

# Pakistan Outlook 2023

Politics, Economy & Security



Islamabad Policy Institute





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# 2023

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Editor

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## FOREWORD

I am honored to present the annual forecast prepared by Islamabad Policy Institute, which highlights the significant challenges that the country is likely to face in the year ahead. Our contributors have worked tirelessly to analyze and forecast the critical issues that will shape Pakistan's future, and their findings are sobering.

The foreign policy arena poses a formidable challenge for Pakistan, as tensions continue to simmer with neighboring countries, including India and Afghanistan. These tensions threaten to undermine regional stability and potentially escalate into a full-blown conflict. Our contributors warn that Pakistan's policymakers must navigate these challenges deftly, to safeguard the country's interests while ensuring peace and stability in the region.

Furthermore, the political climate in Pakistan is likely to be tumultuous in the coming year, as political parties jostle for power and influence. Our contributors note that this could lead to instability and uncertainty, which may impact the country's ability to address critical issues effectively.

On the economic front, Pakistan faces mounting challenges, with an economic crisis that threatens to cause growing pain for its people. Our contributors warn that the government must take bold and decisive steps to address these challenges, including measures to stabilize the currency, reduce inflation, and promote sustainable growth.

Finally, the threat of terrorism is likely to grow, with extremist groups continuing to pose a significant threat to Pakistan's security. Our contributors emphasize the urgent need for the government to take a comprehensive and coordinated approach to counterterrorism, which includes intelligence gathering, law enforcement, and countering extremist ideology.

In closing, I want to extend my sincere gratitude to our contributors for their hard work and dedication in producing this forecast. Their insights provide valuable guidance for policymakers, academics, and the wider public, as we navigate the challenges and opportunities that lie ahead.

Syed Muhammad Sajjad Shabbir Bokhari

Executive Director



## OVERVIEW

To describe the preceding year (2022) as tumultuous for Pakistan, is perhaps an understatement. In fact, it was a year of poly-crisis, where country experienced political, economic, climate, security and social upheavals, unseen in decades. After 1971, it was perhaps the first time that Pakistan faced multitude of challenges, which have coalesced to produce a systemic challenge to national cohesion, economic functioning, and security of the state while at the same time dealing with devastating floods.

On the political front, year started with Imran Khan led PTI government finding its feet after a civil-military spat with army over appointment of new DG-ISI. United opposition under the banner of Pakistan Democratic Movement (PDM) sensed an opening as the military avowed neutrality in political affairs, and started preparing for ousting the PTI-government through a Vote of No-Confidence (VoNC). In March VONC vote was officially tabled with voting to be held on April 4. As PTI's political allies deserted it, Imran Khan claimed a foreign conspiracy was afoot to oust him from office. A diplomatic communication – Cipher – sent by Pakistan's Ambassador to the US, was used as a proof of the conspiracy. Though PTI sought to invalidate VONC motion and dissolve assembly, judicial intervention led to a vote on the motion for VONC and on April 9, Imran Khan was ousted from office.

A week later, Shehbaz Sharif, PML-N President, took oath as the new prime minister leading an 11-party coalition government. PTI walked out of the National Assembly, and tendered resignations from 124 seats. The former ruling party later launched a protest drive across the country as Imran Khan sought early elections. However, by the end of year, PTI after failing to force elections, vowed to dissolve Punjab and Khyber-Pakhtunkhwa assemblies to pressure the government to accede to its demand. Imran Khan held former army chief directly responsible for the ouster of his government. Meanwhile, PTI sought to influence selection of the new army chief. In late November, Gen Asim Munir, who had previously served as DG ISI under Imran Khan but was prematurely removed from office, was selected as new military chief, and this appointment injected a dose of stability in the fractious polity. Now PDM government vows to complete the remaining term of the national assembly and claims that next general elections will be held in October 2023. In this, PTI-Army and PTI-PDM political conflict, polarization has deepened with dire consequences for the national cohesion and stability of both state and society.

In the economic realm, 2022, saw Pakistan's back-and-forth with lender of last resort, IMF as successive PTI and PDM governments sought to direct the economy. Economy suffered badly because of political turmoil as balance-of-payment crisis kept economic direction uncertain. Imran Khan sensing his ouster froze oil prices in Pakistan while international market was marking increase in the midst of escalating Russia-Ukraine conflict. The incoming Sharif government, rushed to the IMF to revive the stalled

programme. It took new administration five months before IMF programme could be brought on track. In the process, inflation peaked and new taxes were introduced, leading to depletion of political capital of the government. Miftah Ismail, the finance minister, was then replaced by Ishaq Dar, who again took populist measures and put IMF programme in jeopardy. Meanwhile, government continued to make attempts to secure additional funds from bilateral creditors to finance record current account deficit and make debt repayments while stabilizing macroeconomic fundamentals. In the end, public discontent only intensified, in the face of contracting economy with declining exports and remittances, weakened rupee and piling up external payments. Yet, prospect of a sovereign default looms large.

Like 1971, in the summer of 2022, Pakistan experienced worst floods in its history, impacting over 33 million people. The death toll crossed 1700 with extensive loss of crops, damage to infrastructure and housing. Over 8 million people were displaced, who faced a health crisis in the winter. Official estimate record total damages of nearly USD 15 billion and total economic loss of about USD 15 billion. PDM government with collaboration of international partner sought to raise funds for rehabilitation and reconstruction. The target was nearly USD 16 billion, while pledges of USD 9 billion have been made. Immediate relief efforts have ended; however, recovery is years-long process.

On the security front, 2022 saw rise of terrorism, particularly, by Tehrik-i-Taliban Pakistan (TTP) and Baloch militant groups. The TTP targeted law-enforcement personnel across KP, while negotiations were underway. First Imran Khan government sought to appease TTP and allowed them to relocate to former tribal areas. As TTP ended ceasefire, terrorism incidents increased manifold. Meanwhile, Pakistan's border forces also experienced pressure from Afghan Taliban administration. Clashes took place and border fence was uprooted from several places. Besides, Baloch militant groups continued to target security forces and Chinese citizens in Pakistan. 2022 proved that return of Taliban government gave a fresh impetus to militancy inside Pakistan.

On the foreign policy front, Pakistan continued to oscillate between West and the Rest (Russia and China) in 2022. On the eve of Russia's announcement of 'Special Military Operation' against Ukraine, then PM Imran Khan was in Moscow on a bilateral visit. While PM Khan claimed neutrality in the Russia-Ukraine conflict, weeks later, then Army Chief Gen Qamar Bajwa termed it 'Russian invasion of Ukraine'. However, PTI and Khan's narrative of US conspiring to oust their government severely impacted foreign policy. The new PDM government after assuming office engaged US government at various levels to rebuild confidence and seek cooperation in dealing with economic and security challenges. Meanwhile, in the region, relations with India remained on ice, while Pakistan engaged Taliban government. Bilawal Bhutto Zardari, the current foreign minister, focused on expanding engagements with countries across different regions through bilateral visits. These trips have, so far, only produced limited political good will. Tangible results are yet to be seen. Besides, Pakistan economic woes and repetitive



turning to bilateral partners – China, Qatar, Saudi Arabia and UAE – made securing financial assistance a key focus of foreign policy during the year.

It is with a bleak outlook that Pakistan ventures into 2023. A crucial focus of Pakistan during 2023 would be to ride out multiple pressures threatening to tear apart political and economic fabric of the country while undermining internal security and complicating conduct of foreign policy.



## EXTERNAL SECURITY OUTLOOK: CHALLENGES AND RESPONSES IN 2023

Lt. Gen Asif Yasin Malik (Retd.)

Post 9/11 security in our region face a major shift in both shape and dynamics, as the injured elephant took its vengeance out by attacking a weak and nondescript country which had no link, whatsoever, with events of 9/11. The vengeful elephant crushed an innocent population under its heavy feet with all the might at its disposal while the world looked away rather rejoiced over the events that followed. Within the region this atrocious act jolted most was Pakistan, being a neighbour and having religious, cultural, ethnic and economic overlaps with Afghanistan and consequently, the very foundations of its security were jolted.

### Security Landscape

After 9/11, the regional as well as Pakistan's security landscape has oscillated between skirmishes and noisy surge in dynamite explosions across the country. Having remained volatile and centre of global attention for nearly two decades, the guns went silent in August 2011. The invaders decided to crawl out in defeat and ignominy, and leaving Afghanistan to a consequential disorder. The country was suspended between No War and No Peace, the most undesirable state for a country to be in. From governance point of view there emerged a total vacuum causing complete societal collapse and administrative chaos. It was free for all, and all troublemakers went berserk. Loot and plunder became the

order of the day and vendetta the opportunity of the hour.

As far as Pakistan is concerned, it went into a policy and response freeze, while security apparatus and its response generation mechanisms were in a state of shock. It took nearly two months for Pakistan to realise the complexity of the emerging situation, and even more to re-orientate its Afghan policy and fathom the complexity of domestic and cross border security landscape. With every passing day our policy makers were emerging more confused, and responses disjointed adding fuel to the fire.

Lately terrorist footprint is now emerging over wider tracts stretching right up to Islamabad which is alarming as situation becoming akin to 2007/8. It seems that the whole system was caught napping and now initiating a kneejerk response which is not meeting much success. This whole scenario has both domestic and external dimensions. On the external side, foreign powers are accentuating the domestic instability to bring the country on its knees and thereafter dictate terms of future policies and conduct, particularly with reference to strategic capabilities and regional policies vis a vis India and China. In this effort Afghan soil is being utilised using many anti Afghan elements like Daesh and TTA dissidents. Disjointed and foggy policies and

On the domestic front, politically failed and weak groups and leaders are

encouraging and facilitating TTP. More so, in the wake of poorly advised and wrongly implemented 'Pleasing policy' of the state in a dialogue with TTP. Principally, a dialogue between state and terrorists is a wrong move, as when such an event happens, the state and the terrorists sit across the table become equals, which is disastrous for the state.

### **Eastern challenge and Kashmir**

Situation on the Eastern Front has stayed stable and is likely to stay same in 2023, primarily for two reasons. Firstly, due to a jolting response in 2019 when two Indian fighter aircraft were shot down by Pakistan Air force. Secondly, Indians planners are convinced that no major military aggression will deliver intended dividends and the cost may be disproportionate to the benefits accrued. Also, that a conventional military operation under a Nuclear Overhang cannot deliver guaranteed outcomes while the end game will certainly be under Pakistani design.

Indians have also seen the global indifference to their domestic Nazi type policies and persecution of not only the Muslims but also lower caste Hindus and poor Christians. Therefore, they have been busy consolidating the Hindutva Stranglehold over that mammoth country and would not get distracted by an external adventure. In addition, their northern border remains volatile, and a two front escalation would not be manageable and may get out of control. As far as Kashmir is concerned, we can only work on diplomatic front and raise a strong voice for the liberation of

Kashmiris from the Nazi stranglehold of RSS.

Finally, the disastrous domestic economic and governance crisis unleashed after the April 2022 Regime Change Operation has pushed the country in a socio-economic abyss under a technical financial default. This has provided a golden opportunity to the Indians to mount a Fifth Generation offensive, and accentuate the already spiraling unrest and instability including a chasm between state and the people. For them it is a dream come true and are involved in a multi-directional terrorist and Psywar against Pakistan.

### **Western threat and rising terrorism**

This is a sad story of lost opportunities. After the withdrawal of occupation forces from Afghanistan in 2021 there emerged a rare opportunity for Pakistan to start afresh its relations with Afghanistan and its new regime. We not only failed to grab the opportunity but ended up with an even harsher relationship than the preceding years. In addition to cold connection with the Afghan regime we landed ourselves with TTP led violence in western province and creeping right up to Islamabad.

One does not visualise any major change in this pattern in the coming year, as the present regime does not have the vision and capacity to handle such complex situation. In addition, the change of guard in the establishment leaves us uncertain about the design and direction of its actions in this regard.



## Balancing China and US

This has been the most significant challenge for Pakistan for last few years and more so in 2022 due to regime change under the cloud of the famous Pak Embassy Cypher. The Foreign Ministry under the immature and inexperienced leadership of Mr Bilawal Zardari has bungled whatever balance we were maintaining in the past years. Actually, we have ended up with weaker relations with both China and the US. As far as this year is concerned it is like to remain same unless national elections are held a new regime comes and charts a new course on this critical direction. Here it may be important to note that in our effort to please the US we have weakened our growing relations with Russia. In this direction too we will only find a new format if the post-election regime so desires.

## Gulf and Iran

While the PTI government was making extra efforts to improve relations with Iran and create a positive balance with the Gulf countries, the present dispensation under western and Arab pressure is staying away from any warming of Pak-Iran connections. This has created an opportunity for the Indians to rush their relations with Iran and handicap Pakistani policy makers. In addition, the Chinese plans to use CPEC for extending trade and investment to Iran seem to be losing traction. This will also be a setback for CPEC and consequently for Pakistan too. As far as the coming year is concerned much of this cannot be undone without a very

strong effort by Pakistan failing which it may lose much of its place in Iran.

## Response options in the face of tough global and national economic situation

As of today, Pakistan has limited time and space to apply course correction if it wants to extricate itself from the morass it has landed itself in. No country can tackle external factors and problems without being internally cohesive and stable. All external players judge you by your domestic landscape. With our present state of domestic situation, no country including our friends is willing to move forward in any direction of their relations with Pakistan. Pakistan's response to meet this unprecedented challenge must have following essential components, not only for 2023 but also for many following years:

- A. Domestic political stability which can be attained by holding general elections and the so elected government allowed to complete its mandated period.
- B. Institutional strength to ensure continuity in major domestic and foreign policies.
- C. Public awareness and support for state policies.
- D. Unwavering trust between the people and the state, irrespective of political dispensation in place.
- E. A very strong and capable team to meet the economic challenge faced today, which is bane of all ill problems faced by Pakistan.

F. A special cell be established in MoFA to resolve the Afghan relation issue and a fresh approach be adopted, taking on board regional countries, particularly Russia, Iran and China.

G. As far as TTP and erstwhile FATA are concerned efforts must involve the tribes of the area.

H. Total restructuring of Ministry of Foreign Affairs.

J. Avoid a situation where our strategic defensive capacity and capability becomes vulnerable to sabotage and blackmail.

K. Undo the global perception of establishment, rather than the political government running this country. This perception has proved a poison for the image of the people and their elected governments and may lead us deeper into the quagmire of ignominy.

## Conclusion

2022 has been a disastrous year for Pakistan, probably worse than 1971. So, 2023 is the start point to change for the future of Pakistan and our efforts and endeavours in this year will lay the foundations for its very future. Without being a pessimist, one feels that if we fail to apply serious and mega course correction, we may be doomed forever into a state surviving on a ventilator and breathing at the good will and mercy of foreign players. The vision of Quaid e Azam would be erased forever and we would be a headless chicken in maze with vultures breathing on our necks.

*Lt. Gen. Asif Yasin Malik (Retd.) is a former Defense Secretary. He is a retired infantry officer with diverse experience of command and staff assignments. He has headed Peshawar based 11 corps, which spearheaded counter-terrorism operations in Khyber Pakhtoonkhawa province and erstwhile FATA.*

## PAKISTAN'S MILITANT LANDSCAPE IN 2022: CHALLENGES AND RECOMMENDATIONS

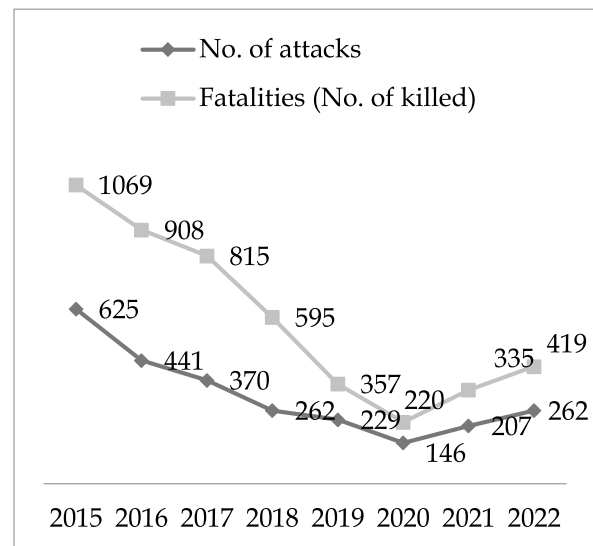
Safdar Sial

### 1. Introduction

As noted in Pak Institute for Peace Studies' (PIPS) 2022 security review of Pakistan, different nationalist insurgent, religiously inspired militant, and violent sectarian groups perpetrated a total of 262 terrorist attacks in the country during the year, including 14 suicide bombings.<sup>1</sup> It marked a 27 percent increase in the incidence of terrorist violence in 2022, as compared to the previous year. These terrorist attacks claimed in all 419 lives and injured another 734 people. About 95 percent of the total recorded terrorist attacks in Pakistan in 2022 were concentrated in Balochistan and Khyber Pakhtunkhwa provinces.

For a second year in a row, the number of terrorist attacks posted an upsurge in the year 2022. Since 2014-15, when military operations including Zarb-e-Azb, and National Action Plan were launched, there had been a gradual decline in the incidence of terrorist violence and consequent casualties in the country that continued until 2020. From 2021-onward this declining trend did not sustain, and the incidence of terrorist attacks took an upturn. (See Chart 1) This clearly indicates that the militants have once again increased their presence and activities in Pakistan over the past two years.

**Chart 1: Comparison of Terrorist Attacks and Fatalities in Pakistan (2015-2022)<sup>2</sup>**



<sup>1</sup> For details, visit:  
<https://www.pakpips.com/web/wp-content/uploads/2023/01/SR22-Preview.pdf>

<sup>2</sup> Data and statistics are derived from Pak Institute for Peace Studies' digital database on security incidents:  
[www.pakpips.com/app/database](http://www.pakpips.com/app/database)

**Table 1: Geographical Distribution of Terrorist Attacks in Pakistan in 2022<sup>3</sup>**

Region	No. of Attacks	Killed	Injured
Khyber Pakhtunkhwa	169	294	393
Balochistan	79	106	271
Punjab	3	6	30
Karachi	6	8	31
Sindh (excluding Karachi)	2	0	0
Islamabad	2	5	9
Gilgit-Baltistan	1	0	0
<b>Total</b>	<b>262</b>	<b>419</b>	<b>734</b>

## 2. Pakistan's militant landscape in 2021

After military operations in North Waziristan, Khyber and other tribal districts in 2014, much of the terrorist infrastructure based in ex-FATA had relocated across the border to Afghanistan. But since August 15th (2021), when the Taliban took power in Kabul, a new shift in the militant landscape and terrorist threat has been observed. As in the year before, the banned TTP, the Baloch insurgent group Balochistan Liberation Army (BLA), and Islamic State-Khorasan (IS-K) were the main highlights of Pakistan's militant landscape in 2022. There were believed

to be involved in 158 terrorist attacks, or over 60 percent of the total attacks recorded across Pakistan during the year.

Most analysts agree that the establishment of the de facto Taliban government in Afghanistan, and Pakistan's negotiation ventures emboldened the *Tehreek-i-Taliban Pakistan* to regroup and escalate terrorist violence in Pakistan. The group was believed to be involved in 89 terrorist attacks across Pakistan, compared to 87 in the year before. The reported terrorist attacks by the group also included six suicide bombings. The attacks by the TTP claimed 135 lives, compared to 158 in the TTP-orchestrated attacks in the previous year, and left 120 others injured. Geographical spread and statistics of the attacks perpetrated by the TTP in 2022 indicate that while the group had carried out most of the attacks in the tribal districts or former FATA, it was also successful in showing its presence in northern Balochistan, and twin cities of Rawalpindi-Islamabad.

It was in March 2022 the leadership council of the TTP announced start of operation *Al-Badr* from the first of Ramadan as part of its spring offensive in Pakistan. According to the declaration issued by the TTP, the *Al-Badr* Operation would entail *istishhadi* or suicidal/martyrdom actions, ambushes, mine blasts, targeted attacks, assaults, and laser/sniper attacks with exclusive focus on targeting Pakistani security forces. The operation was announced for

<sup>3</sup> Ibid.

one year but only after one month of its launch, the TTP announced ceasefire on Eid-ul-Fitr which the group later extended twice. It was finally extended until the end of May 2022, due to talks with Pakistani government in Afghanistan, which were mediated by the Afghan Taliban. In May, the TTP extended the ceasefire for an indefinite period. Towards the end of August 2022, there were reports including on social media that the TTP may have ended the ceasefire and again will resort to violence. In the beginning of September, the TTP claimed multiple attacks including in DI Khan, Lakki Marwat, Khyber and Peshawar districts, but the TTP spokesman termed these attacks as 'defensive'. These attacks continued, and rather intensified in November when the banned TTP formally announced to call off the ceasefire it had agreed to with the Pakistani government.

*The Islamic State's Khorasan* chapter also expanded its footprint in Pakistan in 2022. Its members were believed to be active in Bajaur, Peshawar, Mohmand, Orakzai, and Kurram areas of KP; Bolan, Sibi, Awaran, Mastung, and Quetta districts of Balochistan; and Karachi and northern Sindh. Compared to eight in 2021, IS-K perpetrated a total of 23 terrorist attacks during the year under review including 21 in Khyber Pakhtunkhwa and two in Balochistan. In all, 92 people lost their lives and another 222 were injured in these attacks. Most of these casualties resulted from the suicide bombing the IS-K carried out in a mosque of Shia Muslims in Peshawar.

In Khyber Pakhtunkhwa, IS-K perpetrated eight attacks in Peshawar, nine in Bajaur and one attack each in Khyber, Orakzai, Tank and South Waziristan districts targeting security forces, a mosque of Shia Muslims, members of Sikh community, leaders of political parties mainly including JUI-F, and tribal elders. In Balochistan, the group targeted FC personnel in Sibi and members of Christian community in Mastung. In a suicide attack claimed by the group, at least six FC officials were martyred, and 19 others were injured in Sibi.

In its propaganda campaign, the group has increasingly started to focus Pakistan, mainly the KP province bordering on Afghanistan; this campaign also includes anti-TTP ideological and operational propagation. For one, the group's Al-Azaim media in July 2022 released several videos and text outputs declaring the TTP leaders "apostates" and calling on TTP fighters to join the IS-K for "true jihad". The group through its Eid message sent instructions to its cells in Central and South Asia to enlist for lone-wolf and suicide attacks. Similarly, in an 11-page message/pamphlet in Urdu, the IS-K urged the people of Bajaur tribal district to extend assistance to the group either through manpower or financial means.

While multiple Baloch insurgent groups remained active in Balochistan in 2022 (some have presence even in Karachi and parts of southern Punjab), *Balochistan Liberation Army (BLA)* was the most active and believed to be involved in most of terrorist attacks. Compared to 38



in the previous year, the BLA carried out 46 terrorist attacks in 2022 – including 45 in Balochistan, and one in Karachi. These attacks killed 65 people – including 30 security and law enforcement personnel and 15 civilians; 20 militants also died in these attacks – and injured 109 people.

*The Balochistan Liberation Front* (BLF) carried out seven terrorist attacks in Balochistan in 2022, including two in each of Kech, Panjgur and Awaran districts and one attack in Hub (Lasbela). In these attacks 14 people were killed including 11 security officials, two civilians (one alleged spy and one non-Baloch worker), and one militant, while 16 others got injured. Most of the attacks by BLF (5) targeted security forces; others hit non-Baloch settlers, and an alleged spy. A new Baloch insurgent group *Baloch Nationalist Army* (BNA) claimed two terrorist attacks in 2022 including one in Lahore (Punjab) on security and bank officials, and another in Karachi (Sindh) targeting police. *Baloch Republican Army* (BRA), also known as Bugti Militia, as well as *Baloch Republican Guards* (BRG) perpetrated four terrorist attacks each in 2022, while *United Baloch Army* (UBA) claimed one attack.

*Sindhudesh Revolutionary Army* (SRA) carried out three attacks in Sindh, including one attack in each of Naushahro Firoze, Tando Muhammad Khan, and Karachi districts targeting a railways track, a power transmission

line, and security forces, respectively. In all, one person was killed, and seven others were wounded in these attacks. Meanwhile, a new Sindhi insurgent group, which calls itself *Sindhudesh People's Army* (SPA), claimed the responsibility of a heinous attack that targeted a dental clinic run by a Chinese couple in the busy Saddar area of Karachi, near Empress Market.

### 3. Challenges and Recommendations

#### 3.1 The Fallout of Afghan Situation and Its Management

A United Nations report on terrorism in early February 2022 said that there are no recent signs that the Taliban have taken steps to limit the activities of foreign terrorist fighters in the country. On the contrary, terrorist groups enjoy greater freedom there than at any time in recent history.”<sup>4</sup> Another report released by the UN in July 2022 noted that while the situation in Afghanistan remained complex, international terrorist organizations based there view the victory of the Taliban as a motivating factor for disseminating their propaganda in the neighboring regions of Central and South Asia, and globally.<sup>5</sup> Most analysts appear unconvinced that the Taliban will or could fulfil their promises on foreign militant groups such as Al-Qaeda, Islamic State Movement of Uzbekistan, ETIM or TIP, and TTP, etc.;

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<sup>4</sup> United Nations Security Council's twenty-ninth report of the Analytical Support and Sanctions Monitoring Team, February 3, 2022, <https://undocs.org/Home/Mobile?FinalSymbol=S%2F2022>

%2F83&Language=E&DeviceType=Desktop&LangRequested=False

<sup>5</sup> The report was released around mid-July 2022 and can be downloaded here: <https://www.ecoi.net/en/file/local/2075689/N2239429.pdf>

the Taliban have so far only acted against Islamic State-Khorasan (IS-K).

Pakistan is concerned about the Taliban not being willing or able to help in countering the TTP threat. The group is becoming a major irritant in Pakistan's relations with the Taliban government. That is because insecurity and violence at the Pak-Afghan border and bordering regions of Khyber Pakhtunkhwa and Balochistan have been growing gradually, since the Taliban took power in Afghanistan. Only in 2022, 34 Pakistani citizens lost their lives (including 20 security officials) in 13 border attacks/clashes along the Durand Line.

Pakistan needs to be careful in its dealing with the Afghan situation as well as the Taliban. It needs a complete reorientation of its policy towards Afghanistan in the wake of growing threats of terrorism in the country after the banned TTP called off a ceasefire it had agreed to with the government earlier 2022. Civil-military leadership, political parties, bureaucracy and ulema should be on the same page to tackle the threat, and there should be an inclusive policy on how to deal with Afghanistan and the TTP.

### ***3.2 Growing Terrorist Threat: Revitalizing NAP and Security Policy***

National Action Plan came under discussion a few times during 2022 following some major terrorist attacks. The previous government had also approved the country's so-called first-

ever National Security Policy (2022-26) which is no more heard about.

Pakistan needs to come up with a proper implementation mechanism to implement National Security Policy as well as revised NAP. A yearly review of both NSP and NAP is also needed to improve the responses to rapidly changing security scenarios. Along with it a parliamentary oversight committee can be formed to ensure broader transparency and effectiveness.

There is also a need to increase capacity and role of civilian law enforcement agencies, which will prevent the terrorist threat to a significant extent. Civilian law enforcement structures are rooted in the people and enjoy more freedom to operate due to their frequent interaction and confidence-level with the communities.

Meanwhile, there should be a zero-tolerance policy towards the terrorist groups, and there should be no negotiations with those who are unwilling to quit violence. Further, any reconciliation overture with militants should come through the Parliament.

### ***3.3 Persisting Conflict and Insecurity in Balochistan***

While the frequency of terrorist attacks has been varying, but the most recent phase of the Balochistan conflict that started in 2005-06 continues unabated. There have been some fundamental shifts in the Baloch insurgency, such as emergence of educated, middle class leadership, and emphasis on more lethal,

high-impact attacks on what the BLA claims 'political targets' or the ones which brings them into the limelight and international focus.

The Pakistani state, nonetheless, is largely employing the same traditional methods to counter the insurgent movement. For one, relying merely on kinetic actions, the state does not seem interested in engaging the insurgent leaders and/or Balochistan's legitimate nationalist political leadership in talks or process of reconciliation. The issue of missing persons is adding fuel to fire. Meanwhile, by intensifying their terrorist attacks, the Baloch insurgent groups are not only increasing their prospects of recruitment from disgruntled Baloch youths but also putting pressure on moderate nationalist political forces of Balochistan. Balochistan is not merely a security problem but a political conflict which calls for corresponding efforts at achieving reconciliation as well as security.

Also, as the socioeconomic trickledown impact of mega development projects for masses in the Balochistan has been minimum so far, Pakistan needs to make sure that people in the province start reaping the benefits of big projects as soon as possible.

### ***3.4 Reforms in Ex-FATA***

The government's failure to speed up the process of introducing reforms in erstwhile FATA region after it was made

part of the Khyber Pakhtunkhwa province has left the people complaining and even questioning the merger. Many local groups have been asserting that the merger is not solving their problems and issues and hence it should be reversed; a demand that the banned TTP also made during peace talks with the government. Some tribesmen even filed the petitions before the court to undo the merger. . In March 2022, the Supreme Court of Pakistan decided to establish larger bench on petitions against the 25th Amendment that allowed the integration of erstwhile Federally Administered Tribal Areas (FATA) into Khyber Pakhtunkhwa. The Amendment had received presidential consent on March 31, 2018.<sup>6</sup>

The growing attacks on police in the merged tribal districts once again remind the need of reforming and capacitating the law enforcement structures of these districts. Apparently, the government is aware of that need. The establishment of police stations and training of law enforcement agencies also needs to be stepped up. Although the process is underway, but it is quite slow, according to local accounts.

The revised NAP also places emphasis on introducing reforms in merged tribal districts of Khyber Pakhtunkhwa including ensuring an adequate share in NFC, capacity building of law enforcement agencies and introduction of political-administrative structures like local government elections and land reforms. There is a need to rehabilitate

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<sup>6</sup> "SC decides to form larger bench on FATA integration petitions," *The Express Tribune* March 9, 2022.



the internally displaced persons from ex-FATA and develop educational, road and other infrastructure in these areas.

It is heartening that local body elections were successfully held in ex-FATA in 2021-2022. During first phase of local bodies election held in KP on December 19th, polls were also held for the first time in Khyber, Mohmand and Bajaur tribal districts. In the second phase, voting was held in 65 tehsils in 18 districts of the provinces on March 31st including in tribal districts of Orakzai, North and South Waziristan, and Kurram.

Experts assert that to heal and rehabilitate the citizens of ex-FATA, there is a need to enhance the economic and infrastructure development of this strategically critical area to bring back the internally displaced persons and rehabilitate them as it would speed up the process of political, administrative, and judicial reform in tribal districts.

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## FORECASTING A YEAR OF POLITICAL TURMOIL: NAVIGATING THE INTERSECTING CRISES OF ECONOMY, SECURITY, AND CONSTITUTION

By Syed Baqir Sajjad\*

Pakistan has perpetually been in the crisis mode, but still 2022 would be remembered as the year of tumult.

And unfortunately, there are no signs of that instability and uncertainty letting up in 2023. The political outlook for 2023 is rather bleak and more uncertain because of intense societal polarization, toxicity in politics, impending elections and tanking economy.

The trajectory of politics in 2023 would to a large extent depend on how the civil – military balance of power resets itself under Army's new leadership in the election year particularly after Pakistan Tehrik-e-Insaaf Chairman Imran Khan has broken the fear among the people of publicly questioning the military's outsized role in politics.

The crises witnessed in various domains during 2022 were entangled with each other and mutually reinforcing.

The economic crisis was not a making of the new government, rather it was inherited. The situation, however, sharply aggravated because of the political instability generated by the fall of Pakistan Tehrik-e-Insaaf government in the center through vote of no confidence and mishandling of the economy by the Shehbaz Sharif administration that was more interested bringing Ishaq Dar as the top manager.

The political turmoil was linked to the change in Army's command at the end of 2022 which created a confluence of interest between 13 party Pakistan Democratic Movement – the current ruling alliance in the federal government and the then opposition group – and some of the other stakeholders in the process on preventing then Prime Minister Imran Khan from appointing the next army chief because he had publicly expressed his preference for one of the candidates.

The political disputes meanwhile continued to land in the courts of law leading to increased judicialization of politics.

Running parallel to the political crisis were military and security troubles. Khan's relentless criticism of some of the generals put the military in an unfavourable light in the public and Gen Qamar Bajwa, on the completion of his extended tenure exited as a widely unpopular army chief. The Army's new façade – neutrality – was turned into a pejorative and their assertion that they were neutral in political matters was made to look like abdication of responsibility.

This widening of the gulf between the military and the public could not have come at a worse time than when terrorism was resurgent and military

needed strong public support for fighting the country's War on Terror 2.0.

Adding to these crises were the climate induced catastrophes. Mother nature wasn't kind to Pakistan this year. First some of the highest temperatures in the last 60 years were recorded between March and May and then came the apocalyptic floods that submerged one third of the country, killed nearly 1500 and washed away livestock, crops and infrastructure worth approximately \$30 billion. The floods that affected nearly 33 million people made the challenge of reviving the country's crisis-stricken economy even more difficult. The floods, according to the World Bank, caused economic losses to the tune of \$15.2 billion.

These interwoven and overlapping crises occurring in the same timeframe and at unprecedented scale caused the weakening of country's metaphorical immune system leaving it at a higher risk of experiencing frequent shocks and severe symptoms.

### **The Unfolding of the Crisis:**

When 2021 screeched to end, the then opposition parties felt wind beneath their wings because of the deepening cracks in the relationship between then Prime Minister Imran Khan and the military establishment that had back in 2018 helped him reach the office. Sensing blood the component parties of PDM held their own long marches against PTI government's mis-governance and economic failures.

The events came to a head when PDM submitted a no-confidence motion in the National Assembly on March 8. This was followed by weeks of complicated intrigues and maneuvering which saw not only some of the coalition partners break up with the PTI government, but several of PTI legislators and even Khan's erstwhile close aides – Jehangir Khan Tareen and Aleem Khan – desert the party.

PTI government tried few last minutes gimmicks to avoid the no confidence motion, but couldn't avoid the fate. The motion was first turned down by the Deputy Speaker Qasim Suri after freshly appointed Law Minister Fawad Chaudhry invoked Article 5 of the Constitution, which states that "loyalty to the State is the basic duty of every citizen". In doing so PTI government virtually rendered loyalty of the legislators opposing it suspect because of a diplomatic cable from Washington, which conveyed that a mid-ranking American official had warned of "consequences" if PM Khan was to continue in office.

Mr Khan soon afterwards advised President Arif Alvi to dissolve the National Assembly, who immediately accepted that and ordered dissolution of the lower house of the parliament. The move was challenged in the Supreme Court, which restored the National Assembly on April 7 after setting aside Suri's ruling to dismiss the no confidence motion. In an unprecedented move the Supreme Court set the timeframe for convening of the NA session for the vote on the opposition's motion.

Khan was eventually deposed on April 9 becoming the first prime minister to have been ousted through vote of no confidence. However, at the same time the jinx of prime ministers not completing their mandated 5-year term continued.

Challenge from PTI – speaker’s ruling etc – was always expected, but despite hinderances the process culminated with relative normalcy. The actual challenge for PDM started after PML-N President Shehbaz Sharif became the new prime minister with the backing of an unwieldy coalition in which even his allies would taunt him in the National Assembly about the fragility of the government that was in office with a two-member majority.

PML-N had wanted to go for fresh elections, but its other allies particularly PPP and JUI-F were averse to the idea and wanted completion of term. Things subsequently started to go awry for the new government that had landed in the office without any solid plan for governance. Before assuming office, the coalition parties were just single mindedly focused on dislodging Khan for preventing him the next army chief. They feared that Khan appointing an army chief would mean diminished political prospects for them for at least next five years.

Adding to the woes of the new government were the competing interests of the coalition partners and Nawaz Sharif’s control from London. PDM at the same time bit more than it could chew as it almost simultaneously

started a power struggle in Punjab. PDM was initially able to secure Punjab’s chief ministership, but couldn’t hold on to it for more than three months, eventually leaving the province unsettled with an ensuing governance paralysis.

Though PM Sharif must be credited for keeping the coalition together, he did it at a very high cost.

Sharif’s dilemma was that he had to keep appeasing allies inside the parliament and the backers outside. For instance, the government had to turn a blind eye to the allegations of rigging in Sindh local bodies polls despite objections from even its own allies for the fear of not offending PPP. On the other hand Ali Wazir, the arrested PTM leader, could not be brought back to the National Assembly after getting his vote during vote of confidence for Sharif because doing so would not go well with his powerful backers outside.

Meanwhile the large ‘spontaneous countrywide protests’ following Khan’s removal from office came as a surprise for many. Looking back at events in March and April, one realizes that Khan and PTI knew their fate, even though they kept fighting till the last minute, and had started their contingency planning and narrative setting long before. Khan’s March 6 speech at Mailsi was originally seen as an act in desperation as he lashed out at his political opponents as well as the European Union and the US for pressuring Pakistan to side with the West on Ukraine issue. But he was actually having an eye on the narrative and electorate.

Through his public statements that aimed at tapping the deep rooted anti-US and anti-establishment sentiment, Khan very skillfully ensured that he and his party would survive politically despite the gravity of insurmountable challenges facing them. He, meanwhile, painted his political opponents as “sell-outs” who compromised with the West because of their alleged ill-gotten wealth stacked abroad. This enabled him in not only re-energizing his loyal base, but also attracted those who were upset with PDM government over growing economic woes and poor governance.

Khan, therefore, all along remained ahead of PDM government in controlling the public narrative. The government, on the other hand, despite launching multi-front attack on Khan and spending more time on criticizing him than governance failed to dent his popularity.

Khan’s campaign for early elections, which also saw a long march in May though it was called off without a sit-in, could not generate enough pressure to topple the government, but it created political instability in the country and importantly prevented the government from focusing on governance, which cumulatively aggravated the economic crisis.

The former prime minister who first built the narrative on his ouster around “a foreign conspiracy” plotted in the United States while vaguely pointing to local collaborators calling them Mir Jafar and Mir Sadiq, started directly criticizing the military and ISI for interfering in politics sometime in May. But, perplexingly

Khan simultaneously sought military’s help in securing early elections in the country while refusing to engage with his political rivals on the issue.

It was with this frame of mind that PTI opened its dialogue with the military, which continued for months afterwards. The talks continued to grow in profile and at one point Khan met face to face with Army Chief Gen Qamar Bajwa – a meeting that was facilitated by President Arif Alvi.

The PTI-mil/ISI negotiations remained focused on holding early polls and getting assurances that PTI and Imran Khan would not be prevented from returning to power if they were to win the elections. The Army, meanwhile, kept insisting that it would not indulge in these matters in deference of the decision on remaining apolitical. PTI was in these sessions repeatedly told that Army/ISI could facilitate its dialogue with the government. Khan’s party did not agree to dialogue with the government without getting a date for the elections.

### **Uncertainty Grows for PTI**

The PTI-military dialogue did not achieve anything except for delaying Khan’s decisive move to force early elections and ultimately ended on a stalemate.

Initially there was somewhat tolerance for the former prime minister’s veiled attacks on generals, but three distinct trends emerged from the middle of year onwards as acrimony grew between PTI



and the military and PDM government realized that Khan's PTI was winning the battle narratives – something that was underscored by the results of by-elections for Punjab Assembly seats which PTI won hands down. The trend was later reaffirmed by the results of by-elections for the National Assembly seats that were declared vacated due to resignations of PTI legislators.

First – there was proverbial tightening of the noose around PTI leaders and those who helped propagate the opposition party's narrative to deter them from such actions. It started with the arrest of Dr Shireen Mazari, who had been questioning some of the actions taken by the military; then came the manhandling of Ayaz Amir after he spoke at a seminar hosted by lawyers in which he was overtly critical of the military; post-retirement benefits of retired military officers including few generals, who backed Khan, were withdrawn by the Army; action was taken against TV channels and journalists; and Khan's close aides – Shahbaz Gill and Senator Azam Swati were booked and tortured during interrogation. Assassination of renowned journalist and TV talk show host Arshad Sharif, who was a leading supporter of Khan's narrative, in Kenya under mysterious circumstances was seen by some with suspicion.

Second – there were audio leaks aimed at undercutting Khan's narrative about foreign conspiracy and corruption. Although the leaks failed to dent Khan's political stock, but one lesson that politicians – especially those in the government as they celebrated the

attempts to expose the PTI leader – missed was that no one was safe from surveillance no matter how high an office one holds.

Third – the legal route for eliminating Khan, if not PTI completely, from the political scene was taken forward at a great speed strengthening the impression that someone was engineering former prime minister's 'technical knock-out'.

As the state's wrath against Khan's aides grew, bitterness in the former PM's tone also increased. Though Khan's harsh tone didn't make the government and military establishment to relent in their actions against PTI leaders, it pushed him into legal crosshairs. His speech at a protest rally against the torture inflicted on Shehbaz Gill during detention attracted terrorism and contempt of court charges. The terrorism charge was quashed by a court, while Khan sought apology from a woman civil judge to avoid conviction in contempt of court case.

But, that was just the start. The Election Commission of Pakistan after a long running trial, which continued for nearly 8 years, ruled that PTI had "knowingly and willfully" received funds from prohibited sources in violation of rules governing political parties' finances. Meanwhile, the verdict noted that Khan had made "grossly inaccurate and wrong" certifications about the source of funding being legal. This has hung the proverbial threat of disqualification under Article 62 and 63 over his head. A case has been initiated against Khan and

other PTI leaders by FIA following the ECP decision.

On Oct 21 Khan was disqualified by ECP in Toshakhana Case for “intentionally and deliberately” violating the provisions contained in sections 137, 167 and 173 of the Elections Act, 2017, as he “made false statement (sic) and incorrect declaration before the Commission in the statement of assets and liabilities filed by him for the year 2020-21”. ECP ruled that he attracted disqualification under Article 63(1)(p) of the Constitution read with sections 137 and 173 of the Elections Act, 2017.

Criminal proceedings were later initiated against Khan in a sessions court, where a case regarding corrupt practices had been referred by ECP under Section 190(2) of the Elections Act 2010. ECP contends that Khan had deliberately concealed his assets relating to Toshakhana gifts retained by him, particularly in 2018 and 2019 and sought a conviction for the offences mentioned under Sections 167 (corrupt practice) and 173 (making or publishing a false statement or declaration) of the Elections Act 2017.

A case regarding Tyrian White – the so-called – Khan’s secret daughter was lodged in a court seeking his disqualification. Some of the PDM leaders also accused Imran Khan of blasphemy.

Meanwhile, Khan, who had become frustrated with protracted negotiations with the military, finally announced the second edition of his Azadi March to

push for early elections in the country. It was feared that with sentiments running high after mysterious assassination of journalist Arshad Sharif in Kenya, Khan would be able to generate greater momentum, but, the crowds remained relatively small and the convoy progressed slowly as the former minister began his nearly 380 km long journey on GT Road.

The former prime minister was shot and injured on Nov 3 as he addressed a rally from an open top vehicle in Wazirabad. Khan levelled allegations against three government functionaries for allegedly planning the attack and said that he had forewarned about that in his speeches. The entire incident was made controversial by the government by first claiming that the arrested attacker was alone and motivated by religious reasons and then accusing Khan of faking injuries. Khan, meanwhile, insisted that there were multiple shooters and the arrested man was being used as a decoy.

It was expected that the shooting incident would spark major protests across the country given Khan’s popularity, but that did not happen except for small scale demonstrations in major cities. PTI, meanwhile, days later resumed the march towards Rawalpindi. Finally the protesters reached and camped in Rawalpindi on Nov 28 after Gen Asim Munir had been designated as the new chief.

Quite in contrast to the hype PTI had built all along, Khan concluded the march without marching on the federal capital citing fear of violence and clashes



between his supporters and law enforcement personnel. He, however, announced that his party would dissolve Punjab and KP provincial assemblies in yet another attempt to force early polls.

Khan spent next weeks' strategizing the execution of his plan to dissolve the assemblies. And when finally the process was set into motion, PDM made a last ditch effort to block it by getting Governor Punjab Balighur Rehman to ask Punjab Chief Minister Pervez Illahi to seek vote of confidence. With this the political battle once again returned to the court.

### Looking Ahead:

Forecasting the trajectory of political events is always hard. It is even harder for a country like Pakistan, where the political landscape is heavily influenced by a variety of factors, including economic conditions, security issues, and internal political dynamics, and that too in an election year.

It is possible to assert with a reasonable level of confidence that the upcoming year will experience increased political instability, surpassing that of 2022. The dissolution of Punjab and Khyber-Pakhtoonkhwa provincial assemblies has already marked a dramatic start to the year 2023.

The elements that would contribute to the heightening of political instability are:

1) *Absence of political accommodation between Pakistan Tehrik-e-Insaf and other*

*mainstream political parties that are part of current ruling alliance.*

The history of political polarization and mistrust between PTI and most of other political parties will make it increasingly difficult for them to work together. Additionally, their divergent interests and priorities would also continue to hinder their ability to reach consensus.

One area where this understanding is crucial is on the conduct of the general elections in the country.

PTI failed to force early elections, but would continue to push for that and looks set to put everything at stake for that purpose. PTI realizes that its legal problems would grow with every passing day, thereby complicating the prospects of return to power. Alongside PTI is doing everything to make Election Commission more and more controversial.

PDM will, meanwhile, try every trick at its disposal to delay elections. Delaying the elections could be politically advantageous for the government since it is grappling with pressing economic crisis and underwhelming domestic performance. Given the substantial political capital lost in the outgoing year, as evidenced by the strong performance of Khan's party in the by-elections held in July and October, the government may try holding off the elections as long as it is legally possible for it. There is little likelihood of those efforts succeeding and beyond that prolonging the tenure of the assemblies would set a dangerous precedent.

Delaying provincial elections, regardless of the soundness of the political calculation behind it, is likely to create more complications and could even result in a constitutional crisis. Ultimately, it will be up to the courts to resolve the matter once again.

On a parallel track, the government will seek to aggressively take forward legal cases against Khan and his political party to keep them entangled in the legal web with the hope of technically knocking them out or at least undercutting their popularity. These tactics have been commonly employed against opposition figures and parties in the past – though with a limited impact.

This situation creates an environment that is not conducive to political accommodation. An immediate victim of this would be the credibility of any elections that are held. The elections, held under these conditions, would inevitably throw up controversies, which will add to instability.

Another issue is the role of the media in shaping public opinion. The Pakistani media landscape is highly polarized, with many outlets openly supporting one political party or another. This can make it difficult for those in opposition to get their message across, particularly if they are facing a media blackout or being subjected to negative coverage.

It will be important for the government, political parties, and civil society to work together to ensure that the upcoming elections are free and fair, and that all political parties have a level playing

field. But, that sounds improbable in the current scenario.

## 2) *The unsettled civil – military question.*

Gen Bajwa, days before retiring, candidly admitted that Army had been “unconstitutionally” interfering in politics for decades, but had recently decided to end that practice. He said the Army would stick to the decision of remaining apolitical and focused on its constitutionally mandated role.

Many took Gen Bajwa’s announcement as mere grandstanding by the retiring general. There were always doubts that the new commander would continue on the course set by his predecessor. There are no signs as yet, which could show that the military’s role in governance has ended. At best the involvement has been disguised in a manner that makes it appear less obvious. Gen Munir, the new army chief, may look to have taken a lower profile in day to day governance matters, but still concerns remain that the military continues to exert significant influence behind the scenes.

Whether or not PTI is afforded a level playing field in the upcoming elections would remain a key test for military’s proclaimed apolitical status.

One of the main concerns is the issue of witch hunt of opposition figures through uneven accountability, which has been a persistent problem in Pakistani politics. History also tells us about the manipulation of the electoral process through practices such as

gerrymandering, voter intimidation, and forcing change of loyalties of potential candidates. There are concerns that these practices could continue in the upcoming elections, particularly given the high stakes involved.

### 3) *Troubled Economy*

The economic crisis in the country looks like a 'perfect storm' unseen before in the country's history. And yet, there appears to be no end in sight to it. Foreign reserves are dwindling dangerously, the currency has been massively devaluated, inflation is growing at a record breaking rate, and more will follow in the months ahead. At the same time the country is passing through energy crisis with frequent electricity and gas load shedding despite soaring energy prices. The situation is hurting everyone across the board. The pain will grow as nearly \$10 billion have to be repaid in the first half of the year.

Talks with IMF remained stalled, but the government does not have any other option but to accept the lenders conditionalities and get lifeline financing to avoid an imminent default. The government will increase indirect taxes on people to meet IMF conditions, which will in turn fuel stagflation.

Friendly countries that have historically helped are expected to chip in, but that too would come with newer strings.

The gloomy economic outlook is heightening political uncertainty in a number of ways. The economic crisis will result in a big jump in unemployment

levels and rise in the number of poor especially after closure of large number of businesses, lay-offs, and cut in production output announced by various industrial units. As more people lose their jobs, there may be increased social unrest and dissatisfaction with the government's ability to address the economic issues. This can lead to protests and other forms of civil unrest.

The economic crisis will furthermore exacerbate existing inequalities in society, as those who are already wealthy would tend to weather the storm better than those who are not. This can lead to resentment and anger among the less fortunate, who may feel that the government is not doing enough to address the problem.

The government revenue would, meanwhile, also take a hit due to lower tax receipts and other factors. This would make it difficult for the government to fund public services and other programs that are essential for maintaining social stability. The government debt would at the same time grow adding to the doubts about its ability to manage its finances and pay back its debts. On the whole the economic crisis would contribute to political instability.

### 4) *Resurgent Terrorism*

Terrorism returned in a big way in 2022 and the bad news is that the trend is likely to continue in the year ahead. The aggravating security situation always portends difficulties for people going ahead and in an election year with all its accompanying political activities it

means a gigantic challenge for the government and the political parties.

The impact of terrorism will vary depending on the severity and frequency of the attacks, as well as the political climate and the responses of political actors.

Although there have been multiple reasons for this resurgence of terrorism, the primary factor behind this phenomenon has been the return of a large number of TTP fighters from Afghanistan and the breakdown of the militant group's peace talks with the government.

The government and the military had been cautioned against talking to TTP, which had been firmly holding on to its position with regards to the country's Constitution and use of violence for attainment of its goals. But, no one paid heed to that. Regrettably at the same time no contingency planning had been done for the eventuality of failure of talks especially when a large number of militants had been allowed to move back while the talks were continuing and the ceasefire was in place. Everyone in the military establishment that was in the driving seat in the process seemed to be under the delusion that a peaceful settlement with TTP was already a done

deal. It came as a shock for them as things did not work out as planned.

Now that the country is in the grip of terrorist violence, one thing that is quite obvious is that there is no comprehensive counter-terrorism strategy in the hand. With all the experience of fighting terrorism for over a decade that the military and counter-terrorism has acquired thus far, putting together a strategy should not have been a big issue, but other factors – particularly political divisiveness and impending elections – are making its formulation difficult.

A large scale kinetic operation at the moment looks improbable because of lack of political ownership of such an undertaking and its financial costs in the midst of economic crisis.

The scale of violence can have an important bearing on the election as it could hinder the participation of some actors, who have traditionally maintained an anti-TTP stance. Meanwhile, some marginalized or extremist party may benefit from it and gain support.

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## REFORMS NOW

Ali Nawaz

Pakistan is currently confronted with formidable obstacles to address the current economic crisis, satisfy its needs for the balance of payments, and prevent economic default. It is will run a high fiscal deficit, trade deficit, current account deficit and the circular debt is ballooning.

The drop in SBP foreign exchange reserves to \$5.8 billion directly results from large imports and pressure on the exchange rate. This amount is not close enough to cover import costs for 1 months. The value of one US dollar in the Pakistani rupee has been steadily increasing as of late, reaching Rs227. As a direct result, the inflation rate has risen to 25% even though the policy interest rate has been raised to 16%.

The government is in a precarious position since it will be required to make payments to foreign creditors during the following fiscal year to service the country's external debt. Amid political upheaval and unpredictability, the country is currently grappling with a severe economic crisis. If timely policy actions and corrective policy measures are not implemented, the country could face a default and a crisis like Sri Lanka's, which will have far-reaching implications for inflation, growth, and employment and will affect the poor and vulnerable segments of the population. A lack of policy actions and corrective measures caused Sri Lanka's default and crisis.

In order to avoid an economic default, Pakistan was forced to accept stringent conditions recommended by the International Monetary Fund (IMF). Pakistan had no other option. We are all aware that the nation has previously participated in 22 IMF programmes, and it is common knowledge that the policies and programmes of the IMF have not been successful in relieving the nation of its economic troubles. It is essential to highlight that most of our economic troubles have been building up over the past 15 years because the government has been keeping a high budget and current account. Sadly, these deficits have been covered by borrowing money from other countries, resulting in a rise in the weight of debt carried by the country.

Inappropriate macroeconomic expansionary policies, higher government expenditures, losses of state-owned enterprises, untargeted subsidies, fixed exchange rate policy until 2017, and import-driven expansionary fiscal policy of the outgoing government in 2022 have led to a high current account deficit and put pressure on the exchange rate, which has resulted in a persistently high double-digit inflation rate. The nation with nuclear capability is facing a dilemma due to these policies. Other contributing factors include: untargeted subsidies.

Even though the new government has taken steps to eliminate subsidies on petroleum products and has placed



restrictions on imported non-essential items, the country still requires an immediate political consensus on a charter of the economy supported by the establishment to prevent an economic meltdown. In the following weeks and months, we will need to make tough choices to stem the financial bleeding caused by excessive spending and over-importing.

To begin, Pakistan must keep the funds it receives from the IMF by continuing to conduct economic reforms to regain its confidence in the market. In addition, Pakistan must keep receiving finance from the CPEC. Reforms to reduce high trade and current account deficits would require significant reductions in expenditures and imports. However, these cuts should not negatively impact the cost of living for low-income families, whose lives have become unbearable due to persistently high inflation over the past few years.

The economic reform programme that the government implements needs to include a reduction in fiscal and current account deficits by half over the next year. This can be accomplished by cutting the fiscal deficit by Rs2,000 billion and cutting the wealthy elite's non-essential imports by \$10 billion.

In order to forestall an economic meltdown and halt the fast decline of the Pakistani rupee against the US dollar, a reduction in imports must be accomplished. It is essential for people with higher incomes to tighten their belts to signal that those with lower incomes will not be made victims of the economic

mismanagement. The following reforms need to be incorporated into the programme for economic restructuring:

To begin, we need to implement tax and credit policies limiting the expansion of highly import-dependent companies that produce items for the local market. Some examples of these industries are luxury goods, electronics, and automobiles.

Second, designating all exporting industries as tax-exempt manufacturing units and guaranteeing that they have access to all utilities at competitive costs with those in surrounding areas while also providing them with subsidised loans. This strategy has resulted in a 45-billion-dollar rise in Bangladesh's total exports.

Third, giving targeted subsidies to 30 million low-income and vulnerable households through the BISP register system in order to compensate for the increase in the prices of power, gasoline, and food.

Once targeted subsidies are in place, the market pricing of these products can be increased by increasing tax rates and import charges; this would generate cash that could be used to deliver targeted subsidies to vulnerable groups and the poor.

Fourth, a reduction of Rs1,000 billion in non-developmental government expenditures is required. This can be accomplished by eliminating waste in civil and military institutions, cutting development expenditure and reducing

throw-forward except for dams and water management, privatising loss-making state-owned enterprises, and cutting untargeted subsidies.

Fifth, lower the discount rate which will result in a decrease in the cost of borrowing money for businesses, which in turn would quicken the expansion of the GDP and employment.

Pensioners and widows living on a limited income may be eligible for income protection through increased interest rates on national savings instruments. The yearly interest costs on domestic public debt should be the focus, and the goal should be to cut those costs by around 700 billion rupees.

Finally, to reduce imports by \$8-10 billion next year, the nation should impose a one-year embargo on all imported cars, cellphones, non-essential foods, and all manufactured home-use goods. This would help reduce the

current account deficit, strengthen the domestic currency against the US dollar, and accelerate growth and employment opportunities.

There are other medium term measures such as Privatizing State Owned Entities, Promoting Foreign Direct Investment, Helping start-ups raise money, Develop Capital Markets so private investment activity can increase, Promote tourism and Disincentivize investment into Real Estate.

It is about time that we start the structural and much needed reforms and not worry about the political cost associated with it. It is the only way we can survive and feed the country's growing population and maintain the sovereignty at the same time.

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## THE CYBER THREAT LANDSCAPE BEYOND THE PANDEMIC

Farooq Naiyer

The impact of the pandemic and the rapid acceleration of digital initiatives in a short time resulted in an increase in the attack surface. It forced nations and businesses to control and manage disruptions at all levels. As security and risk management leaders handle the recovery and renewal phases from the past three years; The evolving threat landscape provided no rest for the weary. In the face of massive disruption brought about by the COVID-driven social, economic and technological shifts of 2020, adversaries refined their tactics, techniques and procedures to become even more sophisticated.

This resulted in a series of high-profile attacks that disrupted many sectors and governments. As organizations scrambled in 2021 and 2022 to protect supply chains and interconnected systems in the face of the incredibly sophisticated cyber-attacks, adversaries exploited zero-day vulnerabilities and architectural limitations in legacy systems like Microsoft to leave many reeling. At the same time, eCrime syndicates refined and amplified big game hunting (BGH) ransomware attacks that ripped across industries, sowing devastation and sounding the alarm on the frailty of our critical infrastructure, which can be brought down like a house of cards.

For any consolation, the security teams already dealing with an ongoing skills shortage, and these issues proved

challenging enough on their own. However, there is never a perfect situation in the world of cybersecurity.

2022 was a year of political and economic instability. It wasn't any different when it comes to the state of cybersecurity in the country. The country experienced a surge in cyber incidents in the banking and telecom sector. Whether it is the Judiciary, State run institutions, PTV Sports or commercial banks, almost every industry in the country had been a target of a cyberattack/incident.

Whereas a wave of audio and video leaks raised on the political realm raised concerns on the state of security controls within key institutions

### Pakistan's Cybersecurity Readiness

Pakistan's ranking on the Global Cybersecurity Index stands at 80 as of Feb'2023. A key contributing factor to this a low score in the area of cyber threat analysis, contribution to global cybersecurity and military cyber operations; this can be attributed to the delays in setting up a cert by the government.

A score of nil cybersecurity policy development, protection of digital and essential services; This sounds a bit alarming and raises questions about the accuracy of the data obtained by the NCSI team as Pakistan had made a considerable progress in the area of

cybersecurity policy development. However the scores in the area of protection of personal information and education & professional development were between 89 % and 100 %; thanks to the contribution by the higher education sector and efforts of the ministry of IT and Telecom in funding initiatives focused and trainings and certifications in the area of cybersecurity.

### **Reflections from World Economic Forum “Global Risks Perception Report”**

The world economic forum published the Global Risks Perception report in January 2023. This year’s GRPS has brought together leading insights on the evolving global risks landscape from over 1,200 experts across academia, business, government, the international community and civil society. Responses for the GRPS 2022-2023 were collected from 7 September to 5 October 2022. “Global risk” is defined as the possibility of the occurrence of an event or condition which, if it occurs, would negatively impact a significant proportion of global GDP, population or natural resources.

Amongst the top 5 risks list for Pakistan. Failure of cybersecurity (including loss of privacy, data fraud or theft, cyber espionage) is amongst the top risks to the country. Pakistan is amongst the two only countries where cybersecurity is ranked amongst the top 2 risks. The other country is the eastern European country Albania. This directly impacts the potential of any foreign investment in the country.

### **PTA’s Annual Cybersecurity Report**

The Telecom regulator of Pakistan, Pakistan Telecommunication Authority (PTA) published The Critical Telecom Data and Infrastructure Security Regulations compliance report (CTDISR) for 2022.

As part of this effort the top 15 telecom providers in Pakistan were assessed regard to their cyber security resilience and readiness.

An overall Cyber Security Index (CSI) for the telecom industry was provided in the study, and telecom operators are ranked according to how well they adhere to the 104 Security Controls included in the CTDISR's 16 Security Domains. Additionally, the report identifies the telecom industry's strong and weak points and offers anonymized data that has been compiled regarding the cyber security incidents in 2022.

The Cyber Security Annual Report 2022 is based on third-party audits conducted by PTA's registered cyber security companies and the Cyber Security Framework issued by PTA in 2020.

This is a step in the right direction and will help boost credibility of the telecom sector from the cybersecurity and privacy perspective, as they have been a target of several cybersecurity incidents in the past few years

### **Rising tensions in the region and Current Geo political Situation**

In mid 2022 Chinese state media claimed that an 'advanced persistent threat (APT) group' operating from India under the nom de guerre "Confucius" had launched fresh cyber-attacks on the Pakistani government and military institutions. Based on the investigation into this matter and determined that the group's first attacks can be dated to 2013.

The group primarily targeted the governments, military, and energy sectors of neighboring countries such as China, Pakistan, and Bangladesh to steal sensitive data.

There multiple website defacements attributed to the Indian based groups that targeted the telecom sector and key government institutions.

### **Way forward**

Given the growth in the tech sector in Pakistan and steps being taken to build a strong digital economy in Pakistan. It is imperative that concrete steps are taken to apply and enforce the Cyber Security Policy which was passed by the parliament in 2021. The government should not shy away from making any changes where required.

It's difficult, but not impossible, to maintain deterrence in cyberspace. Even the developed countries are not prone to cyber-attacks. In order to reduce cyber-attacks and our ability to detect and respond to them in a timely manner we need an infrastructure governed by strong civil and military cooperation. Along with policy implementation and regulatory system strengthening, more investments in emerging technologies are needed.

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## ENERGY SECURITY: CHALLENGES AND OUTLOOK

Dr. M. Ilyas Fazil

As we bid farewell to 2022 and enter 2023, the challenges for Pakistan do not seem to be relenting. Pakistan has faced a number of economic challenges in recent years. Some of the main issues facing the Pakistani economy include:

- High levels of debt: Pakistan has a large public debt, which has put pressure on the country's budget and has limited its ability to invest in infrastructure and other development projects.
- Low levels of growth: Pakistan's economic growth has been relatively low in recent years, which has limited the country's ability to create new jobs and reduce poverty.
- Inflation: Inflation in Pakistan has been relatively high, which has eroded the purchasing power of the country's consumers and has made it more difficult for people to afford basic goods and services.
- Balance of trade: Pakistan has a trade deficit, which means that the country imports more goods and services than it exports. The main reason for this deficit is the country's reliance on imported oil to meet its energy needs. Pakistan also imports a significant amount of manufactured goods and capital goods, which has contributed to the trade deficit.
- Foreign Exchange Reserves: The trade deficit in Pakistan has put

pressure on the country's foreign exchange reserves and has contributed to a balance of payments crisis. In order to address this issue, the Government has implemented a number of measures, including devaluing the currency, seeking financial assistance from international organizations, and negotiating trade agreements with other countries.

Overall, these economic challenges have had a negative impact on the standard of living in Pakistan and have limited the country's ability to achieve its development goals.

### Oil Sector

The oil sector in Pakistan has faced several financial challenges in recent years. Some of the main challenges include:

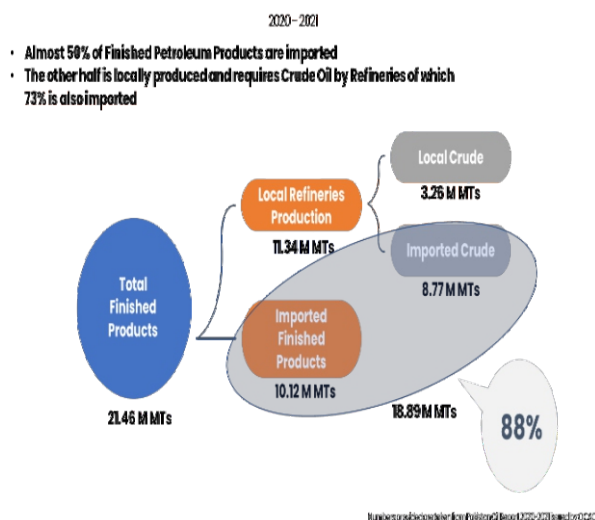
1. Dependence on imports: Pakistan is heavily dependent on imports to meet its domestic demand for oil. This dependence has led to a trade deficit and put pressure on the country's foreign exchange reserves.
2. Volatility in global oil prices: Global oil prices are highly volatile, which can have a significant impact on Pakistan's

balance of payments and inflation.

3. Limited domestic production: Pakistan's domestic oil production is limited, and the country must rely on imports to meet its domestic demand. This has led to high production costs and a lack of competitiveness in the domestic market.
4. Lack of investment in the sector: The oil sector in Pakistan has not received sufficient investment, which has led to a lack of modern infrastructure and technological advancement. This has limited the country's ability to explore and produce oil domestically.

Overall, these challenges have had a negative impact on the financial performance of the oil sector in Pakistan and have limited the country's ability to meet its domestic demand for oil.

### Overview of Oil Supply Chain



Based on the above, it is clear that:

- Pakistan is heavily dependent on imported refined products
- Refineries must also import a significant portion of crude oil

In addition, out of approximate refining capacity of 450,000 BBL/Day, only 55% was utilized. This is due to a variety of reasons such as constraints of older technology, working capital issues, storage issues and challenges resulting from lower off take of certain products such as Furnace Oil.

In our view, the oil industry faces a number of challenges that must be addressed for it to modernize and contribute to the growing energy needs of the country.

#### 1. Refining Capacity

The refining capacity in the country has been plagued by under investment primarily due to a lack of direction setting. There is a need to rollout an investor friendly Petroleum policy to attract investment in not only adding new capacity in the county but also to modernize the existing infrastructure for e.g., although the imported petrol and diesel must comply with Euro5 specifications, our local products hardly come close to these specifications.

#### 2. Storage

Storage assets in the country have increased after the influx of new oil marketing companies in the country.



However, the storage still faces the following issues:

- Significant storage assets are in the south in the Sindh province and storage in other parts of the country does not correspond to their consumption
- In the last decade, significant additions to the storage have been done by emerging OMCs. Due to the lack of investment in storage by the large well-established OMCs, their storage is very old.
- Very limited storage exists in KPK, AJK and GB.

### 3. Transport

The transport of refined petroleum continues to present major challenges. HSD is transported through the White Oil Pipeline (WOP) and Mehmoodkot-Faisalabad-Machike (MFM) line. However, due to available capacity in the line, a project was implemented to make this line Multi-Product and introduce MS in the same line. However, the project had limited success primarily due port constraints. In order to lower the burden on public, there is a need to implement this project as soon as possible..

### 4. Marketing

Due to the Oil Marketing Companies bearing the brunt of different policies under various governments and the country's foreign exchange position, the sector has been under tremendous pressure. Major issues faced by the industry include:

- OMC Margins approved by the ECC are pending implementation
- Industry continues to suffer FX losses due to the depreciation and anomalies in the pricing formula currently in place
- Industry is also suffering losses due to demurrage resulting from port congestions, line losses from WOP/MFM and costs of holding their mandatory stocks which have been approved in principle by the Government but have yet to see implementation.

### **2023 - Caution, with a touch of optimism**

Despite the challenges faced by the oil industry, we believe the very high prices witnessed in 2022 are behind us and in 2023; the international prices will be lower albeit with higher volatility in the first half due to the impact of sanctions against Russian oil.

However, Pakistan will continue to face challenges due to its high import bill which is only likely to be managed if the FX situation improves on the back of international community coming to the country's rescue.

In terms of volumes, we believe that despite the challenges and efforts to curb consumption, oil consumption will continue to grow, albeit modestly by around 3-3.5%. If the Government is successful in implementing its energy saving plan, this growth may come down to around 1-1.5%.

Several policies being considered by the Government are steps in the right direction and will improve the situation in the long term but the year 2023 looks set to put a big dent to the country's growth. These initiatives include:

- Early closure of markets to conserve energy
- Switch to solar
- Crackdown on electricity theft
- Steps to save fuel consumption by Government departments

Furthermore, to reduce the import bill, the Government is also considering the introduction of an inferior grade petrol for motorcyclists, RON82. However, we feel that this would be a major step backwards due to the environmental impact and its implementation would pose huge logistical challenges. Furthermore, we believe that the savings anticipated, Rs 30 per liter, are unrealistic and are likely to be less than half of projections with significant risks. *(Detailed assessment of this proposal is given separately later in this document)*

### **Cutting the import bill for oil**

There are several ways that Pakistan could reduce its fossil fuel consumption. We believe that with different measures, success can be achieved in different periods as follows:

#### **Immediate**

- Encourage and provide support to the refineries in the country to maximize their production. This will save on import of refined petroleum

products that can be produced in Pakistan. Similarly, previously nonviable oil fields could be reviewed to see if local crude production can be increased.

- Introduce Work from Home (WFH) legislation across the country to limit the consumption of energy in offices and commuting. This can also be achieved by moving to a 4 day work week for schools and offices by increasing the hours over the 4 days.
- Introduce revised timings for offices and commercial establishments to take full benefit of day light. This could be further streamlined by having varying times for different categories so the traffic congestion and therefore fuel consumption can be reduced. However, this will require detailed planning at the District levels.
- Encouraging car-pooling and incentivizing ride sharing business.

#### **Short Term**

- Encouraging roll out of solar projects on war footing to replace fossil fuel consumption.
- Encouraging local production of Electric Bikes and Electric cars
- Encouraging the use of public transportation such as buses and trains can help reduce the number of gasoline-powered vehicles on the road and decrease gasoline consumption.
- The government could implement policies that encourage the use of fuel-efficient vehicles.



## Long Term

- The government could incentivize the use of electric vehicles by providing tax breaks or subsidies to consumers who purchase electric vehicles. This would help to reduce gasoline consumption and improve air quality. However, in the short term, this is likely to increase FX outflows and decrease government revenues collected in lieu of customs duty, etc.
- Investing in the development and production of alternative fuels such as solar, electric or bio-fuels could help to reduce the country's reliance on gasoline.

## Analysis of proposal to introduce RON82 for motorcyclists

RON (Research Octane Number) is a measure of the octane rating of gasoline, which indicates its ability to resist "knocking" or "pinging" during combustion. Gasolines with higher octane ratings are generally more resistant to knocking and are used in high-performance engines that are more prone to knocking. In general, RON92 gasoline is more expensive than RON82 gasoline. This is because RON92 gasoline has a higher-octane rating and is therefore more resistant to knocking. It is typically used in high-performance engines and is more expensive to produce.

It is important to note that the price difference between RON92 and RON82 gasoline can vary depending on a number of factors, including the location

and the supplier. In some cases, the price difference may be small, while in other cases it may be more significant. It is also worth noting that using the incorrect type of gasoline (e.g., using RON82 in a engine that requires RON92) can damage the engine and may void the manufacturer's warranty. We give below the pros and cons of this proposal below:

### Pros

- Lower cost, however, it should be noted that the difference between RON92 & RON95 price is approximately US\$3.4/barrel. This translates to Rs4.85/liter. If we take the similar approach, RON82 product price would not be Rs30/liter but only Rs16.16/liter. The savings of Rs16.16 are also believed to be on the higher side.

### Cons

- Additionally, unless the above savings are planned to be retained by the Government, the cheaper product will also result in lower Customs Duty and Sales Tax (when implemented).
- Availability of product. We are not aware of refineries making this inferior RON82 product MS anymore.
- Pricing of such product if made to order for the country is likely to carry premiums that will offset the deemed benefit of such product

- The decrease in efficiency of RON82 vs decrease in price are expected to be disproportionately against the financial case for introduction
- The carbon footprint of RON82 product is expected to be higher than the current MS grades sold in the country and is also likely to contribute to smog and other pollutants in the atmosphere. This will be a direct impact on the health of the population.
- Refineries and OMCs will be required to dedicate part of their storage to this additional fuel grade. This may compromise the maintenance of adequate stocks in the country due to strategic reserve reasons.
- Petrol Pumps will also be required to either build new tanks for this new grade or repurpose their existing tanks to two separate grades, for eg repurposing one of the HSD or HOBC (if it exists). Since most pumps have MS and HSD storage, in case of repurposing, the pumps doing so will not be able to offer and HSD to customers. Since more than 11,000 petrol pumps across the country would be required to do this at a cost of billions and take a long time, making it impractical.
- Availability of low-quality fuel at lower prices would encourage its mixing with fuels for cars and other such vehicles
- Lastly, engines of motorcycles are designed to efficiently work on at least RON87 and with RON82, the engine knocking would not only cause wear and tear, but would also increase the maintenance cost of the users, hurting the lower income group the most, the users of motorcycles and rickshaws, etc.

### **Power Sector:**

In the broader energy sector, a constant of 2022 was record-high energy prices. This is in part due to structural reasons of Pakistan's energy sector –electricity, LNG and oil. In 2022, challenge of pricing was compounded due to rise in global oil and LNG prices as a fallout of Russia-Ukraine conflict. As European nations went on LNG buying spree, developing countries like Pakistan couldn't keep up with escalating prices in the LNG market. Meanwhile mismanaged oil and gas imports led to supply chain disruptions throughout the country, burdening consumers with additional costs.

### **Gas Sector**

In the gas sector, Oil and Gas Regulatory Authority (OGRA), the regulator had recommended increase of gas price by up to 45 percent, in early June. Five months later, in November, OGRA approved gas price increase by 75 percent. The last time, gas prices were increased was in September 2020, and for next 18 months, PTI government maintained a freeze on gas prices. Now the current government is also dithering on gas price increase.

Two gas utilities, Sui Northern Gas Pipelines Limited (SNGPL) and Sui Southern Gas Company Limited (SSGCL) have put forward a demand to generate 660 billion in additional funds during 2022-23.

SNGPL, the Lahore-based company serving Punjab and Khyber-Pakhtunkhwa province had sought an increase of Rs.1294 per mmBtu or 237 percent from the current prices, and that too with effect from July, 2022. Meanwhile, the Karachi-based SSGCL, had demanded an increase of Rs 668 or 96 percent to meet its revenue requirements. Additionally, SNGPL, had sought another Rs 1016 per unit as cost of services for RLNG. Now in January, 2023, regulator has allowed both companies an increase of upto 75 percent, which is Rs 406/mmBtu for SNGPL and Rs 499/mmBtu for SSGCL.

All in all, the average gas prices of SNGPL consumer would be Rs 952/mmBtu and Rs 1161/mmBtu for SSGCL consumers for 2023. These prices are uniform across all classes of consumers including domestic, industry, export sector, commercial and others. However, the tariff increase will hurt domestic consumers the most, with tripling of prices. It remains, to be seen, if government will notify the price increase recommended by OGRA. Government had earlier chosen not to escalate the gas price despite commitment made to IMF, and now it looks increasingly unlikely that government will actually pass on the gas price, as country enters into prolonged election cycle.

In 2022, the gas circular debt increased steadily and now has reached up to Rs. 1.5 trillion, and it needs to be addressed. In August 2022, government had made a commitment to the IMF that it would recover nearly 780 billion rupees from gas consumers and scale down the circular debt. SNGPL has to pay nearly Rs 300 billion by March 2023 to the Pakistan State Oil (PSO) for LNG already imported. PSO's total receivables have touched Rs. 650 billion. And now PSO is calling for taking over SNGPL's shares while share prices are down in stock market.

Besides, the two companies have not been able to address the challenge of 'unaccounted for gas' (UFG) despite targets set by OGRA. Experts have noted that two countries account UFG 600-650 mmcf/d which can potentially produce 1200MW of cheap electricity and is more than half of the LNG imports of about 1000mmcf/d, and almost third of total domestic gas production.

### Electricity Sector

The electricity generation sector remained plagued with transmission losses, lack of prudent planning to use both domestic and imported resources, rising circular debt, and ballooning capacity payments. These challenges were worsened by the rise in cost of imported furnace oil, coal and RLNG used to produce electricity.

At present, the installed power generation capacity of National Transmission and Dispatch System (NTDC) stands at 34500 MWs, and out of

this, at the peak demand in summer about 30000 MWs remain available.

The electricity sector circular debt stands at Rs. 2.27 trillion, as of December 2022. In this nearly Rs 300 billion are owed to power plants set up under the China-Pakistan Economic Corridor (CPEC) framework. The independent power producers (IPPs) are facing servicing challenges, and in turn have reduce power generation despite huge existing capacity.

In 2022, 2600MWs of domestic-coal based power plants in Thar came online. In 2023, 1300 MWs of Thai-coal based power generation will be ready for use, and a 4<sup>th</sup> LNG based project at Trimmu will be online. However, the challenge of procuring LNG will remain as top supplier have diverted LNG cargoes to European markets.

In the face of rising oil and LNG prices, the current government have focused on energy conversation measures such as closing market early, moving towards solar power generation with ambition of generating 10000MWs using solar and other renewable sources to lower

electricity generation cost. These measures, so far, remain announcements, as government is still looking for investors to tap into the solar and other renewables market.

Despite that, impact of solar and wind energy to reducing cost of electricity will be negligible given the fact that capacity payments for the existing plants are already committed and on average they cost Rs 10 per unit (range is between Rs 6 to 20 per unit for different plants). In 2022, the financial impact of capacity payments touched Rs 720 billion, up from Rs 600 in 2021. These payments are set to increase further as more CPEC power plants become operation over the next couple of years. In 2023 the financial impact of capacity payments will increase further and government will be forced to impose new surcharges to raise up to Rs 700 billion. This situation doesn't foresee a potential improvement as economic and political instability will only deepen further in 2023.

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## PAKISTAN HEALTH SYSTEM: 2023 AND BEYOND

Dr. Rana Jawad Asghar

Pakistan Health system is in shambles, no matter what successive governments have been telling the public. Pakistan is ranked 164<sup>th</sup> out of 188 countries on its investment on health and education(1). Pakistan is even behind Rwanda (163rd) in its resource allocation for health and education. There is no wonder then why Pakistan has also one of the worst health indicators in the world. The Universal Health Coverage (UHC) index ranking has improved less than 6% in 30 years (1990-2019)(2). Two hundred and fifty thousand children in Pakistan die every year within their first month of life (3). It makes Pakistan the riskiest country in the world for newborns. Even Central African Republic, Afghanistan, Somalia, Lesotho, South Sudan, Mali and Chad have better survival chances. A baby born in Pakistan has fifty times more risk of dying in first 28 days of his life as compared to a child born in Japan(4). One hundred eighty-six women die while giving birth out of every thousand mothers(5). More than 500,000 new tuberculosis cases per year are added to already huge tuberculosis burden in Pakistan. Pakistan ranks fifth top country in tuberculosis burden globally and ranked fourth in drug resistant tuberculosis. Pakistan has by some estimates highest burden of hepatitis C and around 12 million people in Pakistan are living with hepatitis B and hepatitis C (6,7). Pakistan not only has endemic typhoid, but also has witnessed a major Extremely Drug Resistant (XDR) typhoid outbreak in Hyderabad and Karachi(8).

In just first eight months of 2022, Pakistan reported more than 2 million cases of Malaria more than ever recorded(9).

Pakistan is not only facing an increasing number of deadly and new infectious diseases, but its chronic diseases burden is also either increasing or not coming down significantly. Like many developing countries Pakistan is facing a double whammy. According to the World Health Organization nearly 60% of all deaths in Pakistan are due to chronic diseases. Neonatal disorders, ischemic heart disease and stroke are three main causes of premature deaths in Pakistan. Malnutrition (maternal and child), air pollution, high systolic blood pressure and tobacco are other leading causes of premature deaths and disability(10).

According to the Pakistan national nutrition survey 2018, four out of ten children under five are stunted while 20% are suffering from wasting. Thirty percent children are under weight and ten percent are overweight(11). Both of these numbers are increasing over the years making our new generation susceptible to diseases including premature deaths. Long-term consequences of stunting are low cognitive development, loss in economic productivity(12). Malnourishment is not just an individual problem but countries with this problem losses 3% of their GDP(13). The severe malnourishment in



infancy even when rehabilitated later leaves a lifelong impairment in IQ level(14). Now its time to take pause and just calculate the percentage of kids in Pakistan who are severely malnourished and then understand the gravity of the situation. Are our next generations will be with lower IQ values, and reason of perpetual poverty of their families and this nation?

Whatever little resources health system has after salaries and corruption they goes to clinical care(15)(16) . Pakistan spending on preventive health care is negligible and most of the investment comes from international donors (Shaikh et al., 2013). In last twenty years the Global Fund has invested US\$ One billion for three diseases (HIV/AIDS, Tuberculosis, malaria) in Pakistan(17). In polio eradication, multiple international donors are pouring in hundreds of millions of dollars over years. Just one country has provided close to US\$ 240 million for polio eradication efforts in Pakistan(18). Pakistan approved PC1 (2022-2026) for polio eradication will cost nearly US\$800 million. Islamic Development bank will cover nearly 190 million through soft loans while remaining will be secured by the Global Polio Eradication Initiative (GPEI)(19).

With 80% government of Pakistan health resources geared towards clinical care, we still have a struggling public clinical sector. There is one hospital bed for 1613 person in Pakistan (0.6/1000, while global mean in 2.9)(20). Pakistan's Healthcare Access and Quality Index is 154th out of 195 countries(21). Pakistan strived for universal health insurance

since 2016(22). It was initially targeted only to poor population with limited support. Over the years it has expanded to all sections of population (both rich and poor) and expanded to private hospitals. That made its sustainability challenging as it would have cost more than 62% of national health budget(23).

With no reliable disease surveillance system and even with lack of vital statistics, Pakistan's health system is running in dark with no control on speed or direction. With massive disease burden there is no desire or understanding of importance to invest in public health disease surveillance. Pakistan's disease surveillance systems are mostly funded by international donors, are vertically oriented and fragmented(24). Over the years some steps have been initiated including establishment of Field Epidemiology and Laboratory Training Program, Pakistan with a cooperation between Centers of Disease Control and Prevention (CDC), USA and Federal Ministry of Health. Through FELTP Pakistan, Disease Surveillance and Response Centers (DSRU)s were established to improve surveillance at provincial level in a sustainable manner and improve outbreak detection and response time(25). Some international agencies are also investing in setting up disease surveillance systems in Pakistan but without government own investment of resources there is a little likelihood of having an effective, representative disease surveillance system in Pakistan. With no reliable disease information in country all the investments, interventions and resource allocations

will provide little benefit to health of population.

## 2023 and Beyond

There are some fundamental questions about the future of Pakistan health system. Is there any chance of improvement in 2023 while Pakistan is going through most difficult times both economically and politically? How could a cash strapped nation realistically make any meaningful change in health of its growing population? Is there a quick way out of this unwinnable situation?

My answer to all these questions is yes. Yes, Pakistan will face ever increasing disease burden of both communicable and non-communicable diseases in 2023. One reason is our uncontrolled population growth which is adding 2% new persons every year(26). In that context even if everything stays same, we still need to add 2% new health services every year. That is a daunting task for any health system. But as COVID-19 has shown recently, some unexpected epidemic or pandemic could easily strain health systems. In these situations when health resources are directed for one disease there is shrinkage of resources for remaining diseases. To ensure, we could improve health of population of Pakistan we have to drastically change our health understanding, resource allocations and interventions. Following are few major steps which could change the direction in short duration without taking away too many resources.

1. **Consider Health Security at par with national security:** Without

health security, national economies could go into ruins and along with it goes national security. If Pakistan wants to ensure that its coming generations are not IQ challenged with reduced productivity, it needs to rethink its health policies. Health policies should not be developed in isolation but in context of national security(27,28). Recent COVID19 pandemic has shown that countries with strong armies had to bow down against a virus. This was a forgotten hole in national security(29).

2. **Population Control is a health issue:** Afraid of religious extremism, Pakistan has practically abandoned its family planning programs. Though now program is now called population welfare program, its continuous failure has resulted in one of the highest growth rate countries straining already limited resources(30). At national level leadership must decide that without taking population control head-on there will be no improved health in current context.
3. **Clean drinking water and sanitation are health issue:** In early twentieth century the USA was able to reduce deaths due to infectious diseases to one fourth (from 800/100,000 to 200/100,000) even before antibiotics and vaccines became available(31). In Pakistan XDR typhoid outbreak in Hyderabad and Karachi started due to unsafe drinking water



available in Hyderabad and then lack of sanitation. In just few months estimated number of patients in two cities was around 40,000 with a cost (direct and indirect) from 2-4 billion PKR. However, health economists and decision makers do not realize that due to inefficiencies in “other” departments, health system is being further strained. By just providing clean drinking water and reasonable sanitation we could decrease 70% disease burden of infectious diseases. That will result in 70% less pressure on clinical services including hospitals. That could result in better managed hospitals and improved clinical care.

4. **Malnutrition is national health and security issue:** If 40% of our next generation will be of low IQ and prone to multiple diseases with lifelong decreased productivity, no number of interventions could help the country. Every field of life will be impacted. We need to tackle this issue on war footing to ensure we have a healthy nation to survive.
5. **Without Health Intelligence there will be on victory against diseases:** Every army in the world invest on military intelligence. No number of hardware could bring victory is there is no intelligence. However, in health we have assumed that we could win this more difficult war without any health intelligence(32). This results not only in our failure in controlling increasing disease

burdens but also wastage of limited health resources. Pakistan decision makers must realize that knowing what is happening in health system in Pakistan is not only their responsibility but will help them tremendously in effective decision making and resource utilization. Pakistan needs to setup its own disease surveillance system by investing best available resources.

6. **Pakistan can't pay for clinical services of more than 200 million people:** Pakistan needs to reprioritize preventive services. There is no way that Pakistan health system could pay for clinical services of such a big population if we do not first prevent people in getting sick. Providing national leadership in preventive disease programs, Pakistan could reduce the number of people requiring clinical services(33). Using 80% of health resources for clinical services also means huge procurements which results in massive corruption with wastage of resources. Decreasing avenues of corruption will mean more resources for health.
7. **Not to forget poor:** Making this transition, health care of poor should be safeguarded. Better running public hospitals could ensure health coverage for most vulnerable population at reasonable costs. Including private hospitals with little supervision in universal health insurance program opens the flood gate of commercialism and

fraud. That also takes away resources away from public sector hospitals. Public sector hospitals will be more sustainable and less costly as they are not made for profit entities.

Pakistan health system is huge and complex. Brining it back to a functional system within our limited resources is definitely a herculean task but it is definitely not impossible. We just need few logical thinkers at the highest level of decision making. I am sure that we have many.

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## **ABOUT IPI**

The Islamabad Policy Institute (IPI) is a nonpartisan, independent policy research institute based in Islamabad. Our goal is to undertake in-depth analysis of challenges and choices confronting Pakistan. We aim to help policymakers and public better understand the world, region and Pakistan-specific challenges and opportunities. We make efforts to engage government, civil society, private sector, media, and academia in open debates and dialogue on the most significant developments in national and international affairs. We envision contributing to policy-making through periodic policy-papers putting forward policy-recommendations developed in collaboration with experts and stakeholders in each area.

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