to have persuaded the IMF to trust the country on fulfilling commitments until Dar was sworn in – indicating that the current finance minister harmed the good terms with the financial institution. He recalled that Pakistan has gone back on commitments three times. There is some truth in this claim.

Reflecting on the petrol subsidy announced by the government very recently, Miftah said that he believed that the formula would not be effective. Pakistan provides subsidies on petrol by taking loans.

Since the government announced the petroleum subsidy several red flags were raised as analysts and economic experts have been criticizing the move as it may jeopardize the ongoing struggle to convince the IMF board.

IMF's resident representative for Pakistan Esther Perez Ruiz had also clarified that said the international money lender was not consulted on the government's plan to raise fuel prices for wealthier motorists to finance a subsidy for lower-income people.

This is not the first-time petrol price subsidies have been a sticking point for the IMF. The previous government led by former premier Imran Khan had given out petrol subsidies, which stalled the IMF program last year.

Warning of the risks, Miftah mentioned that if Pakistan defaults, it would be a grave situation for the country as people belonging to the rich segment will bear the brunt, but the poor people will not be able to make ends meet.

Again, Miftah is right here.

The International Monetary Fund (IMF) on March 23, 2023, rejected Pakistan's claim that its program conditions were one of the reasons for delaying polls in Punjab, saying Islamabad had the right to reprioritize expenses or raise additional taxes to meet constitutional obligations.

"There is no requirement under Pakistan's EFF [Extended Fund Facility]-supported program, which could interfere with Pakistan's ability to undertake constitutional activities," said Esther Perez Ruiz, the resident representative of the IMF.<sup>456</sup>

The statement came a day after the Election Commission of Pakistan (ECP) postponed elections in Punjab till October 8, citing a lack of security and finances to hold elections in the province.

It also suggests that the trust deficit is deepening between Pakistan and the IMF because of Islamabad's inability to meet its international as well as domestic constitutional obligations and blaming the global lender for its failures.

It is for the second time in the past four days that the IMF has rebuked Pakistan's claim about interfering in matters that did not fall in the domain of the \$6.5 billion bailout package, setting the record straight and refusing to offer its backing to the politics of the Pakistan Democratic Movement (PDM).

Earlier, Ruiz had said he wanted to be categorical that there was no truth to any insinuated link between the past as well as the current IMF-supported programs and the decision by the Pakistani government over its nuclear program.<sup>457</sup>

In the statement issued on March 23, 2023, Ruiz elaborated: "The IMF sets aggregate general government targets [aggregating across federal and provincial government levels] and within these, there is fiscal space to allocate or reprioritize spending or raise additional revenues to ensure constitutional activities can take place as required."

The ECP requires Rs20.5 billion for holding elections in Punjab and Khyber-Pakhtunkhwa.

It needs another Rs5 billion for conducting by-elections for 93 vacant seats of the National Assembly.

In total, the ECP requires Rs25.5 billion, which is not much compared to the Rs11.2 trillion revised annual budget for this fiscal year.

The needed funds are equal to just 0.18% of the annual budget of the federal government.<sup>458</sup>

The IMF resident representative further stated that decisions about the constitutionality, feasibility, and timing of the provincial and general elections are vested solely with Pakistan's institutions.

Just this week, the Economic Coordination Committee (ECC) of the Cabinet approved an Rs27 billion supplementary grant to avoid default on diesel payment to Kuwait.

Two days ago, the planning minister launched politically oriented development projects for the youth of the country costing Rs150 billion.

In its election postponement notification, the ECP narrated a statement by the federal finance secretary.

“[The] secretary of finance while briefing the commission stated that due to the paucity of funds and financial crunch, the country is facing an unprecedented economic crisis and it was under compulsion by the IMF program which has set targets for maintenance of fiscal discipline and deficit,” it read.

“[The finance secretary said] it would be difficult for [the] government to release funds now for general elections [for] the provincial assemblies of Punjab, Khyber-Pakhtunkhwa and later for [the] general elections [for the] National Assembly, [and the] provincial assemblies of Sindh and Balochistan,” it added.<sup>459</sup>

The ECP further stated that the federal government had conveyed that because of the critical economic situation of the country, it would be exceedingly difficult to provide funds for the elections now and additional money for the staggered polls.

The details showed that in the case of segregated elections, the additional cost was Rs 9.3 billion.

Last month, the federal cabinet revised the budget estimates to Rs11.2 trillion -- an increase of Rs1.3 trillion or 17% over the one passed just eight months ago.

The government has also revised the estimate of provincial surpluses downwards to Rs559 billion, compared with the budgetary figure of Rs750 billion.

As a result, the overall deficit has been projected at Rs5.7 trillion, or 6.8% of the GDP.

For its program purposes, the government has set the primary deficit target at Rs465 billion, or 0.5% of GDP, compared with the previous target of Rs153 billion in surplus.

This month, Prime Minister Shehbaz Sharif also announced free wheat flour schemes worth Rs73 billion in the two provinces where the elections were due under the Constitution.

The cost of these schemes, funded by provincial governments, is almost three times more than the funds needed for holding the elections in the two provinces.

The Rs73 billion spending on wheat flour subsidy might jeopardize the recently agreed fiscal framework with the IMF that requires Rs559 billion provincial cash surpluses.

The sources said that K-P had informed the prime minister that it did not have the entire Rs19 billion funds to finance the free wheat flour scheme.

The plan is to give free wheat flour to 5.7 million families in the province.



The IMF's country head said the program discussions had exclusively focused on economic policies to solve Pakistan's economy as well as the balance of payments problems, in line with the global lender's mandate for promoting macroeconomic and financial stability.

Pakistan and the IMF program remain stuck because of the lack of fulfillment of conditions for around \$6 billion in additional loans and interest rate hikes.<sup>460</sup>

Very recently, IMF said that there was no requirement under Extended Fund Facility (EFF) program which could interfere with Pakistan's ability to undertake the constitutional activity.

"Decisions regarding the constitutionality, feasibility, and timing of the provincial and general elections rest solely with Pakistani institutions, IMF's Resident Chief in Pakistan Esther Perez Ruiz stated.<sup>461</sup>

She said the IMF sets aggregate general government targets (aggregating across federal and provincial government levels) and within these, there is fiscal space to allocate or reprioritize spending and/ or raise additional revenues to ensure constitutional activities could take place as required. The IMF resident chief's statement came after the Ministry of Finance informed the Election Commission of Pakistan that the country was facing a severe economic crisis and the government did not possess funds to undertake two provincial assembly elections separately within 90 days as directed by the Supreme Court's verdict.<sup>462</sup>

Today, there is great uncertainty surrounding the revival of the IMF deal that would unlock \$1.1 billion in much-needed funds for the country. On March 26, 2023, Finance Minister Ishaq Dar assured the business community that matters with the International Monetary Fund (IMF) will be settled soon to revive the stalled \$6.5 billion bailout package aimed at averting financial default.

Dar said that friendly countries were expected to materialize their commitments with Pakistan, which would pave the way to close the deal with the IMF and revive the economy.

The government had placed its bets on the materialization of Geneva pledges to partially meet the \$6 billion financing gap amid the deepening trust deficit with the IMF because it decided to give a subsidy on petrol despite a looming default.

Both Pakistan and the IMF were still finalizing the details about the source of financing of \$6 billion when Islamabad shocked the global lender by announcing an Rs50 per liter petrol subsidy. The decision has given a message to the rest of the world that the Pakistani authorities

were still not serious to bring its house in order. Sources said that before formal virtual conversations ended, both sides were discussing the contours of the \$6 billion financing.

Except for the \$3 billion known assurances by Saudi Arabia and the United Arab Emirates Pakistan lacked firm details about the financing of the remaining amount.

Earlier, Dar said that in 2016 Pakistan was a rising economy as it was expected to become the world's 18th strongest economy but was now facing serious economic challenges.

He said that Pakistan would not default, and the government was making all efforts to steer it out of a tricky situation and to put it on the path of sustainable economic growth.

Today, there is much criticism of the Pakistan government for being irresponsible in its dealing with the IMF. While uncertainty persists as to the revival of the \$6.5 billion IMF loan program, the government has taken steps that hint at its diminishing interest in clinching a staff-level agreement with the global lender.<sup>463</sup> With pressure mounting on his government due to skyrocketing inflation — currently standing at an all-time high of 46.65% — Prime Minister Shehbaz Sharif has announced a string of measures in a bid to salvage some political capital. These measures include a cross-subsidy on petrol estimated to cost Rs25 billion; Rs73 billion subsidy on wheat flour to provide for free distribution of the commodity among low-income families; and an Rs150 billion worth of youth program featuring 15 mega initiatives that include opportunities for education, skill development, and employment.

Quite understandably, the government's initiatives, especially the petrol subsidy plan, have drawn concerns from the IMF whose resident representative in Pakistan says that the government had not consulted the Fund over the fuel pricing scheme and that it needs to be agreed upon before a deal is finalized. The Fund is also insisting on written guarantees from Pakistan's friendly countries to bridge the external financing gap — of around \$6 billion — for the loan deal to culminate.

And while assurances from friendly countries were still awaited, the government violated the IMF conditions through the initiatives — thereby putting a potential bailout deal in peril. With the central bank holding just around \$4.6 billion worth of forex reserves and the government needing \$3 billion in the next three months to settle foreign obligations, one wonders whether the government has a plan B to avert a financial default. Well, if Miftah Ismail, the discarded foreign minister, is to be believed, there can be none “as the IMF is the lender of

last resort: when nothing works, IMF is the only go-to option.” Worryingly though, even this last remaining option is not working as a financial default stares us right in the face.<sup>464</sup>

There is a trust deficit between the government and the IMF.

The government has something of a credibility problem because its Finance Minister keeps on saying that a deal on the release of the next tranche of the current IMF program is around the corner, but some new deal-breaker turns up. The latest stutter is being caused by the failure of certain friendly countries to provide clarity about their lending. These are the countries Pakistan had said were waiting for the IMF to give clearance to open the floodgates of funds. The failure of these countries to make clear what funds they will make available and how is what is holding back the IMF.

That is not the only example of the IMF being blamed for something it never did. The IMF, for example, says it has not raised the issue of the missile program. This gives rise to the suspicion that when the Finance Minister said it had done so, he had merely been casting about for an explanation of why the IMF was not coming through on the program resumption even though the government had taken the difficult steps it wanted. The IMF has also strongly denied that it has vetoed the Punjab and KP elections, saying that the money for them could be raised by such means as extra taxation. In short, it is not willing to be used as an excuse for the postponement of elections, which the government wants, and the opposition strongly opposes.

There is a lesson to be drawn from all this. The government must not expect the IMF to pull its chestnuts out of the fire. It should also not expect statements by the Finance Minister (of which there have been plenty, already too many), that the IMF agreement is around the corner, to be believed. Now that the IMF has confirmed that there are third, even fourth, parties who can veto the deal, there does not seem much chance of it going through. It was enough of a problem when there were only two parties, the IMF and Pakistan, but now it means extra efforts and hard work by those who are going to be lending Pakistan money. Under such circumstances, the canny businessperson will have no choice but to assume that the deal is not going through. This may have calamitous consequences for Pakistan.

Today, the country is facing continuously deteriorating macroeconomic indicators, like the depreciating rupee and depleting forex reserves, increasing current account and budget deficits.

Much earlier in May 2022, the current account deficit and budget deficits have increased and so has the national debt, both internal and external. The nature of Pakistan's economy is at a critical precarious stage and on the verge of a default. Pakistan has yet to complete tasks before can unlock a \$6.5 billion IMF loan to avoid a default.

Today, the much-awaited Staff Level Agreement between Pakistan and the IMF will only be struck as soon as the financial support confirmation from the Kingdom of Saudi Arabia and UAE is received.

Earlier, Federal Minister for Finance Ishaq Dar had said numerous times that the matters with the IMF would be settled soon. The IMF and Pakistan concluded review talks in Islamabad on February 9 and the very next day Minister for Finance Ishaq Dar claimed that the virtual talks have begun, and the staff-level agreement would be signed within a few days. However, it could not be done even after the passage of 46 days.<sup>465</sup>

On the issue of cross-fuel subsidy, there have been dissenting views within the Ministry of Finance because the timing of the announcement could not be endorsed at all. It remains to be seen how the Ministry of Finance will satisfy the IMF on the subsidy. The bureaucrats from the Ministry of Finance had resisted the scheme tooth and nail but the government went ahead and made it public. The move was undertaken by the PM Office. In case the IMF program is revived then the question will arise as to how the next 10th and 11th reviews will be accomplished. The 10th review was due on February 3, 2023. While the 11th review would be due on May 3, 2023, and it is not yet known how both sides would proceed even after the revival of the Fund program.<sup>466</sup>

Meanwhile, the rate of inflation in Pakistan is set to hit 33 percent in the coming months and the country's currency has devalued 65 percent in the last 12 months. "Pakistan's been lulled by a false sense of security," the analyst said, "that with a population of over 220 million and a comprehensive nuclear weapons program, it is too big for the world to let it fail. This has bred complacency across successive governments and the country's military leadership of easy loans or bailouts."<sup>467</sup>

Six months ago, in a bid to stem the outflow of foreign exchange, the Pakistani government stopped all imports, leading to a raw materials shortage across manufacturing sectors and a temporary shutdown of several automobile manufacturing plants and textile factories.

Saudi Arabia and the International Monetary Fund (IMF) are both demanding economic reforms from Pakistan.

Pakistan is locked in difficult negotiations with the IMF over its 13th bailout package since the 1980s, reported Middle East Eye.

If an agreement is not struck soon, Pakistan will find it increasingly difficult to secure international loans, as its credit rating has been downgraded to junk.

Saudi Arabia is no longer willing to bail out Islamabad and refused to provide ‘easy money’ to Pakistan, demanding economic reforms, reported Middle East Eye.

Pakistan is in dire need of sustained US dollar inflows to avoid defaulting on nearly USD 80 billion of international loan repayments over the next three and a half years. The country is currently sitting on just USD 3 billion in foreign exchange reserves.

Saudi Arabia’s decision to refuse to provide any further bailouts or interest-free loans to Pakistan has left the government in Islamabad in shock and has prompted the finance minister to complain that even friendly countries are not keen on helping Pakistan out of its economic emergency. Pakistani authorities are in a state of shock. While previously Saudi Arabia and other Gulf countries would bail Pakistan out off the back of a phone call from the foreign minister or the prime minister, this time around they are being put through the mill. On a recent trip, even the Pakistani military chief could not convince Saudi Crown Prince Mohammed bin Salman to release emergency funding for the country. At the World Economic Forum in Davos in January, the Saudi finance minister made the Kingdom’s new policy noticeably clear.<sup>468</sup>

Mohammed al-Jadaan said that Saudi Arabia used to give direct grants and deposits without strings attached and we are changing that. But now it is working with multilateral institutions to push for needed reforms. “We are taxing our people, we are also expecting others to do the same, to make their efforts. We want to help but we want you also to do your part.” “Saudi Arabia is on a different course now. They have reset their relationship with other countries and refused to give financial handouts to namely: Jordan, Morocco, and even Egypt. However, Pakistan, which is far more dysfunctional than all the others, should have seen it coming,” <sup>469</sup>

Meanwhile, by the end of March 2023, Pakistan’s economy has continued to slow down. During July-February of the fiscal year 2023, the repatriation of profit and dividends plunged 80 percent due to the economic slowdown. Import curbs hurt investors in equal measure. The SBP

on China's emergency support for borrowers from its Belt and Road infrastructure program has ballooned as foreign governments struggle under heavy debts, highlighting the extent of Beijing's bad loan problem as it works to overhaul its overseas lending strategy.

The scale of China's often-opaque assistance to borrowers in distress means Beijing has effectively established a new system for international rescue lending that exists alongside the International Monetary Fund and other Western institutions, according to new research published by the World Bank. reported that foreign investors repatriated \$225.1 million during July-Feb of FY 23 as compared to \$1.146 billion during the same period of last year, depicting a decline of 80 percent or \$ 921 million. The massive decline in the repatriation of profit and dividends reflects that the earnings of foreign companies have been down drastically due to poor economic conditions. 470

The country's economy is facing several challenges, particularly the foreign exchange crisis that forced the government to impose restrictions on imports to curtail the trade deficit. Production of large-scale manufacturing industries including automobiles, food, textile, petroleum oil, and pharmaceutical registered a drop of 7.75 percent in October 2022 compared to the same month of the previous year. Leading auto plants have also shut down their production due to a shortage of raw materials. Pakistan's GDP growth is also estimated at 2 percent during FY23 as against 6 percent in FY22. This slowdown will also hurt the profitability of foreign companies, analysts said. The detailed analysis revealed that during the period under review repatriation from Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI) declined by 82 percent and 67 percent, respectively. Repatriation on account of FDI was \$188 million during July-Feb of FY23 down from \$ 1.038 billion. Repatriation from FPI fell from \$ 108.6 million to \$ 37 million in the first eight months of this fiscal year. The highest outflow of profit and dividends amounting to \$87 million was sent from the Oil & Gas Explorations, \$33 million from the mining sector, \$32 from power, and \$19 million from the financial sector.471

An editorial entitled "IMF ninth review remains suspended," published in the Business Recorder on March 28, 2023, castigated the Pakistan government for failing to see the writing on the wall that friendly countries will not just provide Pakistan with the money asked, as in the past. The government conducted ridiculous policies of controlling the Rupee's external value when it was not a viable option thereby creating a grey market repressing the inflow of much-needed remittances and distorting revenue generation as well. The Government is "unable to

tackle the pervasive economic crisis and instead of ushering in structural reforms that would show light at the end of the tunnel, there appears to be a focus on passing the buck onto the middle-income and lower-income public through raising utility tariffs, thereby fueling inflation as in the past. And what is equally disturbing is their insistence on living in a past that is no longer relevant.”<sup>472</sup>

Meanwhile, the mismanagement of Pakistan’s economy continues unabated. Pakistan on March 27, 2023, deferred a decision on a request by pharmaceutical firms to raise the prices of more than 100 medicines, prolonging a stand-off with an industry struggling to stem losses from soaring inflation and a weakened currency. Inflation is also surging, hitting a 50-year-high of 31.5% in February, raising overall costs.<sup>473</sup>

The request was discussed during a meeting of the finance ministry's Economic Coordination Committee, but no decision was taken, a ministry statement said. It was unclear when the matter would be discussed again.

Since June, local and multinational companies, including Sanofi SA, have been lobbying the government to raise prices through industry lobby groups the Pharma Bureau and the Pakistan Pharmaceutical Manufacturer's Association (PPMA).

Some member companies have completely shut down, while others have cut output to offset production costs that have risen by 60% over the last six months. More shutdowns can happen if things do not get better.

Data from the statistics bureau compiled by Reuters showed the industry had cut overall output by 55% since June 2022. PPMA Chairman Farooq Bukhari said production could fall further. "If the government does not agree to adjust prices ..., the PPMA cannot keep telling pharma companies to continue production."

In addition to a global increase in the price of raw materials, the pharma companies have been hit by fiscal measures aimed at staving off economic collapse and securing more than \$1 billion in funds from an International Monetary Fund bailout.

These measures include the removal of an artificial exchange rate for the rupee, which has fallen in value against the dollar by about a fifth since the start of the year. The country also suppressed imports, including inputs for the pharma sector earlier in the fiscal year as foreign exchange reserves dropped.<sup>474</sup>

"The industry is asking for an across-the-board increase in prices based on high inflation and unprecedented devaluation," a representative of Sanofi Aventis Pakistan Ltd said, declining to be named as company officials were not authorized to speak to the media.

Health Minister Abdul Qadir Patel recently met representatives of several pharma companies and discussed their demands, a spokesperson told Reuters, without elaborating.

Higher drug prices will add to the pain of many Pakistanis already grappling with higher fuel and food prices. Due to the production cuts, the supply of some medicine for diabetes such as glimepiride and insulin, is running low, said Mustafa Bilwani, director of the major pharmacy chain Dvago.<sup>475</sup>

Pakistan hopes that China will bail out Pakistan yet again. China spent \$240 billion bailing out 22 developing countries between 2008 and 2021, with the amount soaring in recent years as more have struggled to repay loans spent building "Belt & Road" infrastructure, according to a study published March 28, 2023. Chinese loans to countries in debt distress soared from less than 5% of its overseas lending portfolio in 2010 to 60% in 2022, the study found.<sup>476</sup>

Argentina received the most, with \$111.8 billion, followed by Pakistan with \$48.5 billion. China is negotiating debt restructurings with many countries and has been criticized for holding up the processes. In response, China has called on the World Bank and International Monetary Fund to also offer debt relief.

Pakistan banks its hopes on reports that China is overhauling its overseas lending strategy that would somehow give concessions to its longtime ally.

China's emergency support for borrowers from its Belt and Road infrastructure program has ballooned as foreign governments struggle under heavy debts, highlighting the extent of Beijing's bad loan problem as it works to overhaul its overseas lending strategy. The scale of China's often-opaque assistance to borrowers in distress means Beijing has effectively established a new system for international rescue lending that exists alongside the International Monetary Fund and other Western institutions, according to new research published by the World Bank.<sup>477</sup>

Pakistan's economic crisis continues unabated. The country's factories are shutting down one after another because of restrictions imposed on imports that have caused a shortage of imported raw materials. The steep currency devaluation has also made raw materials expensive and business models unviable.



The pace of contraction in Pakistan's major industries sharpened to 12% in February over a year ago, as the industries reel under pressure from supply-chain disruptions, high fuel costs, policy uncertainty, and an economic slowdown.

Large-Scale Manufacturing (LSM) industries recorded an 11.6% lower production rate in February over a year ago, the Pakistan Bureau of Statistics (PBS) said on April 17, 2023. The contraction was steeper than the market expectations but is in line with the expectation of overall negative growth in the industrial sector during the current fiscal year.<sup>478</sup>

Dwindling foreign exchange reserves, standing at only \$4 billion, administrative import controls, flood-related supply-chain disruptions, high fuel costs, policy uncertainty, and the slowdown in domestic and global demand have affected the industry and service sector activity, according to a recent report by the World Bank.

The World Bank has projected negative growth in both the industrial and agriculture sectors during the current fiscal year with an overall Gross Domestic Product (GDP) growth rate of only 0.4%. Business and consumer confidence have continued to plummet, suggesting continued suppressed activity over the coming months.

The government is allowing imports equal to monthly inflows on account of exports and remittances – a strategy that has proven too costly for industries. The government has compressed imports to a range between \$2 billion and \$2.5 billion per month, causing supply shortages.<sup>479</sup>

“Our foreign exchange position is very tight, and we are giving preference to the import of food and medicines,” said Prime Minister Shehbaz Sharif while speaking on the floor of the National Assembly on April 17, 2023.

The government has been waiting for the International Monetary Fund (IMF) deal to materialize before it starts normalizing imports.

Earlier this month, the central bank also increased its interest rates to 21% – the highest in Pakistan's history – in hopes of cinching a staff-level agreement with the IMF. Still, there is uncertainty, as the lender had initially demanded around a 7% increase in the interest rates.

The LSM trend indicates that this year the overall GDP growth rate may remain below 1% due to the shutdown of industries and the adverse impact of the devastating floods on the agriculture sector, according to estimates from the finance ministry, IMF, World Bank, and

Asian Development Bank. The government had targeted economic growth of 5.1% in the current fiscal year.<sup>480</sup>

Overall, LSM output shrank 5.6% in the July-February period of the fiscal year 2022-23, the PBS reported.

The big industries faced broad-based contraction, with 18 of the 22 sectors witnessing lower production during the first eight months (July-February) compared to a year ago. Only clothing, leather products, furniture, and other manufacturing sectors saw an increase in production during the first eight months.

Since large industries contribute heavily to revenue collection and job creation, any change in their growth impacts the government and business sentiment across the board. The LSM sector contributes nearly one-tenth to the total national output, however, a constant decline in the share and growth of LSM may cause a lot of problems for the government already struggling to create new jobs.<sup>481</sup>

The main contributors to overall the negative growth of 5.6% include the food sector, which shrank by 2%, and the tobacco industry, which contracted by one-fifth. Similarly, the textile sector's output also dropped by over 14%. Petroleum products and cement production also dipped significantly during the first eight months of the fiscal year.

The two sectors hit hardest by the ban on imports were pharmaceuticals and automobiles, both of which witnessed significant contraction during the first eight months of the current fiscal year.

Production was also lower in the chemicals sector, non-metallic mineral products, machinery and equipment, and transport equipment.<sup>482</sup>

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Much earlier, Pakistan had signed a \$6.5 billion bailout package with the IMF in 2019 but has repeatedly reneged on conditions, and as of April 17, 2023, just \$3 billion has been released.

On April 15, 2023, the United Arab Emirates (UAE) confirmed financial support of \$1 billion to Pakistan, making it the third country after Saudi Arabia and longtime ally China to come to Pakistan's assistance, as external financing is needed to fully fund the balance of payments gap for the fiscal year that ends in June.

The commitments were one of the IMF's last requirements before approving a staff-level pact to release a tranche of \$1.1 billion, delayed for months, which is crucial for Pakistan to resolve an acute balance of payments crisis. "Such tough conditions were set which weren't easy for Pakistan to fulfill," the premier said, adding that in the last one-and-a-half-month, the coalition government has made a lot of efforts.

On April 13, 2023, the World Bank dispelled the impression that the Fund was dictating terms to Pakistan. On the same day, IMF Managing Director Kristalina Georgieva also said the IMF hoped to complete its current program with Pakistan successfully. "I hope that with the goodwill of everyone, with the implementation of what has been already agreed by the Pakistani

authorities, we can complete our current program successfully,” Georgieva had said at a news briefing in Washington.

Meanwhile, the IMF said on April 15, 2023, it was still awaiting the necessary financing assurances for bridging the external gap for paving the way for the completion of the outstanding 9th Review under the Extended Fund Facility (EFF) program.

The IMF’s Mission Chief, Nathan Porter, in a statement issued on April 15, 2023, stated: “We welcome the recent announcement of important financial support to Pakistan from key bilateral partners. During the meetings between the Pakistani delegation and IMF staff and management, there was agreement on the need to maintain strong policies and secure sufficient financing to support the authorities’ implementation efforts.”

He further said that “the IMF is supporting these efforts and looks forward to obtaining the necessary financing assurances as soon as possible to pave the way for the successful completion of the 9th EFF Review.”

The statement of the IMF’s Mission Chief looked vague as it did not explain explicitly how much more external financing assurances were required to bridge the financing gap. When contacted, top official sources said Pakistani authorities would have to struggle hard to manage another \$1 billion from bilateral partners to strike a staff-level agreement as the IMF wanted to secure \$4 billion assurances before moving ahead towards signing the much-awaited Staff Level Agreement.

Pakistan had already secured additional external financing assurances of \$3 billion, including \$2 billion from the Kingdom of Saudi Arabia (KSA) and \$1 billion from the United Arab Emirates (UAE) respectively, in recent days.<sup>488</sup>

Earlier, the IMF had estimated that the external financing gap stood at \$6 billion but Pakistan authorities persistently argued that it would remain in the range of \$4 to \$5 billion keeping in view the shrinking Current Account Deficit (CAD). The Current Account Deficit stood at \$3.8 billion during the first eight months (July-Feb) period of the current fiscal year against \$12.07 billion in the same period of the last fiscal year.

The current account deficit reduced sharply and stood at just \$74 million in February 2023 mainly because of compressed imports. Pakistani authorities claimed that the CAD would be restricted to around \$4 billion for the current fiscal year but the IMF assessed that it might go up to \$5 billion provided the government opted to ease out restrictions on clearance of stuck-up

containers at ports. If import restrictions are relaxed, it might result in hiking the CAD up to \$5 billion following the estimates given by the IMF.

The sources said that the IMF showed some lenient attitude and now asked the government to manage external financing of \$4 billion. The Minister for Finance, Ishaq Dar, might have to visit another important country before or after Eid to get the additional dollar inflows commitment for striking the IMF deal.

Ishaq Dar has now been making his final efforts to convince the IMF staff to mature the deal instead of opening a new Pandora's box in the shape of opening discussions on the Memorandum of Economic and Financial Policies (MEFP).

Meanwhile, Ishaq Dar held a meeting with the President of the Asian Infrastructure Investment Bank (AIIB) and requested the provision of co-financing of \$450 million along with the World Bank's RISE program and to disburse this budgetary loan program of \$900 million during the ongoing fiscal year.

According to a Ministry of Finance statement issued on April 15, 2023, Ishaq Dar held a meeting with Jin Liqun, President AIIB, through a video link from Islamabad as part of the IMF/World Bank Spring meetings 2023. Minister of State for Finance and Revenue Dr. Aisha Ghous Pasha, SAPM on Finance Tariq Bajwa, SAPM on Revenue Tariq Mehmood Pasha, Special Secretary Finance attended the meeting from Islamabad. Whereas Ambassador of Pakistan to the USA Masood Ahmad Khan, Governor SBP Jamil Ahmad, secretary of finance, and Secretary EAD attended in person in Washington.

Ishaq Dar shared the current economic outlook of the country and apprised him of the economic policies and reforms of the government for sustainable economic development. The finance minister thanked the president of AIIB for his generous support in rehabilitation and reconstruction efforts in the flood-affected areas in Pakistan.

The president of AIIB lauded the relationship between Pakistan and the AIIB and appreciated the economic policies and reforms of the present government for the social uplift of the masses. He highlighted the role of AIIB in infrastructure development projects and investment and extended AIIB's complete support and cooperation to Pakistan.

Today, Pakistan is struggling to unlock a \$1.1bn tranche from the IMF that has been delayed since November. A 10-day visit by the lender's delegation in January 2023 failed to break the deadlock over fiscal policy adjustments.

The IMF says it needs assurances from Pakistan that its balance of payments deficit is fully financed for the fiscal year ending in June. The coalition government of Pakistan's Prime Minister Shahbaz Sharif is in talks with the IMF to receive a key tranche of a \$6bn bailout package signed in 2019 by Sharif's predecessor Imran Khan.

In recent weeks, the government slashed subsidies and raised taxes to comply with the bailout terms and secure the release of the \$1.2bn portion of the deal that has been stalled since December. But those measures resulted in increases in the price of food, gas, and power.

Sharif's government has become unpopular because of higher food costs, although he has blamed Khan, who is now the country's opposition leader, for mismanaging the economy when he was in power.

Khan was deposed last April in a no-confidence vote in parliament, and since then he has been leading rallies in a failed attempt to force Sharif to agree to an early election, which is scheduled for later this year.

Meanwhile, the IMF has revised downward the GDP growth projection from 2 percent to 0.5 percent for the current fiscal year. The CPI-based inflation has been projected upward at 27.1 percent on average for the current fiscal year 2022-23. According to the World Economic Outlook released by the IMF on April 11, 2023, Pakistan's GDP growth would be slashed from 6 percent in the last fiscal year 2021-22 to 0.5 percent of GDP for the current fiscal year. The Fund also projected the real GDP growth rate would rebound when it would touch 3.5 percent of GDP in the next fiscal year 2023-24.<sup>489</sup>

The government had envisaged a GDP growth rate of 5 percent for the current fiscal year on the eve of the budget 2022-23. But, in the aftermath of the devastating floods, the GDP growth rate was revised downward to 2 percent.

After the nine-month (July-March) period of the current fiscal year, the IMF has projected a downward revision of the GDP growth rate to 0.5 percent for the current fiscal year. The World Bank and Asian Development Bank also revised downward the growth rate to 0.6 percent and 0.4 percent respectively in their latest reports.<sup>490</sup>

On average inflation, the WEO for 2023 shows Pakistan's average inflation would be standing at 27.1 percent for the current fiscal year, much higher than initial official projections of around 11 percent for the current fiscal year. The CPI-based inflation will start receding in the next fiscal year, but it will remain elevated at 21.9 percent for the fiscal year 2023-24.

On the projection of the Current Account Deficit, the IMF has projected it will stand at negative at 2.3 percent of GDP for the current fiscal year against 4.6 percent of GDP for the last financial year. The Current Account Deficit (CAD) has been projected at negative 2.4 percent of GDP for the next fiscal year. Interestingly, the CAD was slashed massively, but the IMF was still projecting it on the higher side for ongoing and for the next fiscal year.<sup>491</sup>

The International Monetary Fund (IMF) has reduced the economic growth forecast of Pakistan to 0.5% as well as steeply increased inflation projections far above 20% for two years -- underscoring that the people's hardships would not end soon, and interest rates might remain at their highest levels.

The IMF's World Economic Outlook report released on April 11, 2023, also showed that the global lender had marginally lowered its projection for Pakistan's current account deficit (CAD) for this fiscal year -- keeping it at 2.3% of the GDP which appeared unrealistic. The report showed that the global lender had revised downward the country's GDP growth rate for the fiscal year 2022-23 and the next one.<sup>492</sup>

However, it significantly upward adjusted the inflation forecast in line with the prevailing harsh conditions.

Compared with the 19.9% average inflation rate projection at the time of the 8th program review, the IMF has now shown the barometer crossing 27% for the current fiscal year.

The annual inflation rate has already peaked at a 50-year high of 35% and keeping the average rate above 27% suggested that the annual rate would remain elevated.

For the next fiscal year 2023-24, the IMF has also increased its average inflation forecast by more than double to 21.9%, according to the report.

Just eight months ago, the IMF had projected a 10% inflation rate for the fiscal year 2023-24.

The higher inflation rate projections reflect that any government in power will have the luxury to reduce the interest rates if it is keen to sign off on the new IMF program.

The country's central bank has already increased the interest rate to 21%.



This figure is still negative if adjusted with the inflation rate.

However, global headline inflation has been projected to be on the declining path by the IMF.

This will be amid the people in Pakistan facing the multi-decade highest inflation rate.

According to the IMF report, the global headline inflation has been declining since mid-2022 at a three-month season adjusted annually.

A fall in fuel and energy commodity prices, particularly in the US, Europe, and Latin America, has contributed to this decline, according to the IMF.

Inflation in Pakistan has been accelerating because of the steep currency devaluation; imposition of new taxes; and hike in electricity, gas, petrol, diesel, and supply-side food items -- factors that are mostly indigenous.

The report showed that the IMF has cut its GDP growth forecast for Pakistan from 3.5% to just 0.5% for this fiscal year -- a projection that is in line with similar forecasts by the World Bank and Asian Development Bank.

The IMF also lowered the economic growth forecast for the next fiscal year from 4.2% to 3.5%.

Numerous studies point out that Pakistan needs to achieve at least a 7% to 8% economic growth rate for the next 20 years to absorb the youth bulge.

Successive governments have attempted to achieve this rate without increasing savings but by solely relying on borrowings that every time ended up in an economic crisis.

The IMF report stated that the unemployment rate would increase in Pakistan from the previous 6.2% to 7% in this fiscal year.

Last week, the World Bank predicted that about 3.9 million more Pakistanis would slip into poverty because of various economic shocks.

The IMF report has projected the CAD at 2.3% of the GDP for the current fiscal year -- higher than the estimates by the World Bank and the Asian Development Bank.

For the next fiscal year, the deficit has been shown at 2.4% of the GDP.

At the time of the 8th review, the IMF had shown Pakistan's CAD at 2.5% of the GDP.<sup>493</sup>

However, because of import restrictions, the deficit during the first eight months remained at only \$3.9 billion, which will now increase to \$8 billion in the remaining four months.

The higher deficit projections mean that Pakistan will have to arrange more loans to meet its external financing requirements.

The government's inability to receive \$6 billion in new loans is one of two outstanding issues hampering the finalization of a staff-level agreement with the IMF.

Pakistan has claimed that it has so far secured a \$2 billion financing assurance from Saudi Arabia and is waiting for a \$1 billion loan confirmation by the UAE. This still leaves it with a gap of \$3 billion.<sup>494</sup>

The IMF has marginally reduced the global economic growth forecast to 2.8% for 2023, 0.1 percentage points lower than that predicted in January 2023.

The return of the world economy to the pace of economic growth that prevailed before the bevy of shocks in 2022 and the recent financial sector turmoil is increasingly elusive, according to the global lender's report.

The global economy is yet again at a highly uncertain moment, with the cumulative effects of the past three years of adverse shocks -- most notably, the COVID-19 pandemic and Russia's invasion of Ukraine -- manifesting in unforeseen ways.

The IMF stated that the unexpected failures of two specialized regional banks in the US in mid-March 2023 and the collapse of confidence in Credit Suisse -- a globally significant bank -- had also roiled financial markets, with bank depositors and investors reevaluating the safety of their holdings and shifting away from institutions and investments perceived as vulnerable.

The loss of confidence in Credit Suisse resulted in a brokered takeover.<sup>495</sup>

The International Monetary Fund (IMF) said on April 17, 2023, that it was still waiting for "necessary financing assurances" for a successful conclusion of the review talks -- taming expectations for a deal until Pakistan arranges the remaining \$3 billion.

In an early morning statement, Nathan Porter, IMF Mission Chief to Pakistan, said that the global lender "looks forward to obtaining the necessary financing assurances as soon as possible to pave the way for the successful completion of the 9th EFF (Extended Fund Facility) review".

The IMF was seeking confirmation for the total \$6 billion loans that Pakistan urgently needs to bridge the external financing gap. They said that the government was trying hard to secure commitments for the rest of the \$3 billion by next week.

On April 12, 2023, Finance Minister Ishaq Dar requested the Fund to show some flexibility and strike a staff-level deal, which according to him can pave the way for arranging

the rest of the loans. The IMF had identified the \$6 billion hole in Pakistan's external financing requirement, which it asked to be bridged before the matter is taken to the IMF's board for approval of the next loan tranche.

Pakistan still might take some time to arrange the rest of the loans. The government has mentioned loans from foreign commercial banks as one of the sources to bridge the gap.

However, the Finance Ministry officials said that it will take four to six weeks for negotiations and then the disbursement of the foreign commercial loans. They added if these foreign commercial banks just give an assurance to the IMF, it will be sufficient to strike a deal.

Foreign banks are reluctant to extend any fresh financing due to the junk credit rating of Pakistan.

The government had also placed bets on \$450 million project proceeds from the Geneva pledges and expected to receive over half a billion dollars from the outsourcing of the three international airports –the two avenues that Pakistan may not tap immediately.

Dar on April 14, 2023, announced that the United Arab Emirates (UAE) had given assurance to the IMF for a \$1 billion loan to Islamabad. Saudi Arabia had already given assurances for a \$2 billion loan, according to the Minister of State for Finance Dr. Aisha Pasha.

A day earlier, the finance minister's tweet suddenly raised hopes that the major obstacle to the completion of the 9th review has been crossed and the staff-level agreement will be signed soon, but Porter's statement has tamed those expectations.

Porter welcomed "the recent announcement of important financial support to Pakistan from key bilateral partners," implicitly confirming the UAE and Saudi Arabian commitments. But these commitments are short of the requirements of Pakistan.<sup>496</sup>

IMF Mission Chief to Pakistan further stated that the global lender was supporting Pakistan's efforts to arrange the loans.

To bridge the financing gap, Dar on April 14, 2023, requested the World Bank and the Asian Infrastructure Investment Bank to provide \$900 million in loans but Pakistan has not met all the conditions set by the World Bank. The Washington-based bank was also looking towards the IMF before approving any new budget support loan.

The IMF still has certain issues concerning Pakistan's economic policies.<sup>497</sup>

“During the meetings between the Pakistani delegation and IMF staff and management, there was agreement on the need to maintain strong policies and secure sufficient financing to support the authorities’ implementation efforts,” stated the mission chief.

The IMF had demanded to increase the interest rates by at least 6% when the key policy rate was 17%. The central bank has already jacked up the rate to 21% during the last two months but it is still short of the IMF’s requirement of having inflation-adjusted positive interest rates.<sup>498</sup>

For the next fiscal year 2023-24, the IMF has projected a 21.9% average headline inflation rate and the current real policy rate is still negative.

The sources said that the IMF also had concerns about inconsistent economic policies. The trust deficit gulf had widened further after Prime Minister Shehbaz Sharif announced Rs50 per liter petrol subsidy for motorcyclists and small car owners of up to 800 cc.<sup>499</sup>

The International Monetary Fund (IMF) has welcomed the commitments made by Pakistan’s friendly countries helping the cash-strapped country revive the much-needed loan program amid depleting foreign exchange reserves.

IMF Mission Chief for Pakistan Nathan Porter said that Islamabad and the global lender had agreed to continue the ongoing economic policies in the recent meetings. Both sides had also agreed to arrange adequate funds to implement these policies.

He said the IMF backed the efforts being made by Pakistani officials to secure financial assurances from friendly states as they will help it complete the ninth review under the Extended Fund Facility (EFF).

A day earlier, Finance Minister Ishaq Dar confirmed that the United Arab Emirates agreed to the financial support of \$1 billion to Pakistan, removing a key hurdle to securing a much-awaited bailout tranche from the IMF.<sup>500</sup>

The commitment is one of the IMF’s last requirements before approving a staff-level pact to release a tranche of \$1.1 billion, delayed for months, which is crucial for Pakistan to resolve an acute balance of payments crisis.

"The State Bank of Pakistan is now engaged for needful documentation for taking the said deposit from UAE authorities," Finance Minister Ishaq Dar said on Twitter, referring to the central bank.

The pledge makes the UAE the third country, after Saudi Arabia and longtime ally China, to come to Pakistan's assistance, as external financing is needed to fully fund the balance of payments gap for the fiscal year that ends in June.

"The UAE deal should be helpful because the IMF has been saying Pakistan should secure financing from 'friendly' nations," said Seaport Global EM credit analyst Himanshu Porwal.

"It is still far from over though. The IMF is saying that they (Pakistan) are in breach of certain targets. The fiscal deficit for example is seen peaking at around 8.3% (of GDP), so almost double what they were expecting," he added.

Pakistan's bonds, which have slumped 70% over the last year as the country's troubles have mounted, climbed for a second day running on the confirmation. The rise was almost 5% for its bond with the closest payment date - April 15 next year - taking it to almost 50 cents in the dollar, compared to 46 cents a few days ago.

On April 13, 2023, the IMF's managing director, Kristalina Georgieva, said the fund was also in talks with nations friendly to Pakistan to secure financial assurances vital for the program.

Pakistan's foreign exchange reserves have fallen to cover barely a month of imports after the IMF funding stalled in November, hit by snags over fiscal policy adjustments after officials of the lender visited Islamabad in February for talks.

They formed part of a ninth review exercise on a bailout package of \$6.5 billion agreed upon in 2019 whose resumption is critical for Pakistan to avoid risking default on external payment obligations.<sup>501</sup>

## POLICY AND FISCAL MEASURES

Pakistan had to complete actions demanded by the IMF, such as reversing subsidies in its power, export, and farming sectors, hikes in the prices of energy and fuel, and a permanent power surcharge, among other measures.

These steps included jacking up its key policy rate to an all-time high of 21%, a market-based exchange rate, arranging for external financing, and raising more than 170 billion rupees (\$613 million) in new taxes.

The fiscal adjustments have already fueled Pakistan's highest inflation ever, which climbed in March to more than 35% on the year.

A final issue to be resolved is a fuel pricing scheme meant to bring relief to Pakistan's lower middle class and poor from crippling inflation. The IMF has asked how it will be funded.

The IMF program will disburse another tranche of \$1.4 billion to Pakistan before it concludes in June. Funds from the lender will also unlock other bilateral and multilateral financings for the cash-strapped country. Neighboring China has rolled over \$2 billion and refinanced another \$1.3 billion in recent weeks.

On April 14, 2023, Pakistan's central bank is set to receive a third and final disbursement of \$300 million from the refinancing by the Industrial and Commercial Bank of China, Dar added.

Program loans from other multilateral agencies await completion of the IMF review, central bank governor Jameel Ahmad told investors in Washington at the spring meetings of the lender and the World Bank.

Measures such as a hike of 1,400 basis points in interest rates over the last 18 months have put the nation of 220 million on a path to macroeconomic stability, added Ahmad, who hoped for inflation to start decelerating over the next few months.

The government is pursuing a contractionary fiscal policy, with the primary balance in surplus so far compared to a deficit last year, he added.<sup>502</sup>

The International Monetary Fund (IMF) has projected a decline in the government gross debt for Pakistan from 75.8 percent of the Gross Domestic Product (GDP) in 2022 to 73.6pc in 2023.

The global lender projected a further decline to 68.9pc in 2024.

According to the IMF report "Fiscal Monitor, on the Path to policy normalization," the net debt for Pakistan is projected to decrease to 68.7 percent of the GDP in 2023 against 69.5per cent in 2022. The net debt is projected to further decline to 65per cent in 2024.<sup>503</sup>

The government revenue is projected at 12.2 percent of GDP for 2023 and 12.5 percent for 2024 against 12.1per cent during the same period of 2022 and 12.4per cent in 2021.

The Fund has projected the government primary balance at -0.5 percent for 2023 against -3.0 percent in 2022. Further, the government's overall balance is projected at -6.8 percent for 2023 and -8.3 percent for 2024 against -7.8per cent in 2022.

The report has projected government expenditure to decrease to 19.1 percent of GDP in 2023 compared to 19.9 per cent in 2022, but projected to increase to 20.8 percent in 2024.

The country's debt to average maturity in 2023 is estimated at 26.8 per cent of GDP. There would be a total financing need of about 26.8 per cent of GDP in 2023, the report further says.

Persistent low fiscal revenue is one of the drivers of Pakistan's recurrent budget shortfall, as total revenue collection has been falling over time, with the fiscal year 2018–22 average at 12.5 percent of GDP, down from the fiscal year 2013–17 average of 13.2 percent, says the World Bank.<sup>504</sup>

The Bank in its latest report "Pakistan Public Expenditure Review 2023", noted that Pakistan's total revenue collection averaged 12.8 percent of GDP over the past decade, lower than the South Asian average of 19.6 percent. Tax revenue collection, which averaged 10.3 percent of GDP over the past decade, is also low.

The report noted that Pakistan's tax system is complex, has a narrow tax base, and has high tax rates. The tax system has numerous special provisions, concessional rates, exemptions, and unorthodox approaches to tax policy. Many of these policy choices were implemented to balance the provision of financial support to certain groups or industries with the need to maintain a minimum level of revenue collection.

To raise more revenue sustainably, the tax system needs to be simplified, the tax base broadened, and the burden on compliant taxpayers concurrently reduced, the Bank recommended.

Estimates show that past efforts to broaden the tax base have not resulted in tangible outcomes: in the fiscal year 2022, Pakistan lost a total of 2.6 percent of GDP to tax concessions, 0.2 percentage points more than in the fiscal year 2020. Pakistan annually lost an average of 26, 18, and 30 percent of sales tax, income tax, and customs duty revenue potential, respectively, between the fiscal year 2020 and fiscal year 2022, it added.

#### Narrow Sales Tax Base

The sales tax base is narrow with multiple exemptions, concessionary rates, and zero ratings, all contributing to low revenue efficiency. The sales tax base definition is narrow, with multiple exemptions being permitted. In addition to exemptions, the sales tax system also allows for concessionary rates below the standard 18 percent for select products and sectors. Pakistan

also allows certain domestic supplies to be zero-rated under the sales tax, which further narrows the tax base. The fractionalized design of the sales tax has resulted in low revenue efficiency.

A VAT gap analysis, conducted regarding the fiscal year 2019 GDP, reveals that concessionary tax rates, exemptions, and zero-ratings for non-exported products cost Pakistan 15 percent of its revenue potential.

The personal income tax is complex, which allows for income shifting, and contains multiple provisions that narrow its base. Tax-free allowances, tax brackets, and tax rates differ significantly between salaried individuals and other taxpayers, which risks generating economic distortions and creating opportunities for tax avoidance through income shifting. The income tax exemption threshold is set sub-optimally high, leaving formally employed salaried individuals outside of the tax net. At the same time, the threshold for the top income tax bracket for salaried individuals is also extremely high and is likely to only capture an extremely limited number of taxpayers.

The corporate income tax (CIT) is complex and features numerous preferential schemes. CIT rates differ between three different regimes, with different tax rates and special provisions applying to standard companies, small firms, and small and medium-sized enterprises in the manufacturing sector. These differentiations generate incentives for firms to split or stay small. Similarly, Pakistan provides certain firms access to a simplified turnover tax regime, which is both financially lucrative for the firms and reduces incentives for them to invest in accounting, business formalization, and growth. The CIT regime also provides various tax incentives. These include outright tax holidays, reduced rates, credits, and exemptions granted by sector, investment type, and location.

#### **Budget Shortfalls Incurring Heavy Public Debt**

The report noted that Pakistan's fiscal deficit has been persistently large and growing, posing risks to fiscal and debt sustainability. In the fiscal year 2022, Pakistan's general government deficit stood at 7.9 percent of GDP, matching that in the fiscal year 2019, to be the largest in more than 22 years.

In addition to being persistently high, averaging at 6.2 percent of GDP over the past decade, the deficit has also been growing, with the post-2010 annual average being 50 percent larger than its pre-2010 average. The large recurrent budget shortfalls have led to a rapid



accumulation of public debt, which reached 78.0 percent of GDP in the fiscal year 2022, slightly lower than the record high of 81.1 percent of GDP in the fiscal year 2020.

Accordingly, both the deficit and debt levels are in breach of the fiscal rules stipulated by the Fiscal Responsibility and Debt Limitation Act (FRDLA). As a result of the large debt stock, interest payments at 4.7 percent of GDP account for over one-third of its total federal expenditure in the fiscal year 2022.

#### Debt Stock Abnormal and Prone to Exchange Rate Shocks

The Debt Sustainability Analysis (DSA) projections show that the debt stock is expected to remain above the FRDLA threshold in the medium term under all scenarios examined. DSA also reveals that Pakistan's public debt stock is vulnerable to exchange rate shocks. Given Pakistan's volatile macroeconomic environment, these shocks not only drive up the public debt levels but also constrain fiscal space by increasing debt servicing costs.

In the fiscal year 2022, combined federal and provincial expenditure stood just above Rs. 13 trillion, around 19.7 percent of GDP, with the federal government accounting for about two-thirds at 13.5 percent of GDP. While these levels are not high by international standards, the spending pattern is strikingly rigid, with almost 70 percent of total spending per year being allocated to pre-committed areas such as interest payments, transfers and subsidies, and payments to public sector staff.

These levels are higher than that of regional peers.

Consolidated development spending in Pakistan stood at 2.5 percent of GDP in the fiscal year 2022, of which the federal government contributed about 84 percent. These levels are very modest and lower than that of regional peers; India's general government capital spending in the fiscal year 2021 stood at 6.7 percent of GDP. Low levels of investment have been a driving factor in Pakistan's recurrent boom–bust cycles and have contributed to low growth in productivity, potential output, and employment.

The Bank stated that the defense sector is the second-largest recipient of public funds. Defense spending has been steady over the last ten years and has absorbed 2.12 percent of GDP or 16 percent of total spending in the fiscal year 2022.

The Bank further stated that the 18th Amendment and the 7th NFC Award together have resulted in significant vertical fiscal asymmetry. According to the 7th NFC Award,

approximately three-fifths of the consolidated revenues accrue to the provinces, while the Federal Government is responsible for two-thirds of total general government expenditures.

#### Government's Low Revenue Retention Profile Says it All.

In the fiscal year 2022, the Federal Government only retained around 46 percent of total tax revenue, despite shouldering about 67 percent of the total general government expenditure. Therefore, this post-2010 combination of lower retained revenues but with higher expenditures at the Federal Government level has contributed to large recurrent federal fiscal deficits.

The rationalization of overlaps between federal and provincial spending provides opportunities for fiscal savings.

Spending by federal ministries focused on devolved subject areas, such as those for health and education, amounted to Rs. 328 billion or 0.5 percent of GDP in 2022.

The federal government also continues to engage on devolved subjects through semiautonomous bodies that focus on devolved service delivery areas, such as the Higher Education Commission (HEC) and the National Commission for Human Development (NCHD). Spending on the HEC was Rs. 70 billion or 0.10 percent of GDP in the fiscal year 2022.

The federal government funds or co-funds vertical programs, such as the BISP, that directly provide services in the provincial domain. Federal spending on the BISP was 0.36 percent of GDP in FY22. The cost-sharing of the BISP where the provinces eventually bear 90 percent of the program could yield Rs217 billion or 0.32 percent of GDP of federal fiscal savings.

There continues to be significant federal development spending on devolved areas, which amounted to Rs. 315 billion or 0.5 percent of GDP in the fiscal year 2022.

Non-budgetary items such as macroeconomic developments – including interest rate increases and exchange rate depreciations – have emerged as key drivers of debt. Between 2012 and 2022, exchange rate depreciation contributed a cumulative 22.5 percentage points (pp) of GDP to the PPG debt level, of which 15 pp occurred over two years, the fiscal year 2019 and fiscal year 2022.

#### State Owned Entities are Suffering.

Federal commercial SOEs have been incurring losses since the fiscal year 2016, with annual losses averaging at 0.5 percent of GDP from the fiscal year 2016–the fiscal year 2020.

With the persistent losses, the accumulated SOE losses have become substantial, amounting to 3.1 percent of GDP in the fiscal year 2020.

To cover the losses, the Federal Government has been providing direct financial support to the SOEs, in the form of subsidies, loans, and equity injections,<sup>19</sup> of which totaled 1.4 percent of GDP in the fiscal year 2021.

In addition to direct support, the federal government has also been issuing guarantees for SOEs to secure loans from commercial banks. Federal government exposure to SOEs, defined as the outstanding stock of guarantees and government loans to SOEs, has been rapidly increasing and stood at 9.7 percent of GDP in the fiscal year 2021, the report added.

Critical corporate governance reforms, such as the implementation of the SOE Governance and Operations Law (2023), the finalization of the SOE Ownership Policy, and the operationalization of the SOE Oversight Unit, are still pending.

Although the Ministry of Finance has been publishing extensive data concerning federal SOEs, it is produced with a considerable time lag, thus impacting evidence-based decisions. The last published report on SOE's financial performance was for the fiscal year 2019. The line ministries and the MoF do not have readily available up-to-date data. Further, SOE information is not reflected in the public sector financial statements, the bank noted.

In a bid to unlock the much-awaited International Monetary Fund (IMF) program, the government on April 18, 2023, shared its plan with the lender for securing an additional \$3 billion to bridge the financing gap.

Earlier, the IMF was seeking “necessary” financing assurances at the earliest to conclude talks with Pakistan on its stalled \$6.5 billion bailout.

The IMF had asked Pakistan to arrange \$6 billion in external financing — a sum that the struggling \$350 billion economy needed from now till June to avoid default.

It should be noted that the \$6 billion financing gap had been worked out on the assumption that the current account deficit would remain around \$7 billion in the current fiscal year.<sup>505</sup>

The IMF welcomed “the recent announcement of important financial support to Pakistan from key bilateral partners”, indirectly confirming the United Arab Emirates and Saudi Arabian commitments. But these commitments are short of Pakistan's requirements.

According to sources, Islamabad has informed the Washington-based lender about its plan to secure a \$450 million worth second Resilient Institutions for Sustainable Economy (RISE-II) budget support loan.

While plans to get \$1 billion from Asian Infrastructure Investment Bank (AIIB) and other commercial banks were also shared with the Fund officials along with plans to materialize pledges secured at the Geneva moot.

The sources added that once the staff-level agreement is signed with the IMF it would become easy for Pakistan to secure financing.<sup>506</sup>

Pakistan's foreign exchange reserves have fallen to cover barely a month of imports after the IMF funding stalled in November, hit by snags over fiscal policy adjustments after officials of the lender visited Islamabad in February for talks.

The fiscal policy adjustments formed part of a ninth review exercise on a bailout package agreed upon in 2019 whose resumption is critical for Pakistan to avoid risking default on external payment obligations.

The IMF program will disburse another tranche of over \$1 billion to Pakistan before it concludes in June. While funds from the lender will also unlock other bilateral and multilateral financings for the cash-strapped country.

Program loans from other multilateral agencies await completion of the IMF review, central bank governor Jameel Ahmad told investors in Washington at the spring meetings of the lender and the World Bank.

Ishaq Dar-led Ministry of Finance is now awaiting a response from the IMF officials regarding the next step.<sup>507</sup>

Imran Khan has launched a popular campaign against the incumbent government and the US. He blames the US for toppling his government in April 2022 with the connivance of the Opposition parties, the PMLN, PPP, and JUIF. Politics of extremes and sheer despair in Pakistan need to be contained. Entering the post-Truth age, if the nation had not already done it. This is not politics as usual somehow. There is a need to calm down a bit. Exaggerations are being made all around. Need to sit back and introspect.

Pakistan is a mess. The country is facing an acute image problem. Today Pakistan was misunderstood and was, therefore, being unfairly treated by the U.S. and other Western powers for its perceived connections to global terrorism. It was more complicated now. However, there

is indeed a need for a foremost reappraisal of Pakistan's domestic and foreign policies. The U.S. and other Western powers continued to consider Pakistan through an Indian or Afghan lens. The erroneous view of Pakistan, in which security remained the paramount national interest for the U.S. and other powers, had exaggeratedly increased Pakistan's domestic political problems. India was now employing territory in Afghanistan for deploying TTP and other dissident elements against Pakistan. In clear contrast, to the criticism of Pakistan's support of some Jihadist entities that had an external focus, there was not any disapproval by the U.S. and other Western powers regarding India's brutal repression of the Kashmiri independence movement and its policies towards Pakistan. Indian interference in Pakistan's internal affairs and support of Baluch insurgents, MQM and TTP was well-documented but remained ignored by the U.S. and other Western powers. On the contrary, there were powerful voices in the U.S. that were producing legislation punishing Pakistan. The reason for this biased approach was obvious. The U.S. had tilted towards India in an incredibly significant manner because of perceived commercial gains and other economic interests. The two countries had grown remarkably close in the last few years or so. The U.S. now considered India as a strategic partner and the nefarious role of India in destabilizing Pakistan was conveniently ignored. The TTP and these anti-Pakistan groups based in Afghanistan and operating from Afghanistan's territory were not targeting the U.S. or other Western powers. Hence, they turn a blind eye to their nefarious activities. To expect Pakistan to turn direction at once was simply expecting too much. This was not going to happen any time soon. However, a peace deal between India and Pakistan and a solution to the Kashmir dispute can turn things around in the desired direction. Here the U.S. can play a key role.

Pakistan is heading toward chaos. The political temperature in Pakistan is on the rise owing to the lingering situation. The cat-and-mouse game keeps on increasing political turbulence.

The PDM government in Pakistan is bent on crushing the Opposition PTI as it fears its increasing popularity. Ridiculous allegations of terrorist activity are being leveled against Imran Khan the party's leader. The PDM government does not count in today's Pakistan. The real power is vested with the powerful military brass. Can Pakistan come out of the grave political crisis on its own? No chance at all. Now it is up to its friends to step in and resolve the conflict

tearing the country. Given the grave economic crisis, Pakistan has little time left for that to happen.

Given Pakistan's tragic history, it bears repetition that a military has no role in a country's politics. Can the political parties of Pakistan create an alternate political system.? There is no evidence that they can. They have no democracy within them.

Pakistan is a mess. There is a crisis of leadership in Pakistan. There is no statesman guide. That is the real tragedy of the country. Nevertheless, Pakistan must move on.

Meanwhile, Pakistan is also facing a severe economic crisis requiring immediate attention. The precarious nature of Pakistan's economy requires swift action. Yet some hurdles remain in securing the IMF deal. The government of Pakistan must now fulfill the remaining IMF conditions immediately, and get it done. No choice in the matter now. The sooner the better. Simple as that.

This is a catch-22 situation for Pakistan if there ever was one. The IMF says that Saudi Arabia, and other friends, must help now before they release the tranche money themselves. Meanwhile, Saudis say that Pakistan must get the IMF deal first. Meanwhile, internal conflict is now wrecking the country. Military interference continues unabated. The PDM Government is both ineffective and clueless to resolve the matter. Pakistan's ruling elite should have seen it coming. But that is expecting too much from a mediocre and callous elite. Something must give. The real crisis in Pakistan. Hoping against hope now.

Debt servicing in Pakistan is now equaling its federal income. Not a good prospect at all. Meanwhile, Pakistan's political instability is severely affecting its economy. Not that it is being managed wisely in the first place. But still, political stability is paramount and fundamental for economic stability.

There are opportunities now available for rapid economic growth because of recent Saudi Arabia's rapprochement with Iran.

Very recent developments in the Gulf vis a viz Saudi Arabia and Iran have occurred which can surely benefit neighboring Pakistan. But first Pakistan must put its own house in order. Will that happen anytime soon? There is little evidence of that yet. The ruling elite is not up to the task, to say the least. That much is unfortunate for the people.

There is an urgent need to adhere to the country's constitution for workable solutions to the current crisis. It bears repetition that the military has no role in Pakistan's political system at all. Let constitutional law prevail for once. Not likely to happen though. Hoping still.

Moonis Ahmar, in his excellent article "When vacuum in strategic decision-making deepens," published in The Express Tribune, on March 28, 2023, maintained:508

The ongoing turmoil is highly likely to witness fundamental changes in Pakistan which are currently suffering from issues like economic meltdown, political polarization as well as the fragility of state institutions. Contrary to the Supreme Court's order – whereby elections to Punjab and Khyber-Pakhtunkhwa provincial assemblies are to be held within 90 days of the assembly dissolution or the closest date – the Election Commission of Pakistan has announced the postponement of the Punjab Assembly election, scheduled on April 30, to October 8. This threatens a head-on collision between the top court and the electoral watchdog – something that does not auger well for a country mired in a host of crises.509

It is the power-hungry elites who have brought the country to a pass where national security, sovereignty, economic well-being, and political stability are all at stake. Confusion and incoherence persist on issues of national interest. Imprudence and short-sightedness tend to shape the perceptions of those who wield power, as they are only interested in clinging on to power as long as possible. In sheer disrespect to vote, they are denying the people of Punjab and K-P their legitimate right to elect their representatives.

None of the constituent parties of the PDM, which is thought to be backed by the powerful security establishment, is serious about complying with the Supreme Court order to hold an election to the two provincial assemblies within the constitutional timeframe. Scared of the PTI's popularity, the ruling coalition is using the excuse of the prevailing fiscal crisis to delay the vote and maintain the status quo to serve their political interests.510

An unmanageable economy and painfully poor governance tend to augment popular resentment against the incumbent government which has failed to deliver since it dislodged the PTI-led government through a vote of no-confidence in April 2022.

With the executive, the election commission, and the security establishment on one side and the opposition PTI, judiciary, and presidency on the other, one fears an institutional collision coming up in the days to come. The way the incumbents are trying to deny the people their right

to vote in Punjab and K-P points towards fragility and vacuum of strategic decision-making, which threatens further escalation of the prevailing crises.

When the federal government and the election commission do not care about complying with the Supreme Court order to hold elections, in blatant violation of the Constitution, the outcome is not difficult to gauge.<sup>511</sup>

The strategic vacuum in the decision-making process can have three major implications. One, polarization and division may trigger institutional collapse. Like never before, the federal government is hell-bent on delaying elections in Punjab and K-P on one pretext or the other and has even used the so-called joint sitting of parliament to postpone the vote. The election commission obliged the PDM by deferring the elections in a clear violation of the Constitution and the Supreme Court order. An open confrontation between powerful state institutions is sure to destabilize the country at all levels. Not only the defense ministry but the ministries of finance and interior have also refused to provide the needed support for holding the elections, which is tantamount to disobeying the Supreme Court order and violating the Constitution. The warnings from the PTI, the Supreme Court Bar Association, and all others who are sensing a dangerous scenario must be taken seriously. The PDM clearly seems bogged down by ‘Imran phobia’ and taking decisions accordingly – the consequences of which are not difficult to comprehend. Two, the country’s most powerful and organized institution with deep-rooted involvement in the governance affairs cannot remain oblivious to the prevailing political tussle. Already, internal, and external forces are targeting that institution, and those in command of it are required to make decisive moves to avert a disaster. Rather than putting its image at stake, the institution should avoid taking sides in the ongoing power game. Gone are the days of takeovers in Pakistan – more so because of the serious security challenges in Balochistan and former FATA. And third, the lack of strategic foresight on the part of the PML-N and the PPP, the two oldest parties of the country, to deal with the grave economic and political crises is a sad reminder of their failure to learn from history. How Pakistan got disintegrated in 1971 and how political violence in the wake of the 1977 general election led to the imposition of the country’s longest martial law must be taken seriously, as continued lust for power will result in worsening of the many prevailing crises and an irreparable loss to the country’s national interests, security, sovereignty, and governance.<sup>512</sup>



Another excellent editorial “Internal chaos,” published in Daily Dawn on March 28, 2023, states:513

The incumbent government is having great trouble asserting itself while remaining within the limits of the law. With the interior minister said that he is willing to go to any lengths — “democratic or undemocratic; principled or unprincipled” — to counter the PTI, he has just confirmed the worst fears of political analysts and observers who have been warning about Pakistan’s gradual slide towards totalitarianism. ‘There are no laws and no rules binding the government any longer, to paraphrase Rana Sanaullah. In other words, the PDM government will abuse state power if it needs to neutralize the once again resurgent PTI. “It is us or them,” as the interior minister quite candidly explained. This hardly bodes well for national stability. However, one may interpret Sanaullah’s statement, the PML-N is struggling to counter the PTI politically. It may not acknowledge this, but the large rally in Lahore’s Greater Iqbal Park late Saturday was a clear enough message that using state-sanctioned violence to cut the party down to size does not appear to be working. The rally was, by most independent accounts, quite well-attended despite the Punjab administration’s efforts. The arrest and disappearance of the PTI’s social media team, reports of the detention of lower-level party organizers and their family members; police raids at supporters’ and sympathizers’ homes; and the willy-nilly blocking of Lahore’s roads with containers and other impediments on the day of the rally all failed to have a chilling effect on the PTI’s supporters. No wonder the interior minister feels frustrated. Brute force only looks like an ‘answer’ where politics fails. We saw this when PML-N activists were rounded up in July 2018 to sabotage the PML-N’s electoral chances, and we see it happening to a diverse set of actors today. In both cases, the forces behind the campaigns of abduction and harassment appear to be the same. In both cases, the shameful acquiescence of civilian leaders — clearly hoping to derive political benefits from the violent repression of their opponents — allowed rogue actors to expand their influence in the political domain. Mr. Sanaullah — himself a victim of the state’s excesses — should have known better. The enforced disappearance of Mr. Mashwani and other workers, regulatory bans on the media’s coverage of the PTI, frivolous arrests of political workers, and unleashing of the police on the citizenry will not win the PML-N any ‘free and fair’ elections. Instead, they will worsen the anarchy that the interior minister himself concedes is prevailing in the country. Sanaullah should consider setting better precedents rather than repeating the mistakes of the past.

## Constitutional Crisis

Due to fears that PTI Chairman Imran Khan will clean sweep, the government is dragging its feet from holding the elections. The Election Commission of Pakistan (ECP) on March 22, 2023, announced the postponement of elections in the nation's largest province which was scheduled for April 30. It was seen as a shocking development.

Elections in Punjab will now be held on October 8 together with general elections in the country, it said in a late-night notification.

The Constitution requires that new elections be held within 90 days of the dissolution of any of the legislative assemblies, both central and provincial. The government, however, insisted on holding national and provincial elections simultaneously.

The government of Shehbaz Sharif has rejected the demand for an early election citing economic challenges the country faces including ongoing talks with the International Monetary Fund (IMF) for a bailout.

The (PTI, for its part, rejected the ECP decision, terming it “unjust and unconstitutional.”<sup>514</sup>

On March 23, 2023, it was announced to file a petition in the Supreme Court against the electoral body's decision of putting off elections in Punjab until October.

In an eight-page order, the ECP said that it could not hold the election “honestly, justly and fairly in a peaceful manner due to security threats [and] in the absence of funds” and being unable to provide “level-playing field” to all political parties.

It is worth mentioning that PML-N Vice President Maryam Nawaz has been demanding a ‘level-playing field’ for her party, saying that elections can only be held if Imran Khan is sent behind bars and disqualified and that her father, Nawaz Sharif, is allowed to return to Pakistan and his disqualification verdict is overturned so as he can contest elections.

Subsequently, the ECP withdrew its notification regarding the Punjab elections and postponed the voting for the provincial assembly until October 8, 2023, adding that a fresh election schedule would be announced in due course.<sup>515</sup>

“We have decided to challenge this decision legally and a petition will be filed tomorrow. Barrister Ali Zafar is working on the petition,” said PTI Secretary General Asad Umar on March 23, 2023.

He was addressing a press conference in Lahore flanked by Fawad Chaudhry, the party’s senior vice president.

In the petition, Umar said the party will plead to the apex court to set aside the ECP’s decision which is against the Constitution as well as Supreme Court’s verdict on Punjab and K-P polls.

The PTI leader said they will request the top court to ensure that elections to Punjab Assembly are held on April 30, as per the schedule announced by the ECP earlier in line with the court’s order.<sup>516</sup>

Speaking on the occasion, Fawad said the PTI was moving the apex court against the ECP’s “unconstitutional” move and added that as many as 96 lawyer’s bodies of the country including the Supreme Court Bar Association had also rejected the decision to postpone the Punjab polls.<sup>517</sup>

“PTI will fully support if any lawyers’ movement is launched against the ECP decision,” he added.

The ECP order came at a time when it has increasingly become clear that the polls in Punjab may not take place on the stipulated date, while the Khyber-Pakhtunkhwa (K-P) governor has yet to give the timeframe for the assembly election due in the province.

Surprising as it may seem, when all eyes were on the joint session of Parliament and a meeting of the federal cabinet on Wednesday, the ECP released its order, carrying its decision to delay the elections in Punjab.

In the federal cabinet meeting, the ministers opined that general elections should be held simultaneously across the country as neither was it possible to hold polls in only two provinces nor did the security and monetary situation favor them.<sup>518</sup>

The ECP said that it had exercised the powers conferred upon it by the Elections Act, of 2017. The postponement of the polls, however, has triggered a debate about whether the ECP decision had violated the 1973 Constitution by postponing the polls beyond 90 days of the dissolution of the Punjab Assembly.

Earlier, the ECP was informed that the Pakistan Army will not be available for poll-related duties due to the prevalent security situation.

Within the country and on the borders.

Referring to the above briefing and other various briefings from government departments on the overall security situation in the country, the ECP order said that currently, only one security personnel on average was available per polling station due to a “massive shortfall in police personnel” and the non-provision of army personnel as a static force.

“The commission is unable to make alternate arrangements to ensure the security of the election material, polling staff, voters, and the candidates,” the order reads.

It added that the finance ministry had also shown an “inability to release funds due to financial crunch and unprecedented economic crisis in the country.”

The order pointed out that despite the ECP’s best efforts, the executive authorities and federal and provincial governments were not able to assist the electoral body in conducting free, fair, and transparent elections in Punjab.

It added that after the briefings from the law enforcement agencies and federal ministries, the ECP had convened meetings on March 20, 21, and 22 to “deliberate extensively” on the matter of the Punjab elections.

“The commission after considering the reports, briefing, and material brought before it, has arrived at the just conclusion that it is not possible to hold and organize the elections honestly, justly, fairly in a peaceful manner and under the Constitution and the law,” the order reads.

In a mammoth public gathering in November last year, former prime minister Imran Khan announced that his party would disassociate itself from the “current corrupt political system” by quitting the two provincial assemblies where PTI was in power.

Despite several obstacles put up by the coalition government, the Punjab and KP assemblies were dissolved on Jan 14 and Jan 18, respectively. Under the law, the elections are to be held within 90 days after the dissolution of assemblies.

But the two governors, instead of setting dates for elections after receiving the proposal from the ECP, had advised the commission to consult stakeholders.

Chief secretaries and inspectors-general of the two provinces during meetings with the ECP had said they were short of the police force and talked of terrorism threats, making out a case for putting off elections.

The finance division had also expressed its inability to provide funds and the interior ministry told the ECP that the army and civil armed forces will not be available.

On Feb 17, President Alvi had invited CEC Raja for an urgent meeting regarding consultations on election dates, but the ECP told him he had no role in the announcement of dates for general elections to provincial assemblies and the commission was aware of its constitutional obligation in this regard.

Subsequently, the president unilaterally announced April 9 as the date for holding general elections for the Punjab and KP assemblies.

The move drew sharp criticism from his political opponents, who accused him of acting like a PTI worker while the ECP said it would announce the poll schedule only after the “competent authority” fixes the date.

Postponement of the elections is a violation of the Constitution. This is a deliberate and malafide function as elections remain the only legal way forward.

Legal experts argue that the postponement of the election was such a gruesome violation of the Constitution it could provide the basis for martial law in the country.

They argue that if there is no government after 90 days in Punjab and Khyber Pakhtunkhwa provinces which constitute 70 percent of Pakistan because the caretaker governments will have no power and they would have to go home. He asserted that if this postponement were accepted, the Chief Election Commissioner would have the nod to do any illegal activity in the future under Article 254.

The decision to withdraw the election schedule and delay the date of general elections in Punjab the ECP was in gross violation of the Constitution of Pakistan, 1973 along with the Supreme Court’s Judgment on the subject.

Barrister Azhar Siddique, who serves as the chair of the Judicial Activism Panel, has criticized the decision of the Election Commission of Pakistan (ECP) to postpone elections in Punjab on the flimsy pretext of the security situation in the country and the shortage of funds.

Azhar has written a letter to the tribunal, observing the decision to delay the elections is against the Constitution and the law, and is also in contempt of the Supreme Court judgment ordering elections in Punjab and Khyber Pakhtunkhwa within 90 days.

The lawyer has argued that the ECP is obligated by the Constitution to hold clear and transparent elections, and the apex court has given a clear order in this regard. According to Azhar, postponing the election till October 8 is also a violation of the Constitution and the Election Act, of 2017.

He has suggested that the ECP should withdraw its decision to postpone the election and complete arrangements to hold the election on April 30.

Azhar has warned that if the ECP does not withdraw its decision, a contempt of court petition will be filed in the higher courts.<sup>519</sup>

All eyes were then set on the Chief Justice of Pakistan (CJP) Umar Ata Bandial in the wake of the ECP decision.

CJP Bandial had already made it clear that the Supreme Court would interfere in case the polls were delayed. He had earlier invoked suo motu jurisdiction to hold general elections of both provincial assemblies within 90 days. Now, the ECP's announcement has potentially thrown the ball back to the SC's court, renewing debate about whether the top court would compel the ECP and executive authorities to hold elections of two provincial assemblies immediately.<sup>520</sup>

As expected, in a statement issued on March 23, 2023, the government threw its weight behind the ECP's decision deeming the postponement a move in the right direction. Information Minister Marriyum Aurangzeb said: "521 "keeping in mind the economic, political, and security situation".

"Under Article 218 of the Constitution, the ECP is duty bound to ensure transparent, impartial, and fair elections," she said adding that "Article 224 provides that there must be caretaker set-ups in the center and provinces at the time of elections".

Marriyum also revealed the electoral watchdog had announced its decision only after completing consultations with all stakeholders and hoped that the decision would pave the way for political stability in the country.

"There were reservations that elections might be imposed on two provinces only to feed one man's ego," she said, "[but] governments will be formed in the two provinces only after national assembly elections are held".

The statement also stressed that holding elections in April would have caused several issues due to the ongoing census. "It cannot be that elections are held in Punjab and K-P before the census and everywhere else after the census".

"If elections were held in the two provinces, they would have been controversial," the minister added predicting that if the earlier schedule had been followed, "Punjab and K-P assemblies would have dissolved in 6 months". "The ECP has saved the country from a major constitutional crisis", she maintained, "the constitution cannot run at the whims of one man.

Undoubtedly, the reference by Marriyum the "man" was Imran Khan.

Interior Minister Rana Sanaullah on March 23, 2023, said that if the Supreme Court does not make a prudent decision regarding the ECP postponing polls in Punjab, then the economic and political stability of the country will be impacted. In a series of tweets, the minister furthered that an unwise decision from the apex court would cause anarchy, chaos, and riots across the country. He said that there are different opinions regarding the election and that the Parliament had the authority to guide the government and institutions. Sana added that the incumbent government wanted to proceed according to the Constitution.<sup>522</sup>

The interior minister stated that on orders from the SC, the electoral watchdog gave the election schedule, and the government had initiated the process under those directives. Sana maintained that the government could "not even think" of revoking the top court's orders.

Sana added that there will be no level playing field in the National Assembly elections in the presence of the ruling government after the provincial elections, adding that questions would be raised on the conduct of fair and transparent elections.

The interior minister further said that it would be better for the country if the elections of all the assemblies were transparent, fair, and conducted at the same time in the presence of caretaker governments.<sup>523</sup>

On March 27, 2023, the apex court accepted a petition moved by PTI against the order of the tribunal to delay the elections which it ruled will now be held together with general elections in the country.

A larger bench of five justices, headed by Chief Justice Umar Ata Bandial and comprising justices Ijaz ul-Ahsan, Munib Akhtar, Amin ud-Din Khan, and Jamal Khan Mandokhail, heard the case and served notices on the federation, ECP, and caretaker administrations in Punjab and KP.

The Supreme Court called the order of the Election Commission of Pakistan (ECP) to delay the elections in Punjab, which were scheduled for April 30, until October 8 an “obstruction” in the way of its directive to hold fresh elections in Punjab and Khyber Pakhtunkhwa within a constitutional timeframe of 90 days.<sup>524</sup>

Earlier, the ECP postponed the elections for more than five months, claiming that “it is not possible to hold and organize the elections honestly, justly, fairly, in a peaceful manner.” It said it would be unable to provide a “level playing field” to all political parties.

The move violated the Supreme Court ruling earlier this month that a new election be held within 90 days of the two parliaments being disbanded.

Subsequently, Barrister Syed Ali Zafar filed a petition on behalf of PTI, requesting that the tribunal be directed to hold the elections on the previously scheduled date of April 30. It contended that the decision violated the Constitution and amounted to amending and subverting it.

During the proceedings, Zafar informed the Supreme Court that the election commission had failed to comply with the court’s March 1 orders to set a date for elections in Punjab and Khyber Pakhtunkhwa.

Presenting his arguments, the lawyer for the opposition party said the ECP had violated the Supreme Court’s orders thrice. He explained that the electoral watchdog had rejected the election schedule announced by the president and had now postponed the elections until October 8, even though it did not have the authority to set a new date for the polls.

He added that the ECP had overlooked the court’s orders and had violated the 90 days for announcing the election date.

In response, Justice Mandokhail asked what the petitioner wanted from the court to which Zafar replied that they wanted the court to ensure the implementation of the Constitution and its orders. At this, the judge reminded the lawyer that the execution of court orders is the responsibility of the high court.



Zafar argued that the apex court had jurisdiction over the matter since it had previously used its authority in the case. Justice Akhtar concurred with the PTI lawyer and noted that the decision of the ECP had become an obstruction to the court's orders.

He observed that only the Supreme Court could decide whether the orders had been violated or not.

During the hearing, CJP Bandial asked all political parties to give assurance to holding free and fair elections, adding that "political parties should restore calm and peace".

"We cannot interpret the Constitution in a vacuum," remarked the CJP.<sup>525</sup>

Justice Bandial furthered the court "needs assurance that elections would be held transparently."

The apex court chief justice also said that the electoral watchdog "is just institution," adding that "it may have gone a little off track, but it can be brought back."

CJP Bandial stated that elections are important for democracy but can only be held in a conducive environment. He also questioned whether the ECP can annul the date of elections given by the president. "Instead of amending the schedule, can it wipe out the schedule?" the CJP asked.

He also said that "Article 254 of the Constitution could not condone the wrongdoing which is referred to by ECP". The apex court chief justice also noted that "there is a viewpoint that elections should be held in the country only when there is peace and order, elections should be free, transparent and fearless."<sup>526</sup>

PTI approached the apex court on March 25 maintaining that the ECP's move to postpone the polls violates the Constitution as well as the apex court order.

The move came after the electoral watchdog, in a surprising development, delayed the election in Punjab till Oct 8 because it could not conduct transparent and peaceful polls on the scheduled date of April 30.<sup>527</sup>

It said that the elections could not be held in Punjab under the circumstances conveyed to it by the law enforcement agencies, finance, defense, and interior ministries as well as the Punjab chief secretary and others, who all opposed the polls on various grounds.

Subsequently, the ECP withdrew its notification regarding the elections in Punjab, postponing the voting for the provincial assembly until Oct 8, adding that a fresh election schedule would be announced in due course.

Earlier this month, the apex court ordered that President Arif Alvi should announce the date of the Punjab Assembly election, while the Khyber-Pakhtunkhwa (K-P) governor would set the election date for the K-P assembly in consultation with the ECP.

A five-judge larger bench of the apex court on March 1 gave a 3-2 split verdict on a suo motu case about the election date for the two provincial assemblies after holding a hearing for two days.

The Punjab Assembly was dissolved by then chief minister Chaudhry Parvez Elahi in January on the instructions of PTI Chairman Imran Khan. Imran had also ordered the dissolution of the K-P Assembly, which was also dissolved in the same month.

The Supreme Court (SC) of Pakistan on March 28, 2023, resumed hearing a petition by the Pakistan Tehreek-e-Insaf (PTI) against the Election Commission of Pakistan's (ECP) decision to delay elections in Punjab.

A five-member larger bench, headed by Chief Justice of Pakistan (CJP) Umar Ata Bandial and comprising Justice Ijazul Ahsan, Justice Munib Akhtar, Justice Aminuddin Khan, and Justice Jamal Khan Mandokhail is presiding over the hearing.

As proceedings commenced, CJ Bandial observed that the "question before the court is a simple one, can the ECP postpone the election date or not".

"If it has the authority to do so, the proceedings will end right there," he said.

Pakistan People Party (PPP) Senator and former law minister Farooq Naek appeared before the court and argued that political parties were "stakeholders" in the matter and should be heard by the court.

Justice Mandokhail questioned why the issue had not been raised in parliament, to which the senator responded by saying that it was under consideration.<sup>528</sup>

The recently appointed Attorney General of Pakistan (AGP) Usman Awan argued before the court that two SC judges had given their verdict on the matter earlier.

CJ Bandial, however, remarked that the issue before the court did not concern the previous judgments but rather the powers of the ECP.

"If the verdict was 3-4, then such orders do not exist that were breached," responded AGP Awan.

"If there were no court orders, then the president had no authority to give an election date even," he added urging the court to first settle the issue of SC's March 1 orders.

CJ Bandial observed that the AGP's arguments were based on a "technical point" while the bench was seeing the question raised in the application.

The AGP requested the SC to constitute a full bench as he said he wished to argue against the maintainability of the petition as well.

Justice Mandokhail remarked that "how many members decided the verdict is an internal matter of the court" as he asked Awan to inform the court if the constitution does not posit that polls must be held within 90 days.

CJ Bandial further remarked that the matter before the court does not concern the granting of the election date but rather its delay.

Justices Shah and Mandokhail issued an order stating that Punjab polls suo motu was dismissed 4-3

Two judges of the Supreme Court – Justice Syed Mansoor Ali Shah and Justice Jamal Khan Mandokhail – issued a 27-page order on March 27, 2023, stating that the suo motu case regarding the Punjab and K-P elections date announcement was dismissed by a majority of four judges out of seven.

The two judges aimed to “revisit the power of the one-man show enjoyed by the office of the Chief Justice of Pakistan” to “strengthen” the institution and “ensure public trust and confidence” in the apex court.

The order stated that the court could not be dependent on the solitary decision of one man but should be “regulated through a rule-based system approved by all judges of the court under Article 191 of the Constitution”.

“In regulating the exercise of its jurisdiction under Article 184(3) including the exercise of suo motu jurisdiction; the constitution of benches to hear such cases; the constitution of Regular Benches to hear all the other cases instituted in this Court; and the constitution of Special Benches,” it stated.<sup>529</sup>

They maintained that the “power of doing a “one-man show” is not only anachronistic, outdated, and obsolete but also is antithetical to good governance and incompatible to modern democratic norms.”

“One-man show leads to the concentration of power in the hands of one individual, making the system more susceptible to the abuse of power. In contrast, a collegial system with checks and balances helps prevent abuse and mistakes in the exercise of power and promotes

transparency and accountability... We must not forget that our institution draws its strength from public perception.”

It continued that the CJP was conferred with “wide discretion in the matter of constituting Benches and assigning cases to them under the present Supreme Court Rules 1980” and the “unbridled power enjoyed by the Chief Justice” had “brought severe criticism and lowered the honor and prestige of this Court”.

The judges advised that “to build a strong, open, and transparent institution, we have to move towards a rule-based institution.”

They added that where “the matter of constituting a bench for hearing a case under Article 184(3) of the Constitution is concerned, there must also be uniformity and transparency, which can be best assured by constituting a regular five or seven-member bench once at the commencement of every judicial year, or twice a year for each term of six months, by including in that bench the senior most Judges or the senior-most Judges of each Province on the strength of this court with the Chief Justice or the Senior Puisne Judge as head of that bench”.

According to the order, the constituting of special benches on a case-to-case basis, after the institution of the cases, “is a complete negation of fairness, transparency, and impartiality required of a judicial institution to maintain its legitimacy and credibility of its judgments.”<sup>530</sup>

The judges stated that “the suo motu proceedings, in the facts and circumstances of the case, are wholly unjustified in the mode and manner they were taken up under Article 184(3) of the Constitution, besides being initiated with undue haste”.

They furthered that the matter did not constitute a fit case to exercise extraordinary original jurisdiction of the apex court under Article 184(3) and was this “not maintainable” as the “same constitutional and legal issues seeking the same relief are pending and being deliberated upon by the respective Provincial High Courts in Lahore and Peshawar”.

The order maintained that there was “no justification to invoke” the court’s extraordinary jurisdiction to initiate suo motu proceedings, as a single bench of the Lahore High Court “has already decided the matter in favor of the petitioner before the said High Court.”

It added that the intra-court appeals filed against the said judgment were pending before the division bench of the LHC and none of the petitioners had approached the apex court.

“Once a constitutional issue is pending before a Provincial High Court, keeping in view the Federal structure of our Constitution the autonomy and independence of the apex provincial

constitutional court, should not be readily interfered with but rather be supported to strengthen the provincial autonomy and avoid undermining the autonomy of the provincial constitutional courts.”

The order concluded that even otherwise “without prejudice to the above,” such matters “should best be resolved by the Parliament.”

Justices Shah and Mandokhail highlighted that they agreed with the decisions of Justice Yahya Afridi and Justice Athar Minallah when they questioned the intent of the suo motu and urged the constitution of a full bench.

The judges dismissed the present constitution petitions and dropped the suo motu proceedings.<sup>531</sup>

### Heightened Military Control

Today, the military is in control of Pakistan’s politics.

On March 21, 2023, Imran Khan accused the Army’s top brass of working with the government to ensure that he is unable to contest elections. “Imran Khan has become too big for the establishment to swallow,” says Fawad Chaudhry, who served as minister of information in Imran Khan’s government. “In Pakistan, the army has always functioned as a deep state. They are the ones who take the decisions. Now, the kind of political environment in Pakistan is that they must accept the role of a junior partner, which they are not ready to do.”<sup>532</sup>

In his farewell address at the end of November, outgoing army chief Gen. Qamar Javed Bajwa made a promise that in the future the army would refrain from meddling in the country’s political affairs. Yet many, including PTI stalwart and former Human Rights Minister Shireen Mazari, allege that the army is now even more intrusive than it was under General Bajwa.

“Our military has redefined the term ‘neutral;’ the interventions have become more violent and more aggressive,” she says, adding that she and others in the party believe some military leaders are driven by “a personal dislike or vendetta against Mr. Khan.”

The current military leadership would find itself “near extinction” if Imran Khan came back into power. <sup>533</sup>

In an interview with Voice of America, Imran Khan reluctantly conceded that the person calling the shots is the current army chief, General Asim Munir. Imran Khan is certainly right in

this claim. While the prime minister is the de jure head of government only, de facto power rests with the Army chief. The military once backed the PTI but then later ran afoul of him. Imran Khan was ousted from power last April through a normal democratic method. Today, over a hundred cases have been filed against Imran Khan, mostly politically motivated. It is an excessive number of cases, even in Pakistan's dirty politics of revenge. Imran Khan's fault, as per military thinking, is that he is offering serious resistance to being removed from power.

There is now considerable strain on the body politics of the country, even enmities between political parties. Meanwhile, the military establishment has become divided with some supporting Imran Khans. The PTI is now the country's most popular party and will sweep the general elections due in Pakistan this October.

After a smear campaign against Pakistan's Chief of Army Staff (COAS) General Asim Munir, authorities on March 23, 2023 sprang into action and picked up ousted prime minister Imran Khan's focal person on social media Azhar Mashwani.

The Federal Investigation Agency (FIA) in collaboration with the intelligence agencies and police have launched a countrywide operation against those social media activists, especially of Khan's Pakistan Tehreek-i-Insaf (PTI) following an online campaign against Gen Munir.

More arrests are expected in the coming days.

In the other crackdown on PTI political workers, police have so far arrested 740, mostly from Lahore and Islamabad where the PTI-Police clash took place last week in the authorities' bid to arrest Imran Khan in the Toshakhana gifts case.

"Enough is enough. Police in Punjab & Islamabad are breaking all laws with impunity as they target PTI. Today Azhar Mashwani was abducted in the afternoon from Lahore & his whereabouts are unknown. On March 18 Senator Shibli Faraz & Omar Sultan were savagely beaten by ICT (Islamabad Capital Territory) police," Khan said in a series of tweets.<sup>534</sup>

He further said: "Over 740 unarmed PTI workers have been arrested from ICT, Lahore & across Punjab. These are poor ppl, many daily wage earners. The Cabal of crooks has no respect for the sanctity of the Holy month of Ramazan when people want to have security to fast & pray. Demand immediate release of our workers." PTI leader and former federal minister Moonis Elahi said in a tweet: "Azhar Mashwani abducted today. Despicable behavior of this current government. All this just because he stood with PM @ImranKhanPTI." In his last tweet before his arrest on March 23, 2023, Mashwani said that those raising their voices against this regime

on social media are given threats that they and their families will be eliminated. "This is worse than Gen Musharraf's martial law," he said.<sup>535</sup>

It is learned that Mashwani has been shifted to an undisclosed location for interrogation by the agencies. Mashwani was also the main person looking after the PTI social media in Pakistan.

Prime Minister Shehbaz Sharif recently condemned the "vile campaign" of General Asim Munir, especially abroad.

"The campaign against the army chief is intolerable and a continuation of the conspiracy against the institutions. PTI Chairman Imran Khan is dragging state institutions and their heads into his dirty politics, which is against the Constitution," Sharif said and instructed the interior minister that those behind such anti-institution campaigns within the country should be dealt with "iron hands".<sup>536</sup>

"Strict legal action should be taken against those who instigate chaos, riots, and rebellion in Pakistan," the premier said.

Social media especially Twitter would see more often trends in Pakistan against the Army and the Army chief for 'siding' with the Shehbaz government and its alleged involvement in the oppression of Imran Khan and his party men. <sup>537</sup>

Undoubtedly, Pakistan's current policy of permanent Indian enmity and conflict was going nowhere. Pakistan was a security state because of this approach. The Pakistan military was adamant in confronting and was still supporting some jihadist elements like the LeT, HQN, and Quetta Shura for its purposes. A change in direction was required now. Given the complexity of the regional situation, more robust diplomacy was urgently to get Pakistan out of the current morass and crisis. However, the Nawaz government was not up to the task and was failing to protect Pakistan's vital national interests. Plus, it faced an immense image problem because of the Panama Papers case pending in the Supreme Court of Pakistan.

The time was to go back to the liberal message of Islam and propagate the Sufi version of it where the principle of Sulh-i Kul or peace with all must become the new societal paradigm of governance and mutual conduct of communal affairs. The message of peace and tolerance in the liberal version of Islam must be adopted by both state and society in Pakistan. Given the sorry situation in Pakistan, there was little choice in the matter. It was time to act. Bold measures were needed and enlightened leadership at the helm of affairs in the country.

Much depends on the future leadership of the country not only at the government level but also at the societal level, especially the intellectual level. It is hoped that Pakistan would indeed make the best of the excellent opportunity made available by the CPEC project and turn around the country towards a path of economic development, prosperity for all, peace, and national security. Thus, the CPEC could help address an urgent political and economic predicament of Pakistan as well. The CPEC could have a regional impact that will promote connectivity in it and beyond. CPEC would make the country a manufacturing and commerce hub. It could improve infrastructure in the entire region. Given the trust deficit between Afghanistan and Pakistan, China should take the lead and play a “leadership” role. CPEC and BRI could become a vehicle of cooperation and friendship between Afghanistan and Pakistan.

India is adamantly opposed to the CPEC initiative and had been very openly expressed its concern to China several times. India shall continue its protestations to China that CPEC goes through the Gilgit-Baltistan region claimed by it. It was amazing that India had not protested the building of the Karakoram highway in the 1960s which also was going through the same territory. Meanwhile, Pakistan was apprehensive of rising Indian influence in Afghanistan which could threaten CPEC. Also, Iranian-Pakistani relations have been tensing for quite some time, but lately, there has been a sharp rise in hostility between the two neighboring countries. Experts say that Islamabad’s alleged support to Sunni militant groups, most of which operate freely inside Pakistan, was one of the reasons behind the deteriorating ties. Iran was not the only country in the region that was unhappy with Islamabad’s handling of Sunni militants. Meanwhile, the growing tensions between all three neighbors are not only straining Pakistan’s precarious politics and the civil-military equilibrium harmony but also hindering its economic development. In the past, the daunting failure of Pakistan’s government to stop Pakistan-based militant groups from launching attacks against its neighbors was hurting political and economic ties. Later, a rethink of Pakistan’s foreign policy was made, and the attacks were stopped. The new Sharif coalition government can successfully reappraise the country’s policy framework. Pakistan desires peace in the region which is desperately needed for its stability, progress, and economic development. However, it is hampered from achieving its desired goals by a corrupt political system and weak leadership. Bold leadership is missing in the country. The Army which still oversees foreign and security policymaking is still myopic in its views and is obsessed with the enmity of India. Thus, Pakistan was moving closer to China, and Russia as its mortal enemy



— India — moved remarkably close to the U.S. For the military establishment in Pakistan, it was a zero-sum game. Pakistan must make efforts for peace with its neighbors but is challenged to do so by its weak leadership at the helm of state affairs.

Much is now expected from the Sharif government. Despite India's continuing persecution of Kashmiri Muslims in IOJK, Pakistan must try its best to improve relations with India. India is a neighbor with an exceedingly long tense border with Pakistan. Peace with India will decrease the tensions in South Asia and provide Pakistan with access to the growing Indian market. It is time for a new beginning. Indeed, a new era can begin in Pakistan. For that to happen bold policy measures and out-of-the-box thinking are now urgently required. Pakistan should focus on the development of its human resources, sustainable economy, and the eradication of poverty which can only happen if bold policy decisions are taken now. However, given the military dominance of Pakistan's politics today such development is ridiculously hard to imagine. Pakistani leadership can only fail at its peril. The people hope for change, and it is now time to deliver. It is imperative to set the right direction. There is still hope in Pakistan.

Undoubtedly, Pakistan's current policy of permanent Indian enmity and conflict was going nowhere. Pakistan was a security state because of this approach. The Pakistan military was adamant about confronting India and was still supporting some jihadist elements like the LeT, HQN, and Quetta Shura for its purposes. A change in direction was required now. Given the complexity of the regional situation, more robust diplomacy was urgently to get Pakistan out of the current morass and crisis. The previous governments were not up to the task and had miserably failed to protect Pakistan's vital national interests.

Many people in Pakistan are considering a way out of the security situation and tension between Pakistan and India. Much earlier, there was a meeting between Pakistani Prime Minister Nawaz Sharif and Indian business tycoon Sajjan Jindal. It was a very low-key and secretive affair. Track II talks continued later with a little positive outcome, however,

Earlier, Pakistan facilitated the Afghan peace talks, which is much appreciated by the US. Notwithstanding the strained relations between Pakistan and the US, there is new hope for the normalization of ties between the two countries. The Biden administration is signaling that it is willing to support Pakistan. An improvement of relations between Pakistan and the US is very much possible. The US will support a prosperous, stable, and secure Pakistan as that is in its

national interest, as claimed by the Biden administration. There can yet be a convergence of interests as the new Sharif coalition government can negotiate a mutual win-win outcome.

By working together to enhance climate change adaptation and mitigation efforts, foster green economic growth, and promote research and innovation, the alliance has the potential to become a model of international cooperation in the fight against climate change, reaffirming the idea of "one world, one goal" in addressing the most pressing environmental challenges of our time.<sup>538</sup>

Today, improved relations with India are also possible. A track-II initiative can be sponsored by the US and there may be eventual peace talks between Pakistan and India. Undoubtedly, with the resolution of the Kashmir dispute between India and Pakistan, New Delhi would be conducive to joining CPEC.

The CPEC could have a profound regional impact that will promote connectivity in it and beyond. It could make the West Asian region a manufacturing and commerce hub by improving its infrastructure. Given the trust deficit between regional powers, especially Afghanistan and Pakistan, China should take the lead and play a leadership role. The CPEC could become a vehicle of cooperation and friendship between Afghanistan and Pakistan. The CPEC was an important part of the greater BRI which was certainly a path-breaking global project and regional powers would be advised to join it immediately.

The CPEC project might yet prove to be the required catalyst for a meaningful rapprochement between Pakistan and its neighbors. It all depends on the current leadership in the two countries. Pakistan's regional isolation will hamper the CPEC initiative. Pakistan's internal contradictions can also thwart CPEC's effectiveness. The CPEC's success was dependent on Pakistan's internal stability and better relations with neighboring countries. For now, the civil-military leadership should find ways to end the undeclared state of war with three immediate neighbors.

Briefly, a pragmatic and political approach needs to be the focus now. A comprehensive strategy of counterterrorism was desperately needed which composed the military tools with that other societal and political tools. The application of military tools employing force was easier and more immediate while the political approach was by its very nature tedious, slow, and baffling at times. But then, it was far more lasting and viable. A complete rethink needed to be done on the military's militant mainstreaming project now. Pakistan has suffered enough from

Islamic militancy and cannot afford it anymore. Hopefully, future governments will consider the matter much more seriously. It is not just the threat of Islamic radicalism which Pakistan faces. It is also challenged by nationalist forces.

Meanwhile, the political parties are discredited because of their actions, the bureaucracy is demoralized because of bad governance, and society is divided on sectarian, linguistic, and ethnic social cleavages.

The PDM government failed to act boldly and change Pakistan from within. Pakistan does not have the luxury of time. Hopefully, the new government will act immediately. The future of Pakistan depends on such rethinking. A frank and open discussion on these issues must commence immediately. Remember there are no sacred cows within Pakistan. Notwithstanding the opinion of the military brass, the Islamic Republic of Pakistan was the only thing sacred for the citizens of the country and not it is military. Because of past failures, Pakistan was facing an existential crisis that emanates from several internal and external factors. The PDM government was impaired because of massive corruption, incapacity, and endless and unwarranted political bickering with the PTI, its main rival for power. The morale of the people is at its lowest in history. India, the arch-foe of Pakistan, smells blood and is going for the proverbial kill. It is accusing Pakistan of supporting terrorism and is bent on destroying its global image as a responsible military power. Tragically, the PDM government did not have a foreign policy to speak of. It only reacts to events by external powers, especially the US and India. The Army was in charge as far as foreign and defense policies are concerned, virtually dictating foreign policy now. Earlier, Pakistan's dependence on US aids as well as its historic closeness to Saudi Arabia means Iran will continue to be wary of the country. Staying on good terms with the Middle Eastern rivals is a tough diplomatic tightrope to walk in the first place. Earlier, moves in the region might just have made things tougher. However, later in March 2023, the two sides decided to mend their relations in a historic meeting facilitated by China. Relations between the two erstwhile rivals are going to improve soon enough. Much to the surprise of the world. There is a golden opportunity for Pakistan to make the most of the thaw in relations between Saudi Arabia and Iran. It can benefit from the new regional peace only if it becomes organized. However, there is no evidence of that happening anytime soon.

It was prudent to realize that Pakistan was not only threatened from the outside but also threatened from within. The current political and military leadership now stands discredited and

does not have any credibility left. The tragedy of Pakistan does not stop here. The country's political parties are also discredited because of their actions, the bureaucracy demoralized because of bad governance, and the society itself badly divided on sectarian, linguistic, and ethnic social cleavages. Pakistan is now certainly a mess. The country is now among the list of top ten failed states in the world. This is ironic because Pakistan also happens to be one of the strongest military powers in the world today. Pakistan's military strength cannot prevent an implosion of sorts like what happened with the Soviet Union in the late 1980s. The country was now dangerously isolated. It was only China that has shown some support. The people were feeling hapless and disillusioned as never. The country was in a mess with no positive aspect on the horizon. The only good thing happening in Pakistan was the rising awareness thanks to the Information Revolution and the media. This awareness needs to be channelized into a political force of some reckoning.

Pakistan has also failed to make the necessary progress toward a modern and enlightened Islamic state. The country has a constitution that reflects Islamic values, more than any other country. Therefore, all political parties must adhere to it. The state cannot, and should not, allow any violation of the Constitution under the guise of religion. Pakistan is threatened by extremism. The Sharif government must tackle religious extremism now, as it is becoming a threat to the country's progress. It is hoped that the new government chooses the correct path on this sensitive issue, however. Rule of law is paramount in any democracy but some of the Supreme Court's verdicts have not helped the cause.

Undoubtedly, previous governments were not up to the task and had failed to protect Pakistan's vital national interests. Plus, both faced an immense image problem because of corruption allegations pending in the courts of Pakistan. Soon, the leadership of both parties will face jail terms for their gross corruption and other misdeeds.

Undeniably, Pakistan had suffered from an acute image problem and must shed its image as a hotbed of international terrorism. It was only now that there was some evidence of a change of direction. Much more needed to be done on this score, however. Pakistan desperately needs a change of direction. The previous civilian governments, both the PPP and the PMLN, had miserably failed to boldly act and change Pakistan from within. The PTI government was not that good, also. Pakistan does not have the luxury of time. The future governments coming will be facing a plethora of problems and will have to act immediately. The future of Pakistan

depends on such prudent actions and some rethinking. A frank and open discussion on these issues must commence immediately. Remember, there are no sacred cows within Pakistan. Notwithstanding the opinion of the military brass, the Islamic Republic of Pakistan is the only thing sacred for the citizens of the country and not the military. Because of past failures, Pakistan is facing an existential crisis that emanates from several internal and external factors. In the end, all governments had been impaired because of massive corruption, incapacity, and endless and unwarranted political bickering within themselves. The confidence of the people was at its lowest in history. India, the arch-foe of Pakistan, castigated Pakistan in all international forums because of its many failures. It is accusing Pakistan of supporting terrorism and was bent on destroying its global image as a responsible military power.

Meanwhile, Pakistan is challenged from within much more than from outside. There are some serious challenges facing Pakistan of Islamic fundamentalism. It certainly does have a tiny lunatic fringe. Although specifying it to a particular region like KPK is not true, as such. More importantly, the role of madrassahs or seminaries as incubators of jihadists is exaggerated and a myth. Islamic radicalism is misunderstood in the West, especially in the US. Anti-Western sentiments are now very pronounced not only in Pakistan but all over the Muslim world. All segments of Muslim societies, including the educated classes, have turned against the West. The distrust between the two peoples is not just at the level of the governments, but at the societal level also. Hence, the urgency to start a frank dialogue. Remember, Pakistanis are a proud nation. Notwithstanding all the problems, they demand respect and some space to resolve their problems. Eventually, the radicals, among the Muslims, will be defeated but not through military means alone.

If the global alliance does not cater to the roots of the Islamic fundamentalist phenomenon, then even with the defeat of IS the problem will not be solved. As explained elsewhere, a “mushrooming effect” takes place, and another successor shall be launched sooner than later. The near elimination of its parent organization al-Qaeda from the Af-Pak region did not end the story and it resurfaced in the shape and form of IS which is growing in Afghanistan today. Therefore, it is prudent to wage a comprehensive global war on Islamic radicalism by employing both tools - military and softer ones. The emphasis in the long term must be on the softer tools. That is but obvious.

Among other stark failures of the Muslim world, including Pakistan, is the serious intellectual failure that had resulted in paralysis of both thought and action. Why this has occurred due to the glaring failure of leadership, especially national political leadership? With very few exceptions, the entire Muslim world, including Pakistan, is beset with brutal, corrupt, insincere, and very mediocre political leadership which has prevented the people to grow to their full potential as politically active citizens.

Pakistan faces an acute crisis of leadership and capacity at all levels of society and in all institutions of the country.

The incumbent PDM coalition government faces enormous and complex challenges. It was hoped that with the emergence of the Sharif coalition government, the military's power would be gradually reduced. However, the opposite has happened, which is unfortunate, to say the least. The hybrid political system is becoming problematic, to say the least. In the future, only a clean, efficient government that delivers required public services can keep the military in check. Such is the sharp reality of Pakistan's troubled politics. It is hoped that future governments will deliver and earn the trust of the people, and then be able to keep a lid on the military's interventions.

Going back to the Pakistan movement in the 1940s, one realizes the spirit of being Muslim and the slogans of the Muslim League. Islam had always been part of the Pakistani nation. Any understanding of Pakistan should place Islam as an integral part of the nation's development. However, Pakistan was far more liberal in the past, as compared to today. This is tragic, to say the least.

Why is religiosity in large parts of the Muslim world, including Pakistan, increasing but not the true practice? The cardinal principles of Islamic society: social justice, compassion, and fair play are not being actualized today anywhere. The basic governing principles are being discarded. The question is why? The people still hope for a just, tolerant, and liberal Islamic Pakistan. The nation desperately needs across-the-board accountability now. The government must be obliged to haul up all the corrupt, regardless of background or profession. Meaning that all are under the accountability net, which includes the military and judiciary too. No sacred cows are to be left in the Islamic Republic of Pakistan. This is the pious wishes of the people. Many wished that PTI would have followed a pragmatic policy, meaning that it would have kept in check the powerful military. Instead, the PTI let the military grow even more powerful in the last two years. It failed to focus on serving the people through real reforms, good governance,

and clean government. Earning the trust of the people first is essential. No other option is available. The supremacy of the civilian leadership over the military must be established eventually as it is the cardinal principle of democracy. Democracy is a process and is inherently tedious, and complex. Some analysts are expressing concerns that the military will continue to manipulate politics soon in the country. The test of the future political leadership is whether it would hold accountable powerful army chiefs such as General Bajwa and General Kayani, who are also deemed to be corrupt like Zardari and Nawaz Sharif. However, it is very doubtful that it can happen though. That is the whole point.

The PDM parties are a vast patronage network spun over a period of 50 years or so. The mafia rules Pakistan for now but stands exposed. Their party system has been discredited and will be in shambles very soon. The era has ended. It is earnestly hoped that the accountability of this PDM leadership will happen in the future as it cannot happen now, and thereby change the direction of Pakistan. It remains to be seen whether this happens, though.

Pakistan is facing an economic crisis because of massive corruption, bad planning, bad governance, and even political instability. Like elsewhere, Pakistan was also challenged by global problems like Covid-19 lockdowns, the near recession, and energy supply shortages which have also severely affected the country's economy. Meanwhile, political uncertainty is taking a toll on the country's economy as the PDM government is not ready to take bold decisions to stabilize the economy. The country was expected to improve on the economic front thanks to the CPEC initiative but the sheer negligence of the ruling establishment to tackle the issue of social justice.

Meanwhile, extremism and Islamic fundamentalism are again spreading unabated in Pakistan. This phenomenon saps the energy of the nation and draws it back from reaching its true potential. The anarchy unleashed by Islamic fundamentalists must be checked in Pakistan before it engulfs the whole region in further chaos. Much depends on timely action taken by the ruling establishment of Pakistan to get its act together to achieve the true prospects of economic development presented to the country by the CPEC initiative. Bad governance is still the norm in Pakistan and is not an exception. Desperately needed reform measures still await the nation. The nation is poorer because of its poor leadership, both military and civilian. It is hoped that a turnaround yet happens as a new civilian leadership replaces the current lot. Pakistan has enormous potential in its youth but lacks the leadership to make full use of the potential. The

leadership is bickering among itself, complacent and corrupt. Too bad for the country. There was also a bright side to the country's dismal picture, however. Pakistan can indeed have a great future and be on the road to success and sustainable peace. Pakistanis are the most resilient nation. Pakistan can indeed position itself in the region as a massive trade corridor that will catapult this country to economic prosperity and a symbol of geostrategic integration. Pakistan as the regional trade, industrial, and economic hub will be in a position of strength and the world will endeavor to improve relations with Pakistan. Pakistan believes in cooperation, instead of competition. Pakistan is carving out a trajectory of progress for the region by way of economics, which the world needs to recognize and acknowledge. Pakistan faced an existential crisis of a daunting magnitude. The primary threat was from within the country.

The fault of Pakistan's problematic democracy was primarily on the shoulders of the leadership, both civilian and military because they had failed to deliver on their promises. The current Prime Minister of Pakistan, Shabaz Sharif, was weakened even further with the turn of events in the country. He was the younger brother of Nawaz Sharif, who has been premier three times and now lives in exile in the UK. Shabaz himself had been in control of Punjab for over 32 years. Punjab was the biggest province and had dominated Pakistan's politics for decades. Although the military had no constitutional role in the governance of the country it was the most powerful institution in the country and controlled Pakistan's foreign and security policies. It also had sway on other political matters. The military had ruled for half of Pakistan's history and had wielded considerable influence even when it was not in power. The only time it had been eclipsed by the civilian government was in Zulfikar Ali Bhutto's era in the early 1970s. Undoubtedly, Pakistan's democratic system had been weakened because of prolonged military rule. Even today, the military establishment was also not willing to give up control of the country. Most probably, the military will continue its control of the country's politics.

Hence, the tragedy unfolding in Pakistan It was an irony that Pakistan was one of the strongest nations in the world as far as the military might be concerned yet weak as far as societal and economic development indicators were concerned. Pakistan had achieved a lot in the military, but national leadership had failed to make the nation strong and united to face the terrorism challenges. Pakistan's security challenges required a comprehensive strategy that should include a partnership between the PDM government, the Opposition, the military, and the country's considerable civil society. Most importantly, Shabaz Sharif himself was required to



provide strong leadership to galvanize the nation to join forces to achieve the national objectives. Here Shabaz Sharif had failed. Political matters needed deft political handling and the use of force was not always the most significant method to solve many issues in the country. For example, the issue of militancy in the country needed to be addressed also through political means and not just be dependent upon the use of force to eliminate militancy in the country. Much earlier, the Chinese country had often stated that the BRI plan could only advance if there was a safe and steady setting. China was particularly concerned about security in Pakistan where Chinese workers have been attacked by militants.<sup>539</sup> Much earlier, upon the demand of the Chinese government, Pakistan had deployed a security force of around 10,000 soldiers to guard the CPEC against militant attacks.<sup>540</sup>

The national military leadership was too focused on the acquisition of a military edge over India considered a mortal enemy of Pakistan. While the PDM Government was indeed corrupt and ineffective, Pakistan's military also did not want to lose its power over the civil government because of vested interests. Its focus on Indian enmity was the rationale given and the only possible solution to the predicament was to resolve the Kashmir dispute and then cut the military to size. However, the weakened PDM Government could not move in that direction. Given the increased power of the military in Pakistan, the status quo could not be changed soon. This was the tragedy of Pakistan.

Thus, the politics of Pakistan was entering a crisis. The biggest threat to the country was the prospect of instability because of the further weakening of the PDM Government. Unfortunately, Pakistan's internal dynamics were threatening its capacity to achieve good relations with neighbors and allies. Pakistan needed a tough foreign policy to cope with growing regional tensions. Much earlier, Huma Yusuf argued in her article aptly titled "Balancing Act" published on May 8, 2017, that: <sup>541</sup>

Pakistanis have quickly resigned themselves to the reality of a 'hybrid' democracy, one in which the security establishment defines policies and civilians implement them. But the hybridity does not seem to be working. Civilian-military tensions are raging, and as our institutions seek to rout each other, their ability to maintain a democratic facade and pursue diplomatic means is eroding. The variation in our engagements with our neighbors over recent days should make it clear that diplomacy is always preferable, but for that, we need effective, empowered civil servants.

The Army and PDM Government had not coordinated their policies which had created a dysfunctional foreign policy. There was no foreign minister in the country for more than four years, and the military was in charge. Consequently, Pakistan suffered because of the confusion and lack of proper policy directions. Pakistan had immensely suffered because of a parallel government of sorts. Domestic politics was now affecting Pakistan's foreign policy. Pakistan's civilian and military efforts with the U.S., China, and Afghanistan were not being conducted singularly. There were parallel interactions, one by the army leadership and the other by the civil leadership. And these two did not need to be even closely coordinated. It was now routine that foreign leaders met the prime minister and then the Army Chief. Many a time the real visit was that of the Army Chief and not the Premier. This was no way to conduct Pakistan's official business. Given the existence of the institutional gap in Pakistan, the country's foreign policy was bound to suffer. Consequently, Pakistan is a mess, and all power centers are responsible for it. Notwithstanding the support of the military, the PMLN-led government is not prepared to manage the multifaceted crisis in Pakistan. The focus is still not on the delivery of essential social services to the public. In hindsight, the removal of the PTI government appears to have been a mistake.

The serious economic crisis in Pakistan demands that all major political parties, across the divide, immediately agree on a common minimum Economy Charter. Politics can be postponed for a while till the approval of the upcoming budget. This would be a very prudent act by them. Time to step back and reflect on the crisis. Serious introspection is needed for a way out of the crisis. The serious economic crisis in Pakistan demands that all major political parties, across the divide, immediately agree on a common minimum Economy Charter. Politics can be postponed for a while till the approval of the upcoming budget. This would be a very prudent act by them.

Undoubtedly, Pakistan faces profoundly serious governance challenges, and the new coalition government must focus on them. Attention should be paid to delivery alone and not Imran Khan. The people expect relief soon enough as they suffer from inflation and other economic issues. There is no time for general elections in Pakistan shortly. They are held at the end of 2023, as required by law. Sharif's coalition government is expected to take bold decisions to stabilize the economy and thereby strengthen the country. The government is not prepared to do it. Too bad for Pakistan.

The Sharif government must only focus on delivering good governance. Do not be obsessed with Imran Khan, as it will be bad for you, and the country. Pakistan deserves better.

Notwithstanding Imran Khan's outlandish political rhetoric, he should be allowed to continue with it. The Opposition march on Islamabad at month's end will be a great nuisance but certainly not wreck the Sharif Government. Maturity requires that the Opposition blasts, though without merit, be tolerated only because Pakistan is a democracy, though a fragile one. The Sharif coalition government is bent on overreaction to Imran Khan's protest politics. Such action an overreaction by the Sharif Government will create more chaos and anarchy in the country. Tolerance must be shown and let politics play out without state intervention. Wisdom must prevail. Simple as that.

Pakistan's economic crisis demands bold actions by the Sharif Government. All lenders are looking up to the future IMF signal to assist the country. Therefore, Pakistan must adhere to the IMF conditionalities, sooner than later. Populist measures, though understandable, will not work.

Pakistan should strengthen its system of democracy because it was very deficient in countless ways and not functioning at all. The political paralysis was a result of these systematic faults. Islamic fundamentalism, poor governance, absence of democratic norms, intolerance in society, and inertia was the principal cause of the situation. Lack of political will to reform both state and society may be the single biggest reason for the mess. examine the deeper problem of bolstering the deficient, undemocratic decision-making structures. Due to the disinterest towards institutionalized decision-making by Pakistan's rulers, it was hardly surprising that policy and decision-making of national importance remained personalized and incoherent. It was this very flaw that prevented the Government of Pakistan from conducting a truly national strategy. Until and unless there was an institutional decision-making process Pakistan would continue to lack intellectual content the country would always be faced with a crisis. Pakistan faced much larger challenges because of this poor policymaking. The county's past was haunting it now. Reckless decisions like the infamous U-turn of Genera Musharraf after 9/11 where Pakistan became an ally of the U.S. without weighing the full consequences of this abrupt departure of foreign policy. The Army's alleged support of Jihadist entities like the Jaish-e-Mohammad, Haqqani network, and Quetta Shura. The main reason for this was the personalist nature of rule in Pakistan. The civilian leaders do not follow democratic norms of decision-making. This empowered the Army even more and provided further leverage to it to influence Pakistan's

decision-making. Neither the Cabinet nor the Parliament is fulfilling their given roles assigned to them. Even the Judiciary is very deficient, especially at the lower levels. The Parliament does not properly fulfill its legislative and oversight function in Pakistan, as was the norm in the system of democracy. The Cabinet does not deliberate as was needed for the proper administration of the state institutions. The notion of national security was the primary driver of Pakistan's national interest which had given significant leverage to the military. The military itself had a deficient national security paradigm and a very narrow focus on the regional situation, let alone the global one. It was obsessed with its enmity with India, the historic rival. This does not condone Indian actions in any way. The point was that the military as an institution was necessarily focused on fighting wars and winning them and not working for peace.

Pakistan continues to suffer from an ineffective and inefficient bureaucracy and most importantly a political will to see a comprehensive agenda of reforms through to competition. Notwithstanding its pious declarations, the current Sharif Coalition government simply does not have the will to implement the reform agenda. Given the precarious nature of Pakistan's economy, the Sharif coalition government has no choice but to adhere to IMF conditionalities, no matter how tough. Other lenders are watching to see whether the Pakistan government does so, as promised. The sooner the better. Pakistan's economic crisis demands bold actions by the Sharif Government. All lenders are looking up to the future IMF signal to assist the country. Therefore, Pakistan must adhere to the IMF conditionalities, sooner than later. Populist measures, though understandable, will not work.

Notwithstanding Sharif Government claims, Pakistan will not receive any funds from friendly countries. Meanwhile, Government has agreed with IMF's demand to reduce fuel subsidies phase-wise. IMF has agreed to continued subsidies for the marginalized section of society. Pakistan faces profoundly serious governance challenges, and the new Sharif coalition government must focus on them. Attention should be paid to delivery alone and not Imran Khan. The people expect relief soon enough as they suffer from inflation and other economic issues.

Given the precarious nature of Pakistan's economy, the Sharif coalition government has no choice but to adhere to IMF conditionalities, no matter how tough. Other lenders are watching to see whether the Pakistan government does so, as promised. The sooner the better.

The Sharif coalition government is not at all ready to take bold decisions to stabilize the economy. The paralysis in decision-making is hurting Pakistan. A rainbow coalition is in power,

which makes it even more difficult. Did they expect smooth sailing once in power? Action needed. As of May 18, 2022, the Pakistani government had taken no action to meet IMF demands to revoke the very costly energy subsidies. It had failed to swallow the bitter pill. Meanwhile, the economic situation worsened.

### The Issue of Electoral Reforms

In August 2017, the National Assembly passed the Election Reforms Bill. The new law was a unified version of nine election laws and enhanced the powers of the ECP by reducing its dependence on the government and parliament to make rules and budget and create positions. Section 103 of the new law discussed the use of technology i.e., electronic voting machines (EVM) and I-voting for overseas citizens of Pakistan in Section 94. Subsequently, the ECP incorporated the use of technologies in its Strategic Plan 2019-23. In October 2018, the Supreme Court also ordered the ECP to form a plan for overseas Pakistanis to cast votes through I-voting in the forthcoming by-elections.

Before the bill was passed in August 2017, the parliamentary committee met seventy times within two years to discuss electoral reforms. The general election in 2018 was held under the new law. By the end of 2020, serious differences appeared between the PTI government and the opposition parties on the use of technology, which have intensified since the PTI government has been ousted. The new ruling coalition is serious about reversing the use of technology in future elections, while PTI wants strict adherence to the election law.

One lone factor that can decide the politics of EVM and I-voting is: who will benefit more from its use. Considering that PTI is more popular amongst overseas Pakistanis, it wants to translate that popularity into a vote bank by providing overseas Pakistanis with the facility of I-voting. On the other hand, for the same reason, the ruling coalition wants to deprive PTI of this advantage. Sarwar Bari, in his article “Electoral reforms — by the elites, for the elite,” The Express Tribune convincingly argues that:<sup>542</sup>

In the general election of 2018, the margin of victory in the case of eight dozen candidates was less than 5,000 votes, and it was less than 3,000 votes in the case of four dozen candidates. Simply, if you are a rich candidate and have no scruples, you just need to bribe some polling staff to tamper with a few ballots in a few polling stations. Unfortunately, there is no dearth of

such politicians. A common method used by the polling staff is to not sign the counterfoils or backside of ballot papers. Another method is to make some extra marks on the ballot papers. A candidate could also ask the presiding officers to stuff ballot boxes with extra ballots. Analyses of election data from earlier general elections reveal many errors in result preparations. For instance, on average in more than one-fourth of Form 45 and Form 46 several inconsistencies were found, and these errors could have a significant impact on the results. EVMs will cut all the above-mentioned rigging practices because they will end human involvement at every step of the polling and counting processes. Polling authorities commit many errors and irregularities due to a lack of diligence and training or intentionally. However, EVMs will help produce error-free counting and results.

This is the main reason that some parties have taken a U-turn on the use of EVM. Many politicians oppose the use of EVM based on one factor — why are some of the most advanced countries not using EVM? My simple answer is their electoral systems do not suffer from the malaise that we have. But the real question is: why is the ruling coalition/elite hell-bent on reversing the law, which they passed just five years ago? Now let us briefly examine why elites have second thoughts about the use of electronic voting by overseas Pakistanis. About one hundred countries have given the right to their overseas citizens to take part in polling from afar. Some use postal ballots, while others allow fax machines and the Internet. Most South Asian countries are adopting some form of technology for their overseas citizens. According to some overseas Pakistani activists, out of 272 National Assembly constituencies, overseas votes may affect ninety-four. One study commissioned by a media group concluded that overseas voters could swing forty hotly contested NA seats — in Lahore, Rawalpindi, Gujranwala, Dera Ghazi Khan, Faisalabad, and Sialkot. However, those who intend to disenfranchise overseas Pakistanis from voting must know that Article 25 of the Constitution guarantees equality to citizens and grants all adult citizens (whether they live inside or outside of the country) the fundamental right to vote. The state must not disenfranchise the rights of its nine million citizens just because they live abroad and have been remitting billions of dollars each year to our economy. Is it not strange that the elites who had held seventy meetings over two years to develop the Election Reforms Bill do not feel any shame in reversing it after realizing that its implementation can harm them? How long will the few dozen elite dynasties continue fooling the 240 million Pakistanis? It is only natural for people to feel outraged.

The Election Commission of Pakistan should take the requisite steps for ensuring transparency in the Senate elections, considering the Supreme Court's decision. The citizens of Pakistan want an end to so-called horse trading or corrupt practices in Senate elections. Many have alleged that senate seats had been bought by political parties, namely the PPP and PMLN. The fact of vote buying and military manipulation in the Senate elections is well-known and uncontested by all independent observers of Pakistan politics. The question is whether it can be curtailed through reform of the election system. Open balloting is one such reform measure agreed upon by very many experts in Pakistani politics.

Today, it is imperative that the Sharif government immediately gain the trust of the international community to ensure a good deal with the IMF, and other international financial institutions. The country needs foreign help to stabilize its economy and therefore must take quick action in this area. Plus, it is in Pakistan's national interest to eradicate the menace of money laundering and terrorist financing quickly.

### Social Sector Reforms

The country's population is now 240 million. Pakistan faces a horrendous situation as the rapid population growth is fueling massive rural-to-urban migration, the strain on the cities, and massive environmental degradation. People are suffering from a poor environment, lack of social services, and neglect of state institutions to respond to the situation in any coherent manner. Bad governance is the norm, not the exception in state institutions. The poverty gap is striking and is widening in many areas of the country. Pakistan is deficient in governance matters as public services are inadequate and there was immense poverty in the country. Today, Pakistan suffers from poor social indicators.

The Human Development Index (HDI) is extremely low in Pakistan. The HDI was devised and launched in 1990 and was a statistic that ranked countries into four tiers of human development based on indicators like life expectancy, education, and per capita income. A higher lifespan, higher level of education, and higher GDP per capita result in a country scoring higher HDI. Earlier, in the 2016 Human Development Report, by the UN Development Program (UNDP) Pakistan had ranked 147 among 188 countries.<sup>543</sup> Today, Pakistan's HDI rank is 154 globally.<sup>544</sup> Pakistan ranks low on human development indicators because of severe neglect of

public health and education. Pakistan is at number 110 on the Global Competitiveness Index. The country's rate of overall fixed investment as a percent of GDP averages around 14pc — exactly half the average for South Asia. FDI into Pakistan was the equivalent of 0.8pc of GDP in 2019, less than half the rate for India, which was 1.8pc of GDP. In terms of inflows, the country receives around \$3 billion in gross FDI annually, compared to \$50bn-plus for India.<sup>545</sup> Pakistan's standing in the World Justice Project's Rule of Law Index. Pakistan ranks at 130 out of 139 countries, behind Honduras, Zimbabwe, Myanmar, Mozambique, Bangladesh, Uganda, and Bolivia. Within South Asia, it ranks second from the bottom, just above Afghanistan. In the Worldwide Governance Indicators, the country was ranked in the 25th percentile on 'Rule of Law', meaning that Pakistan is lower than 75pc of the countries worldwide.<sup>546</sup> Pakistan is in the 22nd percentile on 'Control of Corruption', meaning that the country is worse than 78pc of the countries worldwide. Pakistan is ranked in the 32nd percentile on 'Government Effectiveness', meaning that Pakistan was worse than 68pc of the countries globally. For 'Political Stability' and 'Absence of Violence,' Pakistan ranks in the fifth percentile, meaning that the country is worse than 95pc of the countries worldwide.<sup>547</sup> Undoubtedly, Pakistan suffers from serious and complex bad governance structural design. A lot of effort must be made to turn the tide in Pakistan. A just, secure, egalitarian, and clean Pakistan can be established. A liberal Pakistan can indeed be fashioned by the will of the people. It is hoped that a turnaround happens soon.

Pakistan must focus on the development of its social sectors. The country has shown a significant decline in poverty, from 50.4 percent in 2005-06 to 24.3 percent in 2015-16, both at the regional and national levels. However, despite the significant decline in poverty, over fifty million people live in poverty, and more than seventy-five million people are deprived of basic needs such as health, education, and shelter. Furthermore, Pakistan suffers from extreme forms of social exclusion and significant infrastructure gaps. Economic growth has not resulted in job creation at the rate necessary to accommodate the approximately 1.5 million people who enter the workforce every year in Pakistan.<sup>548</sup>

Human capital indicators, namely education and health, show miserable progress as compared to the rest of the South Asian region. According to the World Bank report, 'World Development Report 2019: The Changing Nature of Work' in 2017, Pakistan's human capital index (HCI) was lower than the average for its region and income group. Pakistan ranked 134



while India ranked 115, Bangladesh 106, and Sri Lanka 74 out of 157 countries. Pakistan has one of the lowest female labor force participation rates in the region.<sup>549</sup>

Education poverty is remarkably high in Pakistan due to low education capital. Children in Pakistan can expect to complete 8.8 years of pre-primary, primary, and secondary school by age 18. However, when the years of schooling are adjusted for the quality of learning, it is only equivalent to 4.8 years: a learning gap of four years.<sup>550</sup>

According to a Pakistan Education Statistics report, over 22.84 million children are still out of school (that's 44 percent of our total children). The report says that 70 percent of the children in Balochistan, 57 percent in Fata, and 52 percent in Sindh are out of school. The report has shown that 26 percent of primary schools are run by a single teacher while 18 percent of the schools consist of one classroom and 32 percent are run without electricity, 22 percent without toilets, 21 percent without boundary walls, and 22 percent without drinking water. While seven percent of the total primary schools in the country are without buildings. Public spending on education is only 2.2 percent of GDP in FY2017.<sup>551</sup>

An analogous situation can be seen in the health sector. The World Bank report shows that forty-five out of one hundred children are stunted, and so at the risk of cognitive and physical limitations that can last a lifetime. The ratio is remarkably high compared to other developing countries like India (38), Bangladesh (36), and Sri Lanka (17). Pakistan has shown slow progress on maternal mortality and child mortality rates over time. The maternal mortality ratio is exceedingly high compared with other countries in the region (178 per 100,000 live births) in 2015. Similarly, the infant mortality rate is extremely high in Pakistan (66 per 1,000 live births).<sup>552</sup>

Apart from low investment in the health sector, rapid population growth is resulting in the inadequacy of healthcare facilities. This is reflected in estimates that show 957 persons against one doctor, and one dentist per 9,730 persons. The current ratio of population and availability of hospital beds works out to 1,580 persons per bed in 2017-18. Public spending on health was only 0.9 percent of GDP in FY2017.<sup>553</sup>

There is a need to develop a comprehensive strategy to enhance education and health facilities both in terms of quality and quantity across Pakistan, especially in the backward areas like southern Punjab, interior Sindh, Khyber Pakhtunkhwa, and Balochistan.

Apart from the provision of these facilities, the government should develop a monitoring mechanism to track the progress and service delivery of these facilities.

Finally, Pakistan's economic crisis is again forcing the Sharif government to seek aid from friendly countries. However, it is not cutting wasteful state expenditures and increasing tax revenue, as promised. The nation expects quick actions on that score. Given the Covid-19 pandemic and the devastating effect on the economy, exceedingly tough economic times lie ahead for Pakistan. Given the serious situation, the Sharif coalition government would be seriously challenged to at once expand the federal Income Support Program's direct money transfers to the poorest of the poor. Nevertheless, it would be prudent to continue to cut other federal outlays, including defense, and thereby help the poorest of the poor in the country. The Sharif coalition government should make health and education sectors the highest priority state expenditures. Given scarce resources, the Sharif coalition government must cut defense expenditures, as the real threats faced by the country are mostly internal, not external. It must also nationalize the military's corporate interests in Pakistan. The country's military takes part in business activities like in Egypt, Thailand, and Indonesia. In principle, the military must not be involved in running businesses at all.

There is a need to galvanize the public for a new era of austerity, challenging work, discipline, and sacrifice. In the future, Pakistan's government must focus on reviving a faltering economy. It will face a balance of payments crisis and will have to seek its IMF bailout, once again. The government will have to act fast to shore up the country's shaky economy and end a years-long chronic energy crisis that has crippled industry. Decades of corruption and bad governance by the rulers of Pakistan have severely eroded Pakistan from within.

The Sharif coalition government is desperately trying to reverse the trend. It needs time to stem the rot it has inherited. Therefore, it needs to adopt a rapprochement policy with neighbors. In the past, governments had been discredited and did not have much credibility left. Most importantly, the country's political parties are also discredited because of their actions, the bureaucracy demoralized because of bad governance, and the society itself badly divided on sectarian, linguistic, and ethnic social cleavages. Pakistan was now certainly a mess. The country was now among the list of top ten failed states in the world. This was ironic because Pakistan also happened to be one of the strongest military powers in the world. Pakistan's military strength cannot prevent an implosion of sorts like what happened with the Soviet Union in the

late 1980s. The country was now dangerously isolated. It is only China, Turkey, and Malaysia that have shown some support. The people are feeling hapless and disillusioned as never before. The country is in a mess, with no positive aspect on the horizon. The only good thing happening in Pakistan was the rising awareness thanks to the Information Revolution and the expanded media. This awareness needs to be channelized into a political force of some reckoning. Meanwhile, most political parties have lost their steam and suffered from poor and visionless leadership.

Given the precarious nature of Pakistan's economic crisis, the Sharif coalition government has no choice but to get its act together and focus on the required solutions. Pakistan cannot go into election mode any time soon as the IMF will not negotiate with an interim setup at all. Without the IMF's positive signal, no country or agency will lend to Pakistan. Simple as that. Therefore, bold actions are needed now. But the Pakistan government is paralyzed, unfortunately.

Pakistan must focus on the development of its human resources, sustainable economy, and the eradication of poverty which can only happen if bold policy decisions are taken now. The Sharif government can only fail at its peril. The people hoped for change, and it is now time to deliver. The Sharif government came into power on April 11, 2022. It is imperative to set the right direction at the beginning of the 16 months remaining term. There is still hope in Pakistan. The priority of the Sharif coalition government should be the following:<sup>554</sup>

The South Punjab promise to be conducted at once. On March 25, 2022, the PTI-led government sponsored a bill in the National Assembly seeking the creation of the south Punjab province. Foreign Minister Shah Mehmood Qureshi had given the constitutional amendment bill to the National Assembly seeking to split Punjab into two provinces. South Punjab would be constituted of Multan, Dera Ghazi Khan, and Bahawalpur divisions. Under the draft bill, the south Punjab province would have fifty-six seats in the National Assembly and 119 in its provincial assembly. The creation of the south Punjab province had the support of both the PML and the PPP.<sup>555</sup> A Task Force be set up for this purpose.

Later, Pakistan must be divided into at least ten provinces. Punjab is divided into three: central, north, and south. Sindh into two: north and south.

Formation of a think tank to conduct research and guide the Government using the Next Steps approach and acting as a consultancy. Form a steering committee of experienced

professionals in various areas to guide the government on various issues. These groups will manage the actualization of public policy in various areas.

A Modernization Unit to be set up in the office of the prime minister be tasked to formulate Key Performance Indicators and metrics for all public sector agencies and departments. A Key Performance Indicator (KPI) is a quantifiable value that decides how effectively an organization is reaching key goals. The KPIs are employed by organizations to calculate their success at achieving the established targets. The federal government is combined into a smaller and more effective administration. Some public agencies are bloated and need to be cut. Some departments may need to be merged or even dismantled. A review be held for this purpose.

A Task Force be set up to restructure vital public enterprises like WAPDA, PIA, Steel Mills, NHA, and Railways. A restructuring exercise be conducted to improve efficiency in collaboration with the Modernization Unit in the Prime Minister's office.

A detailed reform plan is being prepared for the education sector. Technical schools be set up in the pattern of Germany, preferably with the help of the German government. The purpose is to impart skills to youth not able to get a regular college education. Free quality public education, along with free health services, is envisaged in the concept of an Islamic welfare state. Free education like free health services will be a costly endeavor. Therefore, distribute 5% of GNP to the education sector, as recommended by UNESCO. End the paper mills in the private higher education sector where rampant corrupt practices exist. Higher education may not be employed to make quick and easy money anymore.

Revival of the Musharraf era Local Government System, as it showed promise. Despite shortcomings, some important developments did take place in this area and there were some success stories at the local level.

A national crusade against the "qabza" mafia and encroaches must be conducted. This is an endemic problem in Pakistan and has grown in the last decade. While not just private space but also public space is threatened. That is most unfortunate. Public space is a sacred trust.

The PTI national curriculum agenda be advanced with input from all stakeholders. It must be flexible though to incorporate regional diversity. A framework would be formulated with a common core for the entire nation (1/3) and then a regional section to be the responsibility of the provinces (2/3). The purpose is to create national unity and cohesion. The framework will set up

the teaching units in terms of syllabi, timetables, modules for class instruction, total study period, and testing.

There was a mushrooming growth of housing societies in the past decade or so. Most of these are frauds and people have lost billions of hard-earned savings. The State must come to the rescue of the public and take these swindlers to task. It must then simply nationalize these societies and put them under the control of various state authorities. Nationalization would be considered the last resort since it would require an act of parliament.

A National Health Service on the pattern of the UK. The founding principle shall be that the service be comprehensive, universal, and free at the point of delivery. However, patients would be required to pay prescription charges with a range of exemptions for the poorest of the poor. This is a costly endeavor and will require immense allocations of budgeted money. This measure, along with health, is one of the fundamental aims of the Islamic welfare system. Therefore, distribute 5% of GNP to the health services sector.

Privatization of Public Sector Enterprises is postponed for at least a year. Focus on improving the performance of these enterprises instead. Giving enough autonomy and removal of needless political interventions is the key to the success of this effort.

Merge all department and services housing authorities like Police, Parliament, and Defense, into a single Federal Employees Housing Authority. Announce entitlement of all employees for housing as a priority.

The focus of the performance of police services. Depoliticize them at once, especially in Punjab and Sindh. Employ technology to improve police efficiency. A detailed plan is needed to revamp the police services and stop political interference at once. The public has a low opinion of the police service except KP. Establish a Taskforce for Improving Police Services with input from capable retired police officials and foreign experts.

The parliament's performance is poor and needs to be improved. The oversight function of the parliament is inadequate, at best. There is nothing more political than passing the budget as it deals with the allocation of scarce resources. Therefore, present the budget at least three months in advance of its passage date. The budget be discussed on the floor of the National Assembly in the first reading and then sent to Select Committees to be debated in detail with department heads, outside experts, and witnesses. The budget be agreed upon within these committees along with recommendations. The budget then was again debated on the floor of the house and

eventually passed. Establish a separate television Parliament Channel within PTV to broadcast live the working of the parliament. The purpose is to improve the quality of deliberations in the legislature.

Revamp civil services as a priority. Give tenure protection of postings for at least three years. Stop the shuffle dupe of endless postings as it causes service inefficiency and disruption.

Increase the retirement age of the employees to sixty-five.

Give life tenure to the higher judiciary so that the judges can concentrate on their jobs.

Focus on employing technology in governance (electronic governance measures) can improve the effectiveness of not all public services but also Legislature and Judiciary.

Take over the fund to construct Diamer Bhasha and Mohmand dams from Chief Justice Pakistan at once. Mobilize the public within the country and the global diaspora community for donations. Meanwhile, build much smaller dams at once on the Indus River system.

Plan to build new cities to decrease the pressure of rural-to-urban migration on the big urban areas.

Have comprehensive expert plans made or revised for better land management of all urban areas.

Land records be in digital format in a single land authority.

Initiate an austerity drive in the federal and provincial governments at once. Cut the budget of these government outlays, including defense.

Revise the inter-governmental arrangements in education and health sectors after the 18th Amendment, to formulate a uniform policy.

Azad Kashmir and Gilgit Baltistan be set up as Pakistan's new provinces by amending the constitution. Pakistan has no choice but to revamp the FBR on a priority basis. Also, improve governance issues to increase the pitiable exports. Distressed economic conditions require bold actions. Focus on stabilizing the economy on a priority basis.

End corrupt practices in the economic sector. For example, the Benaami property like done recently in India. Attach these properties to the state authorities. Expand the services of the Ehsaas program at once and ensure prompt delivery of income support to the poorest of the poor. Reduction of national holidays Standardization of weights, measures, and the like. For example, stop using "arubs," "crores" and "lakhs" and use only millions, and billions, and discard the use of "maunds" only kilograms are allowed.

A detailed Plan of Action is to be prepared within a month to strengthen key institutions like State Bank, FBR, AGP, NACTA, IB, FIA, NAB, and FPSC.

Initiate social, cultural, and educational activities like those done by the BJP's Sangh Parivar group in India. Some activities can be arranged in collaboration with effective NGOs working in the field already. For example, a Razakar Force for young men and women trained in martial arts; monsoon tree plantation campaigns in collaboration with agriculture departments, adult literacy centers, libraries, and urban clean-up campaigns using volunteers.

## Security

Pakistan has long struggled with terrorism and is once again reeling from the brutal grip of militancy and radicalism, a grave challenge that requires urgent attention and action from all. There has been a spate of terrorist incidents in Pakistan from December 2022 to the March 2023 period. Security forces have killed at least 142 terrorists during the last three months as operations to eliminate terrorism from the country continue. At least 1,007 terrorists were arrested during 6,921 operations by security forces across the country in the last three months. 556A total of 1,960 operations were conducted in K-P, of which 1,516 were area-domination operations, 301 were intelligence-based operations, and 143 were area-sanitization operations. As a result of the operations conducted by the security forces, 98 terrorists were killed and 540 were arrested in K-P.557

A high-ranking Inter-Services Intelligence (ISI) officer embraced martyrdom while seven others were injured, including two critically, in an encounter with terrorists in the northwestern region of the country on March 20, 2023.

The region has seen a resurgence of terrorist attacks since late last year, including a deadly bombing of a mosque in the city of Peshawar in which 100 people, mostly police officers, were martyred.

According to a statement issued by the military's media wing, Brigadier Mustafa Kamal Barki encountered hardcore terrorists in the Angoor Adda locality of South Waziristan, a mountainous region that borders Afghanistan and has long been a hotbed of militants.

The Inter-Services Public Relations (ISPR) said that Brigadier Barki and his team put up a valiant resistance against the terrorists during the encounter and the officer sacrificed his life for the peace of the homeland.

“Intense firing was exchanged with terrorists and two of Brigadier Barki's team members are in critical condition.”

No group has claimed responsibility. Most attacks in the region have been claimed by the outlawed Tehreek-e-Taliban Pakistan (TTP).

"[The] defense forces of Pakistan and intelligence agencies pledge to reaffirm and demonstrate firm resolve to eliminate the menace of terrorism from every inch of the country," it added.

Brigadier Barki was instrumental in locating and eradicating terrorists responsible for vicious assaults in Pakistan, including the Army Public School (APS) attack in Peshawar.

He received his commission in the esteemed Frontier Force Regiment of Pakistan on October 12, 1995. The martyred officer is survived by his spouse, daughter, and son.

The nation mourns the loss of their fallen hero, as he is honored for his bravery and sacrifice.

Pakistan's security forces have conducted numerous operations against terrorism across the country, not only arresting terrorists and their facilitators but also foiling several attacks during the last three months.

Brigadier Barki is the second most high-ranking ISI official who embraced martyrdom.

In January, two ISI officials — Director Naveed Sadiq Sial and Inspector Nasir Abbas — were martyred in a gun attack at a roadside restaurant in the Pirowal area of Khanewal.

A little-known terrorist group calling itself Lashkar-e-Khorasan immediately claimed responsibility, but the TTP later claimed that the deadly attack was conducted by its “secret squad.” Separately, three soldiers of the Pakistan Army embraced martyrdom when terrorists opened fire on a police check post in the general area Khutti in K-P’s Dera Ismail Khan district, the ISPR said in a statement.

According to the ISPR, the security forces immediately cordoned off the area and blocked all escape routes.



It said that the fleeing terrorists were intercepted in the Saggu area of the district. After an intense exchange of fire, three terrorists were killed, and weapons and ammunition were recovered from them.

During the intense exchange of fire, 42-year-old Havaldar Muhammad Azhar Iqbal from Lodhran, 34-year-old Naik Muhammad Asad from Khanewal, and 22-year-old Sepoy Muhammad Essa from South Waziristan fought bravely but were martyred.

The ISPR added that the area is being sanitized to eliminate any remaining terrorists. "Pakistan Army remains determined to eradicate terrorism, and the sacrifices of our brave soldiers strengthen our resolve," the statement said.<sup>558</sup>

A terrorist attack that took place in Peshawar Khyber Pakhtunkhwa in Pakistan on January 30, 2023, resulted in the deaths of more than 100 people and left over 200 others injured. The attack targeted a mosque situated in the highly secure zone of the city, where police and other security agencies are stationed. This is one of the deadliest incidents to have occurred in the city in several years. The responsibility for the attack was initially claimed by the Mohmand chapter of the banned Tehreek-i-Taliban Pakistan (TTP), but the TTP Central later denied any involvement. Most of the victims were police officers.<sup>559</sup>

In recent years, Pakistan has made significant strides in its efforts to combat terrorism. The country has launched numerous military operations, tightened security measures, and implemented tougher laws to crack down on extremist groups. These efforts have yielded some success, with the number of terrorist attacks declining significantly over the past few years. However, the recent mosque bombing in Peshawar is a stark cue that the threat of terrorism remains very real. While Pakistan has made progress in its fight against extremism, the country cannot afford to let its guard down. The neoteric onslaught is a clear indication that more needs to be done to address the root causes of terrorism and extremism in the country.

Not only does this attack point to an utter failure in security and intelligence, but it reaffirms the TTP's message: "We can kill you anywhere, anytime, including in mosques, and the army and government cannot protect you." Following the Taliban's takeover of Afghanistan in August 2021, there has been an 84 percent increase in TTP attacks. This can be attributed to the close ideological, tribal, and operational ties between the Taliban and the TTP, with the TTP having rear bases in Afghanistan to launch attacks into Pakistan. Despite the Taliban condemning the attacks, it is widely believed that their words are insincere. Pakistan has been

pressuring the Taliban to shut down TTP camps in Afghanistan, where an estimated 6,000 fighters are located, since the Taliban takeover. However, the Taliban have refused to comply, and it is unlikely that they will do so in the foreseeable future. This confirms that Pakistan's support for the Taliban's return to power in Kabul was a flawed decision and is posing a security nightmare for Pakistan. One of the major challenges in addressing terrorism in Pakistan is the complex nature of the problem. Extremist groups are often deeply entrenched in local communities, making it difficult to root them out.

A day after the Peshawar attack, a police station in Mianwali, Punjab, came under a gun attack by heavily armed TTP fighters. It was the first terror attack of its kind in Punjab province. While the attack was repulsed, it illustrates the extent of the TTP's present reach along areas of the Afghan-Pakistan border. In November 2022, the TTP announced a unilateral ceasefire with the Pakistani government, but it was short-lived. The insurgent group has frequently attacked police check posts and stations in Khyber Pakhtunkhwa and areas bordering Afghanistan since ending their unilateral ceasefire with the Pakistani government in November 2022.

One of the major challenges in addressing terrorism in Pakistan is the complex nature of the problem. Extremist groups are often deeply entrenched in local communities, making it difficult to root them out. Furthermore, poverty, illiteracy, and political instability have created an environment in which extremism can thrive. To effectively combat terrorism in Pakistan, a multi-faceted approach is needed. This includes addressing the root causes of extremism by investing in education, creating job opportunities, and addressing political grievances. It also means strengthening the country's law enforcement agencies and improving intelligence-gathering capabilities to better identify and neutralize terrorist threats. In addition to these efforts, it is also essential for Pakistan to work closely with its regional and international partners to address terrorism. The recent attack in Peshawar is a reminder that terrorism is a global problem that requires a coordinated response from the international community.

Thus far, all attempts at negotiating with local terrorist organizations have failed. With groups like TTP growing increasingly confident and conducting more complex attacks, there has been an increasing demand for a "military solution" to the problem. The military would need to implement a comprehensive strategy to effectively deal with the growing threat posed by terrorist groups like the TTP. At any rate, the military will need to be seen doing something. This means it will need to ruthlessly go after the TTP not only inside Pakistan but in Afghanistan as

well. The Pakistan army will be very reluctant to do this, but they have no choice if they want to see an end to terrorist acts throughout the country. Given that bilateral relations with Kabul are already at an all-time low, that should not be a critical factor in the army's counter-terrorism calculations. At last, the military could work towards improving community engagement and strengthening local law enforcement agencies to help prevent the radicalization of individuals and disrupt terrorist recruitment efforts.

### India Factor

Enmity with India is an ongoing affair with no evidence of a thaw in the relationship.

Very recently, in an unprecedented move, India denied Pakistan's participation in the Shanghai Cooperation Organization (SCO) seminar on armed forces' contributions to military medicine, healthcare, and pandemics, held in New Delhi. India is currently the president of the SCO and is hosting a series of events. Pakistan was expected to attend the conference. As expected, India objected to the map used by the Pakistani side, showing Jammu and Kashmir as its territory. After the matter came to the Indian external affairs ministry's notice, the Pakistani side was asked to show the "correct map" or to stay away from the seminar.<sup>560</sup>

The Pakistani delegation chose to stay away.

Pakistan rejected the Indian excuse that it could deny participation of a member state in an SCO event based on a flawed understanding of the nature of a disputed territory between Pakistan and India. Pakistan has urged India not to exploit its SCO leadership to advance its self-serving objectives and politicize the organization.

India has invited Pakistan's defense and foreign ministers to attend the SCO meetings in April and May. Pakistan has yet to respond to the Indian invitation.<sup>561</sup>

Strained relations are expected to continue unabated in the future.

Given the history of past peace breakthroughs with India, there is an urgent need to develop an out-of-the-box-thinking paradigm yet again. In the past, certainly, there have been Indo-Pak channels of communication outside formal institutions. Referred loosely as track-II, most of these dialogues have been supported by sources outside South Asia (for example, the U.S., Canada, United Kingdom, and Germany), and have been seen with apprehension by the two states. While some of these dialogues were comprehensive, others were focused on specific

issues such as nuclear and military cooperation, water, and Afghanistan. Some track-II dialogues (for example the Chaudhary and Ottawa dialogues) had met regularly, even during difficult circumstances. Led by big names on both sides, these dialogues featured former bureaucrats, retired military officials, academics, and media professionals. While track II dialogue is a useful resource, unfortunately, Indo-Pak bureaucracies tend to listen little to external input, even if it is projected through their former secretaries and retired military officials. Unlike the West, our bureaucracies are not known for consulting outside resources — both formally and informally. As a result, the track-II channels remain under-utilized.

Much earlier, Jindal, an Indian businessperson had secretly met Prime Minister Nawaz Sharif in Murree. The meeting had then been vociferously criticized in a section of the media and was suspected of being a sellout by Nawaz Sharif. The meeting was not a Nawaz Sharif sellout, as such because some sort of dialogue with India was in Pakistan's national interest.

Pakistan and all its neighbors desired regional peace but that was only possible with the solution to the Kashmir dispute. Nothing else will convince the powerful Pakistan military establishment to suspend the further development of the nuclear arsenals. Remember the country with the most rapid expansion of nuclear weapons is Pakistan. This is indeed ironic because Pakistan is also a country imploding from within. Pakistan's nuclear weapons cannot save it from this landslide. Bad governance and corruption are now endemic in the country. The Pakistan military leadership must realize that having such a large nuclear establishment is not helping matters at all. We are facing an unconventional war and nuclear weapons are of no use here. The primary threat is from within, as rightly acknowledged by the Army brass recently. Pakistan had suffered from militancy more than any other country in the world. The new Sharif coalition government must concentrate on fighting those Islamic radicals who have set up themselves for foreign jihad ventures thereby acting against the national interests of the Pakistani state. This is a terrorism problem much like what India has seen in the last few decades. Meaning that it must be taken as basically police operations only. No massive use of force is necessary here. Plus, the real battle is to win over the dissatisfied local populace through economic and social development. Only here can the battle be won. This was not a conventional war but an extraordinary unconventional conflict that required the military establishment and the PTI government to use new weapons and tactics to fight and win. Pakistan's leadership had to act smart and think outside of the box. Things are vastly different from Pakistan's experiences in

earlier wars with India. By resolving the Kashmir dispute, both India and Pakistan can become more stable; and the stability in the two countries could promote a more stable South Asia. The foreign ministers of Pakistan and India should meet soon. Both countries should begin to normalize relations now. Discuss all disputes, including Kashmir. All lingering disputes can be resolved with time. It is necessary that a dialogue mechanism must be started, and the archrivals must agree to talk.

Earlier in 2023r, New Delhi invited Pakistan's Foreign Minister and Chief Justice for the meeting. Pakistan and India are both members of SCO and are dedicated not to undermining the organization's work despite disputes. Pakistan's Foreign Minister Bilawal Bhutto will visit India to take part in the Shanghai Cooperation Organization (SCO) Council of Foreign Ministers (CFM). The visit of the PPP leader holds much significance as it will be the first time any Pakistani foreign minister will visit archrival India in over a decade. Bhutto is attending the SCO-CFM meeting at the invitation of his Indian counterpart. Pakistan's participation at the meeting reflects its commitment to the SCO charter and the importance that Islamabad has caused to the region in its foreign policy priorities.

The SCO moot, which is also being attended by Russia, China, India, Iran, and Central Asian States will be held on May 4 and May 5 in the Indian city of Goa.<sup>562</sup>

Pakistan's Foreign Minister Bilawal Bhutto-Zardari will visit India on April 29, 2023to participate in the Shanghai Cooperation Organization (SCO) Council of Foreign Ministers (CFM). The visit of the PPP leader holds much significance as it will be the first time any Pakistani foreign minister will visit archrival India in over a decade. Bhutto is attending the SCO-CFM meeting at the invitation of his Indian counterpart.

The Foreign Ministry spokesperson said Pakistan's participation at the meeting reflects our commitment to the Shanghai Cooperation Organization charter and the importance that Islamabad has caused to the region in its foreign policy priorities.

Meanwhile, tensions between Pakistan and India continue unabated but nuclear-armed neighbors are members of SCO and are dedicated not to undermining the organization's work despite disputes. Diplomatic relations between India and Pakistan have been beset by decades of distrust and occasional bouts of open conflict.

But they have been especially contentious since 2016 when militants attacked an Indian army base in Kashmir. India blamed the attack on Pakistan, which Islamabad denied.

In February 2019, tensions between the two countries had escalated after Pakistan claimed to have shot down two Indian fighter jets a day after India said it launched airstrikes in Pakistani territory in the first such incursion by Indian air force planes since the India-Pakistan war of 1971. The immediate trigger for the 2019 confrontation was a suicide car bomb attack in Indian-controlled Kashmir, which killed 40 Indian paramilitary soldiers. India blames the militant group Jaish-e-Mohammed (JeM) for the attack, the deadliest on security forces since the beginning of the insurgency in the late 1980s.

In August 2019, Pakistan announced it would downgrade diplomatic relations and suspend bilateral trade with India after New Delhi stripped the disputed state of Jammu and Kashmir of its special status.

#### US Factor

Since the change of government in April 2022, there has been a visible push by both Pakistan and the US to reset their ties. Similarly, Pakistan is desperately looking for the IMF bailout and the US role could be very crucial in that.

However, at the same time, Pakistan cannot antagonize China, whose support is critical for the country in case there is no IMF deal.

"Frankly, we need to stay neutral. We need to stay out of this power game of big powers," said a source explaining the reason behind Pakistan skipping the summit for the second time.<sup>563</sup>

In a series of tweets, Khalilzad claimed that indications showed that Pakistan's parliament may ask the Supreme Court to disqualify Imran Khan from running for election and prohibit PTI in the next few days. "The government appears to have decided to set up Imran Khan as Enemy No 1 of the State. Such steps will only deepen Pakistan's triple crises: political, economic, and security. Already, some countries have suspended planned investments," he claimed. "The IMF support remains doubtful." The former US diplomat warned that Pakistan's international support will "decline further" and political polarization and violence will "likely increase" if Imran Khan and the PTI were attacked.

“I hope the Pakistani political leaders rise above destructive petty politics that undermine the national interest. If not, I hope the Supreme Court says no to being used in games that undermine the nation's interests. I am becoming increasingly concerned about Pakistan.”

Earlier, the Foreign Office reacted strongly to Khalilzad’s “lectures” and told him that his feedback is not needed.

Meanwhile, the PTI is making amends for its earlier anti-American political posturing. The PTI has engaged lobbying firms in the US after which several Congresspeople and other influential figures have spoken in favor of the former prime minister.

The PTI has now been embroiled in controversies facing multiple legal challenges since its ouster from the government.

Increasingly, American interest in Pakistan is taken for granted. The current crisis demands some facilitation by the US for it will not be resolved on its own. Given Pakistan’s isolation, only the US can help resolve the internal conflict. That much is truly clear.

Despite the Foreign Office rejoinder, former US diplomat Zalmay Khalilzad continued to dwell on the current political situation in Pakistan as on March 23, 2023, he produced another statement urging the country's civil and military leadership to change the "disastrous" course. He said that in Pakistan, civil and military leaders “might ponder the state of their country and the disastrous course it is on.” In respect of their obligations and the interest of their people, they should “change course.”:564

This was his third statement in a week on the brewing political tensions in Pakistan. Many were taken by surprise by how a former US diplomat was taking a keen interest in Pakistan politics and making specific proposals.

On March 14, Khalilzad in a series of tweets said Pakistan was facing triple crises that warranted soul searching.

As Lahore descended into chaos after the police attempted to arrest PTI Chairman Imran Khan last week, the former US ambassador to Afghanistan and Iraq wrote: “Pakistan faces a triple crisis: political, economic, and security. Despite enormous potential, it is underperforming and falling far behind its archrival, India. It is time for serious soul-searching, bold thinking, and strategizing.”

“The sequential cannibalizing of its leaders through jailing, execution, assassination, etc. is the wrong path,” Khalilzad said and went on to caution that Khan’s arrest would only “deepen the crisis.”

He suggested two steps to deal with the brewing political and economic crises.

The first step, he said, would be holding parliamentary elections in June.

Secondly, he called for using the time for main political parties to “confront what has gone wrong and propose a specific plan to rescue and put the country on a path to stability, security, and prosperity.”

“Whichever party wins the election will have a mandate from the people on what must be done,” he said.

But his statement drew a strong reaction from the Foreign Office.

“Pakistan does not need lectures or unsolicited advice from anyone on how to cope with the challenges we face today. As a resilient nation we will come out stronger from the present demanding situation,” the Foreign Office spokesperson said in a statement.<sup>565</sup>

But despite Pakistan's objection, Khalilzad issued another statement this week warning authorities not to ban Imran from taking part in politics.

"There are indications that Pakistan's parliament, which is controlled by the governing coalition, might well ask the Supreme Court to disqualify Imran Khan from running for election and even prohibit PTI in the next few days," Khalilzad claimed.

"The government appears to have decided to set up Imran Khan as Enemy No 1 of the State. Such steps will only deepen Pakistan's triple crises: political, economic, and security. Already, some countries have suspended planned investments," he said.

"The IMF support remains doubtful. If the steps mentioned take place, international support for Pakistan will decline further. Political polarization and violence will increase," he added.

"I hope the Pakistani political leaders rise above destructive petty politics that undermine the national interest. If not, I hope the Supreme Court says no to being used in games that undermine the nation's interests. I am becoming increasingly concerned about Pakistan."

The series of statements given by the former diplomat is seen because of lobbying by PTI in Washington. The party hired a lobbying firm in February to restore its ties with the US.



Sources said Khalilzad developed close ties with the government of then-premier Imran when he was President Trump's point man on Afghanistan.

Khalilzad had played a key role in bringing Imran and Trump close on Afghanistan.

The other person was Senator Lindsey Graham.

Khalilzad is the first US former diplomat who stated in favor of Imran.

Recently, US Congressman Brad Sherman too voiced concerns over the human rights situation, particularly concerning alleged police highhandedness against the PTI workers.

Pro-Imran statements coming from the US may be the result of behind-the-scenes lobbying by the PTI or its supporters influencing Washington.<sup>566</sup>

On March 27, 2023, the United States issued a clarification on the statements of former US envoy for Afghanistan Zalmay Khalilzad regarding the political situation in Pakistan.

In recent days, former American diplomat Khalilzad had supported Imran Khan's position in successive statements and had said that the elections in Pakistan should be held soon. Khalilzad's remarks had also been condemned by the Pakistani Foreign Office. Khalilzad, while stating the political situation in Pakistan, said that Pakistan is facing three crises, which are political, economic, and security related.<sup>567</sup>

"Mr. Khalilzad is a private citizen, and any social media activity or comments or tweets that you might reference, those are done in his private capacity," US State Department spokesperson Vedant Patel clarified on March 27, 2023, during a press briefing.

Patel said that Khalilzad's statements do not represent US foreign policy and that he [Khalilzad] does not speak for the Biden administration.

The former US diplomat had warned that Pakistan's international support will "decline further" and political polarization and violence will "likely increase" if Pakistan Tehreek-e-Insaf (PTI) Chairman Imran Khan and the PTI were attacked. "I hope the Pakistani political leaders rise above destructive petty politics that undermine the national interest. If not, I hope the Supreme Court says no to being used in games that undermine the nation's interests. I am becoming increasingly concerned about Pakistan," he had said.<sup>568</sup>

The Foreign Office had reacted strongly to Khalilzad's "lectures" and had told him that his feedback was not needed.

“Pakistan does not need lectures or unsolicited advice from anyone on how to cope with the challenges we face today. As a resilient nation, we will come out stronger from the present tricky situation.”

"It is time for serious soul-searching, bold thinking, and strategizing," Khalilzad had written on Twitter. "The sequential cannibalizing of its leaders through jailing, execution, assassination, etc., is the wrong path. Arresting Imran Khan will only deepen the crisis," he had added.

Meanwhile, on being asked his opinion on the current political chaos in Pakistan, Patel responded that any implication of violence, harassment, or intimidation has no place in politics.

He said that the US “encourage all sides in Pakistan to respect the rule of law and allow the people of Pakistan to democratically determine their own country’s leadership” according to their constitution and laws.<sup>569</sup>

Zalmay Khalilzad has expressed shock over Interior Minister Rana Sanaullah’s recent “threatening remarks” against PTI chief Imran Khan, terming the statement an incitement to violence. On March 28, 2023, he said the Pakistani interior minister's statement that "either Imran Khan exists, or we do is shocking and should be rejected by all god-fearing and law-abiding Pakistanis”.<sup>570</sup>

In a recent interview, Sanaullah said that the country’s political situation has reached the point where the ruling Pakistan Muslim League Nawaz (PML-N) can go to any extent to protect its existence from PTI chief Imran Khan.

“The country’s politics has been brought to the level where the existence of only one of the two [PTI and PML-N] is possible,” the interior minister said in an interview.

Terming his remarks as an incitement to violence against the country’s major political leader, Khalilzad urged Prime Minister Shehbaz Sharif to publicly disassociate himself from his minister's comments.

“This mindset is a big reason for Pakistan's dysfunctionality. If that does not change, the country will continue to be mired in crisis,” he added.<sup>571</sup>

The former US envoy appeared unfazed by Pakistan’s Foreign Office's repeated warnings against meddling in the country’s internal affairs and continued to issue statements mainly in favor of the PTI chief.

On March 28, 2023, today, Principal Deputy Spokesperson for the United States Department of State Vedant Patel stated that the former US diplomat, Khalilzad was a private citizen whose opinions did not represent Washington's foreign policy.

During a press briefing, a Pakistani journalist asked Patel to clarify Khalilzad's statements after the ex-ambassador was observed "advising the Pakistani government" and the Supreme Court regarding the political situation in the country.

The reporter stated that there was a general sentiment in Pakistan that Khalilzad's statements expressed the US government's sentiments.

The spokesperson quickly clarified that "any social media activity or comments or tweets" by the former diplomat were done in "his private capacity" as he did not speak for the administration. 572

Meanwhile, Pakistan was becoming cautious about restoring ties with the US because of its strained relations with China. Very recently, the democracy summit, which would be hosted by US President Joe Biden in Washington this week, has forced Pakistan to walk a tightrope.

Pakistan is among over 100 countries invited by the Biden administration on a three-day summit to be kicked off on March 28, 2023. However, Islamabad is in a bind -- to take a call on the US invitation or not.

What makes the Pakistani decision complicated is that the US has not invited China and Turkey while Taiwan would be attending the summit. Pakistan enjoys close relations with China and Turkey and whatever decision the relevant quarters would take will keep both countries, particularly Beijing's concerns, in view.

Islamabad skipped the first US democracy summit in December 2021 because of China's exclusion from the event. Pakistan also stayed away from the summit since President Biden did not speak to the then prime minister Imran Khan. Moreover, Imran was only asked to send a recorded video statement for the summit, something that compelled the government to stay away.573

The Foreign Office had issued a diplomatic statement thanking the US for the invitation and said it would engage with Washington at an appropriate time. Beijing welcomed Islamabad's move reinforcing the perception that Pakistan had decided at the behest of China.

This time the government is facing a similar but more complex situation. Since the change of government in April last year, there has been a visible push by both Pakistan and the US to

reset their ties. Similarly, Pakistan is desperately looking for the IMF bailout and the US role could be very crucial in that.

But at the same time, Pakistan cannot antagonize China, whose support is critical for the country in case there is no IMF deal.

It is because of these reasons that the final decision has not yet been taken. "Frankly, we need to stay neutral. We need to stay out of this power game of big powers," said a source suggesting that Pakistan might opt out of the democracy summit.<sup>574</sup>

Meanwhile, President Biden has invited 121 leaders for the three-day, mostly virtual summit — eight more than in 2021.

The sessions will bring in civil society representatives for discussions on a range of challenges to democracy, including surveillance technology, which the US sees as a growing threat as China makes rapid technological advances.

"In the absence of pending Congressional action in that space, it is important that the administration is engaging bilaterally with other countries and also with companies on voluntary actions that can be taken in the interim," Flacks said.

The summit will open on March 28, 2023, with a virtual conversation on peace in Ukraine featuring President Volodymyr Zelenskyy.<sup>575</sup>

After intense in-house deliberations, Pakistan decided on March 28, 2023, to skip the second 'Summit for Democracy' being hosted by United States President Joe Biden this week.

Pakistan had been invited to the three-day summit initiated by President Biden in 2021 as well but did not attend due to concerns related to China. This year, the US has invited over 100 countries, including Taiwan but once again excluded China.

Just hours before the summit were to kick off, the Foreign Office issued a statement citing reasons for not attending the summit.<sup>576</sup>

"We are thankful to the United States and the co-host countries for inviting Pakistan to attend the Second Summit for Democracy being held on 29-30 March," read a statement.

"As a vibrant democracy, the people of Pakistan are deeply committed to democratic values, and generations of Pakistanis time after time have upheld their faith in democracy, human rights, and fundamental freedoms. This month, the nation is celebrating the 50th anniversary of the 1973 Constitution that is the fountain of a democratic polity in Pakistan," the statement further read.

"We value our friendship with the United States. Under this Biden Administration, this relationship has widened and expanded substantially. We remain committed to further solidifying this relationship for peace, stability, and prosperity in the region."

The statement said that Pakistan had not been part of the summit process that commenced in 2021 and required countries to make certain national commitments.

"The Summit process is now at an advanced stage and therefore, Pakistan would engage bilaterally with the United States and co-hosts of the Summit to promote and strengthen democratic principles and values and work towards advancing human rights and the fight against corruption," it said.<sup>577</sup>

What made Pakistan's decision complicated was that the US has not invited China and Turkey while Taiwan would be attending the summit.

Pakistan enjoys close ties with China and Turkey and any decision taken would keep in view both countries, particularly Beijing's concerns.

Islamabad skipped the first US democracy summit in December 2021 because of China's exclusion from the event. Pakistan also stayed away from the summit since President Biden did not speak to Prime Minister Imran Khan. Moreover, Imran was only asked to send a recorded video statement for the summit, something that compelled the government to stay away.

Beijing had welcomed Islamabad's move, reinforcing the perception that Pakistan had decided at the behest of China.

Since the change of government in April 2022, there has been a visible push by both Pakistan and the US to reset their ties. Similarly, Pakistan is desperately looking for the IMF bailout and the US role could be very crucial in that.

However, at the same time, Pakistan cannot antagonize China, whose support is critical for the country in case there is no IMF deal.

"Frankly, we need to stay neutral. We need to stay out of this power game of big powers," said a source explaining the reason behind Pakistan's skipping the summit for the second time.<sup>578</sup>

Pakistan announced on March 28, 2023, it will not participate in this week's U.S.-led Summit for Democracy, a move that was seen in part as an effort by the impoverished Islamic nation to assuage longtime ally China, which was not invited.

Pakistan's Foreign Ministry in a statement thanked the United States and its co-hosts for the invitation. Pakistan was also not part of the first and only summit held in December 2021.

"Pakistan would engage bilaterally with the United States and co-hosts of the Summit to promote and strengthen democratic principles and values and work towards advancing human rights and the fight against corruption," the statement said.

Pakistan did not attend the 2021 summit amid growing tension between the government of then-Prime Minister Imran Khan and the U.S. administration of President Joe Biden. Relations between Washington and Khan were further strained when Khan visited Moscow in February 2022 during the Russian invasion of Ukraine. Two months later Khan was ousted in a no-confidence vote in Parliament by an alliance of major political parties. Since then, Khan has alleged that the vote that removed him was a U.S.-organized plot, a charge that Washington and Khan's successor Shahbaz Sharif have denied.

In the March 28, 2023, statement, the foreign ministry under Sharif said Pakistan values its friendship with the United States. "Under this Biden Administration, this relationship has widened and expanded substantially. We remain committed to further solidifying this relationship for peace, stability, and prosperity in the region," it said.<sup>579</sup>

The summit is taking place days after a leading international rights group in its annual report expressed concern over continued violations of human rights in Pakistan. These include enforced disappearances, curtailments on peaceful assembly, and tightening of controls on freedom of speech. Amnesty International said "Blasphemy allegations continued to spark violence against both religious minorities and Muslims" in 2022.<sup>580</sup>

Fawad Chaudhry, a senior leader from Khan's Pakistan Tehreek-e-Insaf party (PTI), released a report describing how the current government under Sharif is continuing a crackdown on Khan supporters that began with his ouster in April. He said hundreds of Khan supporters have been detained in recent weeks.<sup>581</sup>

Pakistani analyst Imtiaz Gull, executive director at the Islamabad-based Center for Research and Security Studies, said there were multiple factors behind Pakistan's decision to skip the summit. One of them is Pakistan's desire to assuage concerns from China, which was not invited.

While relations between the U.S. and China have been strained, China has been helping Pakistan's efforts to overcome its deepening economic crisis.<sup>582</sup>

Given the increasingly strained relations between the US and China, the PDM government was concerned about annoying China.

Talks with the International Monetary Fund (IMF) for a bailout have been on hold since last year. That has annoyed Pakistan, which has been trying to get help from Washington to influence the IMF into releasing the loan to Pakistan.<sup>583</sup>

Gull also noted the growing instability in Pakistan amid a widening crackdown on Khan and his political party as a factor for Pakistan to bow out of the summit.

"It does not happen in democracies what is happening in Pakistan, where the country's former premier Khan has been implicated in more than 127 cases, and hundreds of his party workers have been arrested on a range of charges, including terrorism," he said.

"What would you present there if you go to participate in the summit about democracy and democratic values?" he said.<sup>584</sup>

As expected, the US and Pakistan are collaborating on the climate emergency issue. As the world grapples with the urgent need to address climate change, the United States and Pakistan are leading the charge with a ground-breaking collaboration: the US-Pakistan Green Alliance. A dynamic partnership aimed at boosting bilateral cooperation on sustainable development, clean energy, and climate action, this is poised to not only enhance climate action efforts but also stimulate economic growth, improve the quality of life, and provide a model for other countries to follow. During a meeting with senior journalists, US Ambassador Donald Bloom referred to the alliance as "a prime example of a strong and enduring partnership aimed at improving the lives of Pakistanis and Americans."

Pakistan is highly vulnerable to the impacts of climate change, including water scarcity, extreme weather events, and declining crop yields. The country also faces significant challenges in meeting its growing energy demand, which has led to increased reliance on fossil fuels and worsened environmental degradation.<sup>585</sup>

The alliance seeks to address these challenges by promoting renewable energy (RE), sustainable agriculture, and green transportation, among other areas. Additionally, it aims to create new opportunities for economic growth and development in Pakistan. By investing in sustainable infrastructure, innovation, and research and development, the alliance seeks to revolutionize Pakistan's economy while promoting environmental sustainability.

Under the alliance, the US will launch additional initiatives to support the sector, including a four-year \$4.5 million fertilizer efficiency “Fertilizer Right” program, a climate-smart agricultural program to build the resilience of farming communities facing climate change and involving studies and capacity building to improve waste management practices, and methane abatement through changes in animal feed, reproductive health, and manure management.

On water management, the US government has helped provide more than 95% of Pakistan’s water storage capacity through the Mangla, Tarbela, and Gomal Zam dams. These dams help prevent potential flood damage for millions of Pakistanis.

Three – Enhancing climate resilience and adaptation measures: The US will support Pakistan in building climate-resilient infrastructure, such as real-time flood forecasting, protection of natural areas, environmentally conscious designs, and stormwater management systems.

It has given \$1 billion to the GCF, part of which will go towards climate adaptation initiatives, such as climate-resilient agriculture and Indus Basin water management.

Moreover, the US Cotton Council advises Pakistani partners on cotton use, enhancing the effectiveness of \$4.4 billion worth of textile exports to the US annually.

The US will launch an accelerator program to mobilize domestic and international finance for clean energy and catalyze investment for climate mitigation and adaptation.

Additionally, a feasibility study grant will be funded to improve Karachi’s environmental conditions and waste management practices through advanced technology to convert cattle waste into biomethane and fertilizer.

Four – Supporting capacity building, education, and innovation in the green sector: The alliance strongly emphasizes capacity building and innovation in the green sector. This includes establishing vocational training programs for green jobs, fostering environmental awareness through educational initiatives, and supporting research and development in clean technologies.

The US-Pakistan Green Alliance promises to have the following impacts:

One, the alliance can drive economic growth by creating new opportunities in the RE, agriculture, and clean technology sectors, leading to new industries, job creation, and economic diversification.



Two, the alliance will enhance Pakistan's energy security and reduce dependence on fossil fuels by increasing the share of RE in the energy mix. This will ensure a stable energy supply and decrease Pakistan's vulnerability to global price fluctuations.

Three, by promoting energy efficiency and sustainable practices, the alliance will help reduce greenhouse gas emissions, promote sustainability, and support Pakistan in building resilience against climate change impacts.

Four, the alliance will reduce pollution by promoting sustainable practices, improving air quality, reducing water contamination, and creating healthier ecosystems. These improvements will benefit public health and reduce the prevalence of water and airborne diseases and other pollution-related health issues. Five, the alliance strengthens the strategic partnership between the US and Pakistan by fostering cooperation on climate change and environmental issues.

By working together to achieve common sustainability goals, the two countries can enhance mutual trust, promote regional stability, and create a platform for further cooperation in other areas of mutual interest. Amidst ongoing debates over the disproportionate impacts of climate change between the global south and north, the US-Pakistan Green Alliance is a significant step towards addressing this critical challenge and fostering sustainable development between nations.

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The key objectives of the alliance include One – Strengthening renewable energy capacity and efficiency: The US has a long history of supporting Pakistan in the energy sector. As part of the alliance, the US is helping Pakistan increase its RE capacity by investing in RE projects.

This includes supporting updates to the Mangla and Tarbela Dam power stations. Once finished, Mangla Dam's capacity will increase by 30% and Tarbela Dam's life will increase by 30 years.

Additionally, the US is supporting the solarization initiative, under which 10,000MW of solar power will be installed, providing power to more than a third of Pakistani households.

These efforts will bolster Pakistan's goal of generating 60% of its electricity from renewable sources by 2030 from the current 34%.

The US will also provide technical assistance to improve Pakistan's energy efficiency, particularly in the industrial and transport sectors, leading to reduced energy consumption, decreased greenhouse gas emissions, and mitigating the impacts of climate change.

This support includes a grant to further the R&D of electric vehicles at LUMS and a \$500,000 project to restore electricity infrastructure in the flood-hit areas in Sindh.

Two – Promoting sustainable agriculture and water management practices: The US famously supported Pakistan's "Green Revolution" in the 1960s when US agronomist and Nobel laureate Norman E Borlaug collaborated with Pakistani scientists to increase the productivity of wheat varieties by 25%.

Similarly, this alliance aims to promote sustainable agricultural practices to improve productivity and reduce the environmental footprint of the agricultural sector.

Pakistan Agricultural Technology Transfer Activity has introduced innovative tools and technologies for 150,000 farmers, while the Horticultural Advancement Activity in K-P and Balochistan has helped over 12,000 farmers to improve management practices and technologies on 2,000 hectares, increasing yield and reducing harvest and post-harvest losses.

Additionally, the US support has improved irrigation of 5,500 hectares in Gilgit-Baltistan, providing more than 4,000 jobs and helping 5,707 farmers increase production.

Under the alliance, the US will launch additional initiatives to support the sector, including a four-year \$4.5 million fertilizer efficiency "Fertilizer Right" program, a climate-smart agricultural program to build the resilience of farming communities facing climate change and involving studies and capacity building to improve waste management practices, and methane abatement through changes in animal feed, reproductive health, and manure management.

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climate change between the global south and north, the US-Pakistan Green Alliance is a significant step towards addressing this critical challenge and fostering sustainable development between nations.

By working together to enhance climate change adaptation and mitigation efforts, foster green economic growth, and promote research and innovation, the alliance has the potential to become a model of international cooperation in the fight against climate change, reaffirming the idea of "one world, one goal" in addressing the most pressing environmental challenges of our time.<sup>586</sup>

### China Factor

Today, relations between Pakistan and China are warm. As expected, the new Sharif coalition government is set to consolidate Pakistan's already strong relationship with China. Very recently, Pakistan's new foreign minister, meanwhile, held a virtual meeting with China's State Councilor and Foreign Minister Wang Yi. The state councilor extended felicitations to the Foreign Minister on an assumption of office. The two foreign ministers discussed bilateral, regional, and global issues of mutual interest. Bilawal conveyed that Pakistan enjoyed unique and time-tested bonds with China and appreciated the measures taken by the two sides to strengthen the All-Weather Strategic Cooperative Partnership between the two countries. He thanked his counterpart for China's firm support of Pakistan's sovereignty, territorial integrity, independence, and national development, and reaffirmed Pakistan's full support to China on all issues of its core interest.

The FM underscored his determination to inject fresh momentum into the bilateral strategic cooperative partnership and add new avenues to practical cooperation. He appreciated the transformational impact of CPEC on Pakistan's infrastructure, energy, industrialization, socio-economic development, and improvement in the livelihoods of the people. He underlined that Pakistan was committed to the high-quality development of CPEC and looked forward to fast-tracking key projects and accelerating industrial relocation to Pakistan, especially in CPEC SEZs.

Condemning the terrorist attack at Karachi University in which three Chinese teachers lost their lives, the foreign minister underlined Pakistan's firm resolve to apprehend the perpetrators

and bring them to justice. He reiterated that Pakistan attached high importance to the safety and security of Chinese projects, nationals, and institutions in Pakistan. The two foreign ministers also discussed the evolving situation in the region and beyond, the dire humanitarian and economic situation in Afghanistan. Bilawal also briefed his Chinese counterpart on the gross human rights violations and serious situation in India's Illegally Occupied Jammu and Kashmir. Both agreed to remain in close contact.<sup>587</sup>

Army Chief General Syed Asim Munir embarked on a four-day official visit to China on April 24, 2023. This is his first visit to China since he assumed the charge as army chief on November 29, 2022. It is a bit unusual that the army chief's visit took some time to materialize. It is common that the new army chief in Pakistan to undertake a visit to China within weeks of his appointment. The delay this time is attributed to the internal situation in Pakistan as well as the transition in China.<sup>588</sup>

Only recently, President Xi Jinping began his third five-year term with new the prime minister as well as defense and foreign ministers. The visit is seen as crucial as China is Pakistan's financial lifeline and a key strategic partner. With the recent rapprochement between Saudi Arabia and Iran brokered by China, Pakistan is keen to take advantage of the new alignments. Pakistan has in recent months tried to woo the US but there is a growing sense in Islamabad that the country may eventually have to look towards China to advance its economic and strategic interests.<sup>589</sup>

One of the reasons is that there has been despondency in Pakistan about the US that it did not help secure the IMF bailout. There is also the realization that Washington would no longer extend any cash dole-outs. In this situation, China may be the only option for Pakistan. Observers feel the Chinese leadership would be keen to listen to the new army chief about all these intricate strategic issues. The security of Chinese nationals and China's interests in Pakistan would be one of the key talking points during the army chief's visit.<sup>590</sup>

Pakistan's relations with China are strong and getting even stronger. China has a vital interest in ensuring that not only does Pakistan's economic situation not get worse, which could threaten the overall stability of the country and the viability of its CPEC project, but that it can maintain its defense capability. Therefore, China will assist Pakistan financially, especially considering the West's increased interest in selling military hardware to India. Undoubtedly, China wants a secure Pakistan, which it would protect in the face of direct aggression.

## Brief Analysis

Pakistan faces complex challenges, internal and external with no easy solutions in sight. Pakistan's challenges include weakened political leadership, the poor overall performance of state institutions, poor public services, massive poverty, burgeoning population, rampant urbanization, continuing military control of Pakistan's foreign and security policy framework, bad governance, the impact of continuing conflicts with India, Afghanistan war situation, increased militancy, and endemic corruption allegations.

Notwithstanding the Opposition's outlandish political rhetoric, it should be allowed to continue with it. The Opposition protests can be a great nuisance but certainly not wreck the Sharif Government. Maturity requires that the Opposition blasts, sometimes without merit, be tolerated only because Pakistan is a democracy, though a fragile one. The Sharif coalition government is bent on overreaction to Imran Khan's protest politics. Such action an overreaction by the Sharif Government will create more chaos and anarchy in the country. Tolerance must be shown and let politics play out without state intervention. Wisdom must prevail. Why no action? The Sharif government must only focus on delivering good governance. It does not have to be obsessed with the Opposition, as it will be bad for the government, and the country. Pakistan deserves better.

Today, Pakistan is facing continuously deteriorating macroeconomic indicators, like the depreciating rupee and depleting forex reserves, increasing current account and budget deficits. It is facing an economic crisis because of massive corruption, bad planning, bad governance, and even political instability. Like elsewhere, Pakistan is also challenged by the Covid-19 lockdowns which have also severely affected the country's economy. The country faces profoundly serious governance challenges, and the new Shanaz Sharif coalition government must focus on them. Attention should be paid to delivery alone and not Imran Khan. The people expect relief soon enough as they suffer from inflation and other economic issues. Given the precarious nature of Pakistan's economy, the Sharif coalition government has no choice but to adhere to IMF conditionalities, no matter how tough. Other lenders are watching to see whether the Pakistan government does so, as promised. Today, Pakistan needs to gain the trust of the international community to ensure a good deal with the IMF, and other international financial institutions. The

country needs foreign help to stabilize its economy and therefore must take quick action in this area. Notwithstanding the Sharif government's claims, Pakistan will not receive the IMF bailout any time soon.

Pakistan faces a complex internal challenge: weakened political leadership, the poor overall performance of state institutions, poor public services, massive poverty, burgeoning population, rampant urbanization, continuing military control of Pakistan's foreign and security policy framework, bad governance, the impact of continuing conflicts with India, Afghanistan war situation, increased militancy, and endemic corruption allegations. Pakistan continues to suffer from an ineffective and inefficient bureaucracy and most importantly a political will to see a comprehensive agenda of reforms through to competition. Notwithstanding its pious declarations, the current Sharif Coalition government simply does not have the will to implement the reform agenda. Given the precarious nature of Pakistan's economy, the Sharif coalition government has no choice but to adhere to IMF conditionalities, no matter how tough. Other lenders are watching to see whether the Pakistan government does so, as promised. The sooner the better. Pakistan's economic crisis demands bold actions by the Sharif Government. All lenders are looking up to the future IMF signal to assist the country. Therefore, Pakistan must adhere to the IMF conditionalities, sooner than later. Populist measures, though understandable, will not work. Pakistan faces profoundly serious governance challenges, and the new Sharif coalition government must focus on them. Attention should be paid to delivery alone and not Imran Khan. The people expect relief soon enough as they suffer from inflation and other economic issues.

Pakistan is a mess. The country is facing an acute image problem. Today Pakistan was misunderstood and was, therefore, being unfairly treated by the U.S. and other Western powers for its perceived connections to global terrorism. It was more complicated now. However, there is indeed a need for a foremost reappraisal of Pakistan's domestic and foreign policies. Pakistan should strengthen its system of democracy because it was very deficient in countless ways and not functioning at all. The political paralysis was a result of these systematic faults. Islamic fundamentalism, poor governance, absence of democratic norms, intolerance in society, and inertia was the principal cause of the situation. Lack of political will to reform both state and society may be the single biggest reason for the mess. examine the deeper problem of bolstering the deficient, undemocratic decision-making structures. Due to the disinterest towards

institutionalized decision-making by Pakistan's rulers, it was hardly surprising that policy and decision-making of national importance remained personalized and incoherent. It was this very flaw that prevented the Government of Pakistan from conducting a truly national strategy. Until and unless there was an institutional decision-making process Pakistan would continue to lack intellectual content the country would always be faced with a crisis. Pakistan faced much larger challenges because of this poor policymaking. The country's past was haunting it now. Reckless decisions like the infamous U-turn of General Musharraf after 9/11 where Pakistan became an ally of the U.S. without weighing the full consequences of this abrupt departure of foreign policy. The Army's alleged support of Jihadist entities like the Jaish-e-Mohammad, Haqqani network, and Quetta Shura. The main reason for this was the personalist nature of rule in Pakistan. The civilian leaders do not follow democratic norms of decision-making. This empowered the Army even more and provided further leverage to it to influence Pakistan's decision-making. Neither the Cabinet nor the Parliament is fulfilling their given roles assigned to them. Even the Judiciary is very deficient, especially at the lower levels. The Parliament does not properly fulfill the legislative and oversight in Pakistan, as was the norm in the system of democracy. The Cabinet does not deliberate as was needed for the proper administration of the state institutions. The notion of national security was the primary driver of Pakistan's national interest which had given significant leverage to the military. The military itself had a deficient national security paradigm and a very narrow focus on the regional situation, let alone the global one. It was obsessed with its enmity with India, the historic rival. This does not condone Indian actions in any way. The point was that the military as an institution was necessarily focused on fighting wars and winning them and not working for peace.

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