



WEEKLY

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OVERVIEW

This week's *Policy Pulse* offers a wide-ranging snapshot of Pakistan's domestic policy shifts and foreign engagements, underscoring a nation attempting to balance fiscal discipline, diplomatic nuance, and sustainable growth in an increasingly turbulent regional context. From IMF negotiations and energy sector reforms to digital freight tracking and environmental resilience, the Pulse reflects a deliberate effort to consolidate stability while navigating evolving global and regional challenges.

At the heart of this issue is Pakistan's high-stakes dialogue with the IMF on budget finalization for FY2025–26, amid a persistent financing gap. Simultaneously, key domestic reforms—from expanding the FBR's digital monitoring to Sindh's ambitious EV infrastructure rollout—suggest incremental but strategic shifts in governance and service delivery. The tragic Khuzdar school bus bombing also highlights the fragility of internal security, even as Pakistan explores diplomatic openings, such as trilateral CPEC expansion into Afghanistan and renewed FAO-led rural development efforts in Balochistan.

These developments are deeply intertwined with broader global currents. The OIC's collective pact on AI cooperation signals the Islamic world's entry into the ethical AI frontier. Meanwhile, Pakistan's growing alignment with China is evident in both strategic and celebratory gestures, amid heightened tensions with India over water disputes and cross-border violence. Domestically, subpar GDP performance has reignited calls for robust digital tax reforms and targeted sectoral growth.

The policy nuggets this week emphasize transparent defence budgeting, youth-focused anti-drug efforts, crypto economy regulation, expanded glacial monitoring, and child protection. They call on practitioners to prioritize sustainable development, fiscal innovation, regional diplomacy, and climate resilience through smarter governance and technology-enabled reform. For policy-makers, the Pulse is a timely reminder: resilient governance demands foresight, intersectoral integration, and adaptive partnerships—both at home and abroad.

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Pakistan, IMF open talks on budget finalization



- Pakistan and the IMF initiated high-level policy talks in Islamabad to finalize the federal budget for FY 2025–26.
- Discussions focus on aligning the budget with IMF targets, including fiscal discipline, structural reforms, and macroeconomic stability.
- The IMF has emphasized the need for the budget to support inclusive growth, strengthen reserve buffers, and restore macroeconomic stability.

Analysis

The ongoing talks between Pakistan and the IMF are crucial for securing the next tranche of the \$7 billion loan program. Pakistan's commitment to meeting IMF targets is essential for economic stabilization, but challenges such as a widening external financing gap and geopolitical tensions could impact the outcome.

Way Forward

- Prioritize energy sector reforms and tax base expansion to meet IMF conditions and enhance fiscal sustainability.
- Explore alternative financing options to bridge the projected external financing gap and reduce dependency on IMF support.
- Engage in diplomatic efforts to mitigate regional tensions, ensuring a conducive environment for economic growth and investor confidence.

PM Shehbaz briefed on FBR's plan of digital freight tracking



- Federal Board of Revenue (FBR) is implementing a digital freight tracking system to combat sales tax evasion and smuggling.
- The system involves equipping freight vehicles with e-tags and digital devices for real-time monitoring of goods.
- The project will be rolled out in two phases, starting with one city and expanding nationwide, integrating artificial intelligence for enhanced monitoring.

Analysis

FBR's initiative to digitize freight tracking is a strategic move to enhance tax compliance and curb illicit trade activities. By leveraging technology, the government aims to create a more transparent and efficient logistics ecosystem, potentially increasing tax revenues and reducing the informal economy.

Way Forward

- Educate stakeholders about the benefits and functionalities of the new system to ensure smooth adoption and compliance.
- Invest in upgrading digital infrastructure to support the nationwide implementation of the tracking system.
- Collaborate with industry associations to address concerns and gather feedback for continuous improvement of the system.

Plan to set up EV charging stations every 50km across Sindh



- Sindh plans to establish electric vehicle (EV) charging stations every 50 km across all districts, aiming to support electric motorcycles, cars, and trucks.
- The initiative is backed by the Sindh government and Chinese investors, including Chery Holdings Group, which is also setting up an EV mini-truck assembly plant in Karachi.
- The project is expected to create local employment opportunities and promote environmentally friendly transportation in the province.

Analysis

Sindh's plan to install EV charging stations is a significant step towards promoting sustainable transportation and reducing fossil fuel dependence. The collaboration with Chinese investors and the establishment of an EV assembly plant in Karachi indicate a strong commitment to developing the electric vehicle infrastructure and manufacturing capabilities within the province.

Way Forward

- Launch campaigns to educate the public about the benefits of EVs and the availability of charging infrastructure to encourage adoption.
- Implement subsidies or tax incentives for EV purchases and installations of home charging units to make EVs more accessible.
- Encourage local manufacturing of EV components to reduce costs and foster economic growth within Sindh.

UK pauses Trade talks with Israel to protest Gaza action



- UK halted trade talks with Israel, summoned its ambassador, and sanctioned Israeli settlers over Gaza escalation.
- PM Keir Starmer cited human rights violations and international law breaches as the reasons for these actions.
- The UK, France, and Canada jointly condemned Israel's military expansion and demanded a ceasefire and unrestricted humanitarian aid to Gaza.

Analysis

The UK's decision to halt trade talks with Israel marks a significant shift in its foreign policy, reflecting growing international concern over the humanitarian crisis in Gaza. This move aligns the UK with other Western nations in applying diplomatic pressure on Israel to cease military operations and allow unrestricted aid access, signaling a potential reevaluation of bilateral relations.

Way Forward

- UK should collaborate with international partners to form a unified stance, enhancing the effectiveness of diplomatic efforts to address the Gaza crisis.
- Implement mechanisms to ensure that humanitarian assistance reaches those in need in Gaza, circumventing any obstructions to aid delivery.
- Encourage dialogue between Israel and Palestine, supporting initiatives that aim for a sustainable and peaceful resolution to the conflict.

OIC nations adopt pact for AI Cooperation in Tehran



- OIC adopted the Tehran Declaration focusing on trustworthy and ethical AI for sustainable development.
- Member states like Pakistan, Saudi Arabia, Turkey, and others committed to advancing AI education, research, infrastructure, governance, and tech transfer.
- The declaration highlights building AI-ready ecosystems, boosting talent mobility, fostering public-private partnerships, and collaborative research to tackle healthcare, climate change, food security, and water scarcity challenges.

Analysis

Tehran Declaration signifies a collective effort by OIC member states to harness the potential of artificial intelligence for sustainable development, aligning with global trends in technological advancement. By focusing on ethical AI practices and collaborative initiatives, the OIC aims to bridge technological gaps and promote inclusive growth within the Islamic world.

Way Forward

- Develop centers of excellence in AI within member states to facilitate research, innovation, and knowledge exchange.
- Initiate collaborative AI projects addressing regional challenges, such as healthcare diagnostics and agricultural optimization, to demonstrate the practical benefits of AI.
- Invest in training programs and scholarships to build a skilled workforce in AI, ensuring long-term sustainability and self-reliance in technology development.

PM vows strong action against perpetrators after school bus blast in Khuzdar



- On May 21, 2025, a suicide bombing targeted a school bus in Khuzdar, Balochistan, resulting in the deaths of six individuals, including three students, and injuries to over 40 others, primarily children.
- Prime Minister Shehbaz Sharif condemned the attack as a "barbaric act" and vowed to hold the perpetrators accountable.
- The Pakistani military attributed the attack to Indian-backed militants, a claim that India has firmly denied.

Analysis

Khuzdar school bus bombing underscores the escalating security challenges in Balochistan, a region grappling with insurgent activities. While Pakistan accuses India of supporting proxy groups behind such attacks, India rejects these allegations, highlighting the complex and contentious nature of regional geopolitics.

Way Forward

- Enhance intelligence sharing and joint counterterrorism efforts between neighboring countries to address cross-border militant activities.
- Implement programs that foster trust and cooperation between local communities and security forces to prevent radicalization and insurgent recruitment.
- Encourage open channels of communication between Pakistan and India to address underlying issues and reduce tensions that contribute to regional instability.

Provisional GDP for FY25 worked out to be 2.7pc, less than target of 3.6pc



- Pakistan's provisional GDP growth for FY25 stands at 2.7%, falling short of the 3.6% target, with the economy's size reaching \$411 billion and per capita income at \$1,824.
- Prime Minister Shehbaz Sharif has directed the Federal Board of Revenue (FBR) to expedite reforms, focusing on digitisation and automation to enhance tax collection and reduce evasion.
- The FBR plans to implement a National Targeting System using e-tags and digital devices for real-time monitoring of goods transportation, supported by an e-Bilty mechanism.

Analysis

The underperformance in GDP growth highlights structural inefficiencies, particularly in agriculture and manufacturing sectors. The government's emphasis on FBR reforms and digitalisation aims to address these issues by improving tax compliance and enforcement, potentially leading to enhanced revenue generation and economic stability.

Way Forward

- Expedite the rollout of digital invoicing systems and e-Bilty mechanisms to streamline tax processes and reduce evasion.
- Implement targeted monitoring systems in key sectors like agriculture, manufacturing, and construction to improve compliance and performance.
- Provide comprehensive training for FBR staff on new digital tools and enforcement strategies to ensure effective implementation of reforms.

FAO partners with NGOs for Balochistan rural uplift



- FAO, Islamic Relief Pakistan, and Taraqee Foundation teamed up under the EU-funded RBWRP to boost sustainable rural development in Balochistan.
- This initiative targets community mobilization, climate-smart farming, and efficient water and livestock management across four key river basins.
- The €40 million project focuses on rehabilitating water resources, improving rangelands, and strengthening governance at provincial and community levels.

Analysis

This collaboration represents a significant step towards addressing the multifaceted challenges faced by rural communities in Balochistan. By integrating climate resilience into agricultural practices and promoting community-led governance, the initiative aims to foster long-term sustainability and improve livelihoods in the province.

Way Forward

- Implement comprehensive training sessions for local farmers and community leaders on sustainable agricultural practices and water management techniques.
- Support the development of local committees to oversee resource management and ensure equitable distribution of benefits.

Beijing meeting: Pakistan, China agree to extend CPEC to Afghanistan



- Pakistan, China, and Afghanistan have agreed to extend the China-Pakistan Economic Corridor (CPEC) into Afghanistan, aiming to enhance regional connectivity and economic cooperation.
- The trilateral meeting, held in Beijing, focused on boosting trade, infrastructure development, and development initiatives under the Belt and Road Initiative (BRI).
- The ministers emphasized the importance of countering terrorism and fostering stability and development in the region.

Analysis

The extension of CPEC into Afghanistan signifies a strategic move to integrate Afghanistan into regional economic frameworks, potentially leading to improved infrastructure and trade opportunities. However, the success of this initiative will depend on addressing security concerns and ensuring political stability within Afghanistan.

Way Forward

- Establish joint security mechanisms to safeguard infrastructure projects and ensure the safety of personnel involved.
- Encourage inclusive governance and dialogue within Afghanistan to foster a stable environment conducive to economic development.
- Expand trilateral cooperation to include other regional stakeholders, ensuring broader support and integration of Afghanistan into regional economic initiatives.

India's water move threatens millions, UN told



- Pakistan warned the UN that India's suspension of the Indus Waters Treaty threatens over 240 million Pakistanis and violates international law.
- At a UN meeting, Pakistan condemned India's move, stressing the risk of a humanitarian catastrophe and calling for respect of legal obligations.
- Pakistan urged the UN Security Council to monitor the situation closely and take preventive measures against a potential crisis.

Analysis

The suspension of the IWT by India has raised significant concerns regarding the potential humanitarian impact on Pakistan, particularly in the context of escalating regional tensions. The international community's response will be crucial in addressing these concerns and preventing further destabilization.

Way Forward

- Encourage dialogue between Pakistan and India to resolve the water dispute and reinstate the IWT, possibly through third-party mediation.
- Establish an independent international body to monitor water flows and ensure compliance with the IWT, providing transparency and accountability.
- Develop contingency plans to address potential water shortages, including alternative water sourcing and distribution systems, to mitigate the impact on affected populations.

China, Pakistan celebrate 74 years of friendship, strategic partnership



- Pakistan and China commemorated 74 years of diplomatic relations with a celebration at Islamabad's Silk Road Culture Centre.
- Chinese Ambassador Jiang Zaidong emphasized the "iron-clad friendship" between the two nations, highlighting mutual support and cooperation under the Belt and Road Initiative.
- The event featured a cultural segment titled "Tea for Harmony," symbolizing shared philosophical and diplomatic values.

Analysis

The 74th anniversary celebration underscores the enduring and multifaceted partnership between Pakistan and China, characterized by strategic cooperation, cultural exchange, and mutual support. This relationship continues to evolve, with both nations committed to enhancing bilateral ties in various sectors.

Way Forward

- Expand cultural exchange programs to deepen mutual understanding and appreciation between the peoples of both countries.
- Identify and develop new areas of economic cooperation, particularly in technology and innovation, to diversify the partnership.
- Encourage initiatives that facilitate direct interactions between citizens, fostering grassroots support for the bilateral relationship.

May 25 is declared as Pakistan – Africa Friendship Day



- Pakistan's Senate declared May 25 as Pakistan-Africa Friendship Day to strengthen bilateral ties.
- The resolution, led by Deputy PM Ishaq Dar, focuses on expanding cooperation with African nations across political, economic, technological, cultural, and educational fields.
- The session was attended by African envoys, showcasing Pakistan's dedication to deepening engagement with the continent.

Analysis

The establishment of Pakistan-Africa Friendship Day reflects Pakistan's strategic intent to diversify its foreign relations and engage more actively with African nations. This move aligns with Pakistan's "Engage Africa" policy, which aims to bolster economic and diplomatic ties with the continent.

Way Forward

- Facilitate events that showcase African cultures in Pakistan and vice versa to deepen mutual understanding and appreciation.
- Create platforms for businesses from both regions to explore opportunities and partnerships, enhancing economic cooperation.
- Develop scholarship programs and academic exchanges to build human capital and foster long-term relationships.

Policy Nuggets

1 Defence budget to be hiked, says minister

Impact

Reflects Pakistan's response to heightened regional security concerns

Recommendation

Ensure transparency in defence allocations while balancing development priorities; improve civil-military coordination for threat readiness.

"The price of peace is eternal vigilance." – George C. Marshall

2 CCD reunites 44 missing children with their families

Impact

Marks progress in child protection and law enforcement coordination

Recommendation

Strengthen interagency cooperation; expand digital missing persons databases and community outreach programs.

"The true character of a society is revealed in how it treats its children." – Nelson Mandela

3 Pakistan emerging as key player in crypto economy: PCC chief

Impact

Signals growing relevance of digital finance in Pakistan's economic landscape

Recommendation

Regulate crypto platforms under robust legal frameworks; promote blockchain training and innovation.

"Innovation is the calling card of the future." – Anna Eshoo

4 FBR registers over 2m new taxpayers, NA told

Impact

Indicates positive gains in tax broadening and formalization

Recommendation

Strengthen enforcement, simplify return filing, and link tax policy with digital payment incentives.

"Taxes are the price we pay for a civilized society." – Oliver Wendell Holmes Jr.

5 China says it backs Pakistan in defending 'sovereignty'

Impact

Reaffirms strategic depth in China-Pakistan ties amid regional volatility

Recommendation

Deepen multilateral coordination with China on regional diplomacy and security.

"The strong bond of friendship is not always spoken but always understood." – Chinese Proverb

6 Shehbaz, Sisi discuss Middle East, subcontinent tensions

Impact

Highlights diplomatic outreach to balance regional tensions

Recommendation

Establish regular high-level strategic consultations with regional allies.

"In diplomacy, timing is everything." – Nicholas Burns

7 17m varsity students addicted to drugs, Senate panel told

Impact

Raises alarm over youth vulnerability and institutional gaps in drug prevention

Recommendation

Launch campus-based prevention programs; integrate mental health and addiction services into higher education.

"An ounce of prevention is worth a pound of cure." – Benjamin Franklin

8 Rising temperatures have led to formation of over 3,000 glacial lakes, NA informed

Impact

Underlines climate-induced vulnerabilities in northern Pakistan

Recommendation

Expand early warning systems and glacial monitoring; mainstream climate adaptation into district disaster planning. *"Climate change is no longer some far-off problem; it is happening here, it is happening now."* – Barack Obama

9 20pc drop in Chenab's water if India expands Ranbir canal: expert

Impact

Raises critical water security threat tied to transboundary disputes

Recommendation

Engage with global water diplomacy forums; advocate treaty adherence and regional hydrological cooperation.

"Thousands have lived without love, not one without water." – W.H. Auden



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