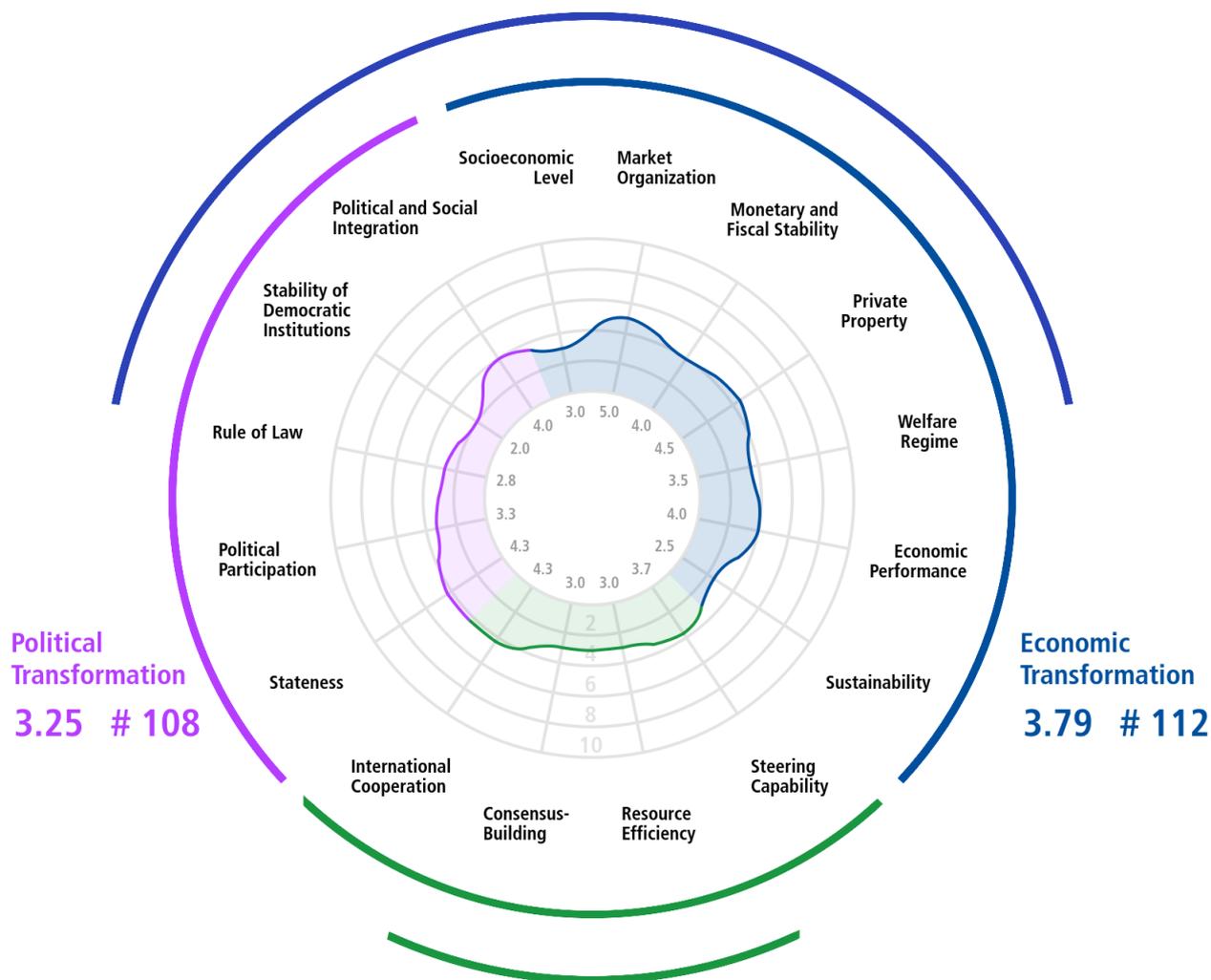


# Pakistan

## Status Index

**3.52 # 111**

on 1-10 scale out of 137



## Governance Index

**3.35 # 111**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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## Contact

Bertelsmann Stiftung  
Carl-Bertelsmann-Strasse 256  
33111 Gütersloh  
Germany

### **Sabine Donner**

Phone +49 5241 81 81501  
[sabine.donner@bertelsmann-stiftung.de](mailto:sabine.donner@bertelsmann-stiftung.de)

### **Hauke Hartmann**

Phone +49 5241 81 81389  
[hauke.hartmann@bertelsmann-stiftung.de](mailto:hauke.hartmann@bertelsmann-stiftung.de)

### **Sebastian Plate**

Phone +49 5241 81 81263  
[sebastian.plate@bertelsmann-stiftung.de](mailto:sebastian.plate@bertelsmann-stiftung.de)

### **Sabine Steinkamp**

Phone +49 5241 81 81507  
[sabine.steinkamp@bertelsmann-stiftung.de](mailto:sabine.steinkamp@bertelsmann-stiftung.de)

**Key Indicators**

Population	M	<b>251.3</b>	HDI	<b>0.544</b>	GDP p.c., PPP \$	<b>6287</b>
Pop. growth <sup>1</sup>	% p.a.	<b>1.5</b>	HDI rank of 193	<b>168</b>	Gini Index	<b>29.6</b>
Life expectancy	years	<b>67.6</b>	UN Education Index	<b>0.363</b>	Poverty <sup>3</sup>	% <b>39.8</b>
Urban population	%	<b>38.4</b>	Gender inequality <sup>2</sup>	<b>0.536</b>	Aid per capita \$	<b>16.0</b>

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

## Executive Summary

During the period under review (2023 – 2025), Pakistan faced significant challenges. On the economic front, Pakistan faced a balance-of-payments crisis in 2023, exacerbated by debt repayments; rising global fuel and commodity prices; domestic political instability; devastating floods in 2022, which cost the country an estimated \$30 billion in damages; and the continuing economic fallout from the COVID-19 pandemic. Amid soaring double-digit inflation and the prospect of default, the government led by the Pakistan Democratic Movement (PDM), in place since the ouster of the government led by the Pakistan Tehreek-i-Insaf (PTI) government in April 2022, initiated an economic stabilization program supported by a \$3 billion IMF loan in July 2023 and a second bailout package worth \$7 billion in September 2024. By the end of 2024, the economic outlook had improved, marked by inflation dropping to a rate of 4.1% in December and the first fiscal surplus in more than two decades. Nonetheless, the economy continued to struggle with structural problems, including inadequate revenue collection, sluggish export growth, low productivity and pervasive rent-seeking, all of which threaten to derail the country's faltering recovery.

In the political arena, the removal of the PTI government, which was widely believed to have been orchestrated by the country's powerful military establishment, was accompanied by the imprisonment of many of the party's top leaders, including former Prime Minister Imran Khan. The PTI subsequently launched a campaign of protest and resistance against the PDM government and the military establishment, engaging in open criticism of the latter in ways unprecedented since the 1970s. Matters came to a head on May 9, 2023, when PTI activists and leaders attacked military installations in the city of Lahore in an effort to force Khan's release from jail. The military's response to the attacks, in coordination with the PDM government, was brutal, unleashing a wave of repression that led to thousands of activists being arrested, some of whom are being tried for sedition in military courts. Through a combination of legislation and coercion, new curbs were introduced to muzzle free expression and the right to free assembly, clip the judiciary's powers and criminalize different forms of dissent. When general elections were finally

held in February 2024 after almost a year of delays, they were widely perceived as unfree and unfair, with serious restrictions placed on the PTI's ability to campaign. Despite the ultimate triumph of the parties making up the PDM, the PTI performed better than expected given the odds stacked against it, clearly signaling its enduring popular appeal. As the review period closed, the political situation remained deadlocked, with the military establishment tightening its grip on power.

The review period also featured increased militant activity and terrorist violence in the provinces of Khyber Pakhtunkhwa and Balochistan, with Islamist and ethnonational groups claiming responsibility for attacks that killed hundreds of civilians and military personnel. This prompted the military to launch a new round of operations in the affected areas, reminiscent of those conducted at the height of the war on terror.

## History and Characteristics of Transformation

Since achieving independence from British rule in 1947, Pakistan has oscillated between democratic and authoritarian rule, with a powerful military establishment exerting significant influence over the country's politics. Pakistan's most recent episode of military rule ended in 2008 with the overthrow of General Pervez Musharraf. Despite this transition, state forces continue to wield power behind the scenes, protecting and expanding their economic interests and pursuing broader goals.

Throughout its history, Pakistan has been riven by deep ethnic cleavages. In 1971, the eastern part of the country seceded after years of economic exploitation and political marginalization, eventually becoming Bangladesh. The western part of the country was dominated by ethnic Punjabis and, to a lesser extent, by migrants from India called Mohajirs. Both groups occupied prominent positions within the national bureaucracy. In contemporary Pakistan, these ethnic divisions remain significant, with the people of Balochistan, Sindh and Khyber Pakhtunkhwa (KPK) expressing discontent with the state. The country's political landscape continues to be dominated by Punjabi interests. Ethnonational movements that stem from these grievances persist to the present, as observed in Balochistan and KPK.

Pakistan's economy has always been dominated by powerful, property-owning elites such as traditional landowners who were able to transition to industrial production between the 1960s and 1980s. These entrenched elites enjoy close connections to the state and extract rents through their influence on the political process. As a result, the state has largely failed to undertake structural reforms to reduce elite privilege and has repeatedly relied on foreign aid to compensate for its inability to promote economic growth and introduce adequate taxation.

State interventions in the economy have a long history in Pakistan, as evidenced by the nationalization of industries under the government of Zulfikar Ali Bhutto during the 1972 – 1977 period. Although subsequent governments have publicly committed to free markets, the state remains a significant provider of employment and patronage, particularly through its management of large public enterprises. While the bureaucratic structure that Pakistan inherited from colonial rule was relatively powerful and autonomous in the years following independence, it has grown archaic and inefficient over time. Furthermore, the system has been compromised by party politics and the influence of powerful social interest groups.

Pakistan has long maintained hostile relations with its neighbor India, with the main point of contention being the status of Kashmir, a disputed territory claimed by both countries. Kashmir, which is of considerable economic and strategic importance to both countries, has been the cause of three wars and numerous smaller conflicts between Pakistan and India. While Pakistan has historically relied on the United States for economic and military assistance, its close relationship with China has led to increased cooperation in recent years.

By emphasizing Islam as a source of national cohesion and citizenship, Pakistan has always sought to define its identity in religious terms. As a result, successive governments and the military have used Islam as an ideological source of legitimacy. This has led to the emergence of powerful religious parties and political movements in Pakistan, many of which have taken a more violent and extremist turn in recent years. The crucial role of Islam in society has also facilitated discrimination and violence against religious minorities.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The state's monopoly on the use of force is contested by terrorist organizations, ethnonationalist insurgencies and sectarian groups alike. In the 2000s, the country faced frequent and deadly acts of terror perpetrated by militant and terrorist groups. In response, repeated military operations targeting these groups were initiated and reached a peak in 2009, a year when more than 11,000 people died in terrorism-related events.

In recent years, Pakistan has seen a significant escalation in terrorism-related incidents and fatalities, reversing the decline observed through 2019. According to the South Asia Terrorism Portal, 928 civilians and security personnel were killed in 528 separate terrorist incidents in 2023. According to the Center for Research and Security Studies, 2024 was the deadliest year for Pakistani security forces in nearly a decade, with at least 685 fatalities from 444 terror attacks. The combined death toll, including civilians and security personnel, reached 1,612. The surge in violence is largely attributed to militant groups such as the Tehrik-e-Taliban Pakistan (TTP) and the Balochistan Liberation Army (BLA). The TTP intensified its attacks, particularly in northwestern regions bordering Afghanistan, following the Afghan Taliban's rise to power in 2021. The BLA has also escalated its operations, targeting security forces and infrastructure projects, including those associated with China's Belt and Road Initiative.

The majority of terrorist attacks occur in Balochistan province and in the districts bordering Afghanistan in Khyber Pakhtunkhwa province. According to the Pakistan Institute for Conflict and Security Studies, 71 attacks took place in these two provinces in November 2024 alone, including a suicide bombing in Quetta that killed 30 people at a train station and a sectarian attack on a convoy of Shi'a Muslims traveling from Parachinar that killed 54 people. In response to such attacks, the government has launched the Azm-i-Istehkam military operation, which remained ongoing as of the close of the review period.

Question  
Score

Monopoly on the  
use of force

4

'06 \_\_\_\_\_ '26 10



1

With religion playing a significant role in public life, citizenship in Pakistan has historically been strongly defined in terms of Islam. Mainstream political parties such as the PTI and the Pakistan Muslim League-Nawaz (PML-N) often appeal to voters' Islamic sensibilities when campaigning for votes, for instance. In addition to the mainstream parties, Islamic organizations, ranging from nonviolent parties (e.g., the Jama'at-i-Ulama Islam, JUI) to hard-liners (e.g., the Tehreek-i-Labaik Pakistan, TLP) and violent extremist outfits (e.g., the Ahle Sunnat Wal Jama'at, ASWJ), rely on Islamic idioms to question the legitimacy of the state and improve their own standing in society. While most of these organizations remain electorally marginal, their influence on public opinion and ability to shift the political discourse have yielded considerable street power.

Emphasizing Islam as the basis of national identity and citizenship has come at the expense of the country's religious minorities, such as Hindus and Christians, who face considerable discrimination and are subject to practices such as forced conversion. Crucially, action against such repressive practices is rarely taken. Religious discrimination is also explicitly enshrined in law, as non-Muslim citizens are barred from holding the office of president or high-level offices in the state, bureaucracy and military. For example, in 1974, members of the Ahmadi community were declared to be non-Muslim by the second amendment to the constitution and continue to face state-sanctioned discrimination to this day.

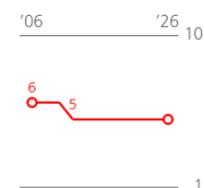
The narrow definition of citizenship in religious terms has also delegitimized alternative identities rooted in ethnicity and language. Throughout Pakistan's history, ethnonational movements demanding greater provincial autonomy and cultural recognition have arisen in Balochistan, Sindh, KPK and Gilgit-Baltistan. While the strength of these movements has declined in recent decades due to state coercion and political co-optation, ethnonational sentiment remains prevalent and may even take the form of war against the state, as seen with the BLA in Balochistan.

The constitution adopted in 1973 declares Pakistan to be an Islamic republic in which all laws must be enacted in accordance with Shariah law. This is not always observed in practice, yet influential bodies of law and policy are nonetheless shaped by Islamic tradition. For instance, the Council of Islamic Ideology (CII), an advisory body composed of state-appointed religious scholars, routinely assesses the acceptability of proposed legislation, and the Federal Shariat Court (FSC) rules on whether legislation complies with Islamic law. In 2023, for example, the FSC struck down the Transgender Persons (Protections of Rights) Act, adopted in 2018, which allowed people to self-identify as their preferred gender on official documents. In 2022, the FSC also directed the government to eliminate interest-based banking and economic activity in the country by January 2028.

In recent years, the CII has argued against the use of DNA-based evidence in rape cases and has opposed laws that would criminalize child marriage and domestic violence. In November 2024, the CII also ruled that the government's decision to ban

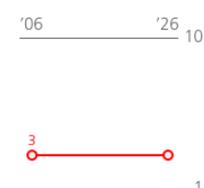
#### State identity

5



#### No interference of religious dogmas

3



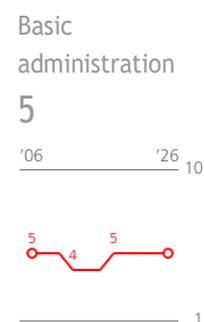
virtual private networks (VPNs) – tools that are de facto used to circumvent state censorship of the internet – was justifiable since it would prevent people from accessing “objectionable” or “blasphemous” material.

Blasphemy remains a criminal offense in Pakistan and is punishable by death. Accusations are widely used to persecute religious minorities, as in August 2023, when Christian homes and churches were burned in Faisalabad after two men were accused of desecrating the Quran. In January 2023, Pakistan’s National Assembly unanimously passed the Criminal Laws (Amendment) Bill, which proposed significant changes to the country’s blasphemy laws. The bill sought to increase the punishment for individuals convicted of using derogatory remarks against revered Islamic personalities – including the Prophet Muhammad’s family, wives and companions, as well as the four caliphs – from a maximum of three years’ imprisonment to a minimum of 10 years, extendable to life imprisonment, along with a fine of PKR 1 million. The Senate approved the bill in August 2023. However, then-President Arif Alvi declined to sign the bill.

Intrinsically connected to the idea of “Khatm-e-Nabuwwat,” or “Finality of Prophethood,” blasphemy is a cause that has been taken up by groups such as the TLP to persecute Ahmadis and has increasingly been invoked by mainstream political leaders to secure their own political legitimacy. The Supreme Court ruled in July 2024 that faith in Khatm-e-Nabuwwat was a core tenet of Islamic belief, reaffirming the official non-Muslim status of the Ahmadi community.

Pakistan’s ability to provide its citizens with basic services remains uneven and increasingly hamstrung by lackluster economic performance. Across the board, the country performs poorly on social indicators, and because of stagnation, no positive trend has been identified in recent years. Public infrastructure is plagued by corruption and a lack of resources and capacity, and attempts at reform often founder in the face of these constraints.

Using 2022 data, the Pakistan Economic Survey reports that the country’s literacy rate was 63%, up from 60% in 2019/20. In 2022 – the latest year for which the indicator has been published – UNICEF estimates the mortality rate for children under 5 at 61 per 1,000 live births, down slightly from 63.3 per 1,000 live births in 2021. Pakistan has made considerable progress in providing electricity to its citizens; according to the World Bank, only 2.4% of the population lacked access to electricity in 2024. Nevertheless, 80% of households with access to electricity struggle with supply, affordability and capacity. World Bank reports suggest that 70.53% of citizens had access to basic sanitation in 2022, up from 68.4% in the previous year. Similarly, according to the WHO/UNICEF Joint Monitoring Programme for Water Supply, Sanitation and Hygiene, only 50.6% of Pakistanis had access to an improved water source in 2022.



The delivery of public services in Pakistan is also hampered by poor communications and weak transportation infrastructure, often leaving citizens with few alternatives to traveling long distances to access medical care and other services. The 2022 floods, which killed thousands and displaced millions nationwide, demonstrated the state's limited capacity to handle natural disasters and their aftermath. The country also continues to struggle with the spread of polio. In 2024, 68 cases of polio were detected amid a faltering national immunization drive that saw more than 1 million children miss their annual vaccine dose.

At the local level, widespread clientelism means elected officials often prefer to engage in targeted service delivery to reward supporters rather than pursuing universalistic, inclusive approaches for all constituents. Devolution of power to local governments is limited, and fiscal and administrative responsibilities remain concentrated in the hands of the federal and provincial governments.

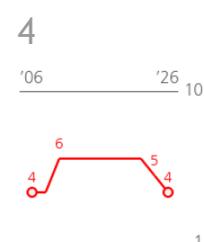
## 2 | Political Participation

Elections in Pakistan have historically been marred by widespread irregularities, allegations of rigging and manipulation, and disputed results. While all adults are eligible to vote, registering can sometimes be an onerous process because it requires a national identity card issued by the National Database and Records Administration Authority (NADRA). The Free and Fair Election Network (FAFEN) nonetheless reported that Pakistan had made considerable progress in voter registration, with 128,585,760 registered voters for the 2024 general elections – an increase of more than 20 million since 2018 and the first time in Pakistan's history that more than half the population was registered to vote.

However, disparities in elections persist. In 2024, there was a 7.7% gap between the number of registered male and female voters, an improvement from 11.8% in 2018. Marginalized groups, such as transgender people, also struggle to register because of difficulties obtaining national ID cards. The overall turnout rate in 2024 was 41.6%, a 5% decrease from 2018.

Despite these overall positive trends, the 2024 elections in Pakistan represented a step backward. They occurred after a one-year delay amid a widespread crackdown on the Pakistan Movement for Justice (Pakistan Tehreek-i-Insaf, PTI) which was ousted from power in 2022 and subjected to curbs such as the incarceration of its leaders, including former Prime Minister Imran Khan. Thousands of the party's activists were accused of participating in anti-military riots on May 9, 2023. The incumbent Pakistan Democratic Movement (PDM) coalition, headed by the Pakistan Muslim League-Nawaz (PML-N) with alleged military backing, managed to eke out a narrow victory in the polls despite evidence of widespread support for the PTI. While the 2024 elections demonstrated limits to the military's ability to engineer electoral results, some historical trends persisted. The electoral process is administered by the

Free and fair elections



Election Commission of Pakistan (ECP), headed by a chief election commissioner appointed after a consultative process involving the government and opposition parties. However, the ECP relies on provincial administrative units to conduct elections on polling day, staffing polling booths with government employees. This has allowed incumbent provincial governments to exert control over the bureaucracy to manipulate electoral results, leading to allegations of vote-rigging.

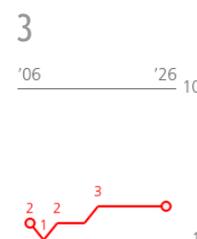
Pakistan's party system is dominated by a small number of large parties, such as the PTI, PML-N and Pakistan Peoples Party (PPP), which tend to select candidates from a pool of "electable" local elites who possess the economic and social power and reputation needed to mobilize voter blocs. Despite this traditional pattern, the success of some "new" PTI candidates against established political stalwarts in 2024 provides evidence that these elites' power is weakening amid broader popular discontent and a desire for change. Beyond these established parties, numerous smaller regional and religious parties exist, whose electoral significance appeared to have declined significantly in 2024.

During the review period, Pakistan's military establishment extended its influence over policy and governance, cooperating with the PDM government to enact an agenda that strengthened its institutional interests. The elected civilian leadership regularly meets with the chief of army staff (COAS) and the head of Inter-Services Intelligence, the main intelligence agency, to discuss international and domestic affairs. These links are further strengthened by inserting retired military personnel into the bureaucratic apparatus and through entities such as the Special Investment Facilitation Council (SIFC), established in June 2023. The SIFC provides a formal cooperative mechanism for the government and the military to solicit investment and aid from foreign countries and businesses.

In the aftermath of the riots on May 9, 2023, during which PTI supporters attacked military installations, the PDM government introduced a series of legislative and executive measures, likely at the behest of the military establishment, to further curtail dissent and centralize power. These measures include the creation of a new constitutional bench and revised procedures for appointing the chief justice of the Supreme Court, the option to try civilians in military courts, new curbs on free expression and the media, and restricted access to online content.

In the electoral arena, elites drawn from the landowning and industrial or commercial classes continue to dominate politics, using their positions not only to engage in rent-seeking but also to receive preferential treatment with regard to tax evasion and access to economic opportunities.

Effective power to govern



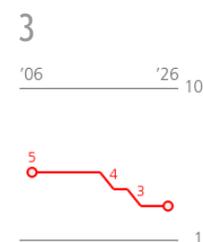
The Pakistani constitution provides individuals the right to associate, though this freedom is subject to government-imposed restrictions in the interest of national security. During the period under review, the PDM-led government repeatedly banned and disrupted protests and marches planned by the PTI. In September 2024, the national parliament, preempting a scheduled PTI event, passed the Peaceful Assembly and Public Order Bill 2024 to regulate political gatherings in Islamabad. Furthermore, the government continues to crack down on groups such as the Pashtun Tahafuz Movement (PTM), a nonviolent Pashtun nationalist organization that has long protested repressive military tactics in districts bordering Afghanistan. In October 2024, the government declared the PTM a terrorist organization, and it now faces additional restrictions on its activities.

Article 19 of the Pakistani constitution guarantees freedom of speech to all citizens, although the right is subject to restrictions that can be imposed in the name of national security and the preservation of Islam. These qualifications on the right to free speech and free expression have been reproduced in legislation such as the Prevention of Electronic Crimes Act of 2016 (PECA), which grants the government extensive powers to investigate and prosecute individuals for online speech, and was close to being amended in late 2024 to provide even more sweeping powers to investigate and prosecute individuals for spreading “fake news.” Similarly, in July 2023, the Criminal Laws (Amendment) Act was passed, introducing new penalties for individuals who “ridicule or scandalize” members of the military or judiciary.

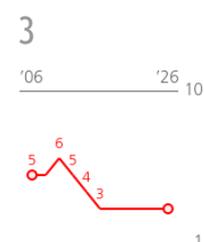
In February 2024, the government also banned access to the online platform Twitter/X in Pakistan and followed up with a ban on virtual private networks (VPNs) – used to evade government censorship of the internet – in November that year. At present, the government blocks access to an estimated 900,000 websites around the world, some of which are banned for hosting political, social or religious content. According to Freedom House, for instance, Meta blocked access to 7,665 items on its platforms during the July 2022 – June 2023 period at the request of the Pakistani government. In 2024, Pakistan consequently received a score of 27/100 on Freedom House’s Freedom of the Net report, falling into the report’s category of “not free.”

The review period also saw journalists arrested and prosecuted for criticizing the government and military establishment. This included – but was not limited to – Asad Ali Toor, who was arrested in February 2024, and Matiullah Jan, who was charged with terrorism in November 2024. In its 2024 report on global press freedoms, Reporters Without Borders ranked Pakistan at 152nd place out of 180 countries.

### Association / assembly rights



### Freedom of expression



### 3 | Rule of Law

Although powers are formally separated among the judiciary, legislature and executive in Pakistan, this division is often blurred in practice. Historically, the military establishment has sought to protect its institutional interests by exerting pressure on the parliament, and civilian leaders themselves have often legislated in ways that centralize power in the hands of the federal government, even when such measures may be questionable regarding compliance with the constitution. In the past, the judiciary has tended to rubber-stamp attempts by the military to solidify its control. Since 2008, however, activist courts have in some instances sought to check the abuse of executive power.

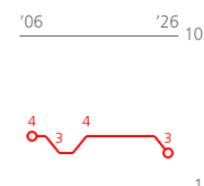
During the review period, the independence of both parliament and the judiciary declined. According to the Pakistan Institute of Legislative Development and Authority (PILDAT), parliament showed “undue haste” in passing the controversial 26th amendment to the constitution. It took only 21 hours and 36 minutes to pass the amendment and 12 other government bills in October 2024. Among other things, the 26th Amendment establishes a new Constitutional Bench of the Supreme Court and removes the Supreme Court’s “suo moto” powers, which had allowed it to initiate legal proceedings of its own accord without a formal complaint in order to address matters of public interest or fundamental rights. Furthermore, the amendment gives parliament and the executive control over the appointment of the chief justice of the Supreme Court and other judges in the superior judiciary. These changes are part of the military establishment’s response to the Supreme Court challenging the legality of measures implemented by the PDM government, such as trying civilians in military courts or prohibiting political rallies. In October 2024, amendments to the Army, Navy and Air Force acts were passed as well, extending the tenures of service chiefs in the military.

In the World Justice Project’s 2024 Rule of Law Index, Pakistan was ranked 129th among 142 countries, with the report indicating limited constraints on government power, a lack of transparency, and limited respect for fundamental rights and constitutional principles.

This process sometimes overstepped constitutional boundaries. During the review period, the military establishment, in lockstep with the PDM government, has systematically restricted the judiciary’s independence. The 26th amendment to the constitution, passed in October 2024, has established a new Constitutional Bench of the Supreme Court, effectively limiting the court’s jurisdiction while more strongly involving parliament in the appointment of judges, including the chief justice of the Supreme Court. Furthermore, the Supreme Court’s ability to initiate legal proceedings of its own accord (“suo moto”) has been removed.

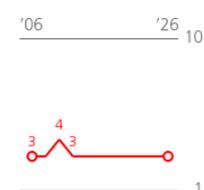
Separation of powers

3



Independent judiciary

3



During the review period, the Supreme Court under Chief Justice Qazi Faez Isa did little to question the Election Commission's delay in holding general elections, failed to take action on cases involving so-called missing persons believed to be held by the military establishment, and was seen as a party to the persecution of the PTI and its leader Imran Khan. This was most notable when the court suspended an earlier ruling issued under Isa's predecessor that challenged the legality of civilian trials in military courts.

At lower levels, the judiciary continues to suffer from a lack of resources, leading to high levels of corruption and a massive backlog of an estimated 2 million cases. Bar associations and other legal bodies have emerged over the last decade as powerful interest groups in society and often clash with groups such as the police.

Parallel justice systems built around local tribal norms also continue to operate throughout the country. Although the decisions made by these informal courts are legally insufficient to sanction officials, they are often viewed as a legitimate forum for dispute resolution and access to justice.

Holders of public office in Pakistan are largely able to break the law and engage in rent-seeking behavior without a credible threat of sanctions. Accountability mechanisms are weak and largely used to pursue partisan political objectives. During the review period, the National Accountability Bureau (NAB) – the country's top anti-corruption monitoring agency – pursued cases of alleged corruption and embezzlement involving former Prime Minister Imran Khan, his wife and members of the PTI party's senior leadership. In 2023 and 2024, Khan was subject to a series of allegations ranging from the accrual of personal benefits from the sale of state gifts received from visiting dignitaries to the accusation that he and his wife had been granted land worth billions of Pakistani rupees by real estate tycoon Malik Riaz in exchange for political favors. In contrast, the NAB has withdrawn similar investigations involving former prime ministers Nawaz Sharif and Yusuf Raza Gillani, as well as former president Asif Ali Zardari, all of whom are associated with the PDM government.

In September 2024, the Supreme Court also restored controversial changes previously made to the National Accountability Ordinance, the law governing the NAB. In 2022, the ordinance had been amended by the PDM government to prevent the NAB from investigating cases of corruption involving sums less than PKR 500 million. In September 2023, under the leadership of then-Chief Justice Umar Bandial, the Supreme Court had declared these changes to be unconstitutional, only for the decision to be reversed one year later by the court of his successor, Qazi Faez Isa.

Prosecution of  
office abuse

3



During the review period, the rule of law and respect for civil rights faced significant challenges in Pakistan. Citizens were often subject to arbitrary arrest by law enforcement agencies such as the police, as well as by the military establishment. Torture in custody remained widespread despite Pakistan's ratification of the Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment. Laws against custodial torture are in place, such as the Torture and Custodial Death (Prevention and Punishment) Act of 2022. However, these are not enforced.

Civilians in Pakistan have been subjected to trials in military courts in recent years. These have focused particularly on individuals accused of participating in the riots on May 9, 2023, in which PTI supporters attacked selected military installations. People continue to be disappeared, falling into the category of so-called missing persons, and individuals campaigning for their release are often persecuted. For example, in December 2023, when Mahrang Baloch, an activist seeking information about missing people in Balochistan, headed a female-led protest in Islamabad, she and her supporters were dispersed with tear gas and arrested. Baloch was subsequently barred from traveling abroad. The courts remain largely indifferent to such issues, often justifying arbitrary detentions with references to national security.

Women and religious, ethnic and sexual minorities continue to face widespread discrimination, violence and curbs on free expression. In line with this approach, bans on social media platforms such as Twitter/X are frequently imposed.

#### 4 | Stability of Democratic Institutions

Pakistan can now be classified as an authoritarian regime. This is due to the military establishment's increasingly prominent role in Pakistan's politics. Since 2022, the military has asserted itself more forcefully, particularly with regard to persecuting and suppressing the PTI, the party of former Prime Minister Imran Khan. While Pakistan does possess formally democratic institutions, there is little doubt that the current civilian government, led by the PDM coalition, benefited from military support after a contentious 2024 election widely perceived as unfair. Since then, political dynamics have only strengthened the framework of authoritarian rule while further eroding the government's democratic legitimacy.

Pakistan held nationwide general elections in 2024. Crucially, the same cannot be said for local elections in Pakistan's most populous province, Punjab, where local governments have been dormant since 2019. Local elections were held in Pakistan's other provinces in 2022 and 2023, while Punjab's elections have been stalled amid constant legislative wrangling, with successive provincial governments in conflict over their predecessors' proposals. The most recent iteration of this process culminated in the passage of a new version of the Punjab Local Government Act in December 2024, which scheduled elections for 2025.

#### Civil rights

2

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#### Performance of democratic institutions

2

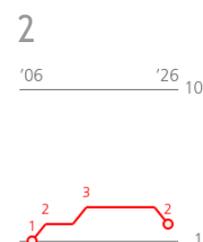
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The Supreme Court had its powers reduced by the 26th constitutional amendment, passed in October 2024. More specifically, the amendment was adopted at the end of the controversial tenure of Chief Justice Qazi Faez Isa, who was widely seen as sympathetic to the military establishment's campaign against the PTI. The Supreme Court's partisan role at the time, as well as the erosion of its powers, represents a further weakening of democratic institutions in Pakistan.

During the review period, the commitment to democratic institutions in Pakistan has deteriorated further. The 2024 general elections were widely considered to be rigged and unfair, leaving the PDM government that was ultimately inaugurated lacking democratic legitimacy. PTI-led protests against the government have continued despite considerable repression. The PTI has also successfully mobilized domestic and international support for its cause through strategic use of the internet and social media. Significantly, widespread criticism of the military establishment – particularly on platforms such as Twitter/X and TikTok – arguably represents the greatest threat to the institution's credibility and legitimacy since the tumultuous events of the 1970s. With the PDM government seen as illegitimate by significant sections of society, and other institutions like courts and accountability watchdogs also viewed as pursuing partisan political objectives, levels of democratic legitimacy are presently low in Pakistan.

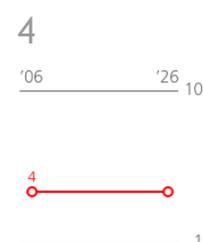
Commitment to democratic institutions



## 5 | Political and Social Integration

Pakistan's mainstream political parties are weak, lacking in internal democracy, clear ideological identities or strong organizational structures. Historically, military rule has impeded party development, allowing powerful local leaders to dominate elections through patronage relationships and personal influence. In rural areas, electoral competition takes place primarily between these entrenched elites, who frequently switch party affiliations based on political circumstances. The absence of grassroots party organization and the inconsistency of local government elections have sustained dynastic politics as the main path to power.

Party system



The party system in Pakistan is fragmented along provincial lines. In Sindh, for example, the PPP dominates politics except in the city of Karachi, where it competes for influence with the Mohajir-oriented Muttahida Qaumi Movement-Pakistan (MQM-P), the religious Jamaat-i-Islami (JI) and, more recently, the PTI. In Balochistan, electoral politics is contested by ethnonational parties such as the Balochistan National Party (BNP). In comparison, elections are more competitive in KPK and Punjab. The PTI has emerged as the dominant party in KPK after displacing the Awami National Party (ANP), and evidence suggests that the PTI is now the most popular party in Punjab as well, having garnered support at the expense of the Pakistan Muslim League-Nawaz (PML-N). Still, the full scope of this transition is difficult to gauge given the rigged nature of the 2024 elections.

Volatility in voting behavior is often driven by the shifting allegiances of local leaders who oversee patronage networks. Religion is generally a potent source of political organization and polarization. Parties like the JI and the Jamiat Ulema-i-Islam Fazl (JUI-F) make explicit appeals to Islam in their electoral platforms, while hard-line parties such as the TLP have campaigned on the contentious issue of blasphemy. However, the results of the 2024 election suggest that the electoral salience of religious parties is marginal at best, and that their power is largely restricted to shaping public discourse.

Pakistan's civil society comprises a diverse array of interest groups, including economic elites represented by chambers of commerce; politicized professional bodies representing lawyers, doctors, journalists and teachers; NGOs focused on service delivery and advocacy; and smaller activist groups such as student collectives and trade unions. Religious and ethnic organizations also exist, though religious groups receive more state support than their ethnic counterparts.

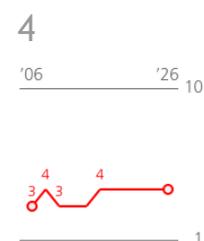
The power exercised by these groups varies depending on the political and societal contexts in which they operate. Local traders' associations, found in markets across the country, remain a powerful source of urban electoral support for parties such as the PML-N and PTI. Professional associations, such as provincial bar associations, regularly mobilize their members to protest and negotiate concessions on their behalf. Bar associations have grown more important in recent years because of their informal influence on the appointment of judges.

Less powerful groups, such as organizations representing workers, students and low-level government employees, often face state repression and persecution when articulating their demands. Nonetheless, various interest groups convene and share platforms to campaign for collective goals. For example, events such as the Student Solidarity March and the Aurat March have brought students, women, trade union members and even political party members together in recent years.

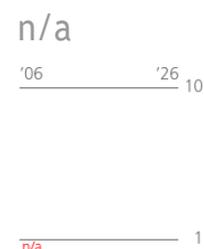
Non-militant ethnonational groups such as the PTM, campaigns to track down Baloch missing persons, and groups criticizing the military are subject to repression that can lead to bans. During the review period, groups of this kind were subjected to measures including restrictions on their mobilization, censorship of their online content and arrests of their leaders.

Polling data on public perceptions of democracy in Pakistan are limited. According to the 2024 Democracy Perception Index, almost 80% of Pakistanis believe democracy is important, yet only around 40% believe the country is actually democratic. This low percentage represents a drop of 10% since 2022. Furthermore, 54% believe there is not enough democracy, and almost 80% say elections are unfair. Polling by Gallup Pakistan in April 2024 similarly shows that 45% of Pakistanis disagree that elections are free and fair, and 68% disagree that the country is ruled by the will of the people. A clear trend is evident in this polling as well: The share of citizens who say that the electoral process is fair declined to 28% in 2023 from 44% in 2020.

Interest groups

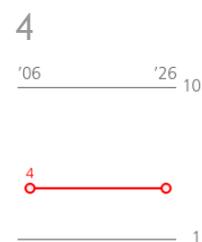


Approval of democracy



Polling data on levels of trust and solidarity among citizens in Pakistan are extremely limited, with the most recent data coming from the World Justice Project’s Report on the Rule of Law in Pakistan and the World Values Survey, both from 2018. According to the World Justice Project, 73% of Pakistanis expressed a high level of trust in one another. Similar findings can be drawn from the World Values Survey, which reported that 93.4% of Pakistanis trusted their families, and 77% trusted people in their neighborhoods. Yet the same survey found that 75.9% of respondents felt a need to be “very careful” when deciding whether to trust other people, and only 31.4% of respondents felt that they could completely or somewhat trust people belonging to different religious groups. Furthermore, only 27.7% felt the same about other nationalities. Interpersonal trust in Pakistan is thus strongly embedded in enduring networks of family, kinship and clientelist structures.

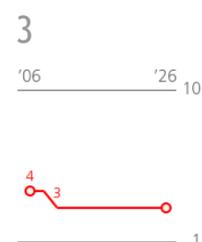
Social capital



## II. Economic Transformation

### 6 | Level of Socioeconomic Development

In its 2023 – 2024 Human Development Index, the UNDP ranked Pakistan 164th out of 193 countries, down from 161st out of 192 in 2022. This low level of human development is also accompanied by relatively high levels of inequality. Although the World Bank estimates Pakistan’s Gini index at about 29.6 for 2022 – 2023, this figure may be inaccurate because the wealthiest quintiles underreport their incomes in the relevant household integrated economic surveys. Accordingly, the World Inequality Database estimates that in 2023, the top 10% of households held a 42.8% share of national income, while the top 1% held 16.7%. In its 2020 Human Development Report, the UNDP estimated that landowners, comprising only 1% of the population, own 22% of all arable farmland, for example.

Question  
ScoreSocioeconomic  
barriers

Using the cost-of-basic-needs approach employed by the government to calculate Pakistan’s official poverty line, a December 2024 World Bank report titled Poverty Projections for Pakistan estimated that Pakistan’s 2023 poverty rate was 25.3%, up from 21.9% in 2018. The World Bank also estimated that in 2024, 40.5% of the population lived below the lower-middle-income poverty line of \$3.65 a day.

Inequality in Pakistan is exacerbated by regional disparities. Using 2020 data, the UNDP’s Multidimensional Poverty Index (MPI) estimates that 70% of Balochistan’s population lives in poverty, followed by 48% in KPK, 45% in Sindh and 30% in Punjab. The same report highlights stark differences between urban and rural Pakistan. It estimates that 51% of Pakistan’s rural population lives in poverty, compared with 17.1% of Pakistan’s urban population.

Gender-based inequality also remains a significant structural burden on Pakistan's economy. The labor force participation rate among women was among the lowest such figures in the world in 2023 at just over 24%. The country's score on the 2022 Gender Inequality Index was 0.522, giving it a rank of 135th out of 166 countries. Pakistan performed even worse on the World Economic Forum's Gender Gap Index, ranking 145th out of 146 countries, down from 142nd in 2023.

Economic indicators		2021	2022	2023	2024
GDP	\$ M	348516.6	374890.3	337885.5	<b>373071.9</b>
GDP growth	%	6.5	4.8	0.0	<b>3.2</b>
Inflation (CPI)	%	9.5	19.9	30.8	<b>12.6</b>
Unemployment	%	6.3	5.5	5.4	<b>5.5</b>
Foreign direct investment	% of GDP	0.6	0.4	0.6	<b>0.7</b>
Export growth	%	6.5	5.9	3.2	<b>-1.1</b>
Import growth	%	14.5	11.0	1.8	<b>4.1</b>
Current account balance	\$ M	-12283.1	-12216.1	-1039.1	<b>557.1</b>
Public debt	% of GDP	74.7	77.3	78.5	<b>70.4</b>
External debt	\$ M	130851.0	127708.0	130847.4	-
Total debt service	\$ M	12296.2	16659.7	16008.9	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	10.9	10.5	10.3	<b>8.5</b>
Public education spending	% of GDP	1.7	2.0	1.9	-
Public health spending	% of GDP	1.1	1.1	-	-
R&D expenditure	% of GDP	0.2	-	0.2	-
Military expenditure	% of GDP	3.4	3.2	2.8	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

Pakistan's economic regulatory environment is overseen by the Economic Coordination Committee (ECC), a body chaired by the finance minister that includes representatives from the State Bank, the Securities and Exchange Commission, the Planning Commission, the Board of Investment and other government departments. The ECC has broad authority to intervene in the economy, and often does so in a manner that distorts price signals and selectively favors certain enterprises and actors. For example, in 2024 the ECC approved subsidies for the fertilizer and sugar industries and additional grants worth almost PKR 100 billion for the military, while directing the government to pay off the liabilities of the state-owned Utility Stores Corporation. The military also has commercial interests in Pakistan, and its enterprises, such as the Frontier Works Organization, are often awarded lucrative contracts for projects in the construction sector.

There are no formal restrictions on the ownership or operation of businesses by foreign entities in Pakistan, except for entities based in India or Israel. However, establishing and operating a business often entails significant bureaucratic hurdles and corruption. The Securities and Exchange Commission of Pakistan (SECP) registers and regulates local and foreign businesses, but its standards and regulations are inconsistently implemented. While successive governments have sought to encourage foreign investment in Pakistan, outbound investment by Pakistanis is strictly regulated and publicly discouraged. Nonetheless, politically connected individuals can transfer funds abroad to invest in sectors such as real estate.

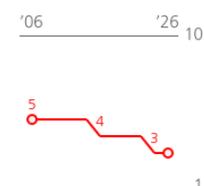
The government retains the right to regulate prices of essential commodities and medicines, mainly through legislation such as the Punjab Price Control of Essential Commodities Act of 2024. In practice, such price controls are applied arbitrarily, often at the discretion of bureaucrats at the local and provincial levels.

In recent years, initiatives such as the Pakistan Regulatory Modernization Initiative, launched in 2018, have foundered amid constant political turmoil and adverse economic conditions. In 2024, the government launched the country's 13th five-year plan to achieve export-led growth by using the public sector to induce private sector growth, with an emphasis on promoting agriculture, energy, textile, IT and pharmaceutical industries.

Amid precarious economic conditions, during which foreign investment fell to a 12-year low, the government also created the Special Investment Facilitation Council (SIFC), equipping it with a broad mandate to provide advice on economic reform topics and on attracting foreign investment. The SIFC includes the chief of army staff and is seen as a vehicle for the military to influence Pakistan's economic affairs.

Market  
organization

3



The Pakistani economy has a very large informal sector. A study jointly conducted by the Small and Medium Enterprises Development Authority (SMEDA) and the International Labour Organization (ILO) estimated that, in total, the informal economy produces annual turnover of about \$457 billion, and accounts for 72.5% of the non-farm labor force. According to the ILO, 84.3% of the labor force was informally employed in 2021.

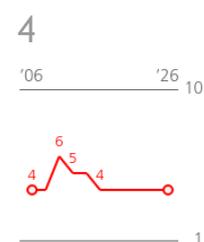
The Competition Commission of Pakistan (CCP) is the key regulatory body tasked with ensuring market fairness, but its record of achievement is mixed at best. Pakistan's economy continues to be dominated by a relatively small rent-seeking elite combining economic power and political influence, enabling this elite to benefit from elite privilege in the form of subsidies, tax relief and state contracts. Such contracts were valued by the UNDP in 2020 at \$4.7 billion in total for the corporate sector and another \$1.7 billion for the military's corporate interests. The military has extensive commercial interests in sectors such as cement, fertilizer, real estate, agriculture and construction, all of which are impervious to external scrutiny. Conversely, powerful civilian cartels exist in sectors such as sugar, fertilizer, power generation and real estate.

In 2019, Pakistan was ranked 110th of 141 countries in the World Economic Forum's Global Competitiveness Report. In the World Bank's first Business Ready (B-Ready) Report, released in 2024, Pakistan was rated poorly in the category of market competition, receiving a score of 46.24 of 100. This low score was in part due to the absence of effective controls on cartels, a lack of whistleblower protection, poor merger control regulations, the pervasive influence of state-owned enterprises, deficient mechanisms for the arbitration of copyright disputes, and opaque and unfair procurement practices.

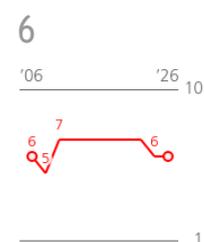
In 2024, the CCP imposed fines totaling PKR 275 million on companies engaged in anti-competitive practices, including multinational corporations such as Unilever. However, it faces a backlog of more than 500 cases that are still under investigation, and fines imposed in previous years have often gone unpaid as powerful business interests use litigation and legal loopholes to avoid penalties.

Pakistan has been gradually liberalizing trade over the past two decades. According to the World Trade Organization (WTO), Pakistan's simple average most-favored-nation (MFN) tariff rate was 10.3% in 2023, down from 11.2% in 2021 and 23.1% in 2000. While this rate was comparable to those seen in other South Asian economies, it was higher than the global average. According to the WTO, only 31.1% of total imports worth nearly \$70.8 billion in 2022 were duty-free, and a substantial share faced duties higher than 15%. UNDP's Multidimensional Poverty Index (PIDE) estimates that tariffs raised the total cost of imports by about PKR 1.36 trillion in 2022. The persistence of high tariffs on imports can be attributed to their historical significance both as a source of revenue and a mechanism to protect local producers from foreign competition. Pakistan also imposes non-tariff barriers to trade, including

#### Competition policy



#### Liberalization of foreign trade



import quotas, licensing requirements and customs restrictions, which the PIDE suggests affect 33.1% of all trade in Pakistan and result in an additional PKR 412 billion in costs. The effects of this policy instrument are disproportionately felt by industries relying on imported inputs.

Pakistan's export performance remains sluggish, with a 2023 PIDE report noting that the country's share of global exports has remained essentially stagnant at about 0.12% since the 1990s, even as comparable countries such as Bangladesh, India, Vietnam and Türkiye have witnessed tremendous growth over the same period. Exporters in Pakistan remain hamstrung by a number of structural issues, including a lack of local value-added; low productivity levels; and an incentive structure that benefits established, often cartelized sectors of the economy while hindering the emergence of new players. A 2020 report by the International Trade Center notes that Pakistani exporters struggle to comply with trade-related regulations or procedures both in Pakistan and abroad, often due to a lack of technical capacity for testing and product certification.

Having been on the Financial Action Task Force's (FATF) gray list for most of the previous decade, Pakistan was removed in August 2022 after taking credible action against terrorism financing and money-laundering. In this context, KPMG reports that the banking sector in Pakistan experienced significant growth in 2023, with a 32% increase in net assets and 26% growth in customer deposits. CEIC Data also reports that Pakistan's capital adequacy ratio was 21.5% in September 2024, a significant increase from 16.096% in July 2022.

The State Bank of Pakistan, which operates independently of the government, is the country's main banking regulator and serves as the central bank. Since the 1990s, Pakistan has made significant progress in implementing the Basel Accords, driven by demands from international financial institutions and the State Bank's own policy goals. The State Bank has also formulated five-year strategic plans to promote Islamic banking in Pakistan in line with directives issued by the Federal Shariat Court to create an interest-free economy by 2028.

A total of 523 companies were listed on the Pakistan Stock Exchange (PSX) as of the close of the review period, with a collective market capitalization of about \$52.08 billion as of December 2024. During the period under review, the share of Pakistan's non-performing bank loans stood at 8.4%, slightly up from 7.6% in September 2022.

Pakistan's bank capital-to-assets ratio also decreased slightly from 5.1% in 2021 to 4.94% in 2022. More recent data for this ratio are not readily available. However, related indicators suggest an improvement in the banking sector's capital adequacy. For instance, the capital adequacy ratio (CAR) had increased from 19.19% in 2022 to 20.0% by June 2024. This suggests the banking sector's capital position has strengthened.

#### Banking system

7



## 8 | Monetary and fiscal stability

Pakistan experienced serious economic turbulence during the review period, yet signs indicate the economy is entering a period of stabilization. In January 2024, after several years of double-digit inflation, the inflation rate was 28.34%, but by December 2024 it had fallen to 4.1%. Similarly, after a rapid currency devaluation between March 2022 and March 2023, from a rate of PKR 177 per USD 1 to PKR 260 per USD 1 – the Pakistani rupee remained relatively stable at approximately PKR 278 per USD 1 throughout much of 2024. In 2023, the country's real effective exchange rate was 91.4. In general, the State Bank of Pakistan pursues a market-based, flexible exchange rate system.

The stabilization of the exchange rate was made possible by a combination of factors, including successful negotiation of a \$7 billion bailout package with the IMF, a 2.92% year-over-year decline in imports, an 8.98% year-over-year growth in exports and a 29% increase in foreign remittances in 2024.

As a result of this array of measures, Pakistan concluded 2024 with a current account surplus, an 18.60% decline in its trade deficit and a fiscal surplus of PKR 1.7 trillion, or 1.4% of GDP – the first such surplus in 24 years. Given this economic environment, the State Bank of Pakistan also began cutting interest rates in the second half of 2024.

After experiencing significant economic headwinds in 2023, including a 0.22% decline in GDP, dwindling foreign currency reserves, double-digit inflation and the prospect of debt default, Pakistan's economy entered a period of stabilization in 2024. This stabilization was initiated by a \$3 billion standby agreement negotiated with the IMF in June 2023 and a \$7 billion IMF bailout package the following year. Overall, a combination of import restrictions, growth in exports and a 29% increase in foreign remittances to a record \$35 billion helped Pakistan register a current account surplus in 2024. The year concluded with Pakistan's foreign currency reserves at \$15.9 billion – enough to cover two months' worth of imports and significantly greater than the \$3.2 billion level reached in February 2023.

In recent years, Pakistan has predominantly reached out to allies abroad for economic assistance, receiving grants and aid from China and Saudi Arabia, among others. Pakistan also secured \$1 billion in assistance from the United Arab Emirates in July 2023, and one aim of the newly established SIFC is to continue soliciting assistance from foreign nations. However, while the Pakistani economy has entered a period of stabilization, structural flaws persist and the country is likely to continue to require external financial support.

During the review period, data from the central bank show that the country's debt-to-GDP ratio declined to 65.7% in September 2024, down from 73.5% in 2022, reaching the lowest level since 2018. However, Pakistan's total external debt increased to

### Monetary stability



### Fiscal stability



\$133.455 billion, or 35.1% of GDP, of which \$100.619 billion is public external debt. The State Bank of Pakistan states that the country faces steep debt-repayment obligations, with repayments of \$30.35 billion in 2025 and 2026 and of over \$100 billion by 2029.

Despite attempts to improve revenue collection, Pakistan's tax-to-GDP ratio remained low at 8.77% in FY 2023/24, a slight increase from 8.54% in the previous year. This level is well below the target of 13.6% agreed to in exchange for IMF aid earlier in the year. Efforts to improve revenue collection have been continuously impeded by difficulties in documenting Pakistan's large informal economy, as well as the constraints imposed by powerful, organized interest groups and entrenched political elites.

## 9 | Private Property

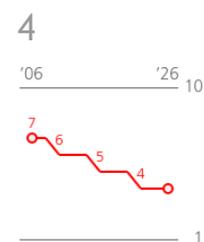
Pakistan's constitution legally protects private property rights, and specific laws exist to prevent individuals and businesses from being deprived of their property by the state without compensation. However, these laws are not always enforced in practice. Poor monitoring, patchy documentation and weak enforcement mechanisms mean that individuals can have their land expropriated by criminals, organized land grabbers and corporate developers, who often collude with state officials.

In 2024, Human Rights Watch published a report on forced evictions in Pakistan, documenting how the colonial-era Land Acquisition Act of 1894 was often improperly and arbitrarily invoked by the state to evict and acquire land for development, among other purposes. Justified by the state in the name of ending so-called encroachments, these evictions have affected thousands of citizens in major urban centers in recent years.

Forced evictions are also part of the process by which land is acquired for real estate development. Military-run housing schemes across the country have been built on forcibly seized land, and more recent developments such as the Ravi Urban Development project and the Lahore Central Business District – designed to build new settlements along the Ravi River in Lahore and create a new commercial hub – are proceeding despite serious environmental objections and the forcible expropriation of local villagers from their homes.

Disputes over land ownership are among the largest sources of litigation in Pakistan's lower courts, with hundreds of thousands of cases contributing to a judicial backlog, compounded by inefficiency and corruption. In 2024, Pakistan was ranked at 106th place out of 125 countries on the International Property Rights Index.

### Property rights



Successive governments have been broadly committed to the principles of a market economy and to promoting private enterprise, as are all of Pakistan's mainstream parties. However, in practice, private enterprise operates within the institutional framework of a country characterized by a long history of state intervention and high levels of clientelism and rent-seeking by entrenched elites.

State-owned enterprises continue to play a significant role in Pakistan's economy, operating in sectors such as railway transportation, aviation, electricity, tourism, construction and the media. The military also conducts significant corporate operations that benefit from preferential treatment. However, concerns about financial viability and efficiency have driven successive privatization initiatives in Pakistan, which have met with varying levels of success. Privatization remains a sensitive topic partly due to opposition from labor groups but also because various political parties have used public sector employment to reward their supporters. In 2024, the government began a long-anticipated process to privatize Pakistan International Airlines (PIA), but it rejected the sole bid by a real estate group – believed to be connected to the military establishment – allegedly because the offer was below the stated value of the company. The PDM government has committed to a second round of bidding for PIA in 2025.

In 2024, public sector enterprises had debt totaling PKR 1.7 trillion, or 1.6% of GDP, according to the State Bank of Pakistan.

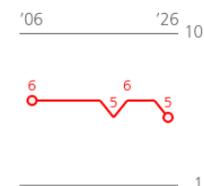
## 10 | Welfare Regime

Pakistan manages a number of welfare programs aimed at establishing a basic, universal social safety net for its citizens. Funded through tax revenues, government-operated schools and hospitals offer highly subsidized education and health care to the entire population. Organizations such as Zakat and the Pakistan Bait-ul-Mal also use tax revenues to provide small cash transfers to about 3 million people throughout the country. Pakistan also offers the Employee Old Age Benefits Institution as a contributory pension scheme that currently has more than 9 million enrollees. The Pakistan Poverty Alleviation Fund provides microfinance loans to its citizens. Nonetheless, the provision of social services remains dismally insufficient, particularly given the scale of poverty and deprivation in the country. The welfare programs provided by the government exist in tandem with extensive, tiered systems of private provision.

Life expectancy at birth was 66.4 years in 2022. The National Health Accounts compiled by the Pakistan Bureau of Statistics estimate that total health expenditure in 2021 – 2022 (the last year for which data were available) was PKR 1,962 billion – or 2.91% of GDP – of which 47% came from the government and 52.6% from the private sector. Within the private sector, 89% of this spending came from out-of-pocket expenditures by households. According to the World Bank, 4.4% of Pakistanis – or 11 million people in absolute terms – were expected to experience a certain degree of impoverishment due to out-of-pocket health expenditures in 2024.

### Private enterprise

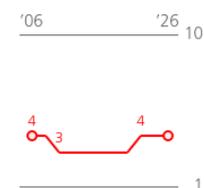
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### Social safety nets

4



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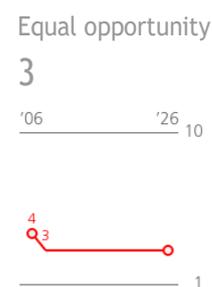
Although significant challenges persist in providing welfare in Pakistan, progress has been evident in selected areas. The Benazir Income Support Program (BISP), initiated in 2008, is an unconditional cash-transfer program for poverty reduction that primarily targets women. At the end of 2024, an estimated 10 million households were receiving BISP payments, and the Asian Development Bank approved a \$330 million loan to expand the program in the coming years.

In 2019, the PTI government launched the Sehat Sahulat Program in KPK, providing citizens with universal health insurance usable in both public and private hospitals. Coverage was extended to Punjab in 2021, so the program was providing health insurance to an estimated 38 million households by the end of that year. However, the ouster of the PTI government has rendered the program's fate uncertain. In addition to changes in the country's political orientation, the program's lack of legislative support compared with the BISP paired with questions about its financial sustainability have rendered it essentially nonfunctional, although it continues to exist in skeletal form in KPK.

Although Pakistan's constitution prohibits economic discrimination and other forms of discrimination based on gender, religion or other identities, the country in practice maintains hierarchies based on class, gender, ethnicity, religion and caste. Individuals from underprivileged and marginalized communities face significant obstacles to upward social mobility and lack access to high-quality education, health care and economic opportunities.

The World Economic Forum's Gender Gap Index ranked Pakistan at 145th place out of 146 countries in the category of gender parity in 2024. This is reflected in disparities in areas such as literacy rates. According to the 2023 census, 60% of males age 10 and older were literate, compared with 44% of females. The labor force participation rate among women has remained stagnant at around 20% over the past decade, rising slightly to 24% in 2023. While quotas mandate that 17% of seats in the national and provincial legislatures be held by women, candidates for these seats do not contest elections, and are instead nominated by their parties, often based on familial connections. Women remain excluded from the upper echelons of politics. In 2024, for example, only one member of Prime Minister Shahbaz Sharif's 20-member cabinet was a woman, serving as a junior minister.

Religious minorities encounter widespread discrimination in Pakistan, as do citizens from lower-caste groups, notably former Hindu Dalits who have converted to Islam. Christians, Hindus and lower-caste Muslims are disproportionately employed in casual labor, sweeping and sex work and have limited opportunities for upward social mobility.



## 11 | Economic Performance

GDP growth was 2.4% in 2024. The inflation rate was 23.4% in the fiscal year 2023/24, although it had dropped to 4.1% by the end of 2024. A similarly positive trend was evident in the current account, where a deficit of 0.9% of GDP in FY 2023/24 had improved to a surplus equal to 1.4% of GDP by the end of 2024. All these indicators represent significant improvements compared with the previous financial year, when the economy contracted by 0.2%, inflation reached a rate of 30% and the current account deficit amounted to 1% of GDP.

The year leading into 2024 saw Pakistan contend with a balance-of-payments crisis triggered by debt repayments, the devaluation of the Pakistani rupee, the economic shock of the COVID-19 pandemic and an estimated \$30 billion in costs resulting from unprecedented floods in 2022. According to the State Bank of Pakistan, the country received foreign direct investment worth \$1.962 billion in 2024, representing a significant increase compared with \$600 million in 2023. Altogether, 2024 was a year of relative economic stabilization, made possible in part by bailouts from the IMF. However, significant challenges remain.

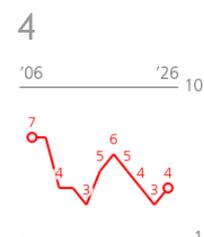
In 2024, Pakistan had a GDP per capita (adjusted for purchasing-power parity) of \$6,720, representing a small increase from \$6,530 in 2023. The country's unemployment rate also declined to 8% from a high of 8.5% in 2023. While these small improvements are welcome, Pakistan still lags behind both India and Bangladesh in this regard. The government reported a 35% year-over-year increase in revenue collection in December 2024, although this fell short of the projected target for the year.

## 12 | Sustainability

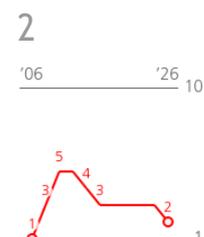
In terms of exogenous influence and pressure for adaptation, Pakistan has been among the nations hardest hit by climate change. In 2022, severe flooding affected 33 million people across more than 12% of the country, killing 2,000 people, displacing 2.1 million, pushing 5 million into poverty and exacting around \$30 billion in costs. Floods in 2024, though less severe, still displaced hundreds of thousands of people in what has become an almost annual occurrence. Water scarcity is likewise worsening, with per capita availability falling below 1,000 cubic meters in 2021 and expected to drop to just 500 cubic meters by 2025. At such availability levels, Pakistan is well surpassing the U.N. threshold for water scarcity.

The 2023 Air Quality of Life Index found that levels of specific pollutants were 22.3% higher than in 2000, reducing average life expectancy by 3.9 years. In Lahore, the country's most polluted city, the expected reduction is 7.5 years.

### Output strength



### Environmental policy



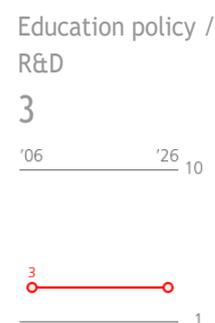
In 2023, Pakistan's per capita carbon dioxide emissions were 0.8 tons, far below the global average of 4.7 tons. Currently, 59% of the country's energy generation capacity comes from fossil fuels; 25% from hydropower; 7% from renewable sources such as wind, solar and biomass; and 9% from nuclear power. Under its National Climate Change Policy, the country aims to cut greenhouse gas emissions by 50% by 2030.

The Ministry of Climate Change has continued to have limited policy influence in the most recent review period. While Pakistan crafted a National Climate Change Policy in 2012 to address risks such as drought, erosion and deforestation, progress at both the policy and impact levels has been minimal. The 2017 Climate Change Act mandated the creation of a Climate Change Authority to implement policies; however, as of late 2024, it had not been established, despite a Supreme Court order to do so.

In 2022, Pakistan scored 0.44 on the "inequality in education" indicator of the UNDP's Inequality-Adjusted Human Development Index, indicating a relatively high level of educational inequality. A poorly funded and equipped public education system coexists with a tiered private education system that offers the wealthy access to world-class educational facilities at the primary, secondary and tertiary levels. According to the Pakistan Economic Survey, the country's literacy rate was 63% in 2022, up from 60% in 2019 – 2020, and government expenditure on education amounted to 1.9% of GDP in 2023.

The net enrollment rate for primary school students was 74.84% in 2022, with an estimated 26.09 million children not in school. At the secondary school level, the rate was 42.36% in 2022.

Spending on research and development in Pakistan remains low, estimated at only 0.2% of GDP annually since 2017. While the country produces more than half a million college graduates each year, the quality of their skills varies widely. Although Pakistan's universities award several thousand doctorates every year, research output remains insufficient and of relatively poor quality.



## Governance

### I. Level of Difficulty

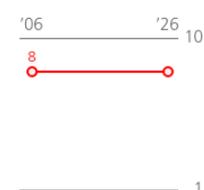
Following the economic storm experienced in 2022/23, the country faces significant debt repayments – totaling \$100 billion by 2029 – amid a persistent failure to expand its tax base and export volumes. Pakistan lags behind its regional peers on every crucial social indicator, with relatively stagnant economic growth; low levels of human capital development; and an economy that remains monopolized by a small rent-seeking elite composed of landowners, industrialists and the upper echelons of the military establishment. In a context in which millions of young people enter the workforce every year, with an estimated 64% of the population younger than 30, the country will struggle to provide its people with the economic opportunities and resources needed to help them fulfill their potential. Adding to the demographic constraints, Pakistan faces severe environmental challenges, ranging from poor air quality to the impact of massive floods, with serious implications for the health and well-being of its population.

Pakistan's governance is hampered by persistent discriminatory norms and practices – some endorsed by law – that marginalize or fully exclude large sections of society. Women experience widespread discrimination and violence in both the public and private spheres, and efforts to improve their standing through reforms are often stymied by backlash from religious and conservative actors in society. Religious minorities, particularly Ahmadis, experience de facto exclusion from high positions in government and the economy and are routinely subjected to violence and intimidation. Similarly, the economic and cultural marginalization of Baloch, Sindhis and Pashtuns – due to deep-rooted ethnic cleavages – fuels ethnonational movements and disputes over the division and allocation of national resources.

The civil society landscape in Pakistan is characterized by a diverse array of organizations and interest groups. These include NGOs; professional associations of lawyers, doctors and journalists; trade unions; industry groups representing commercial interests; religious organizations; and social movements mobilizing women, students, ethnic minorities and the country's working classes. Many of these groups are internally democratic, though characterized by the factionalism and clientelism typical of political or societal entities in Pakistan. At a broader level, levels of social trust in Pakistan are low. According to the World Values Survey of 2018 – the latest year for which data is available – only 23.3% of respondents agreed that most people could be trusted.

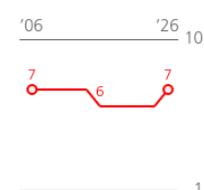
Structural  
constraints

8



Civil society  
traditions

7



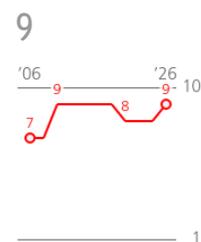
These civil society associations hold varying degrees of power. Economic elites benefit from deep connections to the state, while religious groups have historically profited from the state's reliance on Islam as an ideological source of legitimacy. Conversely, social movements voicing dissent against the state or entrenched military or religious interests are often met with repression and persecution. Agencies such as the Federal Investigation Agency and laws such as the Prevention of Electronic Crimes Act of 2016 are routinely used to harass and intimidate activists and journalists, while hundreds of individuals have gone missing in Pakistan over the past two decades.

Curbs on civil society activity have increased since 2022, with new restrictions having been imposed on speech and expression, internet access and the right of assembly. Such measures, largely introduced amid the powerful military establishment's continued persecution of the PTI, are symptomatic of deepening authoritarianism in Pakistan and an erosion of civil society freedom.

During the review period, conflict and violence in Pakistan escalated along religious, ethnic and political cleavages. According to the South Asia Terrorism Portal, 928 civilians and security personnel were killed in 528 incidents of terrorist violence in 2023. A further 1,372 died in 790 incidents in 2024, with most of these attacks occurring in KPK province on the Pakistan-Afghanistan border or in Balochistan province. Groups such as the Tehrik-e-Taliban Pakistan (TTP), emboldened by the resurgence of the Taliban in Afghanistan, and the Balochistan Liberation Army (BLA), which is fighting a long-running ethnonational insurgency in Balochistan, have ramped up their operations in recent years. In addition to attacking law enforcement and military personnel, these groups and others active in these regions also attack civilians. Most notably, the second half of 2024 saw a series of attacks targeting Shi'a Muslims in the city of Parachinar, leading to dozens of deaths. Religious minorities generally continue to experience discrimination and violence in Pakistan, with allegations of blasphemy used to legitimize attacks on Ahmadis, Christians and Hindus. In response to these events, the Pakistani military has launched operations reminiscent of those undertaken at the height of the so-called Global War on Terror, which suggests that violence and instability are likely to persist.

In addition to widespread militant violence, high levels of political polarization dividing supporters of the PTI, the PDM government and the military establishment have led to increasingly repressive state measures to stifle dissent. On May 9, 2023, for example, when PTI supporters and activists stormed several urban military facilities across the country, the events marked a dramatic escalation in this process of political contestation. The military's response has since been brutal and punitive. Thousands of PTI activists have been incarcerated; dozens have been tried in military courts, with more to follow; and many of the party's top leaders remain imprisoned and charged with multiple offenses. These repressive measures have limited the

Conflict intensity



party's ability to mobilize, but opposition to the military has now been voiced, particularly online, with a strength arguably not witnessed since the 1970s. As the political deadlock shows no signs of being broken, both sides are likely to continue engaging in the conflict.

## II. Governance Performance

### 14 | Steering Capability

The events that brought the PDM government to power in 2024 provide important insights into why Pakistani governments fail to pursue long-term strategic objectives. Crucially, the PDM enjoyed the backing of the military establishment, which is alleged to have engineered the ouster of the PTI government in 2022. This was ironic, given that the PTI itself had gained power after the military establishment allegedly worked to weaken the preceding PML-N government. In each of the outlined constellations, the military establishment eventually broke with its civilian partners as their interests diverged.

Ousting the PTI government also derailed many of its policy initiatives, such as the Ehsaas welfare program, under which the government sought to introduce expanded cash-transfer schemes and universal health insurance. Both programs have foundered under the current PDM government. Efforts to uncouple Pakistan's foreign policy from the United States were also set back. Perhaps most importantly, the continuing political instability since 2022 has hampered the country's ability to negotiate bailout packages with the IMF.

Given the military establishment's role in Pakistan's politics, civilian leaders have little incentive to develop long-term goals, set strategic priorities or push to correct the civil-military imbalance. Instead, they have focused on political expediency and survival. These efforts have in turn been characterized by constant concessions to the military establishment paired with populist economic measures aimed at securing votes in future elections. For its part, the military – blinded by its narrow institutional interests and security-oriented worldview – has historically lacked the capacity to steer the country effectively toward long-term goals.

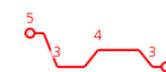
Matters are aggravated by pervasive clientelism and weak political party structures, both of which enable rent-seeking elites to impose sustained, serious impediments to political and economic reform. Similarly, the failure to define and pursue long-term goals lays the groundwork for serious economic crises, which eventually necessitate reliance on external donors like the IMF. This in turn creates a cycle in which successive failures to reform keep leading Pakistan back to its donors, who come to play an ever-increasing role in shaping the country's domestic policy.

Question  
Score

Prioritization

3

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At present, while Pakistan has experienced some economic stabilization following IMF measures, continued political instability must be considered when assessing prospects for pursuing long-term goals. During the review period, the PDM government began to articulate its strategic vision through instruments such as the 13th five-year plan and the SIFC, in close cooperation with the military establishment. However, it is not yet clear that it will be able to achieve these goals. Having reached a modicum of economic stability during the review period, the PDM government has indicated its intent to maintain an emphasis on economic growth, despite little evidence of efforts to prioritize reform-deprived sectors such as health care or education.

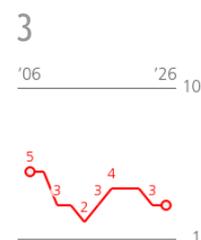
Governments in Pakistan face several broad challenges to policy implementation. For one, reforms are often blocked by traditional political elites drawn from the landowning and industrial classes, who use their government positions, personal networks and patronage to hinder measures that might threaten their interests. In the sphere of taxation, for example, successive governments have failed to significantly expand the set of individuals, businesses and other entities required to pay taxes, due in part to elites' capacity to evade or impede such efforts. Similarly, powerful and well-organized interests in industries such as sugar and real estate have repeatedly used their positions to wrest state subsidies or acquire access to land. Given the preponderance of members of this traditional elite in Pakistan's lawmaking bodies and political parties, the very people tasked with proposing and implementing reforms are those least likely to benefit from such decisions.

A lack of bureaucratic capacity adds another dimension to the problem. Although Pakistan does not lack bureaucratic competence and has made progress in digitalizing governance in order to provide services such as cash transfers more effectively, the public sector is bloated. Corruption and inefficiency are widespread in administrative units staffed by poorly trained functionaries, many of whom hold their positions because of nepotism rather than capability.

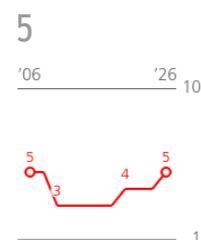
The PTI government's attempts to expand the social safety net ended with the 2022 transition of power. The succeeding PDM government has since been engaged in fighting for its own political survival, expending considerable time and resources on persecuting its political opponents and negotiating with the military establishment.

In recent years, successive governments have drawn on the expertise of donors and academics to formulate innovative reform approaches to policymaking. For instance, Pakistan's universal health insurance scheme, launched nationally by the PTI, was spearheaded by an academic with a medical background. Similarly, efforts to overhaul Punjab's local government laws in 2019 and 2024 drew on the advice of academics with sector-specific expertise. Pakistan has also successfully implemented sophisticated digital governance systems, such as providing cash transfers to the poor or using biometric data to register activities such as opening bank accounts or purchasing vehicles. Many of these ideas emerged from attempts to increase the

Implementation



Policy learning



state's surveillance capacity in the early 2000s amid the so-called Global War on Terror. This demonstrates how policy innovations aimed at strengthening authoritarian control can have democratic spillover effects.

Generally, however, technical advice from experts and innovative ideas from various stakeholders founder for reasons of political expediency and bureaucratic inefficiency. Attempts to reform bureaucratic structures in 2019, for example, were ultimately abandoned despite expert input into the process. Both the country's traditional political elite and the archaic, inefficient bureaucracy limit the government's ability to engage in flexible thinking and policy learning.

## 15 | Resource Efficiency

Pakistan's government budget for 2024 and 2025 allocated 22.71% of total expenditure to the military, civil administration and pensions. Civil administration expenditure includes salaries for government employees. Pensions include those for former military personnel. Transfers to provincial governments accounted for a further 9.4% of the federal budget. Debt service accounted for 51.8% of the budget, while investments in public infrastructure and development received 8.86%. The fiscal deficit was projected at 5.9% of GDP, much of it expected to be financed through external borrowing. According to the State Bank of Pakistan, the country's total external debt in 2024 amounted to \$133.455 billion, or 35.1% of GDP.

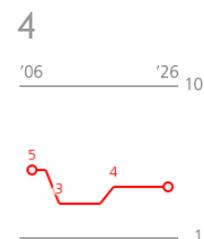
Given the country's high levels of corruption and inefficiency, a considerable amount of government spending on administration is effectively wasted, or at least inefficiently used. Particularly at the local level, the bureaucracy lacks expertise and is subject to elite capture. Pakistan's struggles with revenue collection, for instance, are due in part to the lackluster performance of local tax collectors.

The military budget is never subject to parliamentary scrutiny, and a considerable portion is used to fund perks for armed forces personnel. An additional 7.22% of the federal budget is allocated to subsidies, many of which are granted for political rather than economic reasons.

For sectors other than the military, the budgetary process is comparatively transparent in that budgets are presented for parliamentary debate. Often, however, economic priorities are constrained by the limited financial legroom and commitments to donors such as the IMF. Indeed, developments such as the devaluation of the rupee between 2021 and 2023 and the reduction of Pakistan's current account deficit in 2023 and 2024 through import restrictions were shaped by IMF conditionality.

A common government practice is the adoption of mini-budgets or the authorization of supplementary grants through the ECC. In July 2024, the parliament retroactively authorized PKR 9.4 trillion in expenditure overruns for the fiscal years 2022/23 and 2023/24, of which PKR 6.55 trillion was required to meet Pakistan's domestic and external debt obligations. A significant portion of the remainder was spent on the military.

Efficient use of assets



Policymaking in Pakistan is shaped by the often contradictory imperatives of the different actors exerting influence on the political system. When formulating and implementing policies, the state has to mediate among the objectives of the potentially divided federal and provincial governments, the military establishment, entrenched industrial and landowning elites with close connections to the centers of power, local politicians whose influence depends on their ability to act as conduits for state patronage, public sector employees who remain an important political constituency, and associations of traders and professionals capable of mobilizing to assert their interests. Mechanisms for aggregating and mediating these competing interests are largely absent in Pakistan, and wherever they do exist, they are often limited in functionality. Instead, policymaking tends to be relatively fragmented and ad hoc, reflecting the needs and interests of those in power.

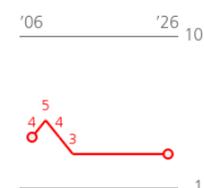
Institutions like the Council of Common Interests and the Ministry of Inter-Provincial Coordination exist to help formulate policies through consultation with Pakistan's federated units. Increasingly, however, these forums have been eschewed in favor of centralized, unilateral decision-making by the federal government. Indeed, in 2023, the National Finance Award – the formula through which funds are allocated between the federal and provincial governments, which was last calculated in 2010 – came under criticism from the PDM government, which suggested that it allocated too much of the country's tax revenue to the provinces, leaving little to service Pakistan's debt obligations. While the award remains in place, friction over allocations reflects broader contestation over the division of resources.

Bodies such as the Planning Commission and the Economic Coordination Committee function as extensions of the executive rather than as venues for negotiating policy among different actors. The National Security Committee and the newly formed SIFC also provide forums for the military to coordinate its activities with the government, yet these forums have largely become vehicles for a more interventionist role by the military establishment in managing Pakistan's political economy.

Pakistan's anti-corruption policy is largely oriented toward the persecution of political opponents, with little oversight of areas such as government spending or party financing. The National Accountability Bureau (NAB), formed in 1999 during the tenure of the military dictator General Pervez Musharraf, was accused from the outset of pursuing a partisan political agenda, mainly because it was used to persecute civilian politicians. Little has changed in the ensuing decades. While the NAB has claimed to have recovered PKR 2.3 trillion in assets between 1999 and 2024, responding to 5,588,109 corruption complaints that led to 4,784 investigations and 3,809 successful prosecutions, it is widely believed that the watchdog's success has been limited given the sheer scale of corruption in Pakistan and the body's evident bias in choosing whom to pursue. For example, the NAB's ordinance in 2022 was amended by the PDM government to limit the scope of its investigations to cases involving more than PKR 500 million in corruption. Although this legal change was

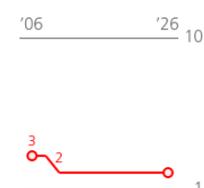
### Policy coordination

3



### Anti-corruption policy

2



initially halted by the Supreme Court in September 2023, it was reinstated on appeal a year later. One consequence was that the NAB dropped investigations into allegations that former prime ministers Nawaz Sharif and Yusuf Raza Gillani, as well as former president Asif Ali Zardari, had personally benefited from the sale of gifts received from visiting dignitaries. However, former Prime Minister Imran Khan remains in jail on the basis of the same accusations.

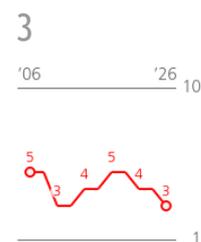
More generally, the operations of the state remain opaque, especially given weak enforcement of existing laws governing the right to information. Processes such as public procurement are shaped by rent-seeking and nepotism, with no formal mechanism enabling public scrutiny. State spending is generally subject to very little oversight, particularly with regard to projects involving the military. Legislators in Pakistan are expected to formally declare their assets before contesting elections. Although this process is clearly regulated, the declarations tend to be fraudulent and misleading, and there is a lack of enforcement or investigation of legislators and public officials suspected of possessing undeclared assets and income. Campaign financing is formally unlimited, so electoral candidates tend to finance their own campaigns, with no public disclosure or audit of their spending.

## 16 | Consensus-Building

Political polarization in Pakistan has intensified in light of increased conflict between the PTI, the PDM and the military establishment. The ouster of the PTI government in 2022 was accompanied by draconian measures to limit the party's mobilization capacity while restricting space for dissent in the country. This development was capped by the 2024 general elections, which were widely perceived as rigged in favor of the military-backed PDM coalition. As a result of these dynamics, prospects for reconciliation between these parties appear limited, and the military establishment seems uninterested in ceding space seized from civilian actors. The stakes have risen with the PTI's criticism of the military, further dimming the possibility of any detente. The recent developments outlined above are symptomatic of the civil-military imbalance that characterizes Pakistan's history. The divergent interests of the military and civilian leaders make it difficult to reach consensus on common goals, including those which involve support for democracy and the strengthening of democratic institutions. Crucially, factional fights among segments of the civilian political elite, who have historically used their stints in power to persecute their political rivals, should also be taken into account.

The political contestation between the military and civilians, as well as among factions of the civilian elite, is reflected in these actors' competition to secure their economic interests. While a common underlying commitment to a market economy exists, state intervention and the sometimes contradictory influence of vested interests distort the workings of the market in practice. The military commands a

Consensus on goals



corporate empire of its own, which it seeks to shield from competitive pressures; influential landowners consistently lobby against land reform and agricultural taxation; a cartelized industrial class seeks to benefit from subsidies; and public sector employees agitate against the privatization of state-owned enterprises.

Pakistan has a long history of authoritarian rule. It experienced three direct episodes of military rule: from 1958 to 1971, 1977 to 1988 and 1999 to 2008. Even periods of formally democratic rule have been marked by behind-the-scenes interference by the powerful military establishment.

Attempts to deepen democracy in Pakistan have generally foundered in the face of the contradictory interests of the military and civilian political reformers. While there have been instances and openings in which the power of the military establishment has been challenged and space has been created to initiate substantive processes of democratization, the military has been able to use its considerable resources to pit different factions of the civilian elite against each other and secure its own institutional and economic interests. In doing so, it has made use of capital, coercion and even blackmail, among other instruments. Indeed, the removal of the PTI government in 2022 and of the PML-N government in 2018 would not have been possible without the cooperation of the parties' political rivals. More important, the military withdrew its backing from both governments when it perceived threats to its own long-term interests posed by popular leaders such as Nawaz Sharif and Imran Khan, who each sought to assert their own power at the expense of the establishment.

In this context, the prospect of co-opting anti-democratic actors to support democratization in Pakistan is slim, although a path forward is discernible. First, despite years of repression, social movements across the country, such as the nonviolent Pashtun Tahafuz Movement (PTM), the campaign for missing persons in Balochistan, the Democratic Students Committee and the Women's Action Forum, remain committed to democracy and progressive values in Pakistan, although they are electorally marginal. Second, the 2024 elections arguably exposed the limits of the military's power, with the PTI performing better than expected despite an unlevel playing field. Popular support for the party, and for democracy more generally, could prove a catalyst for change in the years ahead.

During the review period, Pakistan grappled with a rise in terrorist attacks perpetrated by the TTP and the BLA. While the government has blamed the Taliban for harboring and supporting these groups, their resurgence, particularly that of the TTP, is due in part to the Pakistani state's own routine use of religion as a source of self-legitimation. In fact, the military establishment played a key role in returning the Afghan Taliban to power. While the government launched a military operation against the TTP in 2024, backed by broad agreement on the necessity of such action, its success is likely to be limited without broader reflection on the state's use of religion in public life and the military establishment's historical reliance on militant proxies to pursue strategic goals in the region.

Anti-democratic actors

3

'06 '26 10



1

Cleavage / conflict management

2

'06 '26 10



1

Regarding the BLA and its ethnonational insurgency, the state's historical reluctance to address demands for provincial autonomy, devolve power to the provinces or share resources equitably has been crucial in fostering militancy, particularly in a region characterized by widespread poverty. Without a concerted effort to engage meaningfully with such grievances, Pakistan's civilian and military leadership will continue to fail to reduce violence and conflict in the country.

Finally, the period under review saw the emergence of a deep cleavage between the PTI, the military and the PDM government. Since 2022, the military establishment and the PDM have collaborated to imprison PTI leaders including former Prime Minister Imran Khan, and have jailed thousands of activists affiliated with the party. Despite this and numerous other curbs on protest and expression, Pakistan has still witnessed repeated rounds of protest and contestation between the PTI and the government. This state of affairs is likely to persist as levels of political polarization grow.

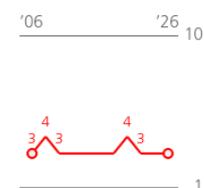
Civil society actors generally have limited ability to influence the government and the administration in decision-making. Actors closely aligned with the political leadership, such as economic elites connected to industry associations or experts associated with donor networks, stand a better chance of having their voices heard than social movements representing marginalized communities, for example. Pakistan's powerful bar associations, which rose to prominence during the movement that ousted General Pervez Musharraf in 2008, have tremendous influence over judicial politics, but their power to influence the government beyond the judicial realm has waned in recent years. By contrast, religious organizations, ranging from entities like the missionary Tablighi Jamaat to more contentious outfits like the Tehreek-i-Labaik Pakistan (TLP), exercise an outsized influence on public discourse, shaping the political debate on questions like blasphemy and citizenship even if public signs of support do not necessarily translate into votes at the ballot box.

Pakistan's political leadership remains opposed to fostering reconciliation between victims and perpetrators of past injustices. While public discussion of the widespread atrocities committed by the Pakistani military during the Bangladesh Liberation War of 1971 has recently increased, the topic had remained taboo until very recently. Internationally, there have been renewed efforts to acknowledge and recognize the events of 1971 as genocide. Domestically, Pakistani civil society members, journalists and human rights activists have increasingly advocated for recognizing the genocide and addressing past wrongs. This stance also reflects broader discontent with the military establishment.

The government has paid little or no attention to victims of military campaigns against ethnonational movements in Balochistan in the 1970s and 2000s and in Sindh in the 1980s and 1990s, or those against militant groups in KPK in the 2010s. This has been evident in the state's repression of movements such as the PTM and the Baloch Yakjehti Committee, both of which have demanded recognition of past injustices in recent years.

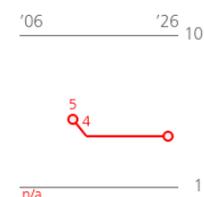
Public consultation

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Reconciliation

4



## 17 | International Cooperation

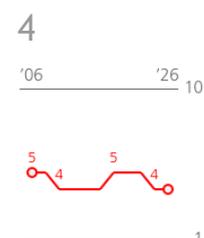
Pakistan has historically relied on external donors to help finance its persistent fiscal deficits. Notably, the country has sought IMF assistance on 25 occasions, more than any other country. Another IMF bailout package totaling \$7 billion was secured on September 2024. In addition, Pakistan has received aid from other donor organizations and bilaterally from countries such as the United States, China, Saudi Arabia and the UAE. During the period under review, however, the country could not rely on assistance from traditional bilateral lenders such as China and Saudi Arabia, and received only \$1 billion from the UAE in 2023. Crucially, Pakistan's economic policy has been greatly shaped by the constraints imposed by its donors. At the same time, endemic corruption and inefficiency, coupled with periodic bouts of economic populism, impede the adoption and implementation of proposed reforms.

Upon assuming power, the PDM government, like its predecessors, committed to implementing long-term IMF-proposed reforms aimed at boosting tax collection and reducing the state's deficit. The 13th five-year plan, announced in 2024, also outlines a vision to boost exports by extending state support to private sector enterprises in areas such as information technology, pharmaceuticals and textiles. However, the plan lacks detailed sector-by-sector investment strategies and does not include defined roles for multilateral or bilateral partners in areas such as infrastructure, energy or social development. Pakistan's engagement with international donors has historically been reactive and transactional, focusing on short-term bailouts rather than long-term strategic partnerships. IMF constraints and loan conditions have played a more dominant role in shaping policy than has any cohesive homegrown development vision. Despite receiving substantial international assistance, Pakistan's cooperation projects remain hampered by corruption, inefficiency and political instability, leading to poor integration and limited long-term impact.

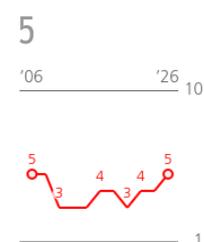
Pakistani governments have historically relied on external financing to expand fiscal space, using public spending to garner support and legitimacy prior to elections and periods of economic upheaval. Indeed, Pakistan's dire economic situation in 2023 arguably prevented the incumbent PDM government from employing this strategy, which contributed to the coalition's underwhelming performance in the 2024 general elections.

Pakistan is a signatory to many international treaties and agreements, not all of which it can comply with domestically. For example, child and bonded labor are common in Pakistan despite the government's ratification of relevant ILO conventions banning them. Similarly, custodial torture is widespread in Pakistan despite the country being a signatory to the U.N. Convention Against Torture and having enacted its own legislation banning custodial torture in 2022. Additionally, Pakistan's international credibility and reputation have been battered by several instances over the past decade, including its listing on the FATF gray list and its reneging on IMF-imposed conditionalities in 2022.

Effective use of support



Credibility



In 2024, India approached Pakistan to review the Indus Water Treaty. Originally formulated in 1960 to regulate water sharing between the two countries in the Indus Basin, the treaty has endured despite several wars and hostile relations. India's request to modify the treaty is the fourth since 2023, and reflects changing demographic and environmental realities in South Asia.

Pakistan has also ratified the Kyoto Protocol and the Paris Agreement and has committed to reducing its greenhouse gas emissions by 2030, in tandem with substantial increases in renewable energy production.

Following India's 2019 incorporation of the disputed territory of Kashmir as a "union territory," Pakistan's relations with its neighboring state remain largely frozen.

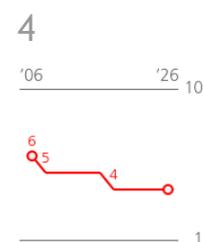
In bilateral relations with Afghanistan, the Taliban's return to power in 2021 had serious implications for Pakistan's security, with Pakistan accusing the Taliban of harboring elements of the militant TTP group, which has claimed responsibility for a series of high-profile terrorist attacks in Pakistan in 2023 and 2024. In the face of the Taliban's alleged failure to act against the TTP, Pakistan launched airstrikes against militant targets in Afghanistan in March and December 2024. Crucially, despite such interventions, the Pakistani government remains one of the Taliban's key interlocutors on the global stage.

January 2024 also saw an exchange of airstrikes between Iran and Pakistan. Iran claimed it launched the strikes on January 16 to target militant groups operating in its Sistan province, but they were widely understood as a signal that Iran would respond to any acts of aggression toward it in the context of the Israel-Palestine conflict. Pakistan retaliated on January 18, 2024, claiming to have targeted BLA militants. Following the altercation, the matter was dropped and relations between the two countries have since remained cordial.

Pakistan continues to maintain close ties with China, relying on it for economic, military and diplomatic assistance. A key dimension of their bilateral relations is cooperation on the China-Pakistan Economic Corridor. However, concerns about project costs, poor security for Chinese workers and financing terms have impeded bilateral efforts.

Pakistan remains a member of regional and international organizations, including the South Asian Association for Regional Cooperation (SAARC) and the Organization of Islamic Cooperation (OIC). However, its participation in these forums has been overshadowed by its conflict with India in recent years. Bilateral ties with Bangladesh have thawed after widespread student-led protests against the government of Prime Minister Sheikh Hasina, which led her to flee the country.

Regional  
cooperation



## Strategic Outlook

As of early 2025, Pakistan was emerging from a period of considerable economic hardship, experiencing a fragile recovery that remained vulnerable to the structural problems that have characterized previous cycles of economic crisis and stabilization. After receiving a lifeline from the IMF, the PDM government was tasked with implementing reforms to solidify the economy's foundation. For example, the government has committed to ambitious revenue-collection targets, such as raising Pakistan's tax-to-GDP ratio to 13.6%, and has signaled efforts to boost exports by providing strategic support to key sectors of the economy. The government could also – in addition to these measures – restart a stalled process of bureaucratic reform, first initiated in 2018, which aimed to streamline administrative structures and make them more efficient. Cost-cutting measures in the administration and the military could also help create fiscal space to invest more heavily in health care and education without renegeing on debt-repayment obligations.

These economic difficulties are compounded by continuing political instability. For example, the tussle between the PTI and the military establishment has unleashed an escalating cycle of repression that has produced a more authoritarian regime and heightened political polarization. The 2024 elections, which could have served as a mechanism to resolve political differences in line with the will of the people, were tainted by allegations of misconduct. The campaign has left the PDM government bereft of legitimacy. Continued repression is unlikely to resolve the impasse between the PTI and the military establishment; political dialogue aimed at reconciliation and consensus-building thus represents the best path forward. Some tentative efforts to foster dialogue between the sides have been underway since late 2024. If successful, these talks could lay the groundwork for a broader commitment to democracy, similar to the Charter of Democracy between the PML-N and PPP in 2006. An agreement of this sort could include a commitment to hold new elections, amnesty for imprisoned PTI leaders and activists, and a shared understanding that civilian political parties should act responsibly in government and opposition. This would imply eschewing opportunistic political goals aimed at persecuting rivals or creating space for further military intervention in the political sphere.

Lastly, Pakistan must contend with a mounting array of challenges posed by environmental degradation, such as high levels of toxic air pollution, increasing water scarcity and devastating annual floods. Possible preventive measures include introducing more efficient fuels as mandated by the National Clean Air Policy of 2023; increasing budgetary allocations to maintain and upgrade an extensive canal irrigation system that suffers high rates of water loss; and mitigating the effects of annual flooding through more robust social protection, increased regulation of land use around riverbanks and widespread reforestation aimed at reducing land erosion.