



WEEKLY

# POLICY PULSE



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## OVERVIEW

This week’s *Policy Pulse* issue offers a strategic scan of Pakistan’s shifting strategic, economic, and institutional landscape, capturing key policy signals from both global forums and domestic reform arenas. It chronicles the country’s assumption of the UN Security Council presidency—an opportunity to shape narratives on Gaza, Kashmir, and global equity—while reinforcing Pakistan’s commitment to multilateral diplomacy and peaceful conflict resolution.

Notable domestic developments include a decline in inflation to a nine-year low, the National Assembly concern over increasing poverty, and renewed urgency on national water security amid hydropolitical challenges. On the governance front, the lack of timely appointments in higher education raises questions about institutional continuity. Simultaneously, strategic dialogue between Pakistan and the United States and an emerging presence in BRICS discourse reflect a broadened trans-regional outlook. However, the persistence of security threats and increasing vulnerability to climate risks point to the need for deeper inter-agency coordination and policy agility.

These developments underscore a pressing need to align diplomatic engagement with internal reform—whether through inflation control, better transboundary water governance, or expanded social safety nets. The juxtaposition of fiscal progress with security stresses reflects the dual challenge of resilience and reform.

The Policy Nuggets in this edition offer precise and actionable insights—ranging from harmonizing customs systems to accelerating dam construction and enhancing provincial climate adaptation capacity. Infused with thought-provoking quotes and global best practices, these recommendations equip policymakers with a practical toolkit for navigating a rapidly evolving policy environment. Together, they encapsulate a pulse that is both responsive to emerging risks and anchored in long-term national priorities.

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## Pakistan to resist 'weaponisation of Indus waters'



- Speaking at the 52nd Foundation Day ceremony of the Institute of Strategic Studies Islamabad, Deputy Prime Minister (DPM) and Foreign Minister (FM) Ishaq Dar stated that Pakistan vows to uphold its rights under the Indus Waters Treaty (IWT) and any attack by India would be met with a "quid pro quo plus" response.
- During the event, he also talked about the transformation of the world from a unipolar to a multipolar one, and condemned Israel's attack on Iran and genocidal war in Gaza.

### Analysis

DPM/FM Ishaq Dar's statement that Pakistan would respond with a "quid pro quo plus" to an Indian attack reflects a strategic change in our foreign policy and displays determination to defend our vital national interests. It also highlights the urgent need of engagement by the international community to bring India on diplomatic table to avoid any escalation in the region.

### Way Forward

- Fast-track construction of reservoirs and smaller dams to improve storage and buffer against upstream manipulation.
- Propose international mediation to revise the IWT, ensuring inclusion of climate change clauses.
- Strengthen legal push at the Permanent Court of Arbitration to highlight India's violation and water weaponisation as a breach of international law.

## Cost of power production from gas plants increases by Re1



- The cost of electricity generation from gas plants in Pakistan has risen by Rs1 per unit, increasing the price by 17%.
- However, even with this increase the power generation from gas-based plants would still be cheaper than imported coal and LNG-based generation. This increase comes due to a hike in fuel prices.
- In addition, the Power Minister Sardar Awais Leghari has requested provincial governments to abolish the 1% electricity duty charged in bills as the federal government is simplifying the bill to reflect the actual cost of power consumption.

### Analysis

The increase in price highlights Pakistan's vulnerability to rising gas prices which undermine the competitiveness of gas-based power. It also risks shifting demand to costlier imported fuels which would increase pressure on both tariffs and foreign reserves. At the same time, the move to abolish electricity duty shows the government's attempt to make the billing process transparent.

### Way Forward

- Diversify the energy mix with renewables and hydro to reduce dependence on volatile gas and imported fuel.
- Strengthen Fuel Cost Adjustments transparency and consumer protections to track fuel cost pass-throughs.
- Reform gas pricing and subsidies by implementing transparent, uniform tariffs across sectors and eliminate regressive cross-subsidies.

## Pakistan-UK trade talks to tackle non-tariff barriers



- The upcoming UK-Pakistan Trade Dialogue aims to tackle non-tariff barriers (NTB), such as stringent UK technical standards especially in textiles and pharmaceuticals, sanitary and phytosanitary measures for agricultural exports, and Pakistan's inefficient export procedures, to enhance bilateral trade.

### Analysis

By addressing regulatory misalignments and export bottlenecks, this dialogue could catalyze export diversification of Pakistan. However, Pakistan must simultaneously also reform its domestic export procedure and align standards to fully capitalize on UK market access.

### Way Forward

- Support SMEs in upgrading to UK norms through training etc.
- Set up joint working groups to streamline technology standards and customs rules.
- Drawing inspiration from successful Preferential Trade Agreements (e.g., Pakistan-Uzbekistan), Pakistan could propose tariff and NTB waivers on key UK-bound exports—like halal foods, marble, textiles, pharmaceuticals, IT services, and handicrafts.

## Inflation slumps to 9-year low at 4.49pc



- Pakistan's annual inflation rate has declined sharply from 23.41% in FY2023-24 to 4.49% in FY2024-25, the lowest inflation rate in nine years.
- The decrease is a result of a high base effect, lower global commodity prices, stable exchange rates and reduced transport costs.
- State Bank of Pakistan (SBP) has revised its inflation target from 12% for FY25 to 5-7%. Whilst the International Monetary Fund has also lowered its inflation estimate to 9.5% from 12.7% for the same period.
- For FY26, the government has set an inflation target of 7.5%.

### Analysis

This steep decline reflects disinflation rather than deflation, indicating that whilst price increases have eased substantially, the overall cost of living remains relatively unaffected due to past inflationary pressures.

### Way Forward

- SBP should cautiously engage in monetary policy normalization to ensure that it balances inflation control with economic growth.
- Improve the credibility of inflation figures by investing in independent auditing of Consumer Price Index methodology, expanding survey coverage, and engaging third-party verification to build trust among citizens and investors.
- Scale up targeted subsidies and logistical support in farming, especially for perishables, to curb food price volatility and sustain downward pressure on inflation.

## Don't be a bystander, Pakistan tells UNSC



- During a briefing to the 15-member council on the Middle East situation, Pakistan urged the UN Security Council (UNSC) to not remain a “bystander” whilst Israel kills Palestinians during aid distributions and is committing other atrocities.
- As Pakistan has assumed the UNSC presidency for the current month, it will be holding three key UNSC sessions, including debate on Palestine.

### Analysis

This assertive stance underscores Pakistan’s intent to leverage its current UNSC presidency to spotlight humanitarian crises and challenge global inaction on the Palestinian issue, whilst enhancing its international profile on multilateral platforms.

### Way Forward

- As UNSC president in July, Pakistan should draft and rally support for a binding resolution demanding an immediate ceasefire and unimpeded aid corridors to Gaza.
- Use the presidency to convene high-level briefings on Gaza and similar humanitarian crises and invite participation from regional stakeholders and UN agencies.
- Coordinate with non-Western UNSC members to build a cohesive voting bloc that can push for broader accountability measures, in particular to Israeli actions in Gaza.

## Delay in HEC chief’s appointment sparks fears of ad hocism



- As the tenure of the current chairman of HEC is due to expire on 30th July, 2025, the government has yet to float advertisement for the position.
- A ministry official has, however, stated that position will be filled as soon as possible, and search committee has been notified.
- The delay has raised concerns that this would lead to an ad hoc appointment.

### Analysis

This delay underscores structural weaknesses in Pakistan’s higher education governance and risks institutional credibility, especially when seen in light of the concerns raised last year with the Prime Minister by the Planning Minister regarding HEC’s performance.

### Way Forward

- Strengthen appointment framework to prevent any delays in selection of the successor.
- Establish a Parliamentary oversight committee on higher education to regularly monitor HEC’s performance, appointments, and policy outcomes.
- Institute a mid-term and end-of-term performance audit for HEC chairs based on Key Performance Indicators like research output, university quality metrics, and international rankings to tie renewal or termination to objective criteria.

## Air chief holds key meetings in US



- Air Chief Marshal Zaheer Ahmed Baber Sidhu visited US where he held high-level meetings at the Pentagon, State Department, and Capitol Hill to advance military cooperation and regional security dialogue.
- The visit marks a first ever visit by a sitting air chief visit in over a decade.

### Analysis

The visit marks a strategic strengthening of Pakistan–US defence ties, reflecting mutual interest in counterterrorism, technology exchange, and regional stability. It also signals Pakistan’s eagerness to reboot institutional military diplomacy after a prolonged hiatus.

### Way Forward

- Utilize momentum from Pentagon meetings to negotiate pilot programs for access to advanced air defence systems.
- Domestically communicate the visit’s outcomes via parliamentary briefings and defence committees to promote transparency.
- Leverage partnerships through Pakistan’s National Aerospace Science & Technology Park to collaborate with US firms and labs on next-generation systems – drones, AI-enabled air defense, and space surveillance.

## Proposed Gaza truce to begin with prisoner swap, troop withdrawal



- A US-backed proposal outlines a 60-day Gaza ceasefire beginning with prisoner swaps, Israeli troop withdrawals and entry of humanitarian aid with the UN’s involvement in Gaza.
- The plan also includes provisions for negotiations to end hostilities permanently.

### Analysis

If implemented, the plan could halt immediate hostilities and open critical aid corridors. However, its success hinges on sustained trust, strict monitoring, and both sides honouring the procedural timeline.

### Way Forward

- Pakistan should propose deploying a Pakistan-led UN humanitarian delegation to coordinate the aid deliveries to ensure that Palestinians have safe access to the aid.
- Advocate for establishing a joint monitoring mechanism under UN oversight to track compliance with releases and withdrawals by both sides.
- Pakistan can propose an OIC-led Gaza Reconstruction Task Force, pooling technical expertise, engineering corps (e.g. FWO), and financial pledges to assist in rebuilding homes, hospitals, and schools.

## NA body fears poverty may rise to 50pc, seeks BISP overhaul



- The National Assembly Standing Committee on Poverty Alleviation expressed concerns over the country's increasing poverty rate and highlighted inefficiencies in BISP's mechanism.
- The committee directed to expedite the rollout of digital banking pilot project which will increase transparency and improve accessibility.

### Analysis

The increasing poverty rate in Pakistan reflects deepening of socioeconomic vulnerabilities and highlights the urgency for digital financial inclusion as well as stronger institutional capacity of BISP to ensure transparency, accountability, and accessibility.

### Way Forward

- Upgrade the beneficiary eligibility system using real-time National Socioeconomic Registry to remove ghost or ineligible entries, minimize corruption, and ensure aid reaches to those most in need.
- Temporarily raise BISP's coverage threshold and per-beneficiary transfer amount to cushion vulnerable households.
- Launch Financial Literacy & Digital Skills Campaign to build beneficiary capacity with ATMs, mobile wallets etc., as it would reduce exploitation by intermediaries and empower women to manage their funds independently.

## 30 terrorists killed as forces thwart border breach



- According to a statement by Inter Services Public Relations (ISPR), Pakistani security forces killed at least 30 terrorists attempting to infiltrate across the Afghanistan-Pakistan border in North Waziristan district.
- A large cache of arms and explosives was also seized from the Indian proxy during the operation.
- The statement also called on the Afghan government to "check and prevent use of Afghan soil by 'foreign proxies'" against Pakistan.

### Analysis

This successful interception by the forces showcases the effectiveness of intelligence-driven border security. However, it also highlights persistent cross-border militant threats that continue to exploit any security gaps along the border.

### Way Forward

- Efforts should be made to enhance cross-border intelligence sharing with Afghan counterparts to detect and pre-empt any infiltration through joint surveillance along the border.
- Bolster local community engagement through incentive-driven programs to report suspicious movement.
- Develop an integrated civil-military joint command structure in districts like North Waziristan, by involving district administrations, police, and Frontier Corps for synchronized intelligence, mobility, and resource sharing.

## Exchange firms bring in \$5bn remittances in FY25



- Exchange companies in Pakistan brought in around \$5 billion in remittances during FY25, including approximately \$450 million in June.
- The Exchange companies have welcomed their inclusion under the Pakistan Remittance Initiative (PRI) stating that this would increase remittance inflows in FY26.
- Under the new arrangement, exchange firms will receive Rs 22 per dollar transaction, a substantial increase from the previous Rs 2 they had been receiving for years.

### Analysis

This surge highlights the growing significance of supporting all channels that bring in foreign exchange inflows as it would not only stabilize the rupee, but also enhance formalization and boost remittances.

### Way Forward

- Launch a tech-driven push integrating mobile wallets and digital platforms with exchange firms to encourage channeling remittances through formal and traceable pathways.
- Direct a percentage of remittance inflows into targeted funds such as extending low-interest credit lines, to support small exporters etc. to address export weaknesses.
- Allow licensed exchange companies to partner with fintechs, telcos, and microfinance banks (like Easypaisa) to expand reach to enhance formalization.

## BRICS nations slam Trump tariffs, condemn strikes on Iran



- In a joint statement by the BRICS during the 2025 summit, the 11-members without directly naming US or the Trump administration voiced "serious concerns about the rise of unilateral tariffs" and said that the tariffs are hurting the global economy.
- The statement also condemned the attack on Iran.
- Trump responded to the bloc's statement on social media stating that any country aligning itself with the "Anti-American policies of BRICS will be charged an additional 10 per cent tariff".
- On another note, Chinese President Xi Jinping did not attend the summit whilst Russian President Vladimir Putin participated virtually.

### Analysis

Brazilian President's remarks about BRICS being a successor to the Non-Aligned Movement highlights the bloc's role in a world where multilateralism is being challenged increasingly. Moreover, the joint statement reflects a unified stance on tariffs and Israel's attacks on Iran and Gaza, as internal divisions on certain issues remain.

### Way Forward

- With the threat of new US tariffs on BRICS-aligned partners, Pakistan should accelerate Free Trade Agreements with non-Western economies to mitigate potential trade disruptions.
- Pakistan should use UN and WTO forums to champion collective action against unilateral trade measures.
- Pakistan should join BRICS financing innovations by signing cross-border local currency agreements to reduce dollar dependency, lower remittance and import-export costs.

# Policy Nuggets

## 1 Pakistan assumes UN Security Council presidency

### Impact

Elevates Pakistan's diplomatic profile at a critical geopolitical moment.

### Recommendation

Leverage presidency to foreground regional peace, Kashmir, and Gaza issues while coordinating with like-minded nations.

*"The task of leadership is not to put greatness into people, but to elicit it, for the greatness is there already."* – John Buchan

## 4 Augmenting water storage to stave off Indian designs: PM

### Impact

Signals urgency to counter water stress and upstream threats.

### Recommendation

Fast-track multipurpose dam construction; implement basin-level planning.

*"Anyone who can solve the problems of water will be worthy of two Nobel prizes—one for peace and one for science."* – John F. Kennedy

## 7 NA panel calls for federal backing to cope with climate threats

### Impact

Recognizes provincial gaps in climate adaptation and coordination.

### Recommendation

Institutionalize climate finance flows to provinces and local governments.

*"We won't have a society if we destroy the environment."* – Margaret Mead

## 2 Pakistan using nuclear science, technology for peace, development: PAEC chairman

### Impact

Highlights peaceful nuclear applications in health, agriculture, and energy.

### Recommendation

Expand public-private partnerships in nuclear R&D; enhance international cooperation through IAEA.

*"Science knows no country, because knowledge belongs to humanity."* – Louis Pasteur

## 5 Assistant commissioner among five martyred in Bajaur blast

### Impact

Reinforces internal security vulnerabilities in border regions.

### Recommendation

Bolster inter-agency intelligence fusion and local threat assessments.

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

## 8 Pakistan, Russia agree to strengthen road, rail links for Central Asia's access to warm waters

### Impact

Advances regional connectivity and trade corridor ambitions.

### Recommendation

Operationalize transit agreements with infrastructure development and customs harmonization.

*"Trade creates jobs, improves lives and supports sustainable development."* – Ngozi Okonjo-Iweala

## 3 Secretary urges farmers' guidance to achieve 6m cotton bales target

### Impact

Underlines the importance of farmer engagement in cotton sector revival.

### Recommendation

Improve access to certified seeds, pest control, and climate advisory services.

*"Agriculture is the most healthful, most useful and most noble employment of man."* – George Washington

## 6 Pakistan's forex reserves with SBP reach \$14.51bn in FY25, exceeding IMF's target

### Impact

Indicates improved external account resilience.

### Recommendation

Sustain current account discipline and attract export-oriented FDI.

*"Budgeting isn't about limiting yourself – it's about making the things that excite you possible."* – Unknown

## 9 Six terrorists killed in two Punjab operations

### Impact

Demonstrates continued threat of militancy and active counterterrorism operations in settled regions.

### Recommendation

Enhance coordination between intelligence and local law enforcement; institutionalize rapid response systems; invest in community resilience programs.

*"Security is not a product, but a process."* – Bruce Schneier



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