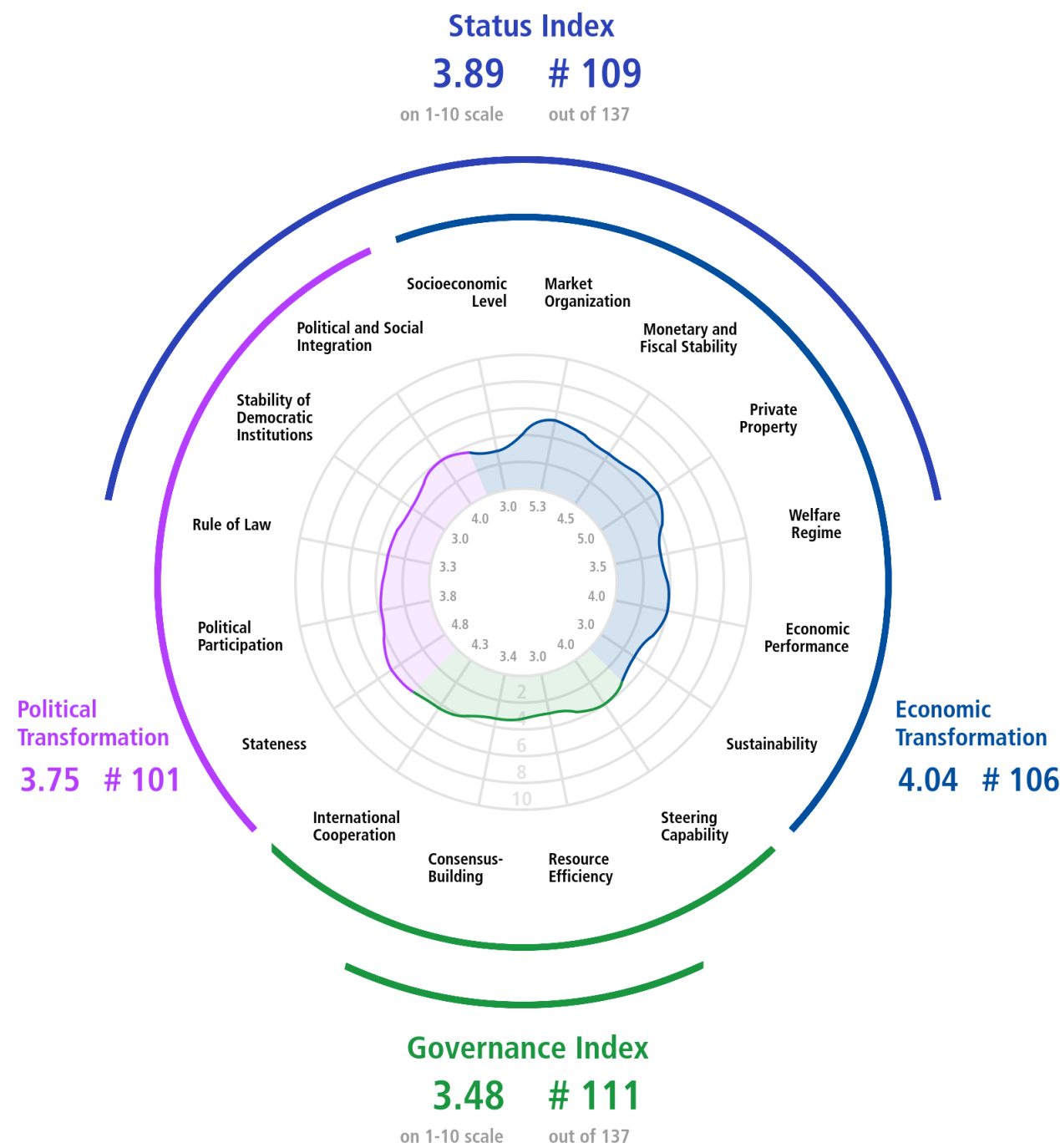


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Key Indicators

Population	M	220.9	HDI	0.557	GDP p.c., PPP \$	4877
Pop. growth ¹	% p.a.	2.0	HDI rank of 189	154	Gini Index	31.6
Life expectancy	years	67.3	UN Education Index	0.402	Poverty ³	35.7
Urban population	%	37.2	Gender inequality ²	0.538	Aid per capita \$	10.0

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

Between 2019 and 2021, Pakistan faced significant challenges, being confronted by an economic downturn, growing political polarization and the impact of the COVID-19 pandemic. The Pakistan Tehreek-i-Insaf (PTI) came to power in 2018 following an election that most observers agreed was free and fair, but which was characterized by persistent allegations of pre-poll rigging by the military establishment. The party had to immediately deal with a worsening economic situation and widening current account and fiscal deficits. Forced to go to the IMF for an Extended Fund Facility worth \$6 billion, and reliant on aid from China, Saudi Arabia and the United Arab Emirates, the PTI government agreed to implement broad economic reforms including the devaluation of the Pakistani rupee. This led to a decline in imports and an improvement in the current account balance, but also precipitated high levels of inflation. The government was unable to deliver on promises to reform tax collection and increase exports, partly due to the continued influence wielded by powerful rent-seeking elites, although it was able to make some progress in improving ease of doing business in the country.

In the political arena, the PTI government has been working closely with the military establishment, granting the military considerable space to intervene in governance and policymaking. This has been accompanied by a tendency to centralize power and decision-making, relying on presidential ordinances instead of legislation to pursue its policy agenda, and appointing unelected special advisers to help formulate and implement economic, health care and welfare system reforms. These trends are also visible in the response to the pandemic.

Protesting the PTI's alleged "selection" by the military establishment in the 2018 elections, as well as the government's persecution of political rivals in the name of accountability, opposition parties including the Pakistan Muslim League – Nawaz (PML-N) and the Pakistan People's Party (PPP) came together in 2020 to form the Pakistan Democratic Movement (PDM), holding large rallies demanding the resignation of Prime Minister Imran Khan and the holding of fresh elections.

The government was able to mount a reasonably effective response to the COVID-19 pandemic, shutting down schools and businesses across the country, while leveraging technology to impose “smart” lockdowns in residential areas that served to contain the spread of the virus. Infections and deaths per capita remained relatively low, although the economy contracted 0.5% due to the fallout from the pandemic. In order to reduce the impact of the economic dislocation caused by the pandemic and its associated lockdowns, the government initiated its “Ehsaas” cash transfer program, which saw the provision of monthly cash payments to 15 million vulnerable households in 2020. While the Ehsaas program was a significant expansion of the Benazir Income Support Program, a similar scheme in operation since 2008, improvements in other forms of welfare provision remained limited.

Levels of violence due to terrorism continued to decline in the period under review, but significant challenges remain. Occasional attacks by Islamist militants, sectarian organizations and ethno-national separatists in Balochistan continue to pose a threat to Pakistan’s security. Similarly, ethnic cleavages remain politically salient, with organizations like the Pashtun Tahaffuz Movement (PTM) campaigning against the violence and repression perpetrated by Pakistan’s security forces in Khyber Pakhtunkhwa (KP) during military operations targeting terrorists and militants. Women and religious minorities also continue to experience discrimination.

History and Characteristics of Transformation

Since achieving independence from British rule in 1947, Pakistan’s history has been characterized by alternating periods of democratic and authoritarian rule with a powerful military establishment, inherited from the colonial state, exercising a tremendous amount of influence over the country’s politics. The most recent episode of military rule in Pakistan came to an end in 2008 with the overthrow of the Musharraf regime, but, as had been the case in the past, the military has continued to wield power behind the scenes. It has continued to use its influence to protect and expand its economic interests, pursue its broader regional security objectives, and attack potentially threatening civilian politicians, parties and movements through manipulating and co-opting the media, courts and allied political elites.

In addition to the civil-military divide, Pakistan has been wracked by serious ethnic cleavages. In 1971, the eastern wing of the country seceded to become Bangladesh after years of economic exploitation and political marginalization at the hands of a western wing dominated by ethnic Punjabis and, to a lesser extent, migrants from India, called Mohajirs, who occupied prominent positions within the country’s bureaucracy. In contemporary Pakistan, these ethnic divisions remain salient, with the people of Balochistan, Sindh and Khyber Pakhtunkhwa (KP) voicing discontent with a state that continues to be characterized by Punjabi domination. This has resulted in the emergence of ethno-national movements representing all of Pakistan’s different ethnic minorities, with movements in Balochistan and KP persisting to the current day.

Pakistan's economy has always been characterized by the presence of powerful landed elites, many of whom were able to transition into industry in the period from the 1960s to the 1980s. These entrenched elites enjoy close connections to the state and are able to extract rents through their influence over policy and the political process. The state also has a long history of intervention in the economy, culminating in the nationalization of industries during the government of Zulfikar Ali Bhutto from 1972 to 1977. While subsequent governments have exhibited a commitment to free markets, the state remains a tremendous source of employment and patronage, especially through its management of large public enterprises. The bureaucratic structure Pakistan inherited from colonial rule was relatively powerful and autonomous in the years following independence but has gradually grown to become archaic and inefficient as it has been gradually compromised by party politics and the influence of powerful social interest groups.

Pakistan has long maintained hostile relations with India, with the main bone of contention between the two countries being the status of Kashmir, a disputed territory to which both parties lay claim. Kashmir is of considerable economic and strategic importance to both countries and has been the cause of three wars and numerous smaller conflicts between the two countries. Historically, Pakistan has relied on the United States for economic and military assistance, although its close relationship with China has increasingly seen the emergence of greater cooperation between the two countries in recent years.

Pakistan has always sought to define its identity in religious terms, emphasizing Islam as a source of national cohesion and citizenship. This has meant that successive governments, as well as the military, have used Islam as a legitimating ideology. This has historically led to the emergence of powerful religious parties and political movements in Pakistan, with many of these assuming a more violent and extremist orientation in recent years. The central role played by Islam in Pakistan's public life has facilitated discrimination and violence directed toward the country's 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 Pakistani state's monopoly on the use of force is contested by terrorist organizations, sectarian groups, ethno-nationalist insurgencies, and criminal gangs involved in the smuggling of goods and narcotics. Much of the violence perpetrated by these actors is concentrated in the province of Balochistan as well as the former Federally Administered Tribal Areas (FATA) bordering Afghanistan, which have now been formally merged into the KP province as part of a process initiated in 2018. While the state's monopoly on the use of force is challenged in these areas, it is not absent. Urban areas are more under control than rural areas. In principle, the state's rule is established nationwide.

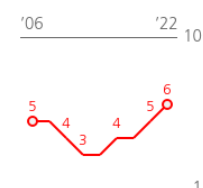
Levels of terrorism-related violence in Pakistan have continued to decrease in the period under review, following a trend that began in 2015 with the initiation of a National Action Plan to crack down on terrorist organizations. According to the South Asia Terrorism Portal (SATP), there were 319 incidents of terrorist violence in 2020 with 169 civilian deaths, down from a high of 3,923 incidents with 2,713 civilian casualties in 2013. Despite this, Pakistan does periodically experience large-scale episodes of violence. In January 2021 alone, there were 31 terrorism-related incidents in Pakistan including an attack in Balochistan on ethnic Hazaras, a minority Shi'ite group, that left 11 people dead. Responsibility for the attack was claimed by a South Asian affiliate of the Islamic State.

Notions of citizenship and identity in Pakistan have historically been defined in terms of religion. Islam plays a tremendous role in public life, empowering actors within and outside government who make use of religious appeals to pursue social and political goals. Mainstream political parties, including the PTI, which was elected to power in 2018, often cite their commitment to upholding Islamic law and principles during their election campaigns, and invoke religion to legitimize their actions in government and opposition. Islamic organizations, ranging from non-violent political parties like the Jamaat-i-Ulama Islam (JUI) to the hardline Tehreek-e-Labaik (TLP)

Question Score

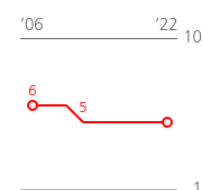
Monopoly on the
use of force

6



State identity

5



political party to violent extremist outfits like the Ahle Sunnat Wal Jama'at (ASWJ), also employ an Islamic idiom to question the state's legitimacy on the basis of its alleged failure to properly implement Islamic law.

The state's own historical reliance on Islam as a legitimizing ideology has meant that it often concedes space to religious groups, with the consequences being borne by religious minorities across the country. In 1974, an amendment to the constitution declared members of the Ahmadi sect to be non-Muslims, resulting in their continued persecution and de facto exclusion from political life. Hindus, Christians and other religious minorities also experience discrimination on the basis of their faith. Indeed, all non-Muslim citizens of Pakistan are barred by law from holding the office of the presidency, and they remain informally excluded from the highest offices of the state, bureaucracy and military.

Pakistan's emphasis on Islam as a source of citizenship and identity has led to the delegitimization of alternative forms of identity rooted in ethnicity. In particular, separatists in Balochistan, and, to a lesser extent, Sindh and Gilgit-Baltistan have often articulated their grievances in terms of how their cultures have been undermined by the imposition of a narrow national identity framed in almost exclusively religious terms.

According to the 1973 constitution, Pakistan is an Islamic Republic whose laws must be enacted in accordance with the Shariah. While this principle is not always followed in practice, there are significant areas of law and policy that are influenced by orthodox interpretations of Islamic doctrine. Institutions like the Council of Islamic Ideology (CII), an advisory body comprised of religious scholars that provides opinions on the religious validity of proposed legislation, and the Federal Shariat Court (FSC), a constitutional court that rules on whether Pakistani laws adhere to Islamic principles, have historically played a role in shaping certain legislative outcomes.

While Pakistan's constitution and its penal code continue to bear the imprint of the colonial-era legal framework, the role played by Islam in legitimating state authority and forging national identity has led to the introduction of laws that overtly discriminate against non-Muslims. Blasphemy is a criminal offense in Pakistan, punishable by death in the case of blasphemy against Islam. The low burden of proof required to register a case of blasphemy has led to the law being used to settle disputes and, increasingly, target religious minorities. In August 2020, for example, 42 cases of blasphemy were registered against Shi'ites who had allegedly insulted the companions of the Prophet Muhammad. Accusations of blasphemy have also been known to trigger incidents of mob violence across the country. The impact of the blasphemy law can also be seen in how it has become a rallying cry for religious organizations such as the TLP, which organized large rallies across the country in 2017, 2018 and 2020.

No interference of religious dogmas

3

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3

1

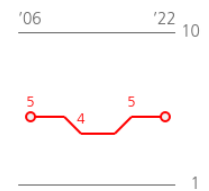
Pakistan's track record when it comes to service delivery remains poor, with the country lagging behind its neighbors when it comes to social indicators like health and educational outcomes. According to the Pakistan Economic Survey, the country's literacy rate in 2018/19 was 60%, up from 58% in 2015/16, while data from UNICEF shows the mortality rate of children under five declined slightly from 69.4 per thousand live births in 2018 to 67.2 in 2019. WaterAid reports that 17.7 million in Pakistan lack access to clean drinking water, while 79 million people cannot access decent toilet facilities. Parts of the country lack communication and transport infrastructure, depriving citizens of connectivity and forcing them to travel long distances for medical care and other services. In particular, the disruptions to education during the COVID-19 pandemic laid bare the lack of access to the internet across the former FATA and parts of the other provinces. The pandemic also resulted in disruption to the provision of other services. Pakistan struggles to provide a regular supply of electricity to its populace, with the problems of an inefficient distribution system being exacerbated by recurring issues regarding the provision of payments to electricity suppliers. The government also continues to struggle with tax collection despite the introduction of incentives such as tax amnesties.

Pakistan's ability to deliver public services at the local level continues to be hamstrung by a number of factors. The clientelistic nature of politics in the country means that elected officials prefer to engage in targeted service delivery that benefits their supporters, rather than adopt a more universalistic and programmatic approach that would help all of their constituents. Rent-seeking and corruption also remain rife in the bureaucracy and among the political elite. Power remains concentrated in the hands of the federal and provincial governments, with very little administrative or fiscal devolution to local governments that might be more responsive to the developmental needs of Pakistan's citizens.

Nonetheless, recent years have seen greater investment in public infrastructure projects across Pakistan. Lahore, Islamabad, Multan and Peshawar have all seen the introduction of mass transit bus systems, and 2020 saw the inauguration of a new city-wide rail system in Lahore. Outside of these major cities, the provinces of Punjab and KP in particular have seen improvements in their road infrastructure.

Basic administration

5



2 | Political Participation

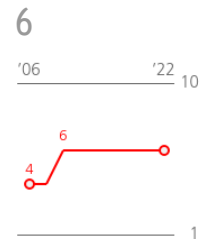
Pakistan's history of authoritarian rule and the continued influence wielded by the military establishment has meant that elected governments in the past have often been ousted or unable to complete full terms in office. However, Pakistan has managed to hold regular general elections since 2008 with universal suffrage and secret balloting. Pakistan's latest general elections were held in 2018. While observers on election day concluded that the polling process had been relatively free, fair and transparent, concerns about pre-poll rigging emerged after the elections and continue to resonate in the country's political discourse. The Free and Fair Election Network (FAFEN) observed irregularities at a third of the 37,001 polling stations it investigated, but it, like the EU Election Observation Mission (EUEOM), concluded that the polling process represented an improvement over the previous elections in 2013.

Nonetheless, the EUEOM's final report echoed concerns earlier voiced by the Human Rights Commission of Pakistan (HRCP), suggesting that pressure from the country's powerful military establishment had led to the creation of a pre-poll environment that provided the PTI with an unfair advantage over its rivals. In particular, concerns have been raised about how a selective process of accountability, the production of a biased narrative in the popular media and the engineering of defections to the PTI by established politicians previously aligned with other parties all helped the PTI secure victory in 2018.

In February 2021, a by-election held in the Sialkot district was marred by significant violence that led to the deaths of two people. While the PTI's candidate won this election, allegations that the government had rigged it, coupled with the violence on polling day, led the Electoral Commission of Pakistan (ECP) to declare the results null and void. That same month, Prime Minister Imran Khan circumvented parliament and directed President Arif Alvi to issue an ordinance mandating that Senate elections scheduled for March be held using an open, rather than secret, ballot. This decision was challenged in the Supreme Court and was declared unconstitutional. The government had argued that the secret ballot facilitated a situation in which the national and provincial legislators who elect senators could be bribed into voting against party lines – the subsequent surprise victory of a PDM candidate in the Senate elections seemed to confirm these fears. The PTI government launched scathing attacks on the ECP, questioning its credibility and threatening to introduce new rules governing how elections are conducted.

While Pakistan's next round of general elections is scheduled for 2023, local government elections that were meant to be held in 2018 have not yet taken place in all of Pakistan's provinces, suggesting that the federal and provincial governments remain reluctant to devolve power despite the passage of legislation in recent years mandating that they do so.

Free and fair elections



Pakistan's military establishment continues to exercise a tremendous amount of power over questions of policy and governance. Since coming to power in 2018, the PTI has repeatedly emphasized its close relationship with the military establishment, and the military can be seen to be playing the principal role in shaping Pakistan's foreign policy as well as issues related to internal security.

Pakistan's civilian leadership, including the prime minister, have regular meetings with the country's chief of army staff and head of the Inter-Services Intelligence in which matters pertaining to international and domestic affairs are discussed. Former military officers have been appointed to key posts in government. Brigadier Ijaz Shah was made the country's interior minister when the PTI government came to power, and Lt. General Asim Bajwa was appointed as the head of the powerful China-Pakistan Economic Corridor (CPEC) Authority, coordinating economic and infrastructural projects initiated as part of China's One Belt One Road program. Similarly, the military has taken the lead in Pakistan's response to the COVID-19 pandemic, leading the newly formed National Command and Operations Center (NCOC) that works to centralize and coordinate pandemic-related data collection, policymaking and policy implementation. The PTI government's willingness to accommodate, and cede space to, the military establishment in the realm of governance represents a departure from preceding governments that worked to limit the military's role.

Within the area of civilian politics, power remains concentrated in the hands of propertied elites, with the majority of elected officials coming from landowning and business backgrounds. In 2020, an official inquiry into the artificial inflation of sugar prices in 2018/19 revealed that powerful commercial interests aligned with both the PTI government and its predecessors had manipulated the market to benefit themselves.

The constitution gives individuals the right to associate, subject to restrictions imposed by the government in the name of national security, but the degree to which these rights are upheld varies in practice. The period under review has seen increasing restrictions and constraints being placed upon associational life in Pakistan, particularly when it assumes a political form that challenges the power and legitimacy of the state.

The PTM, a peaceful Pashtun nationalist movement, continues to be banned, with members of parliament aligned with the movement having been arrested for their political activities. Other activists associated with the movement have been forced into exile from Pakistan. Similarly, despite promises made to the contrary, the government in Pakistan has maintained a ban on student unions and has been involved in persecuting academics involved in mobilizing students under the banner of the Progressive Students Collective.

Effective power to govern

3

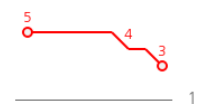
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Association / assembly rights

3

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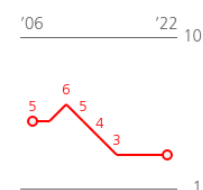
The government has also placed constraints on freedom of movement and assembly in response to COVID-19, restricting the size of public gatherings and imposing targeted, local lockdowns in neighborhoods where outbreaks of the virus have been detected.

Article 19 of the Pakistani constitution guarantees freedom of speech to all citizens, albeit subject to restrictions that may be imposed in the name of national security and Islam. These qualifications on the right to free speech and expression have been reproduced in legislation like the Prevention of Electronic Crimes Act of 2016 (PECA), which has granted the government wide powers to investigate and prosecute individuals for online speech, and which has been increasingly used to stifle dissent in recent years. In September 2020, journalist Bilal Farooqi was arrested under the PECA for tweets he had made that were critical of the government and military. In August 2020, 50 female journalists and activists signed a letter accusing the government of abetting online harassment through the use of coordinated campaigns run by state-backed social media accounts.

The Pakistan government is currently working on a new set of laws, the Citizens Protection (Against Online Harm) Rules 2020, which would induce social media and tech companies to provide data about their users to the state. These proposed new rules have received considerable backlash from industry and advocacy groups, with there being considerable concern that their imposition would have serious implications for privacy and freedom of expression in Pakistan. At present, the government also blocks access to an estimated 900,000 websites, many of which contain political, social and religious content. In 2020, Pakistan received a score of 26 out of 100 on Freedom House's Internet Freedom index, placing it near the bottom of the global ranking.

Freedom of expression

3



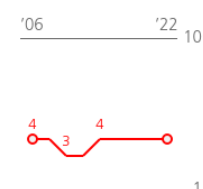
3 | Rule of Law

The constitution mandates a separation of powers between the judiciary, legislature and executive, but this division is often blurred in practice. Historically, Pakistan's judiciary has played an ambivalent role, both legitimizing military rule (e.g., in 2000 when it validated the coup that brought General Musharraf to power) and resisting it (e.g., in 2008 when the courts and legal community took the lead in opposing General Musharraf's regime).

In a 2020 report on legislative performance in Pakistan, the Pakistan Institute of Legislative Development and Transparency (PILDAT) noted that while parliament had engaged in some lawmaking, the PTI government that came to power in 2018 had generally preferred to rule through executive fiat, using ordinances in place of legislation. This, coupled with the continued lack of control exercised by the civilian government over the military establishment, suggests that considerable power is exercised by the executive in coordination with the military.

Separation of powers

4



In April 2020, the government initiated a country-wide partial lockdown aimed at limiting the spread of COVID-19. This measure was taken after the country's pandemic response was placed in the hands of the NCOC following several months of fragmented and often contradictory measures imposed by the federal and provincial governments. The NCOC, headed by the military, was also able to make use of Pakistan's relatively sophisticated digital surveillance apparatus to track citizens infected with COVID-19 and impose targeted "smart" lockdowns across the country. While the country's lockdown was lifted in August 2020, it was re-imposed in November and the extent to which it is enforced remains dependent on the NCOC. The NCOC came into being upon the recommendation of the National Coordination Committee (NCC), which itself was created by the National Security Committee, a forum in which the military and civilian leadership jointly discuss matters related to governance. The legal basis upon which the NCOC has been formed and exercises authority remains vague. While the NCOC itself exercises power through the provincial governments, there is very little parliamentary oversight over its activities and its use of data.

In recent years, the courts have played a more activist role in Pakistan's politics, using the power of judicial review to overturn legislation passed by parliament, including the 21st Amendment to the Constitution (2015). Since then, the courts have also been accused of working with the military establishment to prosecute opposition politicians belonging to the PML-N, but have also, on occasion, asserted their independence by ruling against the military's interests, as was the case in the conviction of General Musharraf for high treason in December 2019.

At lower levels, the judiciary remains characterized by a lack of resources, leading to a massive backlog of an estimated two million cases and relatively high levels of corruption. Bar associations and other legal bodies have emerged over the last decade as powerful interest groups in society, and often come into conflict with the police and other groups. In December 2019, over 200 lawyers attacked the Punjab Institute of Cardiology in Lahore in response to the alleged mistreatment of their peers by doctors at that hospital. The attack led to the deaths of several patients and considerable property damage.

Parallel justice systems built around local tribal norms continue to operate throughout the country. While the decisions taken by these informal courts do not have official sanction, they are often viewed as a legitimate forum for dispute resolution and access to justice.

Independent
judiciary

3

'06 '22 10



1

In the 2020 Rule of Law Index, Pakistan was ranked 120 out of 128 countries. Holders of public office in Pakistan are largely able to break the law and engage in corrupt practices with impunity. Mechanisms for accountability remain limited, although in January 2021 Pakistan's anti-corruption watchdog, the National Accountability Bureau (NAB), claimed that it had managed to recover PKR 487 billion between 2017 and 2020 from individuals alleged to have engaged in corrupt practices. However, the NAB's investigations are not restricted to holders of public office, with much of the recovered wealth being obtained from private citizens.

Anti-corruption was one of the main pillars of the PTI's campaign during the 2018 elections, and its electoral victory that year was at least partly due to how revelations of tax evasion implicating former Prime Minister Nawaz Sharif led to his removal from office and the discrediting of his political party, the PML-N. However, the PTI's record of delivering on its promises to end and punish corruption is relatively dismal. On the one hand, the government continues to highlight the corruption of previous leaders and governments as something that must be corrected, spearheading efforts to prosecute influential politicians in the courts. On the other hand, accusations of corruption against members of the PTI itself, ranging from tax evasion by its ministers to market manipulation by some of its most prominent leaders, have largely been ignored. Indeed, the PTI has been embroiled in a court case alleging that it benefited from foreign funding during the 2018 elections, with little progress being made in investigating this issue or prosecuting those who may be involved. Given that much of the government's anti-corruption rhetoric and action have focused on opposition politicians, it is widely believed that calls for accountability have become little more than tools for political persecution and victimization, with no evidence of any interest in proposing and implementing systemic measures that might help to reduce levels of corruption at all levels of government and across partisan political lines.

Extrajudicial killings are rampant in Pakistan, with the police making use of staged "encounters" to eliminate alleged criminals and routinely employing lethal force in its interactions with the public. In January 2019, a family of four were murdered by police in Sahiwal as they traveled to a wedding. In January 2021, a student named Osama Satti was killed by police in Islamabad after a brief verbal altercation. In both cases, despite promises to the contrary, no substantive action has been taken against the perpetrators of the violence.

Torture and preventive detention remain a part of Pakistan's policing and security landscape. Pakistan has not ratified the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment. While attempts have been made to criminalize the use of torture by police and security forces, through the introduction in the Senate of the Torture and Custodial Death (Prevention and Punishment) Act, 2020, this law has yet to be approved by the National Assembly. Citizens are also subject to trial by military tribunals empowered through vague anti-terror laws that

Prosecution of office abuse

3



Civil rights

3



are wide-ranging in their application. Pakistan continues to experience the enforced disappearance of activists and individuals allegedly kidnapped by the military and intelligence agencies. While legal efforts continue to be made to recover these missing people, attempts to hold the government accountable for these acts have thus far foundered in court, and in parliamentary standing committees and special commissions.

In January 2021, KP seemed poised to follow the lead of Pakistan's other provinces by introducing laws criminalizing domestic violence against women. However, violence and discrimination against women and sexual minorities remains widespread, particularly as homosexuality is criminalized in Pakistan. The transgender community faces increasing violence. Ethnic minorities experience discrimination, particularly in Balochistan, where ongoing military operations have seen an expansion of surveillance and restrictions to the freedom of movement of people living in the province and in the former FATA, where rights abuses perpetrated during military operations against violent Islamist groups have underpinned the rise of the PTM.

The response to the pandemic has involved the surveillance of citizens' phones and internet usage. Lockdowns and quarantines led to considerable fear among citizens during the first wave of the pandemic since police would arrive and pick up citizens who had tested positive or set up roadblocks around their homes. Since civil rights protections are weak, such surveillance is more or less impossible to challenge.

4 | Stability of Democratic Institutions

Despite the existence of formally democratic institutions, the country's powerful military establishment exercises tremendous de facto power. This has hampered the development of democratic institutions as large swathes of public policy are ceded to the military, ranging from the formulation of foreign policy to the management of infrastructure projects being undertaken with Chinese investment and assistance. The military's alleged interference in the electoral process, most recently in 2018, has also impeded the evolution of Pakistan's political parties and norms of electoral competition.

These tendencies have been exacerbated since 2018 owing to the PTI government's reliance on executive ordinances, as opposed to legislation, as a means through which to pursue its policy agenda. This move toward increased centralization of power in the hands of the federal government has been accompanied by a failure to devolve power to the local level. In Punjab, for example, existing local governments were dissolved prior to the completion of their term by the incoming PTI administration in May 2019. While a new local government law was passed that same year, elections have yet to be held. Similarly, while the 18th Amendment to the Constitution granted the provincial governments greater autonomy in 2010, prominent voices within the

Performance of
democratic
institutions

3

'06 '22 10



PTI government have repeatedly stated that they wish to explore the possibility of making unspecified changes to the law to return some of the devolved powers to the federal government and reduce fiscal transfers to the provinces.

The period under review has witnessed a tremendous amount of political polarization in Pakistan. While the 2018 elections were significant in that they marked only the second time in the country's history that a democratically elected government had been able to complete its tenure and transfer power through the electoral process, accusations of the military establishment's involvement in rigging the contest have undermined the legitimacy of the PTI government. These allegations have gained credence from the civilian government's closeness with the military establishment as well as the pursuit of what is alleged to be a selective process of accountability aimed at persecuting opposition politicians. In October 2020, an alliance of 11 opposition parties launched the PDM with the aim of toppling the PTI government and holding fresh elections. At the time of writing, the PDM had held rallies across the country in an attempt to put pressure on the government before Senate elections scheduled for March 2021.

While Pakistan remains formally democratic, the military's power continues to grow as it claims more space within the domains of policy and governance. COVID-19 has arguably created fresh opportunities for the military to assert itself. The National Disaster Management Authority (NDMA) and the NCOC are both managed by the military and have played a focal role in coordinating Pakistan's response to the pandemic.

5 | Political and Social Integration

Mainstream political parties in Pakistan are weak, and lack organizational capacity, internal democracy, clear ideological identities, and programmatic platforms based on the aggregation and articulation of popular demands. Repeated rounds of military rule in Pakistan have been accompanied by the imposition of curbs on political parties, impeding the development of the party system. This has fostered an environment in which powerful local leaders are able to position themselves as viable electoral candidates by leveraging their economic and social resources, as well as their connections to the state in order to mobilize vote blocs through the provision of patronage to clients in their constituencies. Particularly in rural Punjab and Sindh, electoral competition often involves little more than competition between these entrenched local elites as they defect from one party to another depending on the broader political environment. Parties lack organic roots in communities and, as a result, dynastic politics remains the main point of entry into electoral politics in mainstream parties.

Over the years, the party system in Pakistan has fragmented along provincial lines. The PPP enjoys a virtual monopoly over politics in Sindh, except for the city of Karachi where it competes for influence with the Muttahida Qaumi Movement

Commitment to democratic institutions

3

'06 '22 10



Party system

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(MQM), representing ethnic Mohajirs, and the religious Jamaat-i-Islami (JI). In Balochistan, electoral politics is dominated by ethno-national parties like the Baloch National Party (BNP). Elections are more competitive in KP and Punjab; the PTI has emerged as the dominant party in KP after displacing the Awami National Party (ANP) and JI, and the PTI and PML-N enjoy roughly equal levels of support in Punjab following the collapse of the vote banks previously held by the PPP and the Pakistan Muslim League – Quaid (PML-Q). Voter volatility is often determined by the shifting allegiances of local leaders heading vote blocs built around clientelism and kinship.

Nonetheless, there have been some signs of progress in recent years. An emerging middle class and the decline of entrenched landed elites has meant that urban electoral contests in Pakistan are increasingly oriented around issues of service delivery and party performance. Parties like the PTI and PML-N explicitly campaigned on the basis of their service delivery record in office to secure votes in 2018. Social media have become powerful tools for campaigning and are increasingly important for the mobilization of a younger, more tech-savvy and informed electorate.

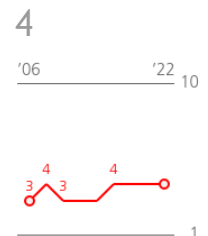
Polarization within Pakistan's party system remains oriented around religious and ethnic cleavages. Ethno-national parties like the MQM and the BNP preside over relatively stable identity-based voter blocs, and Islamist parties like the JUI and JI continue to exercise some limited electoral influence in urban Pakistan.

Civil society in Pakistan is characterized by the existence of a variety of different interest groups. These include chambers of commerce and industry associations that represent entrenched economic elites, politicized professional bodies, NGOs engaged in both service delivery and advocacy work, and relatively marginal activist organizations including student collectives and trade unions. Organizations based on religious and ethnic identities can also be found, although religious organizations tend to receive greater state support and patronage than ethnic ones.

Local traders' associations found in markets across the country remain a powerful source of urban electoral support for parties like the PML-N and PTI. Professional associations such as the provincial bar associations and the Young Doctors Association routinely organize their members to engage in acts of protest in order to negotiate concessions from the state, although the success of these actions is often limited.

Less powerful groups, representing workers, students and even low-level government employees, are often met with state repression when they articulate their demands and rarely have their grievances addressed. Nonetheless, different interest groups also come together to share platforms; events like the Student Solidarity March and the Aurat March have brought students, women, trade unions and even members of political parties together in recent years.

Interest groups



Polling data on public perceptions of democracy in Pakistan is relatively limited and often contradictory. According to the 2020 Democracy Perception Index, 39% of Pakistanis believe that the country is not democratic enough and 72% express the belief that democracy is important. Similarly, Gallup Pakistan reported that 59% of Pakistanis preferred democracy to other political systems in 2019 and 73% preferred democracy to dictatorship in 2017. According to the World Values Survey 2020, 93.2% of Pakistanis have a high level of confidence in the armed forces, compared to just 43.6% who had confidence in political parties.

However, Gallup's data also suggests that only 54% of Pakistanis were very or somewhat satisfied with the performance of democracy in 2018. Moreover, when asked about the military's involvement in the democratic process, 80% claimed that the military could play a very or somewhat positive role in government (in 2014, the latest year for which Gallup has data). According to the World Values Survey 2020, 41.2% of respondents stated that the military taking power from an incompetent government was an "essential" characteristic of democracy, with a further 34.7% expressing some agreement with this sentiment. Support for the military in Pakistan remains high, derived from a history of authoritarianism, and popular narratives about the inefficiency and corruption of civilian rulers. The military's involvement in managing the pandemic response has only enhanced this support.

Perceptions of democracy in Pakistan are also affected by relatively low levels of trust in state institutions. According to the World Justice Project's Report on the rule of law in Pakistan in 2018, only 56% of respondents had any trust in the courts and merely 17% had trust in the police.

In Pakistan, relationships of trust and reciprocity are underpinned by networks based on family, kinship, and participation in charitable and other civil society associations. According to the World Justice Project (2018), 73% of Pakistanis expressed a high level of trust in each other. Yet, these networks underpin clientelistic political relationships, and often serve to reproduce local social hierarchies defined by caste, class and gender. Similarly, even where participation in civil society associations or NGOs provides a basis for the development of social capital, this is often in a segmented way with differential benefits accruing to groups and individuals depending on the opportunities for participation available to them.

Apparently high levels of interpersonal trust within relatively small networks of family and kinship, exist alongside considerable distrust and suspicion of authority and groups outside immediate social circles. Data collected by the World Values Survey between 2017 and 2020 suggests that 93.4% of Pakistanis somewhat or completely trust their families, and 77% somewhat or completely trust people from their neighborhoods. Yet, the same survey found that 75.9 of respondents felt that they had to be "very careful" when deciding to trust other people. Similarly, only 31.4% of respondents felt they could completely or somewhat trust people belonging to different religious groups and only 27.7% felt the same way about other nationalities.

Approval of
democracy

n/a

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n/a

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Social capital

4

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II. Economic Transformation

6 | Level of Socioeconomic Development

Pakistan possesses considerable potential for economic development but continues to struggle with inequality and the provision of opportunities to its population, an estimated 64% of which are under the age of 30. According to the UNDP Human Development Report 2020, Pakistan had a Human Development Index (HDI) ranking of 154 out of 189 countries, representing a decline of two spots since 2019. In 2020, 24.3% of the population was estimated to be living below the national poverty line, although the UNDP's measure of multidimensional poverty, which examines deprivations in health, education and standards of living, estimates that 38.4% of the population lives in poverty. This inequality is also correlated with Pakistan's internal geography, with major cities being wealthier than the countryside, and the provinces of Punjab and KP having higher levels of development than Sindh and Balochistan.

Levels of inequality and poverty have been exacerbated by the COVID-19 pandemic, with the partial lockdowns imposed in the country throughout 2020 and the contraction of the economy by 0.5% disproportionately affecting the poor and vulnerable. Similarly, while the economic impact of COVID-19 may be a short-term shock followed by a recovery in 2021 and 2022, a World Bank report estimates that the effect of closing schools due to the pandemic will increase the rate of learning poverty – defined as an inability to read and understand a simple story by age 10 – in Pakistan from 75% to 79%. This will largely be due to an estimated 930,000 students dropping out of school due to closures in 2020, potentially never returning to the education system.

The country's Gini Index score for 2015 was estimated to be 33.5, implying that levels of inequality were slightly lower than the global average. Nonetheless, huge disparities remain in terms of gender equality, particularly as women's labor force participation is the lowest in the region at an estimated 22% in 2020. This is reflected Pakistan's ranking of 154 out of 156 countries on the Gender Inequality Index in 2019. The persistent exclusion of women from public life in Pakistan is also reflected in relatively low representation in the state apparatus and electoral politics.

Question
Score

Socioeconomic
barriers

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4 3

1

Economic indicators		2017	2018	2019	2020
GDP	\$ M	304567.3	314567.5	278221.9	263686.6
GDP growth	%	5.6	5.8	1.0	0.5
Inflation (CPI)	%	4.1	5.1	10.6	9.7
Unemployment	%	3.9	4.1	4.0	4.7
Foreign direct investment	% of GDP	0.8	0.6	0.8	-
Export growth	%	-0.6	12.7	14.5	1.6
Import growth	%	21.2	17.6	4.3	-11.1
Current account balance	\$ M	-16179.6	-18859.0	-8557.9	245.0
Public debt	% of GDP	67.1	72.1	85.3	87.6
External debt	\$ M	86046.9	93545.5	100830.7	108529.7
Total debt service	\$ M	6775.5	6025.7	11001.5	9125.9
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	11.3	11.7	11.7	13.1
Public education spending	% of GDP	2.9	-	2.5	-
Public health spending	% of GDP	0.9	1.1	-	-
R&D expenditure	% of GDP	0.2	-	-	-
Military expenditure	% of GDP	3.8	4.1	4.1	4.0

Sources (as of December 2021): 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

The regulatory environment in Pakistan is overseen by the Economic Coordination Committee (ECC), a body chaired by the finance minister with representation from the State Bank, the Securities and Exchange Commission, the Planning Commission, and the Board of Investment. The ECC has broad powers to intervene in the economy, and often does so in a manner that distorts price signals and selectively favors certain enterprises and actors. In the recent past, this has included approving large bailouts for failing state-owned enterprises (SOEs) and the continued provision of subsidies to powerful, politically connected commercial interests like sugar producers. The workings of the ECC are not transparent or subject to parliamentary oversight, and the opacity of economic planning in Pakistan was compounded in 2019 by the formation of the new National Development Council that includes the chief of army staff and contributes to the policymaking process.

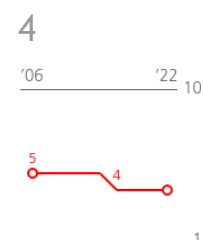
Pakistan has a very large informal economy, estimated to be equal to almost half of the country's GDP. Documentation of the informal sector remains a significant challenge for planners in Pakistan, with implications for the regulation of business and labor, as well as the collection of taxes and revenue.

In 2019, the World Economic Forum's Global Competitiveness Report ranked Pakistan 110 out of 141 countries, a decline of three spots since 2018. The country possesses the Competition Commission, which is empowered to investigate and take action against monopolies, regulate mergers, prevent collusion aimed at distorting markets and penalize deceptive marketing practices. However, the commission exercises very little regulatory power in practice, and Pakistan's economy remains dominated by powerful rent-seeking actors who make use of their economic clout and connections to the state to obtain preferential treatment for themselves.

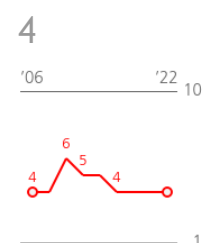
Competition in Pakistan is constrained by the presence of the military, which is a powerful economic actor in its own right, with interests in a range of sectors. The military's corporate interests remain impervious to external scrutiny. There is a similar lack of transparency when it comes to the terms under which Chinese firms and their local, often military, partners operate as part of the CPEC.

Pakistan has been progressively liberalizing free trade over the past two decades. The country has seen a gradual reduction in import tariffs from an applied weighted mean tariff of 23.1% in 2000 to 11.6% in 2019. Nonetheless, these levels remain higher than those of other countries in South Asia and well above the global average. The persistence of relatively high tariffs on imports can be attributed to a historical reliance on tariffs as a source of revenue, as well as a mechanism to protect local producers from foreign competition. However, this has created disincentives that have hindered the growth of Pakistan's exports. Pakistan's new National Tariff Policy 2019–2024, proposed by the Ministry of Commerce, recognizes the need to further

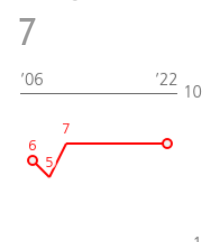
Market organization



Competition policy



Liberalization of foreign trade



liberalize the tariff regime. Pakistan faces challenges when dealing with non-tariff barriers to trade. A report by the International Trade Centre in 2020 notes that Pakistani exporters struggle to comply with trade-related regulations or procedures in Pakistan and abroad, often due to a lack of technical capacity for testing and product certification. Exports are also hampered by red tape and documentation requirements within Pakistan itself.

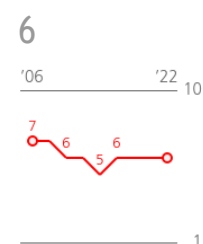
The period under review saw Pakistan continue to work toward meeting the requirements of the intergovernmental Financial Action Task Force (FATF) that the country do more to reign in financing of terrorism and control money-laundering. Pakistan has been on a FATF watchlist for much of the past decade but was found to have fully or partially implemented reforms in 21 out of 27 areas of concern identified by the organization. Further assessments of Pakistan's progress are due to be made in February 2021. At present, the country remains on the FATF watchlist but could be blacklisted in the future, which would represent a serious threat to Pakistan's ability to participate in global financial networks.

The period under review has seen an increase in the share of Pakistan's non-performing bank loans from 8.4% in 2017 to 9.9% in September 2020. The bank capital to assets ratio has remained relatively constant at 7.2% in 2020. As part of its response to the COVID-19 pandemic, however, the State Bank of Pakistan implemented a wide array of measures, chief among which was the provision of PKR 1.3 trillion – equal to 3.6% of the GDP – as support for the economy. This stimulus package included disbursements for medical equipment, subsidies for key sectors of the economy such as construction, and funds for the Ehsaas Cash Transfer program and other forms of welfare provision. The stimulus package also included measures aimed at providing debt relief and debt deferment to businesses and banks across the country.

8 | Monetary and fiscal stability

The period under review saw a continued decline in the value of the Pakistani rupee relative to the U.S. dollar. In July 2018, the rupee traded at PKR 122: \$1 but had slid to PKR 160: \$1 in January 2021, and the country's real effective exchange rate was estimated to be 94.1 in November 2020. The change in the rupee's value is due to a number of different factors, including increased borrowing by the government from the State Bank of Pakistan (SBP), but can be principally attributed to the SBP's decision to end the managed float of the rupee and instead let market forces dictate the exchange rate. While the SBP is an autonomous body, its decision-making is often constrained by the political and economic imperatives of the government, as well as the conditions imposed by external donors. In this context, the decision to devalue the rupee was taken in response to conditions attached by the IMF to a \$6 billion aid package offered in July 2019. The devaluation of the rupee has also been seen by the PTI government as a necessary measure to correct for the effects of the rupee's unsustainable overvaluation between 2013 and 2018.

Banking system



Monetary stability



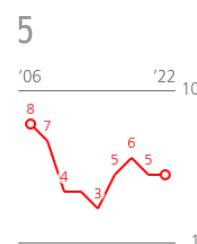
The relatively rapid devaluation of the rupee has had a considerable effect on Pakistan's economy. Monthly inflation in 2020 fluctuated between 8% and 14.5%, up from an annual rate of 4.1% in 2017, 5.1% in 2018 and 10.6% in 2019. The lower value of the rupee also led to a decline of 24.7% in imports in the period June/July 2018 to June/July 2020. In this period, exports remained relatively weak except for an unexpectedly strong showing during the second half of 2020 that led to year-on-year growth of 7.3%.

In 2020, Pakistan was able to register a current account surplus of \$1.6 billion following years of deficits. This was made possible due to a reduction in imports following the decline in the value of the rupee as well as a record amount in remittances (\$23.12 billion) from overseas workers. Pakistan's foreign exchange reserves rose to a three-year high of \$13 billion in December 2020. Nonetheless, Pakistan remains heavily reliant on external financial support. In July 2019, the IMF approved a \$6 billion Extended Fund Facility for Pakistan, with a further \$3 billion obtained from Saudi Arabia, \$2.5 billion from China and \$1 billion from the United Arab Emirates that same year.

Pakistan's levels of debt have continued to grow. Government debt currently stands at around 74% of GDP, with external debt worth nearly \$113 billion or 45.5% of GDP in 2020. In 2019/20, Pakistan had to pay \$11.985 billion to service its external debt. In the same period, Pakistan's fiscal deficit was 8.1% of GDP. Pakistan's dependence on external financing can be attributed, at least in part, to its continued struggles with revenue collection. Despite efforts in recent years to boost revenues through greater documentation and enforcement, the country's tax-to-GDP ratio declined to 9.6% in 2019/20, down from 11.6% in 2018/19. Efforts to improve revenue collection continue to be impeded by the difficulties associated with documenting Pakistan's large informal economy as well as the constraints imposed by powerful, organized interest groups.

Despite its serious fiscal challenges, Pakistan was able to mount a relatively robust response to the economic fallout from the COVID-19 pandemic. The federal government announced and implemented a relief package worth PKR 1.2 trillion that provided support to individuals and businesses, while also earmarking funds for the procurement of food, medical supplies and other essential goods. The government also applied for and received debt relief worth \$2 billion from its external creditors.

Fiscal stability



9 | Private Property

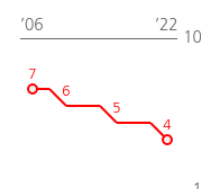
The constitution protects property rights and laws exist to protect individuals and businesses from being deprived of their property by the state without compensation. However, in practice poor monitoring and documentation, and weak enforcement mechanisms mean that individuals can be expropriated from their land by criminals, organized land-grabbers and corporate developers, all of whom often work in collusion with state officials. While the threat of forcible expropriation remains real at the local level, particularly for individuals lacking paperwork or connections to the bureaucracy, large-scale real estate and commercial developments are also often based on fraudulent and illegal practices. In 2019, real estate developer Malik Riaz was fined a record PKR 460 billion by the Supreme Court for illegally obtaining large swathes of land in Karachi's Malir district upon which he built his Bahria Town project. The project had involved the forcible dispossession of local villagers. The often illegal and coercive practices that characterize the seizure of land in Pakistan can be juxtaposed with the demolition, in recent years, of informal settlements in Islamabad and Karachi, with "anti-encroachment" drives launched by the government leading to protests by the urban poor displaced by these measures. Disputes over land ownership are one of 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 2020, Pakistan was ranked 120 out of 128 countries in the International Property Rights Index.

In recent years, some measures have been taken to improve the security of property rights in Pakistan. In the Punjab province, the Punjab Land Records Authority has used technology to build and implement the Land Records Management Information System, which maintains a digitized, centralized record of land ownership that can potentially reduce disputes and eliminate the role played by corrupt local officials in manipulating land records.

In the World Bank's Doing Business 2020 Report, it takes five procedures, 16.5 days and costs 6.7% of per capita GNI to start a business in Pakistan. The report ranks the country 108 out of 190 countries in terms of the ease of doing business, showing a significant increase over its position in 2019 when it was ranked at 130. This improvement can be attributed to a number of recent reforms made by the PTI government, chief among which has been the creation of a steering committee to oversee the implementation of the Pakistan Regulatory Modernization Initiative (PMRI). Working as part of the Board of Investment in the Prime Minister's Office, the PMRI was begun in 2019 and is currently in the process of proposing and executing reforms that aim to make it easier to transact business in Pakistan by leveraging technology and reducing bureaucratic hurdles.

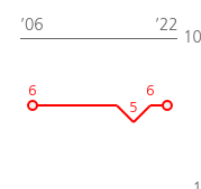
Property rights

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Private enterprise

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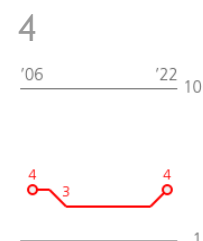
SOEs remain significant players within the Pakistani economy, although efforts have been made in recent years to privatize them in order to make them more efficient and financially viable. However, privatization remains a politically fraught issue, partly due to concerns about the welfare of workers, who might be laid off as a result of privatization, and also due to the way in which employment in SOEs has been used as a mechanism through which successive governments have dispensed patronage to their supporters. While the PTI government has repeatedly expressed a desire to privatize enterprises, very little progress has been made on this front. Collectively, SOEs accrued losses worth PKR 692 billion between 2018 and 2020.

10 | Welfare Regime

Pakistan does have a number of welfare programs aimed at providing a rudimentary social safety net to the country's citizens. Government schools and hospitals provide heavily subsidized education and health care, and institutions like the Pakistan Bait-ul-Mal collect and distribute charitable contributions collected as tax from citizens. Nonetheless, the provision of effective public services in Pakistan is hamstrung by serious capacity constraints. Spending on health care and education came to a total of around 5.8% of GDP in 2019/20, with just 0.98 doctors per 1,000 people and a primary school enrollment rate of 68% in 2018. The inadequacy of public welfare services has led to the emergence of a large private sector in health care and education. Historically, the budgetary adjustments needed to manage Pakistan's fiscal constraints have led to cuts to social services and this is likely to remain a feature of the country's political economy in the future.

While serious challenges remain in the provision of welfare in Pakistan, there are some areas in which there has been progress. The Benazir Income Support Program (BISP), launched in 2008, is an unconditional cash transfer scheme for poverty reduction that focuses on women. During the first wave of the pandemic, in March 2020, the federal government formally launched the Ehsaas program, an unconditional cash transfer scheme that expands the BISP to provide emergency support to citizens struggling with the impact of COVID-19 lockdowns and now reportedly covers an estimated 15 million families. Furthermore, in 2019, the provincial government in KP launched a project aimed at providing health insurance to all of the province's residents. These cash transfer programs are an important tool for poverty alleviation, but as they grow larger in scope and scale questions remain about their long-term sustainability. Nonetheless, the expansion of cash transfer programs across Pakistan represents a significant addition to the country's systems of welfare provision and will be further improved by ongoing attempts by the PTI government to make use of Pakistan's digital and surveillance infrastructure to better provide payments and services to vulnerable sections of the population.

Social safety nets



Pakistan is a divided, hierarchical society in which status and access to opportunity are shaped by intersecting class, gender, religious, ethnic and caste identities. Poverty acts as a significant constraint on access to quality education, health care and employment. One indicator of the challenges faced by Pakistan is its literacy rate in 2020, which was 59.1% for adults and 71% for young people, both of which are lower than the rates in neighboring countries. Gender discrimination is rampant, as seen in the wide gap between men and women in terms of literacy, with a male literacy rate of 71.1% and a female literacy rate of 46.5% in 2017, and a female-to-male enrollment ratio of 0.9 in 2020. Patriarchal social norms restrict women to the private sphere, barring them from pursuing employment. Female labor force participation in Pakistan is just 20.5%, a figure that has not changed in over a decade. While there are quotas for women in parliament (33% of seats in local government, and 17% of seats in the provincial and national assemblies are reserved for women), candidates selected for these seats are nominated by their parties and very few women are put up as candidates for election in general seats. Women also remain excluded from the upper echelons of Pakistan's political leadership; only four of the 50 members of the PTI government's cabinet are women.

Religious minorities face widespread discrimination, as do citizens belonging to lower caste groups such as former Hindu untouchables who converted to Islam in the past. Christians, Hindus and lower caste Muslims are disproportionately employed as casual laborers, sweepers and sex workers, and have few opportunities for social mobility.

11 | Economic Performance

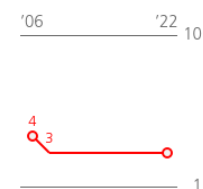
The period under review saw Pakistan's GDP growth rate decline to just 1.9% in 2019, down from almost 5.5% in 2018, according to the Asian Development Bank (ADB). Reasons for the decline include a large fiscal deficit worth 8.9% of GDP, a widening current account deficit estimated to be around \$13.43 billion in 2018/19 and reliance on unsustainable debt-fueled, consumption-driven development.

As a result of COVID-19, the economy contracted by -0.4% in 2020, although the economic effect of the pandemic on Pakistan was less pronounced than it was in other countries, possibly due to the government's reluctance to impose long lockdowns that would have brought economic activity to a halt. Per capita income remained stagnant between 2018 and 2019 at around \$4,885 in terms of purchasing power parity. Inflation remained relatively high as well, growing from 4.7% in 2018 to 6.8% in 2019 to 10.7% in 2020 (Asian Development Bank).

Revenue collection showed growth of 3.9% from 2018/19 to 2019/20, although overall revenue collected in this period was 19% below the target set for the fiscal year. The unemployment rate remained stable at 4.4%. While the PTI government was able to bring the current account deficit down by the end of 2020, generating a surplus of \$1.6 billion, anemic domestic manufacturing and production have meant that Pakistan's economic growth has stalled with few signs of short-term recovery.

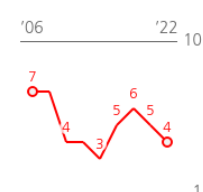
Equal opportunity

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Output strength

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12 | Sustainability

Economic growth and a rapidly urbanizing population have contributed to the emergence of serious concerns regarding environmental sustainability in Pakistan. The Environmental Performance Index currently ranks Pakistan 169 out of 180 countries. In particular, recent years have seen a significant deterioration in air quality in Pakistan, with cities like Lahore often having the worst air quality in the world during the winter months. The causal factors behind this are varied, ranging from the effects of crop burning at the end of the summer harvest to the impact of increased vehicular traffic. Rising air pollution is a problem in the wider region, with increased pollution in India and China contributing to Pakistan's own environmental challenges. According to the Air Quality Life Index, Pakistan is the fifth most polluted country in the world with poor air quality reducing life expectancy by 2.7 years in 2018, up from 1.6 years in 2000. Despite this, however, successive governments have failed to develop a coherent policy framework through which to address this situation.

Pakistan is also one of the most water-stressed countries in the world. A 2015 IMF report placed total annual availability of water at 191 million acre-feet (MAF) and by 2025 demand is expected to rise to 274 MAF. The United Nations considers populations to be facing water scarcity when per capita availability dips below 1,000 cubic meters. In 2019, per capita water availability in Pakistan was estimated at only 935 cubic meters. Over 90% of Pakistan's water is used in agriculture, of which an estimated 45% is wasted due to an inefficient irrigation system. While Pakistan launched the new National Water Policy in 2018, aimed at addressing the challenges posed by Pakistan's water crisis, proposed reforms have yet to be implemented.

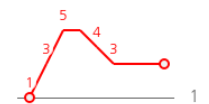
Per capita CO₂ emissions in Pakistan were 1.12 tons in 2017, the latest year for which data is available. This is a significant increase over the 2013 figure of 0.79 tons but remains considerably below the global average of 4.73 tons. Pakistan currently relies on a mix of hydroelectric and coal power to meet its energy needs. In December 2020, the government announced that it would not build any new coal power plants, despite earlier plans to do so.

Pakistan's Ministry of Climate Change has a broad mandate to tackle environmental problems. However, there is little evidence to suggest that concerns about the environment have much of an impact on policy. The PTI government launched the much publicized "10 Billion Tree Tsunami" project in 2018, aimed at planting trees across the country, but the project has thus far yielded few results and has been mired in corruption claims. Moreover, the ministry itself has received relatively little attention, with its funding being reduced to just PKR 5 billion in 2021, down from PKR 7.5 billion in 2020.

Environmental
policy

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In 2019, Pakistan scored 0.42 on the U.N. Education Index, placing it well below the average global score of 0.612. The country also has a low literacy rate estimated to be 59.1% in 2017. This is reflected in Pakistan's relatively low levels of spending on education at both the federal and provincial levels, which came to about 2.9% of GDP in 2019–20, below the global average of over 4%. Moreover, the public education system is characterized by inefficiency and a lack of resources. There is a parallel system of private education, but this is of varying quality, with only the elite benefiting from well-funded schools connected to international examination boards. According to Pakistan's 2020 Human Development Report, the country's primary enrollment ratio stood at 94%, with just 43% for secondary education and 9% for tertiary education.

Expenditures on research and development remain low, estimated to be just 0.2% of GDP in 2017. The country produces almost half a million college graduates every year, but the quality of their skills varies. The country also produces several thousand PhD graduates every year but research output remains low. This is partly due to deficiencies in the training of these graduates, but also due to a general lack of funding for, and emphasis on, the production of research.

Education policy /
R&D

3

'06 '22 10

3

1

Governance

I. Level of Difficulty

Pakistan continues to face a number of structural constraints that impede its governance performance. Economic challenges include a continued reliance on external funding from international financial institutions and countries like China, an inability to reform an inefficient taxation and revenue system, persistent fiscal deficits, rising inflation due to a rapidly devaluing currency, lackluster export performance, and an economy that has struggled to transition away from the production of agricultural goods and services due to low levels of technological development and investment. These economic issues are compounded by the existence of a poor, growing and young population that currently lacks the skills and opportunities to participate fully in a changing global economic landscape. While recent years have seen an improvement in some aspects of public infrastructure, such as roads, public transport and power generation, much work remains to be done. In 2020, economic growth was hampered by the COVID-19 pandemic, but Pakistan generally fared better than its neighbors, with a relatively low level of infections and deaths per capita.

Pakistan faces severe environmental challenges. Rising levels of air pollution across the country, partially attributable to the model of industrialized economic growth pursued in the region as a whole, will have serious consequences for the health and well-being of the population. Pakistan must also deal with increasing water scarcity, and the difficulties associated with reforming an inefficient and wasteful system of irrigation and water conservation. Climate change appears to be contributing to the increasing frequency of natural disasters, which have become a perennial feature of the country's ecological landscape.

Pakistan's governance is hampered by the persistence of discriminatory norms and practices, some endorsed by law, which exclude and marginalize large sections of the populace. Women experience widespread discrimination and violence in both the public and private spheres, and efforts at reform are often stymied by the backlash from more religious and conservative elements in society. Religious minorities, particularly Ahmadis, experience de facto exclusion from the higher echelons of government and the economy, and are routinely subject to violence and intimidation. Pakistan also has deep-rooted ethnic cleavages, with the economic and cultural marginalization experienced by Balochis, Sindhis and Pashtuns fueling ethno-national movements, and routine disputes over the division and allocation of national resources.

Structural
constraints

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Civil society 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, chambers of commerce, associations of traders and industrialists, religious groups, and social movements mobilizing students, ethnic minorities and the country's working classes.

The power enjoyed by these different civil society associations varies. Groups representing economic elites, for example, often have close connections to the state and religious groups often benefit from the state's reliance on Islam as a legitimating ideology. On the other hand, social movements that voice dissent or opposition to the state or entrenched interests are often met with repression and persecution. This is amplified by the state's increasing use of digital tools to surveil and prosecute those campaigning against it.

Levels of social trust in Pakistan often map on to networks of kinship and patronage, reproducing forms of solidarity and norms of reciprocity along existing class, ethnic, caste and religious dimensions.

Recent years have seen a decline in the amount of overt religious conflict in Pakistan, with successive military campaigns against Islamist militants in the country's northwest reducing the overall incidence of terrorism and terrorism-related fatalities in the country. Nonetheless, religious minorities continue to face considerable violence and persecution, including Shi'ite Muslims who have been targeted by sectarian Sunni Islamist groups. The issue of blasphemy remains an emotive one in Pakistan and has been used by groups like the TLP to incite violence against the government, and the country's Ahmadi, Christian and Hindu communities.

Pakistan experiences a lot of ethnic strife. Historically, ethnic Balochis, Sindhis and Pashtuns have protested against the alleged economic and political dominance of Punjabis, who control the state apparatus, and this has resulted in the emergence of ethno-national movements of varying intensity. At present, movements like the PTM continue to engage in non-violent opposition to the state in KP and the former FATA. Militants associated with the Baloch Liberation Army (BLA) and other groups continue their long-running violent insurgency in Balochistan. According to SATP, this conflict claimed the lives of 215 civilian and security personnel in 2020, representing an increase of 19.44% over the number of fatalities in 2019.

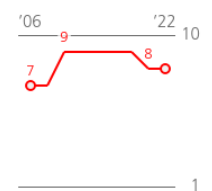
Civil society traditions

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Conflict intensity

8



II. Governance Performance

14 | Steering Capability

When it first came to power in 2018, the PTI promised to initiate a process of radical reform that would transform Pakistan into what Prime Minister Imran Khan called an “Islamic Welfare State.” As part of this process, Khan emphasized the need to rely on input from experts, appointing special advisers to propose and implement reforms in areas including health care, digital transformation, welfare provision and national security policy. The government set up committees comprised of experts to provide advice on civil service reform and the economy. Fighting against corruption had been one of the main pillars of the PTI’s electoral campaign, and Khan vowed to prosecute politicians and other officeholders who had enriched themselves at the public’s expense. The government had come to power vowing not to approach the IMF for a bailout package, but ultimately did so and prioritized the implementation of policies aimed at reducing Pakistan’s current account deficit and boosting economic growth through a reduction in imports and devaluing the Pakistani rupee.

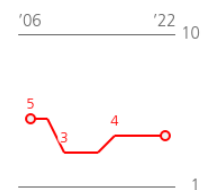
Many of the government’s stated priorities were affected by the onset of the COVID-19 pandemic. In particular, the government used the pandemic to launch its Ehsaas Cash Transfer program, recognizing that the need to support the poor amidst the economic dislocation caused by COVID-19 created an opportunity to implement one of the major pillars of its plans for welfare reform. The limits of the government’s ability to strategize about and prioritize needs is seen in the apparent lack of planning for vaccinating the population in 2021. According to news reports in March 2021, the government had not allocated any funds for the purchase of vaccines and was apparently relying on the donation of vaccines from China and other countries.

The PTI government is constrained by the influence wielded by the military establishment, which sets strategic priorities for foreign policy and a range of domestic political issues, and which has seen its influence grow due to the central role it has played in responding to the pandemic through the NCOC. The government’s anti-corruption campaign is also viewed more as a tool for persecuting political opponents than a mechanism for accountability.

Question
Score

Prioritization

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When it comes to policy implementation, the PTI government appears to be constrained by many of the same impediments that have hampered previous regimes. In addition to political infighting within the party itself, which has led to several changes within the composition of the federal cabinet, a failure to initiate meaningful bureaucratic reform has meant that even policies that are finalized founder at the implementation stage. The problem is compounded by the continued influence of traditional political and economic elites, who constitute the bulk of the PTI's elected representatives and who act as constraints on the implementation of policies that might challenge their interests.

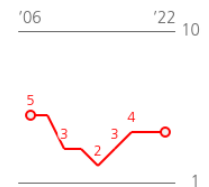
Two years into its tenure, the government's performance has been mixed at best, and its ability to set and maintain strategic priorities has been limited. While recommendations for civil service reform were finalized in late 2020, they have yet to be implemented and represent a watered-down version of the more radical proposals that had been floated when the PTI first came to power. A combination of scandals and political infighting also led to the resignations of the prime minister's special advisers on digital transformation and health care.

When it comes to welfare provisions, the government has had more success, particularly in terms of the successful rollout of the Ehsaas cash transfer program. Nonetheless, in other areas the government has gradually become hostage to the same special interests it campaigned against when in opposition. Some estimates suggest that up to 80% of the party's elected representatives in Punjab belong to the traditional political and economic elite, with policymaking catering to the interests of these actors.

Political polarization acts as an impediment to policy implementation. Given that the federal and provincial governments have power in different policy domains, a lack of coordination between these different tiers of governance often leads to fragmented policy outcomes, particularly when the federal and provincial governments are headed by different political parties. In Punjab, for example, political infighting within the ruling PTI government, and the election of a chief minister widely believed to be weak and ineffective has led to policy paralysis, with the achievements of previous governments slowly being reversed. In Sindh, where the PPP runs the provincial government, animosity between the PTI and the PPP has led to continuous disputes over jurisdiction and a failure to coordinate policy responses. This was most evident in the early days of the COVID-19 pandemic when the disparate approaches taken by the federal and provincial governments arguably impeded attempts to curtail the spread of the virus. Political polarization is part of the reason why the PTI government has largely relied on presidential ordinances to pursue its policy agenda and has increased the space within which the military establishment can influence governance.

Implementation

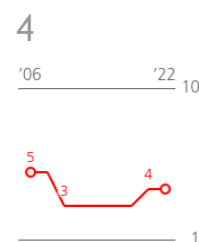
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The PTI government's initial attempts to harness the expertise of academics and professionals to reform areas like health care, education and welfare provision have met with mixed results. While some of the experts recruited for these initiatives were forced to leave due to broader political constraints, the government was able to successfully innovate policies including the Ehsaas cash transfer program and a (controversial) single national curriculum to be implemented in schools. It is also working on new initiatives that would use technology to enhance digital payments and reduce red tape.

Pakistan's response to COVID-19, which made use of detailed biometric information collected by the National Database and Registration Authority (NADRA), as well as the surveillance apparatus used by the intelligence agencies. This allowed the government to impose "smart" lockdowns and implement contact tracing, highlighting how the government possesses the capacity to develop and leverage the potentials of digital technology. Nonetheless, while there have been some areas of progress, much of the country's politics and policymaking continues to be oriented toward the logic of clientelistic service provision overseen by traditional political elites drawn from the propertied classes. The structure of the bureaucracy is also relatively archaic and inefficient, limiting the government's ability to engage in flexible thinking and policy learning.

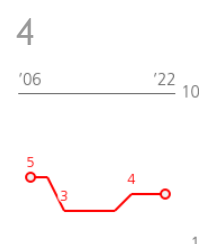
Policy learning



15 | Resource Efficiency

In its budget for 2020/21, the government allocated 31.3% of total expenditures to the military, civil administration and pensions, with military expenditures accounting for more than half of this amount. The bulk of the remainder goes to debt servicing at 41.2%, investments in public infrastructure and development at 10%, and revenue transfers to the provinces at 12.6%. Pakistan runs persistent fiscal deficits, partly due to poor revenue collection, and is reliant on external lending to finance the government. The country's external debt is currently \$113 billion and continues to rise every year. While the federal and provincial governments have distinct domains of authority, there is very little fiscal decentralization in Pakistan and the provinces rely on transfers from the federal government to fund themselves. Local governments, when they are functioning, have virtually no power to raise revenues of their own.

Efficient use of assets



Given that levels of corruption and inefficiency are high in Pakistan, much of government expenditure on administration is poorly utilized or wasted. Collectively, the provincial and national governments employ over a million people in Pakistan across dozens of different departments. However, the actual performance of government remains poor, with public sector institutions and organizations marked by inefficiency, archaic bureaucratic procedures and little incentive to improve their performance. Government expenditures also represent an opportunity for vested interests to engage in rent-seeking.

The budgetary process itself is relatively transparent, in that budgets are presented for parliamentary scrutiny, but the government's ability to engage in economic decision-making is constrained by the dictates of donors like the IMF and the interests of powerful elites connected to the state. Moreover, while the budget is presented for debate in parliament, there is usually very little amendment to what is presented. Furthermore, the military budget remains closed to independent audits and scrutiny.

Policymaking in Pakistan is shaped by often contradictory imperatives. When formulating and implementing policy, the state has to mediate between the objectives of the federal and provincial governments, the military establishment, entrenched industrial and landed elites with close connections to the corridors of power, local politicians whose influence is dependent on their ability to act as conduits to state patronage, public sector employees who remain an important political constituency, and associations of traders and professionals who are able to mobilize in order to pursue their interests. Mechanisms through which these competing interests can be aggregated and mediated are largely absent and are often limited in their functionality where they do exist. Instead, policymaking tends to be relatively fragmented and ad hoc, reflecting the needs and interests of those who happen to be in power.

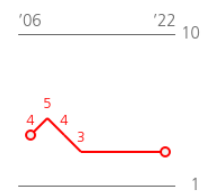
Institutions like the Council of Common Interests and the Ministry of Inter-Provincial Coordination exist to help formulate policies through consultations with Pakistan's federated units but increasingly these forums have been eschewed in favor of centralized, unilateral decision-making by the federal government. Bodies like the Planning Commission and the Economic Coordination Committee function as extensions of the executive rather than a means through which to coordinate policies involving different actors.

The main anti-corruption watchdog is the National Accountability Bureau (NAB), which was set up in 1999 by General Musharraf following the coup that brought him to power. Operating in tandem with Accountability Courts headed by High Court judges, the NAB has a mandate that has expanded over the years to include the investigation of corruption by government officials, and financial misconduct involving private firms and individuals. The NAB has been accused over the years of pursuing a partisan political agenda, targeting opposition politicians and persecuting individuals by involving them in drawn-out investigations of alleged wrongdoing. After the PTI came to power in 2018, the NAB initiated inquiries into bureaucrats associated with the outgoing PML-N government. The NAB has been criticized for allowing those it investigates to negotiate plea-bargains that see cases against them being dropped in exchange for the return of money and assets allegedly acquired through corruption. The NAB claims to have recovered PKR 487 billion between 2017 and 2020 in this fashion, although the proceedings that resulted in these recoveries remain closed to public scrutiny.

At a more general level, the workings of the state and its officials remain opaque and lack transparency. Matters such as public procurement are shaped by rent-seeking and nepotism, with no formal mechanism through which to allow for public scrutiny

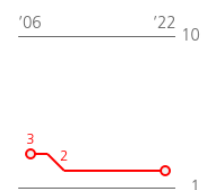
Policy coordination

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Anti-corruption policy

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of the process by which contracts are awarded. Spending by the state is generally subject to very little oversight or audit. This is particularly true of projects involving the military, ranging from its budget to infrastructure initiatives that form part of the CPEC, all of which remain shrouded in secrecy.

Legislators are expected to formally declare their assets before contesting elections. Declarations tend to be fraudulent and misleading, and there is a lack of enforcement, and investigation of legislators and public officials suspected of possessing undeclared assets and income. There are also no formal limits on campaign financing in Pakistan; electoral candidates tend to finance their own campaigns with no public disclosure or audits of their spending.

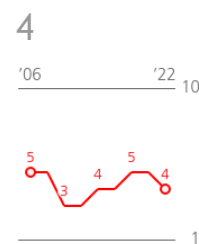
16 | Consensus-Building

The period since 2018 has been marked by an increasing amount of political polarization in Pakistan. Following that year's elections, in which the PTI was accused of coming to power with the support of the military establishment, opposition parties including the PPP and the PML-N have begun working together, as part of the PDM, to demand that the PTI government resign and hold fresh elections. The PDM's campaign is motivated, at least in part, by concerns about civilian supremacy in Pakistan, with the PTI's closeness to the military establishment, and its apparent willingness to cede political space to it, being seen as a troubling sign for the future of democracy in Pakistan. These concerns are also fueled by the PTI's tendency to rely on executive ordinances, and the services of unelected special advisers and technocrats in order to formulate and implement policy without any meaningful parliamentary oversight. There are fears that the PTI seeks to overturn the 18th Amendment to the constitution, the 2010 law that devolved power to Pakistan's provinces. The 18th Amendment has long been viewed as an impediment to more centralized control by the military establishment and its allies. The PTI government's tendency to circumvent parliament for the purposes of policymaking, the increasing space ceded to the military to influence governance, attacks on the ECP and the continued persecution of opposition politicians all suggest that the faltering consensus on the need for democracy, which had emerged among Pakistan's parties in the previous decade, has been eroded.

On a broader level, repeated episodes of military intervention in politics, the lackluster performance of democratic governments and popular narratives of political corruption have contributed to ambivalent popular attitudes toward democracy. For many citizens, the clientelistic nature of service delivery often means that electoral politics is about little more than entering into bargains with potential patrons, while ideology and programmatic politics play a limited role in voter mobilization.

Despite the existence of significant ethnic and religious cleavages in Pakistan, mainstream organizations representing different groups do participate in the electoral

Consensus on goals



process, even if, as in the case of some Islamist organizations, there are few checks in place to prevent the process being used to put forward discriminatory and anti-democratic platforms.

All of Pakistan's major parties agree in principle with the need for a market economy, although their commitment to free markets is tempered by their acceptance of the historical role the state has played in the economy. Attempts to privatize inefficient, loss-making SOEs continue to founder in the face of political pressure exerted by public sector employees, and powerful interest groups continue to use their connections to the state to secure rents for themselves. Regulation of the economy remains ad hoc and constrained by a lack of capacity, although the government has taken measures to reduce some of the red tape associated with doing business in Pakistan.

The military plays a significant role in the economy and is a powerful corporate actor across a whole range of sectors, able to use its political muscle to distort the market in its favor. The IMF and other international donors continue to play a role in directing Pakistan's economic policy, mandating reforms aimed at liberalizing the economy in exchange for aid. While the PTI came to power with a vow that it would not rely on the IMF for bailouts, it eventually agreed to a \$6 billion Extended Fund Facility in 2019.

Pakistan has experienced three instances of military rule since becoming an independent country in 1947 and even periods of ostensibly democratic rule have been characterized by the covert exercise of influence by the military behind the scenes. When the government of General Pervez Musharraf was overthrown in 2008, it was believed that Pakistan's transition to democracy could lead to a reduction in the power of the military, particularly given that the PPP and PML-N, Pakistan's two most powerful parties at the time, had signed a Charter of Democracy that upheld their commitment to pursuing civilian supremacy. Indeed, attempts by both parties to rein in the influence of the military when they came to power in 2008 and 2013 respectively arguably prompted the military establishment to undermine their governments by allegedly supporting protests and movements by actors including the cleric Tahir-ul-Qadri, the TLP and the PTI itself. The hope that the ousting of Musharraf would create an opportunity to deepen democracy in Pakistan has faded over time, and the explicitly close relationship between the military and the current PTI government has only given credence to notions that the latter had been "selected" for government by the former after a long campaign to discredit politicians belonging to rival parties. Members of the PTI government have themselves referred to being "on the same page" as the military and to being part of a "hybrid" system of government.

Anti-democratic actors

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In 2020, the Global Terrorism Index listed Pakistan as the seventh most affected country by terrorism worldwide, although the index noted that – while terrorist violence perpetrated by Islamist groups remained a concern – there had been a tremendous reduction in both incidents and casualties from the highs seen earlier in the decade. According to SATP, there were 319 incidents of terrorist violence in 2020 with 169 civilian deaths, down from a high of 3,923 incidents with 2,713 civilian casualties in 2013. However, while this reduction in violence has been made possible by concerted military campaigns aimed at eliminating terrorist organizations like the Tehreek-i-Taliban Pakistan, the religious and sectarian cleavages that have fostered violence in the past continue to remain a potent source of division in the country. Issues like blasphemy continue to be employed by religious organizations like the TLP to inflame sentiment against the government and have also formed the pretext for mob violence leading to the dispossession and killing of members of religious minorities. For the most part, political leaders are reluctant to confront religious extremism, fearing backlash from powerful religious organizations, and often employ similar rhetoric to mobilize support for themselves.

Concerns remain about the military establishment's connections to extremist organizations. Having used them in the past as proxies in Kashmir and Afghanistan, there are fears that tolerance for extremist organizations within Pakistan may be reflective of the broader strategic objectives of the state.

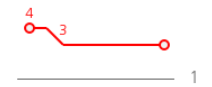
Ethnic identity remains a salient cleavage within Pakistan and has been a source of considerable conflict throughout its history. In KP, the PTM continues to rally support for a non-violent movement that seeks to hold the state accountable for the deaths and disappearances that have accompanied anti-terror operations in the FATA. In Balochistan, groups like the BLA continue to wage an armed campaign against the state in response to allegations of deprivation and marginalization. Calls by the PTM for a national truth and reconciliation commission have thus far been ignored by the government.

The influence exercised by civil society on the government and political leadership varies depending on the nature of the organizations involved. Those representing economic elites, and those working with international donor organizations are closely connected to policymaking and have been able to set the agenda. Similarly, the state's historical reliance on Islam as a legitimating ideology and source of identity has allowed Islamist parties and organizations to play an agenda-setting role. Professional associations of lawyers and doctors do not have as much influence over policymaking but have been able to use their organizational power to hold strikes and protests, wresting some concessions from the government. However, the extent to which civil society can wield influence has arguably declined during the period under review, with activists and dissidents that belong to organizations critical of the government increasingly being subjected to repression. Activists continue to be subject to arbitrary detention and arrest, some go "missing." Increasingly the state has come to rely on colonial-era laws regarding sedition to prosecute those who question it.

Cleavage /
conflict
management

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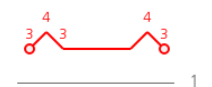
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Civil society
participation

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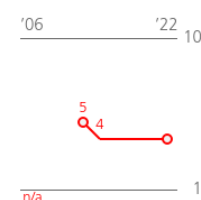


Pakistan possesses an often-combative media landscape, with dozens of private channels representing and articulating a variety of different political viewpoints. Nonetheless, recent years have seen an increase in restrictions on press freedom, and journalists continue to be harassed and sometimes arrested for criticisms of the government and the military establishment. NGOs, advocacy groups, and organizations of students and workers play a role in holding the government accountable but do so in an environment that has become increasingly repressive and inimical to expressions of dissent. This environment was especially evident during the initial response to the pandemic when questions and criticism were met with online abuse and trolling by government representatives.

Pakistan's political leadership remains inimical to the idea of fostering reconciliation between the victims and perpetrators of past injustices. Discussions of the widespread atrocities committed by the Pakistani military during the secession of Bangladesh in 1971 remain absent from the public discourse and there is very little, if any, mention of the casualties of the military's campaigns against ethno-national movements in Balochistan in the 1970s and 2000s, Sindh in the 1980s, Karachi in the 1990s, and KP in the 2010s. Indeed, reconciliation is one of the main demands put forward by the PTM, although the government has thus far shown no interest in pursuing such a path, preferring instead to double down on narratives portraying dissent and opposition to the nationalist orthodoxy as evidence of treason, sedition and anti-Pakistan sentiment. Similarly, while both symbolic and physical violence against religious minorities remains a fact of life in Pakistan, little concrete action has been taken to fight narratives that portray minorities as second-class citizens.

Reconciliation

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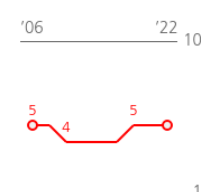


17 | International Cooperation

Pakistan remains reliant on large amounts of external assistance to fund its persistent fiscal deficits. The bulk of this assistance has historically been obtained from the IMF and the United States, although recent years have seen bilateral aid from China, Saudi Arabia and the United Arab Emirates as well. The external assistance received by Pakistan has generally been associated with strict economic conditions. For example, IMF programs in the past have required Pakistan to liberalize its economy and undertake extensive fiscal reforms. The latest Extended Fund Facility offered to Pakistan in 2019 was no exception, requiring the country to devalue the rupee and take strict measures to reduce its current account deficit. However, while the IMF and other donors often rate Pakistan's adherence to their conditions as being satisfactory, some areas remain resistant to reform. In particular, Pakistan has struggled to improve its capacity for revenue collection and has failed to reform its political system in a way that would lead to more bureaucratic efficiency and less rent-seeking by entrenched elites. The absence of broader structural reform and the pressing need to finance deficits has meant that successive governments have tended to seek and accept foreign aid without necessarily having a sustainable, long-term development strategy. As a result, even when international aid and assistance are acquired, much of this is often squandered.

Effective use of support

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The period under review has seen a reduction in Chinese investment in Pakistan and an apparent cooling of enthusiasm for the CPEC. While this may be partly due to China's own fiscal constraints, the PTI government expressed some unease, echoed by the United States and the IMF, about the potential unsustainability of high-interest Chinese loans used to finance CPEC projects. Pakistan remains committed to working with China on a range of infrastructural projects but appears to be wary of repeating the allegedly ad hoc and unplanned negotiations that led to the imposition of unfair terms of financing when the projects were first being planned.

International assistance during the pandemic has focused on providing immediate relief through the Ehsaas program and technical assistance with the response. In 2021, Pakistan has also relied on international assistance to procure vaccines, although the total number acquired in the first half of the year has been relatively low.

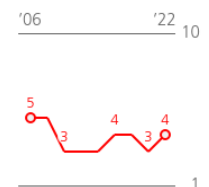
In the period under review, Pakistan has continued to face scrutiny over terror financing and money-laundering as a result of its placement on FATF's watch list. While FATF's latest review found that the country was at least partially or fully compliant with 21 out of 29 areas of concern, the country remains on the watchlist, pending additional reviews in 2021. Pakistan's international standing has not been helped by the government's apparent sluggishness in prosecuting U.N.-designated terrorists like Hafiz Saeed, who is accused of being the mastermind behind the 2007 Mumbai terror attacks. Nonetheless, as Pakistan continues to make progress in complying with FATF directives, it is likely that its international credibility will grow.

While Pakistan is a signatory to numerous international treaties, it often lacks the domestic reforms that would bring it into compliance with its international commitments. For example, despite being a signatory to the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment since 2010, Pakistan currently lacks domestic legislation that would protect people from being tortured by the police. In February 2020, the Torture and Custodial Death (Prevention and Punishment) Act was tabled in the Senate but has not yet been passed by parliament. Similarly, while Pakistan did declare a moratorium on the death penalty from 2008 to 2014, it has subsequently reintroduced capital punishment.

In January 2021, Pakistan, like other nuclear powers, declared that it would not sign the Treaty on the Prohibition of Nuclear Weapons. The United States in particular remains concerned about the role Pakistan may have played in nuclear proliferation during the 1990s. Repeated requests by the United States to gain access to A. Q. Khan, a scientist accused of being at the heart of a nuclear proliferation ring backed by the Pakistani state in the 1990s, have thus far been refused.

Credibility

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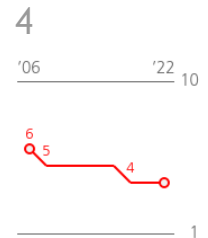
The period under review has seen the emergence of heightened animosity between India and Pakistan. In 2019, India had transformed the state of Jammu and Kashmir – which corresponds to that part of the former princely state of Jammu and Kashmir which is under its control – into two union territories: Jammu and Kashmir, on the one hand, and Ladakh, on the other. Historically, Pakistan has taken the stance that Kashmir is a disputed territory whose status can only be determined through a plebiscite held under the auspices of the United Nations. India's decision to change the status of its part of Kashmir has thus been seen by Pakistan as a unilateral attempt to seize territory that does not rightfully belong to it. As part of its diplomatic campaign against the annexation, Pakistan has sought to highlight India's worsening human rights record, particularly with regard to the treatment of Muslims within Kashmir and beyond, at different international forums. These developments, coupled with the increased influence of the military establishment in Pakistan's policymaking, make the prospects of any cooperation or rapprochement with India unlikely in the near future.

Pakistan continues to maintain close ties with China, relying on its northern neighbor for economic, military and diplomatic assistance. Pakistan continues to work with China on the CPEC but concerns over the costs of the project and the terms of financing have led to a slowdown. Prime Minister Imran Khan has sought to improve relations with Iran, visiting Tehran in 2019, but these efforts continue to be impeded by Pakistan's competing commitments to Saudi Arabia and the United Arab Emirates.

In 2020, the United States sought to negotiate with the Taliban to bring an end to the decades-long conflict in Afghanistan. Pakistan has been a key player in the Afghan negotiations and has expressed its desire to work with the incoming Biden administration in the United States to facilitate any plan that may eventually be finalized for Afghanistan.

Pakistan remains a member of regional and international organizations, including the South Asian Association for Regional Cooperation (SAARC) and the Organization of the Islamic Conference (OIC). However, its participation in these forums has been shaped in recent years by its conflict with India. Particularly after India's transformation of the state of Jammu and Kashmir into two union territories, Pakistan has sought – with little success – to have India marginalized or censured by the SAARC and the OIC.

Regional cooperation



Strategic Outlook

The start of 2021 presents Pakistan with a number of challenges and opportunities. For one, the development of vaccines promises to bring an end to the COVID-19 pandemic, although, at the time of writing, Pakistan's plans for vaccinating its population were relatively vague, and largely dependent on donations and schemes such as COVAX. The logistical challenges involved in inoculating a population of over 220 million people are significant and while the government has secured vaccines from China through COVAX, it had only managed to secure assurances regarding the delivery of less than 20 million doses within the first half of the year.

Having finally produced a current account surplus in 2020 after years of deficits and with the value of the rupee stabilizing somewhat at the end of the year, Pakistan has the potential to begin initiating more substantive reforms of its economy. Particularly in a context where, compared to its neighbors, Pakistan's economy was able to weather the pandemic relatively well, the PTI government has stated it will work to boost exports and implement reforms aimed at reducing barriers to trade and business. This is easier said than done, however, given that structural impediments to reform, including the influence wielded by vested economic interests, remain in place and continue to stymie attempts to document the informal economy and overhaul the taxation system.

In the absence of improvements in its ability to collect revenue, Pakistan remains reliant on foreign aid to finance its fiscal deficits. Debt servicing takes up the largest chunk of the budget and the country's reliance on donors (including the United States, China and Saudi Arabia) has placed Pakistan in a position where it has to negotiate donors' often conflicting strategic imperatives. At a time when the FATF continues to scrutinize Pakistan's efforts to curb terror financing and money-laundering, and amidst a slowdown in China's support for the CPEC and the ongoing Afghan peace process, Pakistan is likely to remain embroiled in the region's great power politics. Navigating these challenges will require deft diplomatic maneuvering and more coherent strategic planning than has been undertaken in the past.

In March 2021, the PDM was able to score a significant symbolic victory against the government by successfully campaigning to have former Prime Minister Yusuf Raza Gilani elected to the Senate after defeating the PTI's candidate and incumbent, Finance Minister Hafeez Shaikh. While the PTI and its coalition partners retain a majority in the National Assembly and Senate, Gilani's victory has raised questions about the durability and strength of the government going forward.

Finally, even as it grapples with the need to provide welfare and economic opportunities to a young population marked by poverty, and divided along ethnic and religious lines, Pakistan will also have to contend with the mounting challenges posed by climate change and environmental degradation. Per capita availability of water continues to decline, and periodic bouts of drought and flooding have become increasingly frequent and intense. Widespread air pollution also poses a grave threat to the health and well-being of the population. While there is little evidence to

suggest that the government has devoted much energy to tackling these pressing problems, it is imperative that existing mechanisms for fostering policy coordination among the different tiers of government and for soliciting input from external experts be employed to develop comprehensive and robust roadmaps for achieving reforms aimed at conserving water and working with regional partners to contain the scourge of air pollution.