



WEEKLY

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OVERVIEW

This edition of the *Policy Pulse* illustrates a critical week where infrastructure ambition, climate urgency, and fiscal constraint converged across Pakistan's policymaking landscape. From regional railway diplomacy to child protection enforcement, the week's events reveal a nation wrestling with internal pressures while asserting itself on international and development fronts.

Among the standout developments was the revival of the PAKAFUZ railway transit corridor—linking Pakistan with Uzbekistan via Afghanistan—a move poised to reshape trade connectivity across South and Central Asia. Domestically, the government's emphasis on fast-tracking water storage infrastructure in response to India's Indus Waters Treaty stance underscores the growing urgency of climate security. Meanwhile, warnings about AI-driven misinformation during crises sparked renewed debate over digital governance, while a chilling cybercrime case involving child exploitation highlighted the vulnerabilities of underserved communities and the imperative for cross-border enforcement.

The Pakistan Economic Survey 2024–25 indicated modest growth and record-low inflation, yet major sectors like agriculture and large-scale manufacturing continued to underperform. The cutback in development spending under IMF conditionalities raised concerns about Pakistan's fiscal sustainability and equitable recovery.

The policy nuggets distill key takeaways for reform: targeted incentives in the knowledge economy, digitally enabled public health and sanitation delivery, expansion of strategic rail networks, and responsive diaspora engagement. They chart an actionable map for public sector professionals seeking to translate policy signals into tangible governance outcomes. Policy Pulse this week underscores Pakistan's balancing act between regional ambition, domestic reform, and climate resilience — signaling a call for agile, integrated governance.

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Balochistan amends ATA, allowing Detention sans Charge for Three Months



- Balochistan Assembly passed an amendment to the Anti-Terrorism Act (ATA), allowing authorities to detain suspects without charge for up to 90 days.
- The amendment empowers police and CTD to hold individuals on mere suspicion of terrorism-related activity.
- Opposition parties and rights activists have raised concerns over potential misuse.
- The bill was passed amid walkouts by opposition members.

Analysis

Keeping in view the situation in Balochistan, it is a good move to tackle missing persons' issue. Due process of law will infuse trust in the law enforcement agencies and the state. UK, India, Italy and other countries changed their laws to tackle terrorism and insurgencies in their countries. The concern over the potential for the abuse of this law must be addressed.

Way Forward

- Create a judicial or parliamentary review board to oversee all 90-day detentions.
- Define strict legal thresholds and evidence standards for invoking detention powers.
- Ensure detainees have access to legal aid and periodic judicial review to prevent arbitrary abuse.

Pakistan Economic Survey 2024-25: Portrays a mix of hope and decline



HIGHLIGHTS
PAKISTAN
ECONOMIC
SURVEY
2024-25

- Major crops down 13.5pc amid water crisis, restricting agriculture and overall GDP growth
- Industry, services underperform; large-scale manufacturing struggles for third straight year
- Inflation drops to 4.6pc, a 60-year low, amid declining interest rates
- Finance czar calls it 'a gradual recovery', promises 'turnaround' next year
- GDP growth reaches 2.68pc, missing 3.56pc target

Analysis

Pakistan Economic Survey 2024-25 presents a mixed economic landscape. While historically low inflation and easing interest rates provide some optimism, the steep decline in major crop output and continued underperformance in industry and services have stifled real economic momentum. The missed GDP target underscores structural vulnerabilities, particularly in agriculture and manufacturing, that require targeted intervention for sustainable recovery.

Way Forward

- Launch an emergency agri-reform plan focusing on drought-resistant seeds, modern irrigation, and farmer subsidies to mitigate water scarcity and stabilize crop yields.
- Provide targeted incentives (tax breaks, energy subsidies, credit access) to key manufacturing sectors to reverse the decline in large-scale production and revive job creation.
- Channel inflation savings into public investments in rural infrastructure, SMEs, and social safety nets to expand growth multipliers and build resilience across sectors.

Nearly 45% Pakistanis live below the poverty line: World Bank



- World Bank finding, as per the survey conducted in 2018-19, is that proportion of people living in extreme poverty has risen from 4.9pc to 16.5pc.
- The situation could be worse if the impact of 2022 floods is taken into account.
- The record inflation after 2021 can further worsen the situation.

Analysis

The report, however has clarified that the increase comes in the wake of an update in global poverty lines by it. The increase is not due to underlying economic conditions. The poverty trends remain the same. There is a need to conduct a new survey to ascertain the actual situation. The new report based latest survey is likely to be issued in September this year.

Way Forward

- The trend should be arrested through targeted interventions and the effective use of available resources.
- There is a need for political will, as strong focus and coordination among the different tiers of government.
- Lessons ought to be learnt from China's successful experience

Gang selling kids' videos on dark web busted



- Pakistan's National Cyber Crime Investigation Agency (NCCIA) dismantled an international child exploitation ring in Muzaffargarh, arresting two suspects and rescuing 10 children aged 6-10.
- The gang, led by a German national, operated a fake sports club to lure children from impoverished families, subjecting them to abuse and selling videos on the dark web.
- Investigations revealed the involvement of some victims' families; authorities are pursuing legal action against all implicated individuals.

Analysis

This case underscores the alarming exploitation of vulnerable children through deceptive means and the global reach of such criminal networks via the dark web. The involvement of a foreign national and the use of sophisticated methods highlight the need for robust international cooperation and stringent local enforcement to combat child exploitation.

Way Forward

- Invest in advanced training and resources for cybercrime units to effectively detect and dismantle online child exploitation networks.
- Foster partnerships with global law enforcement agencies to track and apprehend foreign nationals involved in such crimes.

Exemptions hit record as Tax Revenue falls Short



- Tax exemptions in Pakistan surged to an all-time high (about Rs5.84 trillion) even as federal tax collections missed targets.
- The Federal Board of Revenue (FBR) continues to underperform, partly due to weak enforcement, lack of district-level field capacity, and underutilization of existing taxpayer data.
- Despite bringing more people under the tax net, the FBR's inability to analyze data and follow up on non-compliant taxpayers is hampering revenue mobilization .

Analysis

The spike in exemptions has eroded Pakistan's already narrow tax base, limiting revenue growth just when strong collections are vital. Without strengthening the FBR's enforcement power and data-driven capacity, policy measures risk being symbolic rather than substantive.

Way Forward

- Phase out or cap tax abatements for sectors lacking strong public policy justification e.g. opening fiscal space without broad rate hikes.
- Rebuild district-level enforcement units within FBR and invest in analytics staff to proactively target evasion.
- Build a centralized taxpayer analytics platform that flags non-filers and anomalies, triggering automatic compliance checks.

Shadow of IMF looms over Development Kitty



- The PSDP for FY2025–26 is cut by 20% to Rs880bn, sparing roads and MPs' schemes.
- New project approvals have been halted by DDWPs until the IMF programme ends; focus shifts to mega and foreign-funded projects.
- Provinces are to contribute Rs2.8tn, with priority to Bhasha Dam and the Balochistan highway.

Analysis

IMF's stringent fiscal requirements have compelled Pakistan to significantly curtail development spending, potentially hindering progress in critical sectors like energy, water, and social services. While prioritizing large-scale infrastructure projects may offer long-term benefits, the immediate reduction in sectoral funding could exacerbate existing socio-economic challenges.

Way Forward

- Develop and roll out comprehensive training modules to enhance freelancers' skills and global competitiveness.
- Invest in reliable internet connectivity and digital tools, especially in remote and underserved areas.
- Facilitate access to financial services and literacy programs to empower freelancers economically.

Pakistan agreed to Truce with India for sake of Dialogue: Bilawal



- Bilawal Bhutto-Zardari said that Pakistan agrees to a truce conditional on future dialogue at a neutral venue.
- A high-level diplomatic delegation has toured the U.S., U.K. (Chatham House), and is headed to Brussels urging international mediation on Kashmir, terrorism, and water threats.
- Bilawal warned that India's suspension of the Indus Waters Treaty amounts to "water aggression" and could be perceived as an act of war.

Analysis

Pakistan has balanced military deterrence with strategic diplomacy, projecting restraint to invite global intervention in resolving Kashmir, terrorism, and water disputes. Yet the instability especially low war-thresholds and water weaponization demands sustainable mechanisms and confidence-building measures beyond episodic ceasefires.

Way Forward

- Under international auspices, initiate structured talks covering Kashmir, terrorism, and transboundary water issues, as previously advocated by FM Ishaq Dar.
- Bilateral DGMO-level agreements and joint monitoring bodies at the Line of Control must be reinforced to prevent skirmishes.
- Begin immediate negotiations on reinstating the Indus Waters Treaty with enforceable safeguards and a third-party resolution clause to mitigate "water war" risks .

Do AI 'factchecks' sow misinformation?



- During a recent India-Pakistan conflict, users relied on AI chatbots like ChatGPT and Grok AI for fact-checking but most often received misinformation, including false videos and claims.
- Growing AI misinformation is worrying, especially as companies cut human fact-checkers and depend more on imperfect AI tools.
- Experts warn AI answers can be biased or manipulated, worsening the spread of false information during crises.

Analysis

The incident highlights the limitations of current AI fact-checking tools, which can inadvertently spread misinformation—especially during rapidly evolving situations where accurate information is crucial. As reliance on AI for information verification grows, the need for robust oversight and integration of human expertise becomes increasingly important to ensure the accuracy and reliability of disseminated information.

Way Forward

- Use hybrid fact-checking: Combine AI with human review to ensure accuracy.
- Create AI transparency rules: Require clear disclosure of AI data sources and potential biases.
- Promote media literacy: Educate the public on AI limitations to help spot misinformation.

Pakistan delegation kicks off Diplomatic Offensive with UNSC Meetings



- A Pakistani delegation led by Bilawal Bhutto met UN Security Council envoys, including China's ambassador.
- They urged rejection of India's aggressive posture and raised concerns over targeting the Indus Waters Treaty.
- Pakistan reiterated its support for peace, ceasefire, and resolving Kashmir under the UN Charter.

Analysis

Pakistan's diplomatic outreach underscores its intent to counter India's assertive actions and garner international support for its stance on regional issues—particularly concerning Indian Occupied Kashmir and water security. By engaging with key UN Security Council members, Pakistan aims to highlight perceived violations of international norms by India and advocate for renewed dialogue and adherence to international treaties.

Way Forward

- Build global alliances: Engage key powers to back Pakistan's stance on regional issues.
- Resume dialogue with India: Push for talks on conflict, water, and counter-terrorism.
- Boost public diplomacy: Use media and international forums to highlight Pakistan's peace agenda.

Warnings of an existential Climate Threat



- Pakistan is ranked among the top 5 most climate-vulnerable countries globally, facing extreme events like glaciers melting, floods, heatwaves, droughts, and coastal risks .
- The devastating 2022 floods highlighted the existential threat to the economy—with billions lost and millions displaced—and persistent underfunding of climate adaptation.
- With insufficient international aid (only a few hundred million of \$10 billion pledged) and weak domestic action, key threats such as water scarcity and glacier-fed river decline remain unaddressed .

Analysis

Pakistan's worsening climate hazards, from early heatwaves to glacier melt, are not only an environmental crisis but a national-security emergency that demands urgent fiscal and policy reforms. Without rapid scaling of adaptation and resilience efforts, Pakistan risks recurrent socio-economic shocks and long-term decline.

Way Forward

- Prioritize and allocate domestic funds for climate resilience, targeting vulnerable communities and infrastructure rather than relying solely on aid.
- Launch water-security programs i.e. glacier monitoring, dam repairs, and rainwater harvesting to safeguard water supplies and agriculture.
- Integrate climate risk into national security and development planning, backed by early-warning systems and cross-ministerial coordination.

Centre, provinces to draw up Water Storage Plans



- PM Shehbaz urged fast-tracking the Diamer-Bhasha Dam and water storage talks following India's Indus Waters Treaty move.
- The government will hold an NFC meeting in August to discuss fiscal shares, including KP's counter-terrorism funding and tribal areas.
- KP CM Gandapur demanded compensation for ex-FATA and opposed new taxes in struggling regions.

Analysis

Federal initiative to bolster water storage infrastructure—particularly through the Diamer-Bhasha Dam—reflects a strategic response to external water security threats and internal resource management challenges. Simultaneously, addressing provincial fiscal concerns and integrating marginalized regions into national financial frameworks are critical for ensuring equitable development and maintaining national cohesion.

Way Forward

- Create a joint federal-provincial body to fast-track and monitor water storage projects.
- Revise the NFC to ensure fair resource distribution, especially for conflict-hit regions like ex-FATA.
- Launch focused programs in tribal areas for infrastructure, education, and jobs with clear oversight.

Pakistan, Uzbekistan to launch Railway Transit Corridor



- Pakistan and Uzbekistan have agreed to commence work on the Pakistan-Afghanistan-Uzbekistan (PAKAFUZ) Railway Transit Corridor—an 850-kilometer project including a 647-kilometer new railway line through Afghanistan.
- The project is expected to handle an annual freight capacity of 15 million tons, reducing transit time and transportation costs, and providing Central Asia with direct access to Pakistan's ports.

Analysis

PAKAFUZ railway corridor, the first direct railway link between Central and South Asia, aiming at enhancing regional economic growth and trade ties, represents a strategic initiative to bolster regional connectivity, facilitating trade between Central and South Asia. By providing a direct rail link, the project is poised to reduce logistical challenges, enhance economic integration, and contribute to regional stability.

Way Forward

- Form a joint body comprising representatives from Pakistan, Uzbekistan, and Afghanistan to oversee the project's implementation, address challenges, and ensure timely completion.
- Ensure the security of the railway corridor, particularly through Afghanistan, to maintain uninterrupted trade flow and safeguard infrastructure.

Policy Nuggets

1 National fiscal pact: Provinces need cabinet nod to collect GST on services

Impact

Marks shift toward centralized fiscal oversight and coordination

Recommendation

Revisit fiscal decentralization framework under NFC for equity and efficiency.

"In the long run, we are all dead. But in the short run, fiscal prudence matters." – John Maynard Keynes

4 Maryam directs resolving issues of overseas Pakistanis on priority

Impact

Aims to restore trust and engagement with diaspora communities

Recommendation

Set up a single-window grievance redressal system and fast-track policy for investment facilitation.

"Ask not what your country can do for you—ask what you can do for your country." – John F. Kennedy

7 All set for launch of Eid cleanliness operation

Impact

Reinforces municipal readiness and public health awareness

Recommendation

Institutionalize seasonal sanitation drives with citizen engagement; leverage digital tools for real-time feedback.

"Cleanliness is not next to godliness. It is godliness." – Mahatma Gandhi

2 Russia, Pakistan discuss closer ties, regional stability

Impact

Underscores deepening bilateral diplomacy amid shifting alliances

Recommendation

Advance energy and defense cooperation through structured dialogue platforms.

"In diplomacy, a handshake often matters more than a document." – Henry Kissinger

5 Federal govt allocates Rs15.34 billion for 48 health projects under PSDP 2025–26

Impact

Reflects continued public investment in healthcare infrastructure.

Recommendation

Prioritize rural health coverage and digital health innovations in project implementation.

"Health is the greatest gift." – Buddha

8 7 terrorists killed in Balochistan

Impact

Highlights persistent security threat and state response

Recommendation

Strengthen border intel coordination and launch development drives to reduce extremist appeal.

"The price of freedom is eternal vigilance." – Thomas Jefferson

3 Country racing against time to ensure flood preparedness

Impact

Reflects urgency to mitigate climate-induced disaster risks

Recommendation

Accelerate implementation of early warning systems; build local capacity for community-led flood response.

"In preparing for battle I have always found that plans are useless, but planning is indispensable." – Dwight D. Eisenhower

6 25pc income tax rebate for teachers, researchers being reinstated in budget

Impact

Supports knowledge economy and incentivizes intellectual capital

Recommendation

Link rebate eligibility to continued professional development and research output.

"An investment in knowledge pays the best interest." – Benjamin Franklin

9 PM for expansion of rail network to Central Asian states

Impact

Signals regional integration and trade diversification intent

Recommendation

Prioritize multilateral infrastructure financing; integrate rail expansion with existing CPEC nodes.

"Without transportation, there is no economy." – John F. Kennedy



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