

Introduction

The new government of Pakistan has inherited a myriad of challenges that cut across political dynamics, economic instability, energy shortages, internal security threats, and complex foreign policy landscapes.

To traverse this complicated environment, a multifaceted governance approach is essential, combining political acuity, economic innovation, energy sector reform, strategic security overhaul, and skilled diplomacy. This approach must be underpinned by comprehensive strategies aimed at mitigating political discord, promoting professionalism, and fostering public-private partnerships.

Integrating these elements into a cohesive governance framework is critical for steering Pakistan towards a future marked by sustainable development and enduring stability.

This report thoroughly explores these challenges, offering a detailed analysis and a range of policy recommendations. By proposing actionable strategies, including legislative reforms, fiscal adjustments, energy diversification, security improvements, and diplomatic initiatives, it lays the groundwork for addressing the country's pressing issues.

One of the foremost challenges is the absence of political stability in the country. The situation has been further complicated following the February 2024 general elections, which led to formation of a fragile coalition government headed by the PML-N reliant on the PPP and MQM. The government has to contend with strong opposition from the PTI, present in the National Assembly under the banner of Sunni Ittehad Council, that is contesting the election results, and distinct provincial versus federal government tensions, notably with the PTI's stronghold in Khyber Pakhtunkhwa.

The evolving civil-military dynamic, especially the military's role in economic policymaking, alongside Imran Khan's legal battles, adds complexity to the political landscape. Additionally, internal party dynamics, such as conflicting priorities of PML-N's populist spending in Punjab and federal austerity needs, pose significant challenges to cohesive governance.

This aspect is explored in the first chapter titled 'Delicate Coalitions and Deep Divisions: The Quest for Political Stability', which proposes a comprehensive strategy emphasizing political reconciliation. This includes leveraging the PPP for mediation, securing military support to legitimize reconciliation efforts, balancing civilian and military authority through strategic military appointments, and managing intra-party disagreements to ensure unity.

Engaging in constructive dialogue with the opposition, particularly the PTI, to address their demands and incorporating them into the political process can help reduce polarization.

Prioritizing national interests over partisan politics and fostering political maturity are key to stabilizing the political environment and ensuring governance continuity, ultimately facilitating Pakistan's path toward economic recovery and sustainable development.

The challenge of reviving the economy is deeply intertwined with achieving political stability, yet the underlying issues fueling the economic crisis also demand immediate attention and resolution.

The proposal outlined for economic transformation in Pakistan in the second chapter titled 'Charting Pakistan's Future: A Strategic Blueprint for Economic Transformation' sheds light on systemic issues ranging from unsustainable subsidies and imbalanced government spending to a narrow tax base, crippling debt burden, overdependence on imported energy, and the pressures of a rapidly growing population.

The proposal focuses on overcoming challenges through fiscal discipline and structural reforms aimed at sustainable development. Key areas of intervention include eliminating regressive subsidies in energy and agriculture, recalibrating government spending towards productive sectors, and fostering public-private partnerships. Expanding the tax base is critical, with reforms needed to include untaxed sectors and improve government spending transparency.

The strategy also proposes a comprehensive debt restructuring, including a temporary suspension of debt payments, to reallocate resources domestically.

Additionally, the strategy highlights the importance of population control and human capital development through enhanced education, health, and nutrition. Stability, security, and tolerance are underscored as essential for implementing these reforms and achieving economic growth. This comprehensive approach requires political will and societal consensus to make tough choices for Pakistan's long-term prosperity.

Energy reforms are a critical component of the comprehensive strategy needed to address the economic crisis. By restructuring the energy sector, including the transition towards sustainable sources and the modernization of existing infrastructure, the government can significantly reduce operational inefficiencies and dependency on imports, leading to substantial cost savings. These reforms not only promise to stabilize energy supplies and prices but also set the foundation for a more resilient and competitive economy. As such, revitalizing the energy sector is not just an isolated goal but a pivotal element in the broader agenda to catalyze economic recovery and growth.

The third chapter titled 'Powering Pakistan's Future: Reforming the Energy Labyrinth' delves into the significant challenges faced by Pakistan's energy sector across its petroleum, power, and gas segments, each characterized by issues that hinder efficient operation and sustainable development.

In the petroleum sector challenges like foreign exchange constraints, inconsistent policy frameworks, regulatory discrepancies, and high product losses are prominent. To address these, policy options include establishing a clear petroleum policy, resolving regulatory issues, defining a robust investment framework, and promoting alternatives like electric vehicles.

The power sector, meanwhile, grapples with outdated policies, governance issues, political interference, electricity theft, and high generation costs, contributing to circular debt. Solutions proposed involve revising power policies, enhancing governance, curbing electricity theft through infrastructure upgrades, and forming a Power Sector Advisory Council to guide reforms.

Gas sector challenges include circular debt, unsustainable subsidies, and distribution losses. Policy recommendations focus on rationalizing subsidies, improving payment discipline, renegotiating LNG contracts, and strengthening regulatory frameworks for a more efficient gas market.

Beyond specific sector challenges, the potential of renewable energy sources and regional pipeline projects is emphasized as critical to diversifying Pakistan's energy mix and addressing long-term sustainability issues.

Comprehensive reforms, reduced political interference, enhanced professionalism, and fostering public-private partnerships are deemed essential for transforming Pakistan's energy landscape into one that is secure, affordable, and environmentally friendly.

The resurgence of terrorism has emerged as a formidable threat to both stability and economic recovery. This alarming trend not only jeopardizes the safety and security of citizens but also undermines investor confidence, disrupts trade, and diverts critical resources from development to security. Addressing this challenge is, therefore, essential for creating an environment conducive to growth, investment, and country's long-term prosperity.

The fourth chapter titled 'The Urgent Battle Against Terrorism and the Quest for Internal Security' reviews the multifaceted security challenges facing the country as the new government steps in with the resurgence of the Tehrik-i-Taliban Pakistan (TTP), persistent Baloch insurgency, threats from Islamic State Khorasan (ISK), and the rise of non-violent extremism posing significant risks. The TTP's resurgence, marked by sophisticated tactics and a shift towards a proto-insurgency model, reflects the impact of

the Taliban's success in Afghanistan. Baloch insurgents, fueled by grievances and employing increasingly severe tactics, have become more resilient, while ISK remnants continue to engage in violence and exploit sectarian divides. Additionally, groups like Tehreek-e-Labbaik Pakistan (TLP) leverage religious narratives to foster intolerance and challenge free speech.

To address these security concerns, comprehensive strategies including remapping the threat landscape, updating counterterrorism policies, and focusing on issues like youth radicalization and the influence of social media are essential. Tackling enforced disappearances and reevaluating counterinsurgency approaches in Balochistan could undermine separatist movements. Strategies to disrupt jihadist alliances and address external sanctuaries, alongside efforts to promote moderation and counter extremist narratives, are critical. A balanced approach combining military and non-military strategies, underpinned by a whole-of-state-and-society perspective, is key to ensuring sustainable security.

Pakistan's new government is importantly navigating complex foreign policy challenges amid an economic crisis, strategic global shifts, and regional tensions. The fifth chapter 'Reframing Pakistan's Foreign Policy' suggests that the key priority of the new government on foreign policy front should be to secure a new IMF agreement by committing to reforms and presenting a credible economic strategy. Pakistan, therefore, needs to formulate an external strategy that enhances cooperation with key partners like the US, China, and Gulf nations, leveraging its strategic position, to secure financial and economic support.

In managing relations with major powers, Pakistan should balance its engagement between the US and China, advocating for regional stability with the US while deepening economic ties with China. The stagnant relationship with India, especially over the Kashmir dispute, requires innovative diplomatic efforts, including granting provisional provincial status to Gilgit-Baltistan and seeking broader national consensus on India policy through inclusive dialogue. Moreover, the government should undertake backchannel diplomacy with India.

Challenges with Afghanistan and Iran call for expanded diplomatic engagement to address cross-border terrorism and economic cooperation, particularly around the Iran-Pakistan gas pipeline project. Gulf states are crucial for Pakistan's financial and energy security, necessitating efforts to expedite Gulf investments and encourage their role in easing India-Pakistan tensions.

Pakistan's foreign policy approach should center on economic stabilization, adept handling of relations with major powers, regional stability, and empowering the Foreign Office to lead these strategic efforts in a rapidly changing global environment.

The final chapter 'Deciphering Promises: A Comparative Analysis of Electoral Manifestoes' examines the manifestos of the three leading political parties PML, PPP and PTI, aiming to identify their commitments towards addressing these challenges. It also seeks to uncover commonalities within their programs that could serve as a foundation for collaborative efforts on the policy agenda.

Both PML-N and PPP offered similar views on democratic reforms and local governance, while PTI distinguished itself with a radical proposal for a legislative overhaul. On the economy front, all parties demonstrated reluctance to undertake bold reforms, opting for broader, less defined aspirations. Foreign policy perspectives across the board suggested a pragmatic, if cautious, approach to international relations, with internal security receiving varying degrees of attention.