SPECIAL ISSUE

Print ISSN: 0215-0411 - Online ISSN : 0215-0419
Volume: 4, Issue: 2, Summer 2025
Special Issue
Summer 2025

Khyber Journal of Public Policy

KJPP

Report of Policy Lab on Bridging Policy Implementation Gaps and Institutional Fault Lines for Mitigating the Impact of Economic Crises on Poverty in Pakistan

پاکستان میں غریب طبقے پر اقتصادی اثرات کے
تدارک کے لیے پالیسیوں میں خلا کا جائزہ

Held on
May 19-20, 2025
at NIPA, Peshawar
During 43rd MCMC

National Institute of Public Administration

National School of Public Policy

Team Lead
Dr. Muqeem Islam Soharwardy
Phd (Public Policy & Governance)
M Phil (Economic Development)
Chief Instructor, NIPA, Peshawar
Editor, Khyber Journal of Public Policy
Former Director General (NAVTTC), GoP
muqeemz@gmail.com, 0092-343-5090648

بسم الله الرحمن الرحيم

Khyber Journal of Public Policy (KJPP)

A Quarterly Publication of the
National Institute of Public Administration, Peshawar
(A Constituent unit of National School of Public Policy)

Patron in Chief	Dr. Ijaz Munir, *Rector, National School of Public, Lahore.*
Patron:	Capt. (Retd.) Usman Gul, *Director General, NIM, Peshawar.*
Editor:	Dr. Muqeem-ul-Islam *PhD (Public Policy & Governance)* *Chief Instructor, NIM, Peshawar.*

Editorial Board

- Mr. Tariq Bakhtiar, Chief Instructor, NIM, Peshawar
- Dr. Gohar Saeed, Additional Director, Pakistan Academy for Rural Development, Peshawar
- Mr. Abdul Sattar, Chief Instructor, Pakistan Provincial Services Academy, Peshawar
- Dr Muhammad Riaz Khan, Directing Staff, NIM, Peshawar
- Mr. Shabidullah Wazir, Directing Staff, NIM, Peshawar
- Mr. Jehanzeb Khan, Directing Staff, NIM, Peshawar
- Dr. Muhammad Bakhsh, Sub-editor, Faculty Member, Pakistan Academy for Rural Development, Peshawar

Advisory Board

- Dr. Kazim Niaz, Federal Secretary, Ministry of Economic Affairs, Government of Pakistan
- Dr. Syed Abu Ahmad Akif, Former Federal Secretary, Islamabad, Pakistan
- Prof. Dr. Anis Ahmad, Professor, Ripha International University, Islamabad, Pakistan
- Dr. Irfan Moeen Khan, Assistant Professor, Lahore University of Management Sciences, Lahore
- Dr. Lubna Ayub, Director General, National Institute of Public Administration, Karachi
- Dr. Fahim Muhammad, Member, FBR, Islamabad, Pakistan
- Dr. Zafar Iqbal Qadir, Former Federal Secretary, Islamabad, Pakistan Dr.
- Dr. Aneel Salman, Assistant Professor, COMSATS University Islamabad, Pakistan
- Prof. Dr. Mansoor Akbar Kundi, V.C. Bahauddin Zakariya University Multan, Pakistan
- Prof. Dr. Fakhrul Islam, Director, Pakistan Study Centre, University of Peshawar.
- Dr. Tahir Hijazi, Former VC, University of Punjab, Lahore
- Prof. S. Hussain Shaheed Soherwordi , Chairman, Department of International Relations, University of Peshawar.
- Dr. Amir Ullah Khan, Faculty of Social Sciences, Islamia College University, Peshawar, Khyber Pakhtunkhwa, Pakistan
- Dr. Karin Jesuis, Director of Institutional Consulting & Continuing Education Institute, American University of Iraq – Baghdad, Iraq
- Dr. Muhammad Ali, Professor, V.C. Quaid-e-Azam University, Islamabad, Pakistan
- Dr. Waqar Masood Khan, Khan & Ali Associates, Islamabad, Pakistan
- Dr. Anwar Shah, Associate Professor, School of Economics Quaid-I-Azam University, Islamabad, Pakistan
- Dr. Muhammad Kaleem, Assistant Professor, University of Kohat.
- Dr. Iqrar Ahmad Khan, Vice Chancellor, University of Agriculture, Faisalabad.
- Dr. Nasir Khan, Commissioner Income Tax, FBR, Islamabad
- Dr. Farzand Ali Jan, Pro-Rector, Brains Institute, Peshawar
- Dr. Atiquz Zafar, Professor of Economics, Ripha University, Islamabad
- Prof. Dr. Shahid Munir, Chairperson, Provincial Higher Education Commission, Lahore.
- Dr. Karam Elahi Collector Customs FBR, Islamabad

About the Journal:

The journal's focus on original research papers, reflective studies, and analyses related to international relations, Pakistan affairs, and faith & society reflects a commitment to addressing critical issues and proposing viable solutions to these issues. By bringing together researchers, experts, and policy practitioners, the journal provides a platform for a diverse range of perspectives and experiences, allowing for a more comprehensive and nuanced understanding of complex issues.

The focus on public policy further underscores the journal's commitment to making a tangible impact on national and international issues. By providing a space for research and analysis, the journal helps to inform policymakers and practitioners, who can then use this information to develop more effective policies and programs. Additionally, the focus on viable solutions emphasizes the importance of actionable recommendations that can be implemented in the real world.

Overall, the journal's focus on research, analysis, and practical solutions reflects a commitment to advancing knowledge and making a positive impact in the fields of international relations, Pakistan affairs, and faith & society. By providing a platform for diverse perspectives and experiences, the journal contributes to a more comprehensive understanding of complex issues and the development of effective policies and programs.

Indexing, Abstracting & Achieving:

The Journal is striving to be indexed, abstracted and/or achieved in the following: International Political Science Abstracts (IPSA); PreQuest, EBSCO (Political Science Complete Database, Social Science Abstracts); JSTOR; Porticeo; Factive, Knowledge Unlatched, Keepers Registry; Crossref; Ovid; Research Bib; Google Scholar; Microsoft Academic; Duotrope; and Asianet Pakistan.

Copy Right Notice:

This Journal is published under the Creative Commons License CC BY 4.0. This license allows users, scholars and readers, to read the content or any part of the content without charges. The license allows scholars to download and use the content for educational purposes. This license does not allow the content or any part of the content to be used for commercial purposes.

Feedback and Information:

Editor, *Khyber Journal of Public Policy*, National Institute of Public Administration, Peshawar Pakistan. Email. muqeem@nim.gov.pk, muqeemz@gmail.com

Guidelines for Contributors:

Khyber Journal of Public Policy welcomes original, unpublished submissions with duly signed undertaking, plagiarism report, brief updated CV while ensuring that guidelines have been followed. All submissions undergo rigorous Editorial Board Review; shortlisted articles are reviewed by at least two peer reviewers. Publication in the Journal depends on Board's positive feedback and reviewer's availability and responsiveness.

While submitting a manuscript for the *Khyber Journal of Public Policy*, please follow these guidelines:

- Manuscript should be ideally around 5000 words;
- An abstract of about 150 words should be included;
- Five to six keywords should be provided;
- American English should be used;
- APA Manual of Style should be followed for Endnotes. In-text citations and bibliography are not required.;
- All the tables, charts, graphs and figures included in the manuscript should be in an editable, MS Word form.

The editors reserve the right to make modifications and editorial changes in the interest of pace, brevity, comprehension, consistency and/or other reasons deemed necessary by the Editorial Board. Viewed expressed in the articles are not necessarily shared by the NIM, Peshawar.

The Khyber Journal of Public Policy follows a strict anti-plagiarism policy.

Disclaimer:

The opinions expressed in this publication do not implicitly or explicitly reflect the opinions or views of NSPP or NIM or its members/employees. The individuals or entities mentioned in this publication and the materials presented therein do not imply the expression of any opinion on the part of NIM or NSPP or its employees regarding the legal status of any opinion, area, territory, institution, or individual, or regarding the accuracy, completeness, or suitability of any content or references.

Khyber Journal of Public Policy

Volume: 4 Summer, 2025 Issue:2 (Special)

This special issue consists of the proceedings of a 2-Day Public Seminar held on 19th May to 20 May 2025, on "**Bridging Policy Implementation Gaps and Institutional Fault Lines for Mitigating the Impact of Economic Crises on Poverty in Pakistan**" conducted at the conclusion of the Public Policy Simulation Exercise during the 43rd Mid-Career Management Course.

Contents

Message of the Capt. (Retd) Usman Gul,

Director General National Institute of Public Administration, Peshawar on the eve of Special Issue of the Khyber Journal of Public Policy:

It gives me great pleasure to present this special edition of the Khyber Journal of Public Policy, published by the National Institute of Public Administration (NIPA), Peshawar—a constituent unit of the National School of Public Policy (NSPP). The theme, Bridging Policy Implementation Gaps and Institutional Fault Lines for Mitigating the Impact of Economic Crises on Poverty in Pakistan, addresses one of the most critical governance challenges of our time.

Pakistan continues to face recurring economic pressures that disproportionately affect the most vulnerable populations. While policies are often well-conceived, their impact is frequently diminished by institutional inefficiencies, weak coordination, and a lack of follow-through. This edition explores these challenges and proposes pathways for more effective implementation and institutional reform.

The contributors offer insightful, evidence-based analyses that underscore the importance of integrated, accountable, and inclusive policy approaches. Their work aligns with NIPA's mission to support public sector excellence through research, training, and policy engagement.

I commend the editorial team and all contributors for their dedication and thoughtful scholarship. May this edition contribute meaningfully to the discourse on building a more resilient and equitable Pakistan.

Capt. (Retd) Usman Gul,
Director General
National Institute of Public
Administration, Peshawar

Preface

of the Special Issue of Khyber Journal of Public Policy

It is with great pleasure that we present this edition of *The Khyber Journal of Public Policy*, a publication of the National Institute of Public Administration (NIPA), Peshawar—a constituent unit of the National School of Public Policy (NSPP). This volume brings together the research work of eight groups of mid-career civil servants who undertook in-depth policy analysis as part of their training at NIPA. Their research revolves around a shared theme: Policy Implementation Gaps and Institutional Fault Lines in Pakistan, explored through different lenses of public policy and socio-economic development.

Each group has tackled a critical area of governance, identifying systemic weaknesses that hinder effective policy implementation and proposing viable solutions grounded in administrative experience and empirical inquiry.

The first paper, "Policy Implementation Gaps and Institutional Fault-Lines in the Context of Social Protection Programs in Pakistan", analyzes the fragmentation, limited coverage, and inefficiencies that obstruct the effectiveness of welfare initiatives meant to uplift the most vulnerable populations.

The second study, "Policy Implementation Gaps and Institutional Fault Lines in the Context of the Erosion of Purchasing Power of the Common Citizens and its Impact on Poverty in Pakistan", evaluates the growing disconnect between income levels and the cost of living, examining how inflation, wage stagnation, and weak regulatory oversight contribute to rising poverty.

The third paper, "Policy Implementation Gaps and Institutional Fault Lines in the Context of Income Inequality and Economic Disparities Among Classes in Pakistan", explores how economic policymaking and structural imbalances perpetuate inequality, hindering inclusive growth and national cohesion.

The fourth group focuses on "Policy Implementation Gaps and Institutional Fault Lines in the Context of Healthcare Access for Vulnerable Segments of Society and Its Impact on the Lowest Economic Class", highlighting service delivery gaps, urban-rural disparities, and out-of-pocket healthcare burdens.

The fifth topic, "Policy Implementation Gaps and Institutional Fault Lines in the Context of the Role of INGOs, GONGOs, and NGOs in Social Sector Interventions and Poverty Alleviation in Pakistan", critically examines the coordination challenges, regulatory gaps, and alignment issues that affect the contribution of non-governmental actors.

In the sixth paper, "Policy Implementation Gaps and Institutional Fault Lines in the Context of Tax Evasion, the Informal Economy, Fiscal Constraints and Their Impact on Social Spending in Pakistan", the group investigates how weak tax structures and an expansive informal economy limit fiscal space and hinder sustainable development.

The seventh study, "Policy Implementation Gaps and Institutional Fault Lines in the Context of Agricultural Productivity, Crises of Food Inflation, and Malnutrition in Women and Children in Pakistan", explores the nexus between food insecurity, inflation, and nutritional deficiencies, particularly in vulnerable groups.

Lastly, the eighth group presents "Regional Educational and Economic Disparities and Their Impact on Poverty, Unemployment, and Political Instability in Pakistan", shedding light on the uneven development landscape and its broader implications for national stability and equity.

This edition reflects the intellectual rigor and policy insight of Pakistan's public service professionals. We commend the participating officers and faculty for their dedicated efforts. We hope these contributions will serve as valuable references for policymakers, researchers, and administrators working to improve governance in Pakistan.

Dr. Muqeem ul Islam
PhD (Public Policy & Governance)
Editor,
Khyber Journal of Public Policy

Policy Implementation Gaps and Institutional Fault-Lines in the Context of Social Protection Programs in Pakistan

Farwa Abbas[1], Anwar Zeb[2], Munir Iqbal[3], Mudasir Yaqub Butt[4], Dr. Muqeem ul Islam[5]

Abbas, F., Zeb, A., Iqbal, M., Butt, M. Y., & Islam, M. U. (2025). Policy implementation gaps and institutional fault-lines in the context of social protection programs in Pakistan. Khyber Journal of Public Policy, 4(2),PP.1-25

Article Info:
Received: 15/05/2025
Revised: 20/05/2025
Accepted: 25/05/2025
Published:31/05/2025

Disclaimer:
The opinions expressed in this publication do not implicitly or explicitly reflect the opinions or views of the editors, members, employees, or the organization. The mention of individuals or entities and the materials presented in this publication do not imply any opinion by the editors or employees regarding the legal status of any opinion, area, territory, institution, or individual, nor do they guarantee the accuracy, completeness, or suitability of any content or references.

Copy Right Statement:
© 2022 Khyber Journal of Public Policy

This work is licensed under a Creative Commons Attribution 4.0 International License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Abstract:

This report explores governance gaps and implementation challenges in Pakistan's social protection system, focusing on federal, provincial, and local roles. Despite efforts like the Benazir Income Support Programme (BISP) and provincial social protection authorities, poverty alleviation remains constrained by fragmented governance, overlapping mandates, and weak inter-agency coordination. Using a mixed-methods approach—combining field interviews, document analysis, and comparative case studies from Brazil, India, and Bangladesh—the study identifies key barriers, including the absence of integrated databases, political interference, inconsistent legal frameworks, and poor monitoring. Vulnerable groups, such as women, transgender individuals, and persons with disabilities, often receive inconsistent or inadequate support. While policy coverage has expanded, overreliance on donor-driven models and a lack of forward-looking strategies undermine long-term impact. The report recommends adopting a cohesive, non-partisan framework aligned with constitutional and Islamic principles, supported by a digital national registry, strengthened local capacities, and poverty graduation pathways. Community-based initiatives like Zakat can enhance sustainability, ownership, and resilience in the evolving social protection landscape.

Key words:
Social protection, governance, poverty alleviation, Pakistan, community-based initiatives

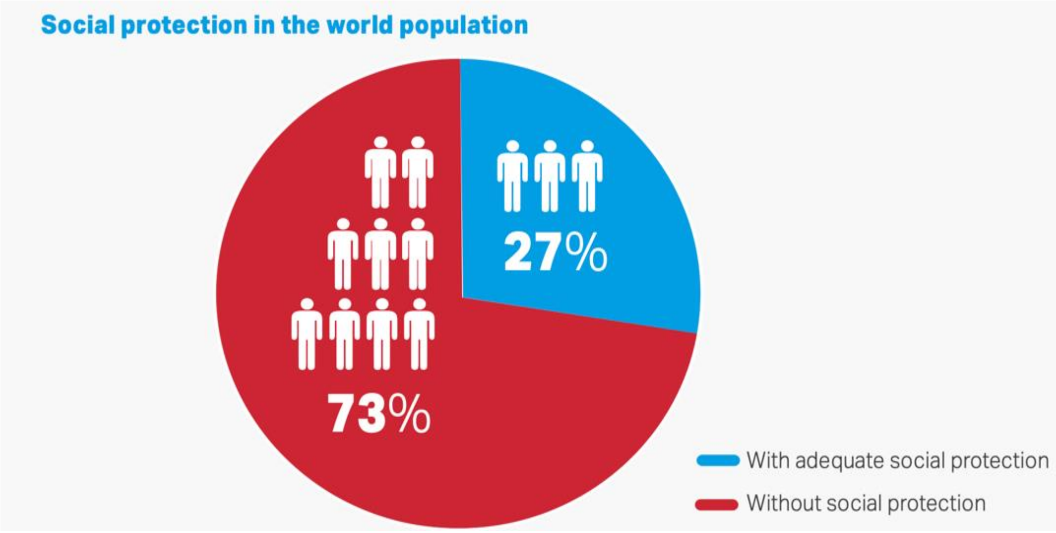
[1] *Office Management Group (OMG), Email: farwa.abbas12@gmail.com*
[2] *Provincial Management Service (PMS-KP), Email: anwarzebpms@gmail.com*
[3] *Secretariat Service Government of AJ&K, Email: isb.munir@gmail.com*
[4] *Ministry of Interior, Email: mudaasir@hotmail.com*
[5] *Chief Instructor, National Institute of Public Administration Peshawar, Email: muqeemz@gmail.com*

Introduction

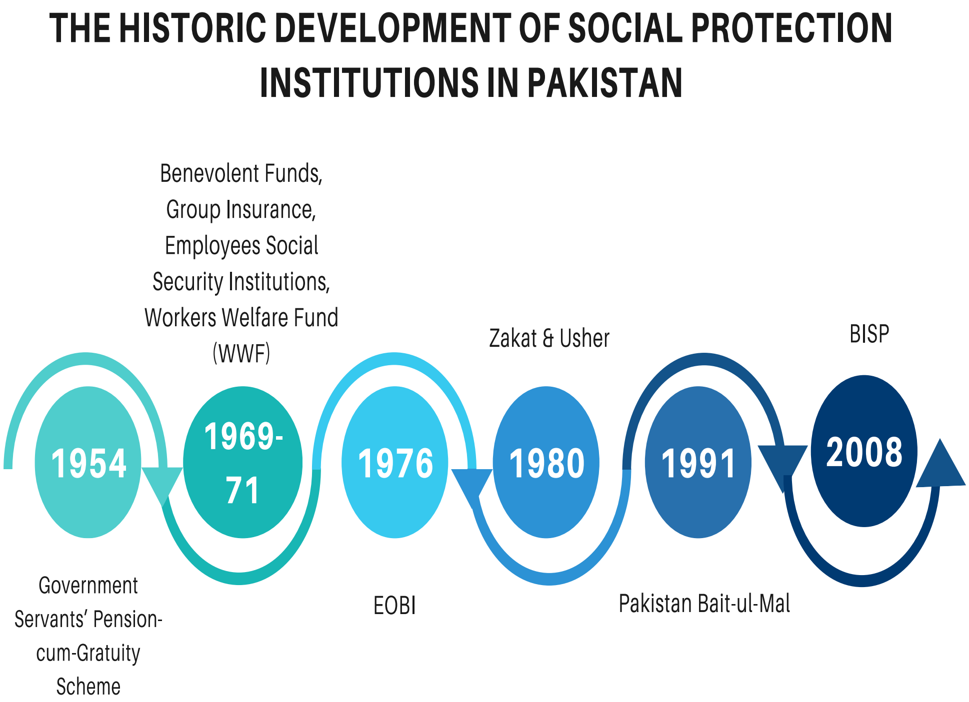
Pakistan, with around forty per cent of its 241.5 million population living in poverty and low human capital development, faces the challenge of multidimensional poverty. Stagnant economic growth, along with high food inflation, a rising population, and increasing climate shocks, raises risks and pushes people into poverty. To protect this vulnerable population, Pakistan's federal and Provincial governments provide a range of social protection and welfare services. Today, Pakistan has a large national protection cash transfer program, the Benazir Income Support Programme (BISP), which was established in 2008 as a social safety net initiative aimed at consumption smoothing and reducing negative coping strategies to mitigate the impacts of food inflation.

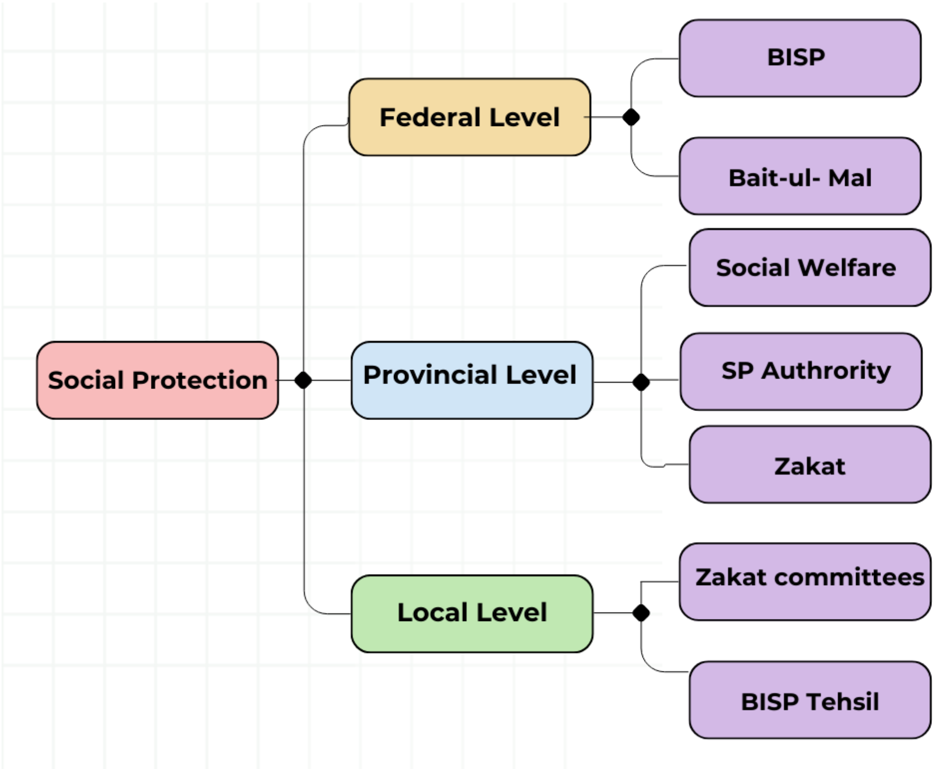
The protection and welfare of the poor, orphans, the sick, and widows are Islamic values as described in the Holy Quran and the Sunnah of the Prophet (PBUH). Pakistan, being an Islamic republic, in the preamble of the 1973 Constitution stresses promoting equality and social justice by safeguarding the interests of the depressed classes. The principles of policy outlined in Articles 34, 35, 37, and 38 of the 1973 Constitution make the state responsible for ensuring the full participation of women in national life, protecting the family, promoting social justice, and enhancing the socioeconomic well-being of the people. Rooted in these foundations, the country has a comprehensive welfare system that has evolved, with multiple social welfare departments and organisations at both the Federal and Provincial levels.

Pakistan adopted the SDGS as its national development goals by passing a unanimous resolution in the National Assembly in 2016. SDG Goal 1: aims to end poverty in all its forms. Achieving universal social protection is an SDG 1.3 target, whereby countries are required to "implement nationally appropriate social protection systems for all, reducing and preventing poverty." Moreover, Goal 10, which aims to reduce inequalities, in target 10.4, urges governments to adopt social protection policies to cover the eligible population and reduce inequality.



The historical evolution of the social protection institutions in Pakistan is detailed in Figure 1 (Rehman et al., 2020, p. 15).





Concept of Social Protection

Initially, in 1919, social protection policies were designed for the income maintenance of wage labourers to reduce their vulnerabilities by ILO. It is an umbrella term that refers to various institutionalised policies and interventions to protect vulnerable people from emergencies threatening their livelihood and well-being (ILO, 2011). "Social protection is defined as the set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labour markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income." (Rehman et al., 2020, p. 3). Another key definition is "public actions taken in response to levels of vulnerability, risk, and deprivation which are deemed socially unacceptable within a given polity or society" (Barrientos & Hulme, 2008, p. 3).

Midgley (2012) highlighted that there is no standard definition of social protection; rather, it is broadly defined. He explained the debates in the literature on social protection: the ILO focused on cash transfers for income maintenance; Devereux and Sabates-Wheeler emphasised contributory support programmes like commodity subsidies, minimum wage, and food-for-work; Barrientos highlighted labour market interventions such as protecting minimum wage and improving working conditions.

Morduch stressed micro insurance and community based projects (Midgley, 2012, p. 11). The concept of social protection has been marketed and promoted by the World Bank since the 1990s, and even today, social protection programs across the Global South are technically and financially supported by the World Bank and the IMF through their social funds. The World Bank based these social protection programmes on 'household-based risks' instead of a community-based approach, which is followed in Pakistan's rural support programmes.

Social Protection and IFIs

Even in the case of Pakistan, since its inception, BISP has received consistent support from the World Bank uninterrupted through Development Linked Indicators (DLIs) based technical assistance (TA) projects. In 2009, BISP received Development Policy Credit (US$ 150) and Social Safety Net Technical Assistance (TA) Project (US$ 60 million). The National Social Protection Programme (NSPP), with a US$ 100 credit, started in April 2017 to implement nutrition-sensitive Conditional Cash Transfers, WeT for primary school enrolment thereby enhancing beneficiary outreach and updating the NSER database [6].

Crisis-Resilient Social Protection (CRISP) Program in started in 2022, providing U$ 600 million for implementing a dynamic social registry at the Tehsil level, matching hybrid saving schemes for beneficiaries, nutrition-sensitive cash transfer, update of NSER data, enrolment of children in school under WeT, number of FATA districts covered with nutrition-sensitive cash transfer, bonuses for girls for completing primary education and transitioning and payment of flood cash transfers targeting through NSER database (World Bank, 2021).

Critique of Social Protection Programs

The social protection model is critiqued by scholars for its hidden goals. The Marxists and critical theorists have highlighted that the state promotes the interests of capitalists by ensuring access to consumption and creating financial inclusion for the poor, thereby bringing them into the banking sector. The focus on consumption, health and education is to develop an efficient labour force. Midgley (2012) critiqued the politics of insecurity bred by social protection programs which often provide short-term responses, often favouring those with stronger links to the administration and political connections. This policy of favouring creates 'new poor' and increases their vulnerability when the short-term interventions are discontinued (Barrientos & Hulme, 2008).

[6] https://www.bisp.gov.pk/SiteImage/Misc/files/TOR%20SSL.pdf

Moreover, Midgley (2012) pointed out that the benefit is provided based on the head count of poverty, rather than focusing on the depth and severity of poverty, which presents varied needs. It is relevant to Pakistan since BISP provides the same cash transfers to those with PMT 30 and PMT 12 scores, even though their levels of deprivation differ in severity and depth.

The primary critique centres on how electoral politics influence social protection, with these programs typically crafted to fulfil electoral objectives through the promise of enhanced cash benefits. Hall (2006) mentioned that the electoral success of Lula da Silva in the Brazilian presidential election is related to the expansion of the Bolsa Família program. It has been argued that the social protection programs are expanded for electoral popularity and to suppress dissent by creating welfare dependency (Hall, 2006). Considering these critiques, it cannot be ignored that Pakistan's social protection cash transfer program often faces challenges of political ownership due to its politically charged name, which evokes an association with Benazir. Drawing from personal experience during visits to interior Sindh, many beneficiaries believed that the cash disbursed by BISP is insurance money from the late Benazir Bhutto.

Models of Social Protection

1. Bismarckian model - The contributory system to manage risks like insurance and pensions. It is premised on risk mitigation and rights with responsibilities.
2. Beveridge model - Rooted in a rights-based approach, it is a non-contributory system financed by tax revenue. It includes cash transfers and welfare payments.

A successful model requires a combination of both models to balance rights and responsibilities, protecting citizens against risks and reducing vulnerabilities. The social protection allocations are often criticised for being expensive, inefficient, and creating dependency (ILO,2019)
Social Protection Approaches

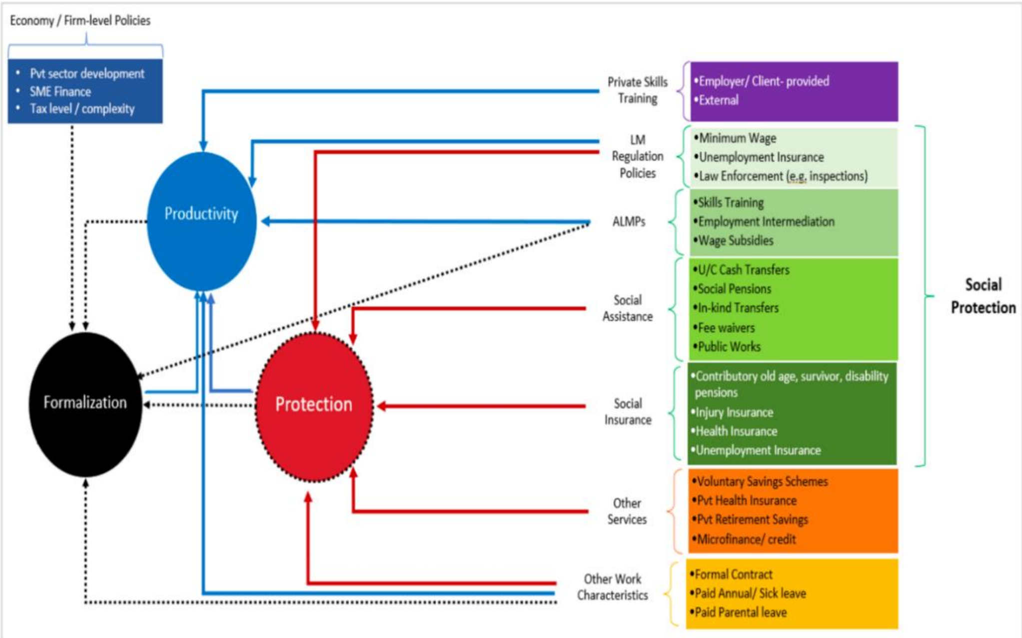
Antipoverty Programmes

Supported by the World Bank and the IMF, targeting people living in poverty with digitised, efficient and targeted cash transfer programmes. It focuses on human capital development (Khattak,2023). The antipoverty approach is used in African and Latin American Countries.

Lifecycle Approach

Supported by the ILO, it focuses on providing social protection based on different life cycle stages, including children, youth, and the elderly, through integrated social protection. It focuses on developing a social protection floor to provide benefits to all eligible individuals (Khattak, 2023). The lifecycle approach is adopted in the Philippines and many Pacific Island countries.

Fig. 4. Protection, Formalization, and Productivity: Conceptual Linkages with Social Protection



Statement of Problem

The social protection system in Pakistan has evolved with sophistication over the years, supporting vulnerable households across the country. However, there is a perception that the impact of these programs on poverty varies due to implementation gaps and institutional fault lines. Therefore, detailed research is needed to analyse the existing social protection ecosystem at the federal, provincial, and local levels to address the challenges of poverty.

Scope

To critically analyse the implementation and institutional framework of social protection in Pakistan at the federal, provincial, and local levels since 2008, identify issues and challenges that call for reforms, and suggest feasible solutions.

Limitations

Field visits were only conducted in Peshawar as travelling to other cities was not possible. Several attempts were made to contact the Punjab Social Protection Authority (PSPA), but we were unable to connect despite calling the available telephone numbers. However, documents available on the PSPA website were studied. Moreover, no data were found regarding provincial social protection programs in Baluchistan.

Methodology

A mixed-methods approach was employed, utilising both quantitative and qualitative methods. To collect qualitative data, budget documents from the federal and provincial governments were reviewed, and information on beneficiaries was gathered from BISP. The qualitative data collection involved field visits in Peshawar, interviews with key government officials and beneficiaries, as well as a review of documents. The offices examined included the BISP regional headquarter KP, the Social Welfare Department of KP, and the BISP Tehsil office in Pishtakhara, Peshawar.

The interviews were conducted with BISP officers at the regional office, including the Director General, Director, Deputy Director, and Additional Director, to understand the federal setup. A Deputy Director of Pakistan Bait-ul-Mal was interviewed via telephone. Officers and officials from the KP social welfare department were interviewed to gain an understanding of the provincial system. BISP Tehsil office was visited to assess operations at the local grassroots level. The members interviewed BISP beneficiaries present in the Tehsil office. A questionnaire was prepared to conduct interviews, and the collected data was analysed thematically to identify various themes. The analysis tools provided in the TORs were utilised.

Analysis

The detailed analysis based on the collected data is presented in detail below:

Concepts of Poverty and Poverty Landscape of Pakistan

Pakistan's poverty landscape remains complex, with 38.3% of the population living in multidimensional poverty. Provincial disparities are stark: Baluchistan faces the highest multidimensional poverty rate at 71%, followed by Khyber Pakhtunkhwa at 49%, Sindh at 43%, and Punjab at 31%. The Human Development Index (HDI) for Pakistan stands at 0.544 (2021), ranking 161 out of 191 countries. Human Capital Index (HCI) data shows children born today will be only 41% as productive as they could be with full education and health. These indicators highlight deep-rooted inequality and underinvestment in human development, particularly in education, health, and regional infrastructure.

GAP Analysis

Federal

Current State	Existing Gap	Desired State
Welfare, women, labour and education are devolved subject but Federal government is maintaining organisations	Duplication and redundancies since devolution	Devolution and transfer of existing programs to provincial governments
Functional devolution is not practically implemented	Centralist tendencies	Complete functional devolution
Political labelling of social protection program such as Benazir Income Support Program compounds the problem of policy consistency and continued ownership	Politicisation nomenclature of social protection programs	Adopting apolitical nomenclature of social protection programs
BISP is focused on cash transfers	Policy practise is non-inclusive in terms of objectives entailed in the BISP Act, 2010	BISP to expand its working sphere by including skill development, vocational training and insurance
Low literacy of beneficiaries compounds exploitation by POS agent and BISP Tehsil staff	Financial leakages and corruption	Complete transfer of cash to the target beneficiaries
No data sharing and coordination between BISP and PBM for targeting and provision of services	Lack of unified system	Data sharing and coordination among provinces
Politically appointed In capacitated Human Resource	Pecuniary interests	Non-political interference and meritocracy
The policy and programs are designed and financed by IFIs	No independent policies	Local resource mobilisation to prioritize economic growth
Resource constraint	manual operation system	Digitization of Institution and operations

Provincial

Current State	Existing Gap	Desired State
Overlapping initiatives in silos at provincial level	Lack of unified strategies	Cohesive and effective policy framework in consultation federal govt.
Data bases at provincial levels not maintained	Weak controls	Data bases at their level should be maintained to enhance efficiency
Misuse of financial resources	Current budget is more than developmental or welfare budget	Accountability and third-party audit
Underutilised and underperforming work force	Low work out put	Meritorious recruitments, trained and efficient work force and right sizing
Lack of coordination among various provincial departments (Baitul mal, Social welfare, social protection authorities, zakat and usher)	Duplication and overlapping of work and services within the province	Strong coordination and data integration and unification within the province

Local Level

Current State	Existing Gap	Desired State
Women and children beneficiaries in local offices but fewer female staff	Sociocultural insensitivity and no gender mainstreaming	Posting female staff at local level to deal with women
Non-participatory approach and Marginalised groups are excluded	SP must cover most vulnerable. Not all poor are same. Minorities and people with disabilities should have higher coverage.	Pro-poor, gender responsive and inclusive approach based on intersectionality
Limited administrative presence of social protection organisations at grassroot level	Implementation and beneficiary mobilisation challenges at grass-root level	Increased grass root level footprint
Lack of resources. No provision of electricity backup	Poor service delivery	Solarisation and backups according to geographical realities of GB and south KP
Beneficiaries are not well-informed and aware about existing available programs and no referral system	Lack of communication and beneficiary outreach	Beneficiary committees and selection of leader for community mobilisation to bring social change

Institutional Fault-Lines

- Fragmented Inter-Institutional Coordination - Governance Dimension: Consensus Orientation, Effectiveness and Efficiency
- Weak Legal and Regulatory Framework – Governance Dimension: Rule of Law and Consensus Orientation
- Weak Accountability Mechanisms – Governance Dimension: Transparency and Accountability
- Capacity Deficit at Local Level – Governance Dimension: Responsive and Effective
- Chronic Fiscal Constraints – Governance Dimension: Effectiveness and Efficiency
- Political Interference and Inconsistency – Governance Dimension: Consensus Oriented
- Inefficient Resource Allocation and Inadequate Targeting – Governance Dimension: Equity, Inclusiveness, Effectiveness and Efficiency
- Limited Community Participation – Governance Dimension: Participation and Responsiveness

BISP Fault-Lines

- Focus is on poverty head count instead of severity of poverty
- Lack of Coordination between the Federal and Provincial Government
- Kafalat is the main component and is an unconditional cash transfer
- Politically motivated nomenclature
- Lack of coordination with other agencies operating under the M/O of P&AAS can establish an ecosystem for welfare, as BISP provides income maintenance and education, while PBM can support the differently abled and sick individuals in that family. Meanwhile, the Poverty Alleviation Fund can provide access to capital and assets for poverty graduation.
- The vertical program and its implementation require the extensive involvement of the provincial government (departments, agencies, and district administration) beyond their provincial priority obligations.
- No exist strategy, there is an incremental increase in the number of target beneficiaries
- Lack of infrastructure and female staff at the Tehsil level
- Limited outreach at the local level to create awareness among beneficiaries about available support services.
- Lack of coordination between the Federal & Provincial Governments to avoid duplication of efforts/resources and imposition of the vertical program of Ehsaas Kafalat through the district administration
- Pakistan Bait-ul-Mal (PBM) Fault-Lines

- Although PBM and BSP are under the same Federal Ministry, there is no coordination among the departments, and both are working in silos. For instance, during the 2025 Ramadan, PDM was distributing iftar while BISP was also distributing Ramadan Rashan.
- Absence of link with the dynamic National Socio-Economic Registry for efficient identification and effective targeting of potential beneficiary groups
- Lack of coordination with other social protection safety net implementing agencies to provide unified services to the targeted population. While PBM provides funding for the treatment of life-threatening diseases, it is not linked with BISP. Therefore, if a beneficiary requires treatment, they must register separately with PBM. Resource constraints result in a small assistance allowance.
- Lack of Validity of beneficiaries' data and a difficult registration process involving verifications from the local district administration and the Imam Masjid.
- The targeting mechanism is arbitrary. According to World Bank (2013), only 45 per cent of the beneficiaries of the PBM were in the lowest two quintiles; roughly 40 per cent of the recipients are in the top two quintiles (Asad syed,2015)

Provincial Departments' Fault-Lines

- The roles and responsibilities of social protection departments are not clearly defined, creating duplication of work. As social welfare departments, PBM, zakat and usher Department and social protection authorities are all working in silos.
- Lack of funds availability for various ongoing programs, while new initiatives are being introduced, creating redundancies in the system. Lack of focus on strengthening existing initiatives
- Lack of integration and coordination among social protection implementing agencies
- Lack of a dynamically updated Socioeconomic Registry and centralised data. However, it can be compiled by collecting information from the local offices of various organisations working at the grassroots level.
- Lack of digital integration of departments as they do not have access to the assistive functions of NADRA, PTA, and FIA for real-time filtration, which are currently managed by the Federal government.
- Limited institutional capacity because of a lack of training and modernisation efforts.
- The new social protection policy is widely delinked from the existing social welfare department

- Initiatives of one government become a burden for the next government because each government pursues De novo programs for social protection benefiting their own political manifesto.

Case Study of Education Stipend - Duplication of Incentives

The BISP Waseela-e-Taleem (WeT) program provides a conditional cash transfer to school-going male and female children of beneficiaries, subject to a minimum 70% school attendance rate[7]. Currently, 3,164,860[8] enrolled children of beneficiaries, both boys and girls, in primary, secondary, and higher secondary schools in KP are receiving education stipend payments. However, in parallel, the Elementary and Secondary Education (E&ES) Department in KP under the Girls Stipend Program is also providing education stipends to all girls with 80% attendance in government schools. Moreover, the provincial government verifies attendance through the education monitoring authority and provides them with motorbikes, mobile phones and fuel. At the same time, BISP has also hired more than 1000 social mobilisation officers across Pakistan on a contractual basis and provided them with motorbikes and tablets to visit schools for attendance verification. While the government schools, where attendance is checked, remain the same, it is a duplication of efforts and resources. Coordination and cooperation with local and provincial education would have presented a cost-benefit option for BISP, leading to improved accountability at both levels.

Challenge

There is no mechanism to verify and ensure that the stipend is not paid to the same students from both the BISP and the KP government, as there is no data sharing mechanism.

International Best Practices

Social protection cash transfer programs first gained popularity in Latin American countries in the 1990s, as various initiatives were implemented to protect the vulnerable population from inflation caused by IMF structural loans and to safeguard national human capital development. However, social protection programs exist in various forms across Latin America, Asia, and Africa today, including cash transfers, food-for-work programs, insurance, and other benefits.

---

[7]https://www.bisp.gov.pk/Detail/YzNlY2Q2ZGYtNjIwZS00MjNiLWFhMmEtZGM5NWNkMjZhMjQ3

[8] Data provided by KP Regional office of BISP

Country	**Program Name**	**Type**	**Target Group**	**Key Features**	**Impact / Outcomes**
India	**Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)**	Public Works / Employment Guarantee, social insurance and health	Rural unemployed families, old age women, youth	100 days of guaranteed wage employment per year	SP coverage doubled from 24.4% in 2021 to 48.8% in 2024[9]
Bangladesh	**National Social Protection Strategy**	Social Pensions, trainings and micro-credits to ensure access to capital and assets.	Elderly, widows, disabled below poverty line, women and transgender. Reduced gender gap	Focuses on capacity building of ultra-poor by linking them to BRAC and ensuring self-employment through micro-credit, coaching and mentoring.	50% population benefits from at least one program[10]
Brazil	**Bolsa Família**	Conditional Cash Transfer	Low-income families	Conditional on education, health, inter-sectoral and decentralization	26% Brazilian population with $ 33 billion budget[11]

[9] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2115391
[10] https://socialprotection.gov.bd/wp-content/uploads/2024/04/Bangladesh-CODI-Country-Report-9.4.pdf, pg-7
[11] https://policybasket.endhungerandpoverty.org/index.php/Brazil:_Bolsa_Fam%C3%ADlia

Policy, Project, Program and Finance Analysis

Dimensions	Federal Level	Punjab	Sindh	Khyber Pakhtunkhwa	AJK
Annual Funds 2023-2024	404.48 B	29.52 B	165.88 B	17.97 B	9.0 B (seed money)
Legal Framework	BISP Act (2010), Pakistan Bait-ul-Maal Act of 1991, Zakat and Ushr Ordinance 1980	Punjab Social Protection Authority Act, 2015	Sindh Social Protection Authority Act, 2022	Child Protection and welfare Act 2010	Azad Jammu and Kashmir Social Protection Vulnerable Population Ordinance, 2024, AJK Zakat U Usher Ordinance 1980
Policy Framework	Multiple national strategies (PBM, BISP)	Punjab Social Protection Policy (2015)	Sindh Social Protection Strategy (2021)	KP Social Protection Strategy (2021–2030)	AJK Social Protection Vulnerable Population Ordinance,2024
Key Institution	M/o Poverty Alleviation and Social Safety, BISP, PBM	Punjab Social Protection Authority (PSPA), PHCIP, Punjab social welfare Dept, Punjab Zakat & Ushr Dept	Department of Social Welfare, Sindh Social Protection Authority, Sindh Zakat and Ushr Dept.	Social Welfare Dept, KP Zakat and Ushr Dept, KP Social Protection Policy Unit	Social welfare and women development dept.
Flagship Programs	**BISP**: Unconditional (UCT) and Conditional Cash Transfer (CCT) education and health, **PBM** Langar Khanas, treatment for life threatening diseases	**Zewar-e-Taleem**: Conditional transfers for girls' education **Ba-himat Buzurg Program,** Nayee Zindagi Program for Acid Attack survivor, **PHCIP**: Health and nutrition (WB-funded)	**Mother & Child Support Program** **Disability Cash Transfers**	**Zamung Kor**: Support for orphans **KP Ehsaas (provincial)**: Cash transfers **Sehat Card**: Universal health coverage	Poor/Transgender, Widow/Divorced woman and elderly over 65 years of age, who is abandoned and has no ascertainable means of support or begs on street for living

Technology & Tools	**NADRA** integration **Biometric** verification **Mobile** payments **Dynamic** registries (NSER)	**PSPA's** own MIS, biometric data collection **Collaboration** with NADRA limited	Weak MIS Limited biometric/IT tools Fragmented data systems	Sehat Card uses NADRA; Limited Zakat MIS, other schemes fragmented	Data collected from BISP
Coordination with Federal Level	No coordination among BISP, PBM, and Poverty Alleviation Fund though under same Ministry	Limited data sharing BISP, but overlaps and data silos	Poor coordination: programs run in silos	Limited cooperation but data gate keeping by Federal govt	Limited coordination
Monitoring & Evaluation	BISP M&E Dept exists but lacks provincial feedback integration	Weak M&E at district level; minimal independent audits	Weak M&E and accountability mechanisms	Minimal M&E especially in tribal districts	Weak M&E
Inclusion of Vulnerable Groups	Once married women and transgender for BISP and need and program-based inclusion in PBM	Focus on elderly and girls, differently abled, acid attack survivor	Focus on women, differently abled, transgender	**SP**: Senior citizen, women, children, differently abled. Sehat Sahulat for all citizen	Transgender, elderly, women

Stakeholders Analysis

Stakeholder	Role	Interest	Power	Gaps Identified	Reform Role
Federal Government (e.g. Ministry of Poverty Alleviation, BISP, Pakistan Bait-ul-Mal)	Formulate policies, oversee programs, allocate budgets, coordinate with provinces for implementation	High (poverty reduction, political credibility, SDGs)	High (Controls policy, funding, design)	Policy incoherence, centralization of funds, resources and data, limited coverage	Lead unified framework, establish coordination mechanism, increase funding, decentralization, technological integration
Provincial Governments	Implement devolved programs, manage local delivery, adapt to regional needs, provision of welfare services	High (local poverty alleviation, political support)	High (implementation in field, main beneficiaries are in provinces).	Lack of coordination within institutions and with Federal government, limited institutional capacity, weak delivery due to non-sharing of data by Federal, limited funding, creating new institutions without strengthening existing structures	Align with national framework, strengthen capacity, tailor programs
Local Government Bodies	Facilitate last-mile delivery, enrolment, grievance redressed, social mobilization	Moderate (local development, implementation).	Low (limited autonomy, resource-dependent).	Implementation bottlenecks, weak institutional capacity, Corruption	Enhance training, improve infrastructure, increase participation, devolution of resources.
Beneficiaries (Rural Communities, Informal Workers, Minorities, Transgender Persons, beneficiaries' committees)	Primary recipients, provide feedback, community development, behaviour change	High (direct beneficiaries seeking inclusion resilience).	Low (limited policy influence).	Non-inclusive coverage, alienation in policy cycle, social and administrative exclusion	Engage via awareness, mobile enrolment, inclusive design, community mobilization, participatory approach

Implementing Agencies (NADRA, BISP, local government, Provincial SP authorities and social welfare departments)	Manage enrolment, verification, disbursements, outreach.	High (operational efficiency, funding).	High (implementation).	Limited data coverage, financial leakages, corruption, weak monitoring, limited facilities, fewer female officers/officials	Leverage digital tools, capacity building, improve databases, expand outreach, ensure transparency
International Donors and Development Partners (World Bank, WHO, ADB)	Provide funding, technical assistance, governance frameworks, policy guidance, monitoring and evaluation	Moderate (effective fund utilisation, implementation international goals).	High (influence via funding, recommendations)	Aloofness from local sociocultural realities, setting national policy direction	Negotiation of agreements by the Federal govt must consider local realities and need for self-reliance

Issues and Challenges

After detailed study, visits and analysis, this groups considers that the root cause of all issues and challenges is political interest. Hickey (2008) explains politics in development as the lives of people, especially the large population of vulnerable poor, are shaped by politics, which aggravates their vulnerabilities and weakens their sense of dignity. The use of social protection programs for political goals in Brazil has been explained above. The issues and challenges identified are detailed below:

Federal Level

1. Tug of war between the federal and provincial governments
2. Social welfare, women's empowerment, labour, and education are devolved subjects that are the focus of BISP.
3. Zakat is a devolved subject, but it is collected federally and distributed to provinces.
4. The duplication of authorities and departments at the federal and provincial levels after devolution, like Zakat Council are resource burden on state
5. Data gatekeeping by strict data sharing protocols impacts service delivery. Thus, no database integration pushes provinces to build their own databases.
6. Duplication of programs and parallel initiatives at the Federal and Provincial levels
7. Absence of poverty graduation programs.

Provincial Level

1. Fail to manage and organise their own data, despite multiple activities ongoing in the field to provide services and information to households, which are maintained locally at various levels by different institutions. However, this data is never compiled and organised in a uniform way to operate in an organised manner. Represents the lack of will and reluctance in providing services in a data-driven way, as that reduces discretion and favouritism. There are intended loopholes in the system.
2. There is a trust deficit between federal and provincial governments, as well as among various institutions.
3. Sidelining existing social welfare and zakat departments with the creation of new social protection authorities, while welfare departments struggle with resource deficiency
4. Redundancy as existing institutions are neglected while new ones are created. No money to provide support for old age benefits by social welfare department after all data collection but new social protection authority has been created
5. Competing political interests and political labelling of social protection programs

Local Level

1. Limited grassroots level footprint, causing high cost of time and travel for beneficiaries
2. Absence of a gender-sensitive and inclusive approach, as there is a fewer number of female employees to deal with many female beneficiaries.
3. Centralisation of resources and decision-making hinders devolution to the local level.
4. Financial leakages and corruption in the cash disbursement delivery system at the local level.

Conclusion

While social protection and state welfare safeguard the vulnerable, they have remained highly politically contentious subjects, even in the developed Global North, including the United States, Britain, and other European countries. Pakistan employed a combination of contributory and non-contributory approaches towards welfare through pensions, insurance, EOBI, and zakat services. However, the social protection cash transfers were initiated by establishing the BISP in 2008 with the support of international financial institutions (IFIS). Although it provides support to millions of households, its impact on reducing poverty is limited, as its scope is primarily focused on consumption smoothing, safeguarding against negative coping strategies, and breaking the cycle of intergenerational poverty through education and nutrition support.

Provincial governments are now introducing the same social protection cash transfer model through social protection policies and social protection authorities. However, this newly developed fascination with social protection has side-lined the existing social welfare departments, zakat departments and other initiatives which were already struggling after devolution. Thus, creating duplication of work and wastage of resources with limited to no impact on poverty reduction. Regional office BISP KP, informed that there are 52 similar projects and initiative in KP by provincial government in parallel with BISP. Issues and challenges exist at the policy, administrative, and implementation levels, with no unified policy, strategy, or plan in place to address poverty reduction. However, even when studying international best practices, many reports have concluded that expectations for cash transfers to pull people out of poverty have remained overly ambitious (Borga & D'Ambrosio, 2021). This has been particularly true in Latin American countries and many parts of the Global South, where it has led to increased government indebtedness.

The adoption and implementation of social protection cash transfers should not rely solely on IFIs like the World Bank and IMF; rather, for sustainability, they should be informed by the Islamic concepts of equality and fair distribution. Islam established the sustainable social protection cash transfer system, Zakat, 1400 years ago, which does not merely burden the state but emphasises individual responsibilities to provide for the needy and vulnerable people, ultimately promoting social cohesion without bankrupting the national economy. Even today, the zakat system is administratively in place at the village neighbourhood council at the grassroots level, whereas even BISP offices have only a tehsil-level administrative setup.

Recommendations

Federal Level

1. Economic development for poverty reduction. Poverty cannot be reduced solely through cash transfers and welfare programs, as this requires sustained economic growth. China did not pull people out of poverty through social protection, but rather by creating work and job opportunities in a growing economy.
2. Incorporate crisis resilience in social protection programs at all levels. The Pakistani vulnerable population has high risks of climate-related disasters and man-made disasters like terrorism. These disasters push people back into poverty, and all the gains made over time by the departments were lost. Hence, incorporating risk factors in social protection planning and implementation at all levels is compulsory. Social insurance and saving schemes are critical to building the resilience of these communities.
3. Poverty graduation planning, and initiatives for cash transfer beneficiaries. The missing link in poverty graduation is crucial for reducing poverty. It requires skill training, financial literacy programs, asset transfer, and access to capital, along with continuous mentoring and support. Cash transfers are temporary measures, but real transformation requires poverty graduation initiatives.
4. National Social Protection coordination framework for the implementation of unified strategies under M/o PASS
5. Complete unfinished devolution agenda to streamline resources and remove duplications and redundancies.
6. BISP programs should be transferred to provincial social protection authorities/departments. BISP KP regional office informed that Nashonuma is already being transferred to the provincial government in Punjab.
7. Nationally integrated socio-economic database by integrating NADRA and all provinces. The CNIC could be a social protection identification number.
8. Remove political labelling to improve ownership of social protection programs for the collective social development of vulnerable people.
9. National dialogue to streamline efforts and resources by planning poverty reduction policy with HDI and SDG targets in consultation with provinces

Provincial Level

1. Establish standardised provincial data hubs for all social protection and welfare services which is also then linked with nation database.
2. Optimal utilisation of existing resources, rather than mobilising new resources, is required, as various departments have existing structures and personnel that are underutilised.
3. The commitments and targets of the SDGs and HDIs must be integrated into the KPIS of social welfare and social protection departments to evaluate impact and progress.
4. Strengthen the social welfare and zakat department with financial, technological, and human resources, along with enhanced oversight and monitoring, to improve service delivery at the grassroots level.

Local Level

1. Invest in local training, infrastructure, and community participation, and clarify legal roles.
2. Strengthen Monitoring and Evaluation by involving other provincial government and zakat department officials with grassroots-level presence to develop real-time databases and robust evaluation frameworks.
3. Posting of female staff at local offices.
4. Prevention of corruption and leakages by creating awareness and imparting digital financial literacy training at the community level, such as beneficiary committees.

Operational Plan

Actions	Responsibility	Timeliness	Resources Needed	KPIs
Nationally integrated socio-economic database	Federal govt, provinces, NADRA, and health dept	8 - 12 months	Existing budget, support from WB as NSER was built with their support	Checking existing databases, unifying those and link with NSER, Provinces update data to their extent.
Transfer BISP programs to Provincial SP authorities	Federal govt	12- 18 months	manpower transferred to provinces along with building and finances	Linking the existing database grassroots level, Phase wise transfer like CCT Health
National dialogue poverty reduction policy road map	Federal, provincial and AJK	4-8 months	Political will	Identify all current operational programs at all level, setting agenda with SDG

				targets
Remove political labelling to improve ownership	Federal and provincial govts	4 – 8 months	Federal and provincial govts	To remove overlapping and redundancies
Poverty Graduation Program by developing synergies	Federal and Provincial govt	12-18 months	Agreements with government entities to prevent fraud, strengthen TEVTAs, PAF resources	Training of 1000 beneficiaries across Pakistan and asset transfer in 6 months

Complete Functional devolution to reduce duplication	Federal govt	12-24 months		To have effective implementation to the grassroots level
CNIC as SP identification number.	Federal and provincial govt	12-18 months	Available budget	Benefit to everyone without any political patronage
Establish standardised provincial data hubs	Provincial govt	12-18 months	Special allocation by finance	Streamline data at 5 district level in 6 months as pilot
Streamline and strengthen all provincial departments and authorities of SP, welfare and zakat	Provincial govt	12-18 months	Existing budget and PND	Identify overlapping and similar programs in 3 months and streamline
Integrate HDI and SDG targets into KPIs	Federal and provincial govts	8-12 months	PND and Finance dept	Revise existing KPIs in 6 months
Posting female staff in local offices	Provincial govt	6-12 months	Social welfare dept. with concurrence of respective finance dept.	Hire female staff on vacant posts in field in next 6 months
Improve M&E to prevent corruption and financial leakages	Federal and provincial govt	6-12 months	Respective depts. of social welfare, zakat and SP	To work efficiently and in true letter and spirit as envisaged there in

Outreach to beneficiaries to increase awareness	Federal and provincial govt	18-24 months	Respective depts.	Digital and Financial literacy training to 1000 beneficiaries in each provinces in next 6 months
Strengthen human resource, infrastructure and facilities at local level	Provincial govt	4-8 months	Concerned dept. having financial concurrence	Ensure provision of electricity backup in all south KP tehsil offices of BISP in 6 months

Reference:

1. Barrientos, A., & Hulme, D. (2008). Social Protection for the Poor and Poorest: An Introduction. In A. Barrientos & D. Hulme (Eds.), *Social Protection for the Poor and Poorest: Concepts, Policies and Politics* (pp. 3–24). Palgrave Macmillan UK. https://doi.org/10.1057/978-0-230-58309-2_1
2. Borga, L. G., & D'Ambrosio, C. (2021). Social protection and multidimensional poverty: Lessons from Ethiopia, India and Peru. *World Development*, *147*, 105634. https://doi.org/10.1016/j.worlddev.2021.105634
3. Hall, A. (2006). From Fome Zero to Bolsa Família: Social Policies and Poverty Alleviation under Lula. *Journal of Latin American Studies*, *38*(4), 689–709. https://doi.org/10.1017/S0022216X0600157X
4. Hickey, S. (2008). The return of politics in development studies I: Getting lost within the poverty agenda? *Progress in Development Studies*, *8*(4), 349–358. https://doi.org/10.1177/146499340800800405
5. ILO. (2011). *Social security: Issues, challenges and prospects*. https://webapps.ilo.org/public/english/standards/relm/ilc/ilc89/pdf/rep-vi.pdf
6. Midgley, J. (2012). Social Protection and Social Policy: Key Issues and Debates. *Journal of Policy Practice*, *11*(1–2), 8–24. https://doi.org/10.1080/15588742.2012.624061
7. Rehman, M. U., Zehra, A. T., & Chatta, H. N. (2020). *Status of Social Protection in Pakistan* (p. 72). Social Protection Resource Centre. https://www.sprc.org.pk/wp-content/uploads/2020/12/State-of-Social-Protection-in-Pakistan-2020.pdf
8. World Bank. (2021, June 30). *Development Projects: Pakistan Crisis-Resilient Social Protection (CRISP) - P174484* [Text/HTML]. World Bank. https://projects.worldbank.org/en/projects-operations/project-detail/P174484

Policy Implementation Gaps and Institutional Fault lines in the context of the Erosion of Purchasing Power of the common Citizens and its Impact on Poverty in Pakistan

Ikhlaq Ahmed[1], Ali Faisal[2], Waqas Ahmed Zia[3], Mr. Shabidullah Wazir[4], Dr. Muqeem ul Islam[5]

KJPP

Citation:
Ahmed, I., Faisal, A., Zia, W. A., Wazir, S., & Islam, M. U. (2025). Policy implementation gaps and institutional fault lines in the context of the erosion of purchasing power of the common citizens and its impact on poverty in Pakistan. Khyber Journal of Public Policy, 4*(2), PP. 26-57*

Article Info:
Received: 15/05/2025
Revised: 20/05/2025
Accepted: 25/05/2025
Published:31/05/2025

Disclaimer:
The opinions expressed in this publication do not implicitly or explicitly reflect the opinions or views of the editors, members, employees, or the organization. The mention of individuals or entities and the materials presented in this publication do not imply any opinion by the editors or employees regarding the legal status of any opinion, area, territory, institution, or individual, nor do they guarantee the accuracy, completeness, or suitability of any content or references.

Copy Right Statement:
© 2022 Khyber Journal of Public Policy
This work is licensed under a Creative Commons Attribution 4.0 International License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Abstract:

In 2023, Pakistan experienced record-high inflation that plunged millions into poverty. Although inflation has now declined to below 1%, the country remains among the top five with the highest number of multi dimensionally poor individuals. This study highlights how sustained inflation eroded citizens' purchasing power and increased vulnerability to economic shocks, as confirmed by an online survey. Despite increased federal and provincial spending on social protection, gaps persist at macro and subnational levels. The research emphasizes the need for greater policy coordination—especially between fiscal and monetary strategies—to enhance government capacity for inflation control and pro-poor spending. It also underscores the inadequacy of current protections for informal workers. The study recommends a "whole of the government" approach and the adoption of an integrated Cost of Living Framework, including CPI-indexed social protection, to mitigate inflation-induced poverty and safeguard the purchasing power of vulnerable populations.

Key words: *Inflation, Poverty, Social Protection, Fiscal Policy, Cost of Living Framework*

[1] *Provincial Management Service (PMS-KP), Email: pmsofficerkpk@gmail.com*
[2] *Office Management Group (OMG) , Email: alifaisal41@gmail.com*
[3] *Secretariat Service Government of AJ&K , Email: waqaszia9999@gmail.com*
[4] *Faculty Advisor, National Institute of Management Peshawar, Email: Shabidullahpid@gmail.com*
[5] *Chief Instructor, National Institute of Public Administration Peshawar, Email: muqeemz@gmail.com*

Introduction

In recent years, consistent inflationary pressures have eroded the purchasing power of common citizens in Pakistan. The most affected from this phenomenon are the low- and middle-income segments of the population. This has further been compounded by stagnant wages, rising unemployment, and reduced affordability of basic goods and services which in turn has aggravated the poverty levels. According to a recently published news report Pakistan is among the top most 5 countries with the highest number of people living as multidimensional poor (Arab News, 2025). Among the provinces, KP has the second highest number of multidimensional poor after Baluchistan (UNDP 2023). The increasing cost of living has severely undermined the capacity of households to meet essential needs, including food, health, housing, and education. This deterioration in economic welfare is particularly visible in the widening gap between nominal incomes and actual living costs, pushing millions closer to the poverty threshold.

Since 2020, inflation has risen as the most daunting economic challenge in Pakistan but it did not arise in isolation. In fact, it was driven by the global inflationary pressures after Covid 19. Moreover, the measures taken by the government to control fiscal and current account deficits further pushed the inflation. The situation particularly became grave in May 2023 when the food and the non-food components of the inflation spiked to 38% (Economic Survey of Pakistan, 2024, p.107). Resultantly the prices of perishable food items, both in rural and urban areas significantly rose and according to an estimate pushed around 12.5 million Pakistanis into poverty as poverty rose from 34.2% in 2022 to 39.4% in 2023 (Business Recorder, 2023). Nominal wage also could not keep pace with the inflation as the growth vs inflation stood at 15% to 38%, respectively, leading to around 23% real income loss (GIDS, 2025).

Although, inflation has gradually declined but vulnerable groups such as women, children, and informal sector workers remain disproportionately impacted with rising food insecurity and educational dropout rates becoming distressingly common. These socio-economic stresses demand not just reactive interventions but systemic reforms based on evidence and accountability.

Despite successive policy efforts aimed at controlling high inflation and its impact on inter-generational poverty, it is reported that the inflation driven poverty results from a range of structural gaps like supply side bottlenecks, fiscal- monetary misalignment, poor monitoring of inflation and inadequate safety nets etc. (Dawn, 2024). Government often relies on social protection schemes to shield the common man but social protection schemes, though expanding in scope, are often short-term, politically driven, and insufficiently indexed to inflationary trends.

The Government feeling the urgency to evaluate the fault lines in institutional architecture, policy execution, and intergovernmental collaboration has constituted a Task Force under Minister Finance. The task force has been mandated to propose reforms in order to improve the effectiveness of programs for protection of purchasing power of the public from inflation-induced poverty.

Important Concepts

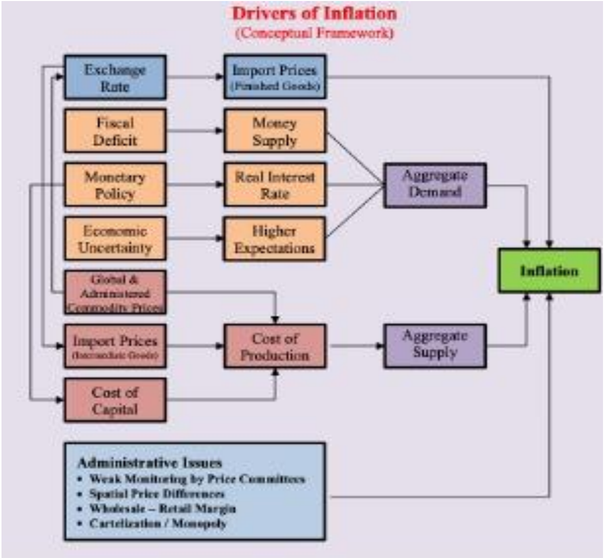
Understanding core economic and policy concepts is essential for analyzing how inflation erodes the purchasing power of citizens and how social protection frameworks can respond. The following key terms form the basis of this study:

Consumer Price Index (CPI)*:* CPI is a statistical measure that tracks the average change over time in the prices of a fixed basket of goods and services typically consumed by households. It is vital for measuring inflation, adjusting incomes, and designing targeted subsidies. In Pakistan, CPI data is published monthly by the Pakistan Bureau of Statistics (PBS) and reviewed biannually in the IMF's World Economic Outlook.

Sensitive Price Index (SPI)*:* is computed weekly to assess the price movements of essential commodities at a short interval of time to review the price situation in the country. SPI comprises 51 essential items, and the prices are collected from 50 markets in 17 cities/urban centers of the country.

Inflation*:* Inflation refers to the general rise in the prices of goods and services over time, which reduces the real value of money. In the context of Pakistan, high inflation directly affects the cost of living, especially for fixed-income and vulnerable households. Inflation trends are reported monthly by the State Bank of Pakistan (SBP), quarterly by the World Bank, and biannually by the IMF. Inflation is a complex phenomenon and many drivers contribute to it.

A conceptual framework of inflation from Economic Survey of Pakistan is explained as below:



Purchasing Power*:* This concept reflects the amount of goods or services a unit of currency can buy. Declining purchasing power indicates increased economic stress and reduced consumption capacity for the average citizen. The World Bank and ADB track purchasing power trends and issue annual and regional updates.

Multidimensional Poverty Index (MPI)*:* The MPI extends beyond income measures by incorporating deprivations in education, health, and living standards. It is crucial for understanding how inflation interacts with non-income aspects of poverty. The UNDP and Oxford Poverty and Human Development Initiative (OPHI) publish annual MPI reports.

Social Protection*:* Social protection includes all public and private mechanisms that offer income support and access to essential services, especially during periods of economic volatility. Effective social protection is critical for mitigating the impact of inflation on the poor and vulnerable. The ILO (International Labour Organization) and World Bank track social protection metrics annually through global and national reporting.

Theoretical Framework

The following two theoretical approaches may help us understand the correlation between the inflation and poverty.

Monetary Theory

The core idea behind this theory is that Inflation is a monetary phenomenon driven by excessive money supply growth related to economic output. It is linked to poverty because the wages of the workers cannot keep pace with the prices, which in turn reduces incomes.

Moreover, high inflation leads to high policy rates, which in turn limits credit access to the low-income households and small enterprises. For instance, in Pakistan, a 1% increase in inflation raised poverty by 0.3% over 1972–2008, while economic growth decreased it (Chani et.al, 2011).

Social Contract Theory

This study is also informed by theoretical framework of the social contract theory, which states that the legitimacy of the state rests on its ability to ensure the welfare and protection of its citizens (Rawls, 1971). Within this framework, social protection is not merely a discretionary policy choice but a fundamental right and institutional responsibility.

Statement of the Problem

The Government of Pakistan has undertaken several measures to protect the citizens from the inflation related poverty. However, media reports suggest that substantial proportion of population is vulnerable to a wide spectrum of economic shocks. Therefore, a task force under the Federal Finance Minister has been constituted to examine the legal and institutional frameworks at all tiers of government in order to identify policy gaps and institutional fault lines and to propose viable, systemic reforms to address the same.

Scope

This study is undertaken by a task force mandated to identify policy/legal gaps and institutional fault lines that have exacerbated the erosion of purchasing power among Pakistan's common citizens and intensified poverty. The scope of the study is to study the legal and institutional framework at national and sub-national level (KP as a case study). Given recent economic volatility, analysis will focus on the post COVID-19 pandemic period.

The study will assess current situation of inflation in Pakistan, its impact on common citizen, and Policy instruments used at national level to manage inflation. The study will also examine the measures such as BISP, provincial initiatives such as SHPI, and targeted subsidies etc.

Undertaken by the Government at various levels to protect the citizens' purchasing power. Importantly, the task force also aims to explore whether adequate legal and institutional arrangements exist to extend protection to informal economy workers. Informal workers constitute the majority of Pakistan's labor force but often fall outside conventional welfare nets targeted at poor.

The limitation of the study includes the unavailability of data related to informal workers and the time constraints.

Significance of the Study

The significance of this study lies in its potential to reinforce the constitutional obligation of the state to safeguard its citizens against poverty and economic vulnerability and its commitment vis-à-vis SDG 1 related to alleviation of poverty in all its forms. Article 38(d) of the Constitution of Pakistan mandates the state to "provide basic necessities of life, such as food, clothing, housing, education and medical relief, for all such citizens, irrespective of sex, caste, creed or race, as are permanently or temporarily unable to earn their livelihood on account of infirmity, sickness or unemployment." Moreover, Article 37 of the Constitution of Pakistan emphasizes the state's duty to promote social justice and provide equitable opportunities for all to lead a dignified life.

Analyzing the gaps in policy implementation and institutional design helps determine whether the state is effectively discharging this duty to protect the eroding purchasing power of its citizens by protecting them through preventive measures of controlling high inflation and reactive measures of putting in place adequate social protection measures. By identifying deficiencies that can potentially hinder these goals, the study contributes to the broader goal of making governance more equitable, responsive, and rights-based.

Methodology

This study employs a mixed-method approach, combining both primary and secondary data to analyze the impact of eroding purchasing power on poverty and the effectiveness of social protection frameworks. Primary data was collected through a structured online Google Form survey, with responses received from around 240 participants across various socioeconomic backgrounds. In addition, in-person interviews were conducted with the Secretary of the Workers Welfare Board and the CEO of the Social Health Protection Initiative.

Telephonic interviews were held with the Director Labour, Khyber Pakhtunkhwa, and the Secretary of the Employees Social Security Institution (ESSI) to gather insights on the status and challenges related to labour force.

Secondary data was drawn from official government publications, grey literature, news articles, academic journals, and reports from reputable organizations such as the World Bank, ILO, and UNDP. This triangulation of data enhances the credibility and depth of analysis.

The mixed-method approach is well-established in the literature as effective for examining complex socio-economic phenomena such as poverty and inflation.

Literature Review

The relationship between inflation and household welfare has been extensively studied in development economics and public policy literature. Inflation, particularly in developing economies like Pakistan, acts as a regressive force disproportionately affecting lower-income households that allocate a larger portion of their income toward basic needs such as food, transportation, and utilities (Easterly & Fischer, 2001). The erosion of purchasing power during inflationary periods leads to an immediate decline in consumption, increased reliance on informal credit, and compromised access to essential services.

A study by Haan and Sturm (2017) demonstrates that inflation volatility not only distorts real incomes but also triggers uncertainty that deters household-level investments in health, education, and asset-building. In Pakistan's context, food inflation has often outpaced general CPI, affecting the nutritional intake and health outcomes of vulnerable populations (Malik & Sadiq, 2022).

Furthermore, inflation undermines the real value of fixed cash transfers, such as social safety nets, unless they are inflation-indexed or periodically adjusted. This depreciation of transfer value weakens the protective effect of social protection programs and erodes public trust in welfare systems (ILO, 2021).

However, the literature also highlights the critical role that social protection can play in cushioning the impact of inflation. According to Gentilini et al. (2022), adaptive and well-targeted social protection systems can serve as automatic stabilizers injecting purchasing power into the economy during crises and preventing vulnerable households from falling deeper into poverty. Conditional and unconditional cash transfers, if adequately funded and adjusted for inflation, have shown to reduce poverty headcount ratios and stabilize food consumption (Bastagli et al., 2016).

In countries like Brazil (Bolsa Família) and Bangladesh (Social Safety Net Strategy), indexed cash transfers and in-kind support during inflationary spikes have proven successful in maintaining minimum living standards.

Pakistan's Ehsaas Emergency Cash Programme, launched during the COVID-19 crisis, demonstrated the power of digital infrastructure in rapidly delivering assistance during inflation-driven economic shocks (Nishtar, 2020).
Thus, literature converges on the idea that while inflation directly undermines household welfare, robust and inflation-sensitive social protection systems are critical tools for mitigation. They not only enhance resilience but also ensure equity and macroeconomic stability.

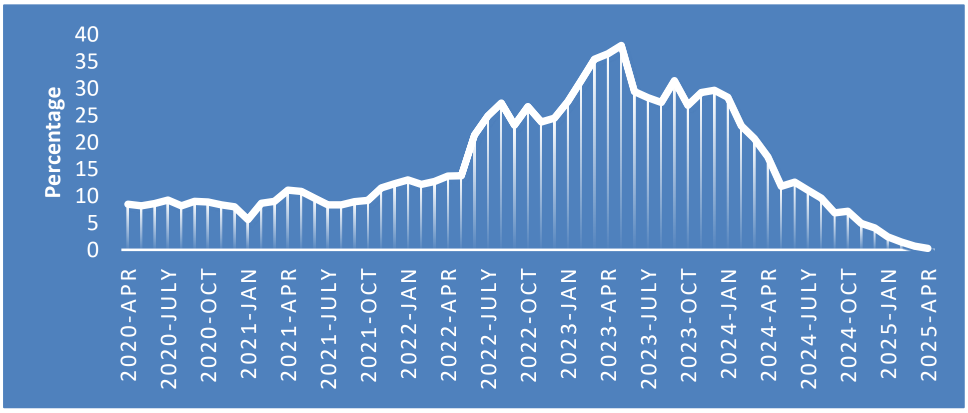
Analysis

Situational Analysis

A comprehensive situational analysis is essential to understand the scale, depth, and drivers of the erosion in purchasing power of Pakistan's citizens. It allows for evidence-based identification of the economic pressures households face, the poverty impacts that follow, and the gaps in policy and institutional responses. Such clarity is a prerequisite for recommending pragmatic and targeted reforms in the country's social protection and fiscal governance structures.

Inflation Post-COVID

Since the onset of the COVID-19 pandemic, Pakistan has experienced heightened and prolonged inflationary pressures, with both demand and supply side dynamics at play. The economic contraction caused by the pandemic was followed by expansionary fiscal measures, global commodity price shocks, and local currency depreciation, all of which fueled inflation. The Consumer Price Index (CPI) rose significantly during 2022 and peaked in 2023 at over 30%, marking the highest level in six decades (PBS, 2025).
A graph showing the trend from April 2020, till April 2025, based on the data obtained from the PBS is given below:



Although CPI inflation moderated to 17.3% in April 2024, year-to-date average inflation remained elevated at 26%, well above historical norms (Government of Pakistan, 2024). The inflation burden has been especially heavy in essential categories like food, energy, and transport, contributing to reduced consumption, compromised dietary diversity, and increased reliance on informal credit among lower-income households (Masud et al., 2024).

Poverty & Rising Vulnerabilities in Pakistan

This inflationary environment has had profound implications for poverty. According to the World Bank (2025), "Brief on Equity & Poverty" 42.4% of Pakistan's population now lives below the poverty line of $3.65/day (when compared with 2017 PPP), pushing around 2 million citizens into poverty in FY 2023–24 alone. Multidimensional poverty, which accounts for deprivations in health, education, and living standards, has also worsened, with provincial incidence as high as 70% in Balochistan and 48% in Khyber Pakhtunkhwa (UNDP, 2023; PIDE, 2024).

Province	MPI Headcount (Incidence)
Balochistan	**70%**
KP	**48%**
Sindh	**45%**
Punjab	**30%**

Particularly affected are households reliant on informal sector earnings, daily wagers, and fixed-income workers whose wages are not adjusted to inflation or lack access to contributory social security. These populations are increasingly unable to afford food, healthcare, and education, threatening the country's progress on SDG targets related to poverty reduction, health, and inequality.

CPI Trends and Price Volatility

Recent data from the Pakistan Bureau of Statistics (PBS) indicates that CPI inflation has decelerated significantly, with YoY inflation declining to just 0.28% in April 2025 from 17.3% a year earlier. Urban CPI dropped to 0.54%, and Rural CPI showed a slight Year on Year (YoY) contraction of -0.10%, reflecting sharp price corrections in perishable food items like onions, tomatoes, and wheat (PBS, 2025). However, this apparent stability masks persistent structural weaknesses; the average inflation rate for July 2023 to April 2024 was a staggering 25.97%, compared to only 4.73% for the same period in 2024–25.

Moreover, key essentials remain unaffordable. For instance, sugar, butter, milk powder, and meat saw year-on-year price hikes exceeding 15-25%, while household items, education, and health services also saw steep increases. The rural economy, though showing slight relief in headline inflation, still faces high costs in critical non-food areas such as transport, energy, and medical services. These pressures continue to undermine household purchasing power and widen income inequality.

Social Protection Landscape

One of the key strategies which states employ to protect its citizens from economic shocks is the social protection. This is the very reason that the Federal Government used the term "social safety net" when it rolled out the Ehsaas Program in March 2019. Older Programs like the Benazir Income Support Program (BISP), has expanded coverage to over 9 million families, disbursing more than Rs 2 trillion since inception. BISP now includes innovations like, dynamic registries, digital wallets, and gender-sensitive conditional cash transfers. However, the Rs 10,500 (now Rs.13500) quarterly stipend remains far below the subsistence threshold of Rs 53,000/month for a healthy diet, which 82% of households cannot afford (FAO, 2024).

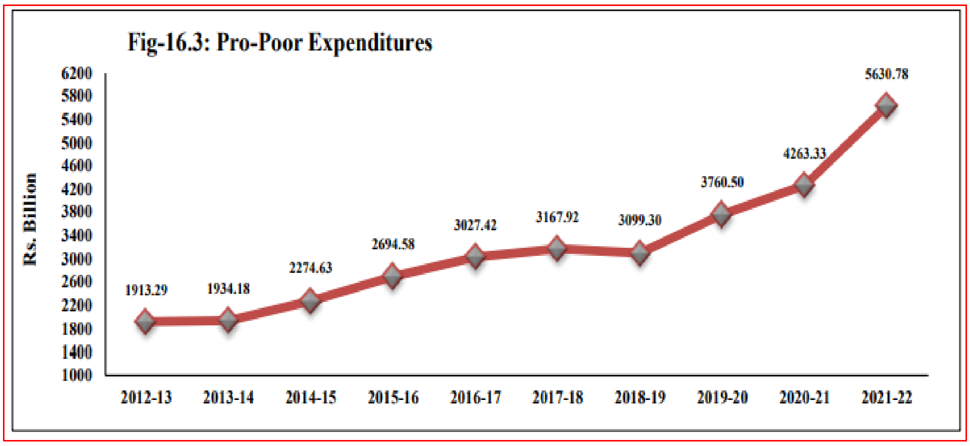
At the provincial level, Khyber Pakhtunkhwa has introduced an extensive framework as part of the KP Social Protection Strategy 2024, encompassing four key components: social assistance, social insurance, social services, and labor market interventions. Key provincial initiatives include the KP Sehat Card Plus for universal health coverage, the Girls' Stipend Programme for reducing school dropout rates, the Youth Skill Development Programme under TEVTA, and targeted cash/in-kind assistance through Zakat and Bait-ul-Mal mechanisms. Despite these efforts, fragmentation persists across over 53 programs implemented by 12 departments, lacking centralized oversight or integration (KP SP Strategy, 2024).

According to the strategy, key institutional challenges include inadequate legal frameworks, weak data systems, limited fiscal sustainability, and poor inter-agency coordination. The strategy underscores the importance of creation of an Authority to synergize the whole social protection ecosystem across all levels of the Government.

Budget position vis-à-vis Purchasing Power Protection

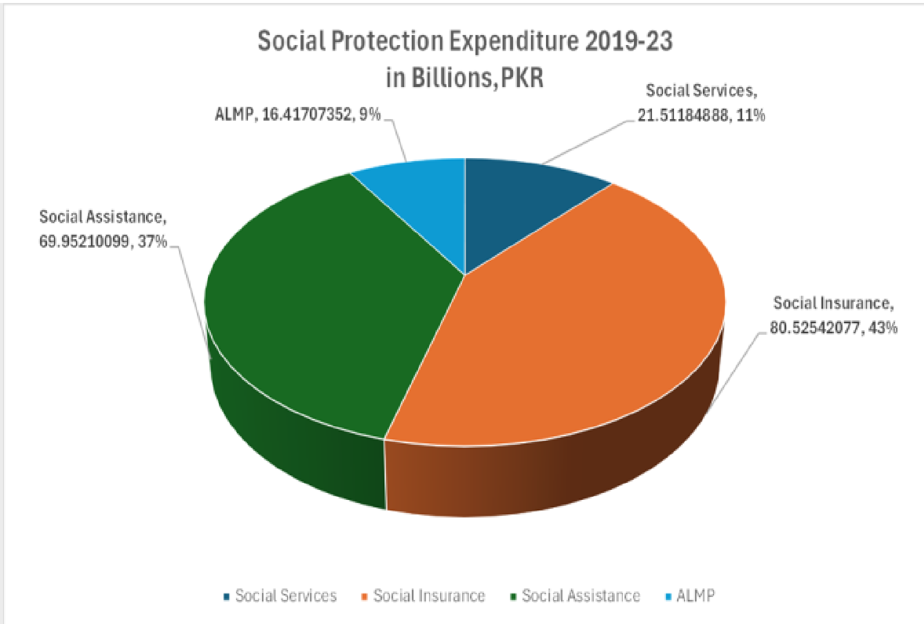
According to the Economic Survey of Pakistan Report (2023-24, p.252) Pakistan has remained vulnerable to a wide spectrum of challenges like economic crises, natural disasters, political instability, high taxes, increased prices of utilities like oil and gas which has adversely affected the cost of living for poor.

But despite all these challenges, the survey shows that the Federal Government pro poor expenditure has increased in absolute terms (including the expenditure on BISP, SDG's and Pakistan Baitul Maal).



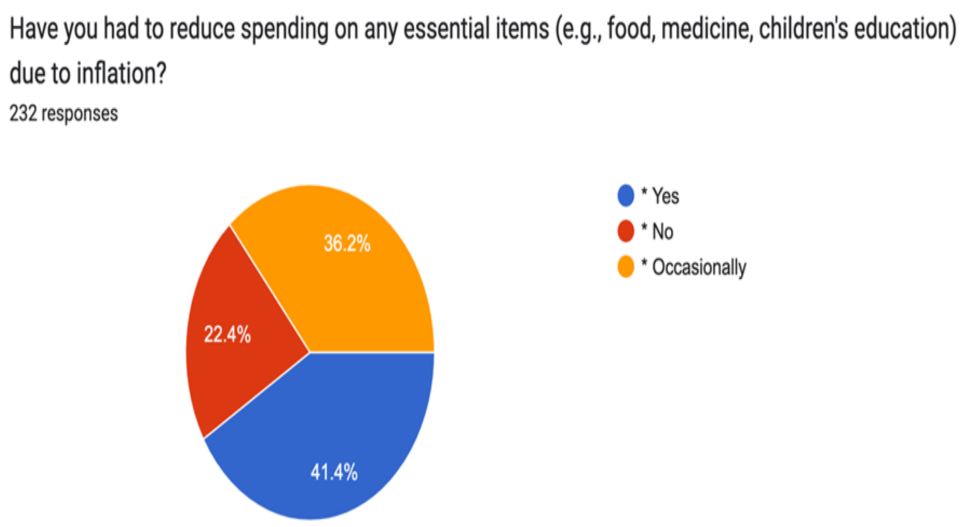
In the KP's budget for Financial Year 2024-25, the key pro poor allocations include Rs. 26.7 billion wheat subsidy, Rs. 34 billion for Sehat Insaaf Card, Rs, 9.5 billion for Social Welfare Department, including Rs.1.3 billion for development expenditure.

Moreover, the perusal of KP Social Protection Strategy (2024, p.27), shows that the GoKP has spent an amount of Rs.188.4 billion Rs across 4 major areas of social protection, i.e Social Assistance, Social Insurance, Social Services, and Active Labour Market Programs in the last 5 years. Around 43% of this expenditure has been spent under social insurance which includes Sehat Insaaf Card program. The chart below depicts the expenditure review:

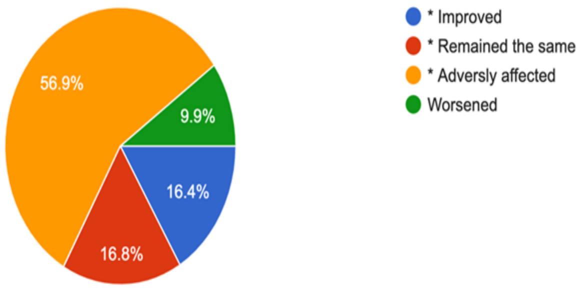


Public Perception Regarding Erosion of Purchasing Power of the Citizens

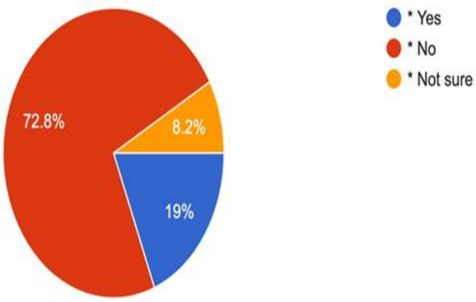
The task force conducted an online survey using google form to assess the public perception vis-à-vis the erosion of purchasing power. The results corroborate the findings given above that although the inflation figures have come down but it has not affected the common citizen's purchasing power in a positive way. Around 56.9% of total 232 responders stated that the inflation has adversely affected their ability in the last 3 years to meet daily expenses related to food, energy, rent etc. Interestingly 92.3% of the participants in the survey were earning more than Rs. 100,000 a month. Around 41.4% participants reported that they have to regularly reduce their spending on food, medicine and education while 36.2% reported that they have to reduce their expenditure occasionally to off-set the inflationary effects on their earnings. Around 79% participants reported that their income has not kept up with the rising inflation. Another interesting observation is that, despite the consistent decline in reported inflation in recent months, 72.3% participants reported that the Government is not doing much to reduce inflation. This is probably because the real feel of inflation is different from the reported inflation. Some of the most relevant observations are illustrated below: The detail responses are attached as Annex-I at the end.



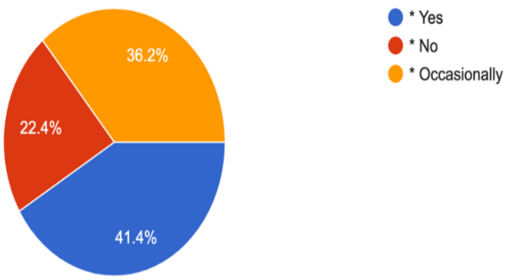
Over the last 3 years, how has your ability to meet daily expenses (e.g., food, electricity, gas, rent) changed?
232 responses



Do you feel that your income has kept up with the rising cost of living?
232 responses



Have you had to reduce spending on any essential items (e.g., food, medicine, children's education) due to inflation?
232 responses



Legal Framework Related to Inflation and Protection of Citizen's Purchasing Power

Law/Policy	Jurisdiction	Policy Domain	Relevance
Constitution of Pakistan – Article 38	Federal	Constitutional / Social Protection	Obligates the state to provide for basic needs and minimize inequalities to protect real incomes.
Price Control and Prevention of Profiteering and Hoarding Act, 1977	Federal	Market Regulation	Regulates prices of essential goods; authorizes penal action against profiteering and hoarding.
OGRA Ordinance, 2002	Federal	Gas, Petroleum Products & LPG prices regulation	Controls petroleum prices .Notifications issued thereunder defines protected categories of consumers.
Competition Act, 2010	Federal	Market Competition	Prevents anti-competitive pricing, price fixing, and monopolies that raise costs for consumers.
Benazir Income Support program (BISP) Act, 2010	Federal	Social Assistance / Cash Transfers	Provides direct cash support to poor households to offset inflation and stabilize consumption.
Ehsaas program (Policy Framework 2019–2022)	Federal	Social Protection / Poverty Alleviation	Includes cash, food, and subsidies to mitigate inflation's impact on vulnerable groups.
PPRA Rules, 2004	Federal	Public Procurement / Price Control	Ensures competitive procurement to prevent inflationary pressures in public projects.
Utility Stores Corporation (USC) Ordinance, 1971	Federal	Consumer Subsidy	Enables sale of subsidized essentials to protect low-income groups from market price surges.
Annual Finance Act (Fiscal Policy Tool)	Federal Provincial	Fiscal Management / Subsidies	Provides targeted tax breaks and subsidies on essential goods via the federal budget.

KP Price Control and Prevention of Profiteering and Hoarding Act, 2020	Provincial (KP)	Market Regulation	Allows KP govt to regulate commodity prices and penalize unfair market practices.
KP Essential Commodities Rules, 2021	Provincial (KP)	Enforcement Mechanism	Operationalizes the 2020 Act; empowers local officers to control hoarding and overpricing.
KP Minimum Wages Act, 2013	Provincial (KP)	Labour Rights / Income Protection	Sets floor wages for workers to maintain a basic standard of living during inflation.
The West Pakistan Food Stuff (Control) Act 1958	Adopted by KP	Supply and trade of food stuff	Control of prices of food commodities

Laws Relevant to Social Protection

Law/Act	**Jurisdiction**	**Policy Domain**	**Relevance**
Employees' Old-Age Benefits Act, 1976 (EOBI)	Federal	Social Insurance	Governs pensions and post-retirement benefits for private sector employees.
Employees Social Security Ordinance, 1965	Federal	Health/Social Insurance	Provides for medical care and cash benefits for insured workers.
Workers Welfare Fund Ordinance, 1971	Federal	Labor Welfare	Provides housing, health, education and welfare for workers and their dependents.
Zakat and Ushr Ordinance, 1980	Federal	Social Assistance	Governs collection and distribution of zakat to support the poor and needy.
Minimum Wages Ordinance, 1961	Federal	Labor Standards	Ensures a minimum wage to protect low-income workers against inflation.
Khyber Pakhtunkhwa Zakat and Ushr Act, 2011	Provincial (KP)	Social Assistance	Provincial legal framework for zakat collection and disbursement.
KP Workers Welfare Fund Act, 2013	Provincial (KP)	Labor Welfare	Mirrors federal provisions with provincial implementation authority.
KP Minimum Wages Act, 2013	Provincial (KP)	Labor Protection	Establishes minimum wage boards and enforcement in KP.

KP Free Compulsory Primary and Secondary Education Act, 2017	Provincial (KP)	Social Services	Mandates education access as a poverty reduction mechanism.
KP Universal Health Coverage Act 2022	Provincial	Social Services	Provides health protection to all the residents of KP
KP Domestic Violence (Prevention and Protection) Act, 2021	Provincial (KP)	Social Rights	Provides protection and services to vulnerable households.
KP Home-Based Workers Act, 2021	Provincial (KP)	Informal Labor	Recognizes and regulates rights of home-based workers.
SBP Act, 1956 (amended)	Federal	Monetary Policy	Empowers State Bank to control inflation and maintain price stability.
Price Control and Prevention of Profiteering and Hoarding Act, 1977	Federal	Price Regulation	Authorizes federal and provincial authorities to fix and monitor prices of essential commodities.
Census Act, Household Income and Expenditure Surveys (various)	Federal	Data/Statistics	Supports CPI basket formulation and poverty estimation.
KP Social Protection Policy 2022	Provincial	Policy	The Policy envisages to integrate all the social protection initiatives in KP
KP Social Protection Strategy	Provincial	Strategy	Strategy maps all the initiatives and aims to establish a Social Protection Authority.

Stakeholder Analysis

The following analysis show the stakeholders that are relevant to preserving the purchasing power of the consumers in one way or other:

At Federal Level:

Stakeholder	Role/Responsibility	Interest in the Issue	Level of Influence	Engagement Strategy
Ministry of Finance	Formulates fiscal policy, oversees inflation control, subsidy programs	Ensuring macroeconomic stability while addressing public pressure on inflation	**High**	Strategic consultations, policy dialogues
State Bank of Pakistan (SBP)	Controls monetary policy, interest rates, and inflation	Price stability and financial sector integrity	**High**	Technical coordination, policy synchronization
Ministry of Planning, Development & Special Initiatives	Leads national development and poverty reduction plans	Aligning planning with public welfare and SDG targets	**High**	Inclusion in policy design and monitoring frameworks
Federal Board of Revenue (FBR)	Tax collection and reform	Widening tax base without overburdening the poor	**Medium-High**	Reform-oriented collaboration and social impact assessment
Benazir Income Support Programme (BISP)/Ehsaas	Implements cash transfer and safety net programs	Targeting the poor to protect real income	**High**	Data-driven targeting, monitoring, and impact reporting
Pakistan Poverty Alleviation Fund	Targets underserved and lagging regions	Poverty reduction & social inclusion in Pakistan	**High**	Multi stakeholder partnership is its key strength
Utility Stores Corporation	Provides subsidized goods to lower-income groups	Distribution of essential items at affordable prices	**Medium**	Operational improvements and expansion
Pakistan Bureau of Statistics (PBS)	Tracks inflation, prices, and cost of living indices	Producing reliable data for decision-making	**Medium**	Transparent and timely reporting
Consumer Protection Associations/ courts	Advocate for consumer rights and fair pricing	Represent/protects interests of common citizens	**Low-Medium**	Stakeholder forums, public feedback mechanisms
Media and Civil Society	Raise awareness, promote accountability	Informing and mobilizing public opinion	**Medium**	Transparency campaigns, expert panels

Parliamentarians (National Assembly & Senate Committees)	Legislate and oversee policy implementation	Political accountability to constituents	**Medium -High**	Public hearings, parliamentary briefings
NADRA	Maintains data of all citizens	Providing data to social protection dept	**Medium**	Data-driven targeting
Private Sector (Retailers, Suppliers, SMEs)	Set pricing and manage supply chains	Profitability and market access	**Medium**	Incentive-based regulation and price monitoring
Development Partners (e.g., World Bank, IMF, UNDP)	Provide funding, technical assistance, and policy advice	Supporting sustainable economic reform	**Medium**	Coordinated policy support and program funding

At Provincial Level (KP):

Stakeholder	**Role/Responsibility**	**Interest in the Issue**	**Level of Influence**	**Engagement Strategy**
Finance Department, Govt. of KP	Provincial budgeting, subsidies, and resource allocation	Balancing public pressure and fiscal discipline	**High**	Policy dialogue, pro-poor fiscal planning
Planning & Development Department (P&DD)	Oversees economic and poverty alleviation plans	Linking sectoral development to cost-of-living concerns	**High**	Integration of cost-of-living data in planning
Industries & Commerce Department	Regulates markets and industrial labor standards	Ensuring price stability and business viability	**Medium-High**	Regulatory coordination and price control mechanisms
Food Department and its attached formation (Directorate of Food)	Food price management and rationing during inflationary periods	Preventing shortages and price gouging	**Medium**	Strengthening food supply chains and subsidies

Zakat, Ushr, Social Welfare, Special Education & Women Empowerment Department	Manages welfare schemes for vulnerable groups	Protecting low-income households	**Medium**	Program expansion and integration with Ehsaas
Local Government & Rural Development Dept.	Community-level service delivery and local economic planning	Addressing inflation impacts at grassroots	**Medium-High**	Participatory budgeting, grievance redress platforms
Bureau of Statistics KP	Provides data on inflation, wages, and poverty	Accurate data to guide policy response	**Medium**	Improve real-time data reporting and usage
KP Minimum Wages Board	Recommends and revises minimum wage rates for labor	Ensuring fair wages that match to offset inflationary pressrure	**Medium-High**	Regular wage review, labor consultations, enforcement
Labour Department KP & its attached formations like Directorate of Labour, WWB, ESSI	Oversees all the affairs related to labour welfare	Responsible for ensuring labour welfare	**High**	Enforcement of labor laws through Directorate of labour
Labour Courts (Six in number)	Enforcement of labor laws and minimum wages	Ensure redressal of grievances of labour	**Medium High**	Grievance redressal related to minimum wages
KP Assembly & Standing Committees	Oversight of economic and social policy	Representing citizen concerns in legislation	**Medium-High**	Constituency feedback, hearings, debates
Civil Society and Consumer Rights Groups	Advocate for affordability, price transparency	Represent the consumer voice	**Medium**	Campaigns and engagement in policy dialogue
Chamber of Commerce / Traders' Associations	Price setters and supply chain influencers	Balancing costs and consumer access	**Medium**	Dialogue on ethical pricing and enforcement
Media (Local Press & Digital Platforms)	Highlights inflation trends and citizen grievances	Holding stakeholders accountable	**Medium**	Public awareness and pressure campaigns

At District Level (KP):

Stakeholder	Role/Responsibility	Interest in the Issue	Level of Influence	Engagement Strategy
Chief Secretary KP	Heads PMRU	Monthly review of price checking by DCs	**High**	Sets Digital KPIs, reviews performance of DCs
Deputy Commissioner (DC)	Head of district administration; enforces price control, monitors markets	Ensures public service delivery and stability	**High**	Empowerment through regulations, inter-departmental coordination
Assistant Commissioners / Price Control Magistrates	Conduct market inspections, fine profiteers, and enforce price lists	Maintain price stability and curb hoarding	**High**	Regular inspections, consumer complaint channels
Local Government Representatives (Tehsil & Village Councils/NC)	Represent citizen concerns, advocate for essential service access	Act as a voice of the local population	**Medium**	Community consultations, participatory budgeting
District Food Controller (DFC)	Manages wheat/flour stocks and distribution at the local level	Ensures access to affordable staple foods	**Medium**	Transparent stock tracking, liaison with food department
Labour Officer / District Labour Department	Monitors minimum wage implementation and labor conditions, weights & measures	Protects low-income workers' earnings	**Medium**	Regular wage audits, coordination with Minimum Wages Board
Local Utility Stores and Fair Price Shops	Provide subsidized items under federal/provincial programs	Ensure affordability of essential goods	**Medium**	Inventory monitoring and performance audits
District Social Welfare Officer (DSWO)	Implements Bait-ul-Mal and other local welfare schemes	Extends financial support to poor households	**Medium**	Needs assessment, coordination with NGOs and Ehsaas desks
BISP/Ehsaas District Coordinators/ Dynamic Registration Committees	Disburse cash grants to eligible families	Direct protection of vulnerable purchasing power	**Medium**	Data accuracy, outreach, beneficiary feedback systems
Traders' Associations and Market Committees	Set retail prices, control supply chains, and manage market behavior	Profit margins vs. regulatory compliance	**Medium**	Public-private dialogue, price consensus meetings

Civil Society Organizations (CSOs)/NGOs	Monitor local price trends, advocate for poor households	Promote economic rights and food security	**Medium**	Community mobilization, reporting and awareness campaigns
Local Media (TV, FM, Print, Social)	Inform citizens on inflation, shortages, and government measures	Shapes public opinion and accountability	**Medium**	Partnership for transparency and civic education
District Police	Support DCs and magistrates in anti-hoarding, market enforcement	Maintain law and order during inflation-related unrest	**Medium**	Joint operations with civil administration
Religious and Community Leaders	Influence public trust and social cohesion	Advocate for fairness in trade and community well-being	**Low-Medium**	Inclusion in awareness campaigns and community dialogues

GAP Analysis

Policy Gaps at Macro Level

Since the Monetary and Fiscal Policy are the most important tools in terms of determining the money supply, inflation and tax collection regime in Pakistan therefore it would be pertinent to analyze their role and critique.

Monetary Policy is formulated by the State Bank of Pakistan's Monetary Policy Committee established under the SBP Act of 2015. Its members include Governor, Deputy Governors, Chief Economist and technical experts. The objective of the monetary policy is inflation targeting which in turn determines the price stability in the market based on the government economic fiscal health and targets. The process involves forecasting inflation, through Forecasting and Policy Analysis System model for simulation.

Critics argues that Pakistan's monetary Policy faces constraints due to fiscal directives or dominance by the government influences the SBP to finance deficits, which limits its independence, and complicating inflation control (Choudhri & Malik, 2012; Arby & Hanif, 2010). Moreover, the policy has the potential to curb inflation by raising interest rates but high borrowing costs on the other hand stifle economic growth, which in turn can affect employment and incomes (Shah, 2020).

Fiscal Policy is another important tool at macro level which determines the Government's spending and taxation decisions. Although its objective is to generate revenue to promote growth, employment, social welfare but sometimes it comes in conflict in monetary policy, specifically when expansionary spending fuels inflation.

Since Pakistan is consistently struggling with a staggering fiscal deficit and has to rely on borrowing from central bank, these can trigger inflation.

Critics argue that lack of coordination between the monetary and fiscal policies often impede their combined effectiveness in controlling inflation (Shah 2020).

A cursory review of the Indian Monetary Policy regime shows that although their policy formulation model is somewhat similar in the form of Monetary Policy Committee under the Reserve Bank of India, but they use a Flexible Targeting Framework (FITF) with a band of 2%(+-) CPI target and their framework is more transparent in the form of public minutes and voting records. A comparative analysis of monetary policy regime of Pakistan and India is tabulated below:

Aspect	Pakistan	India
Legal Framework	SBP Act 2015; IMF influence serves as a determinant	RBI Act 2016; structured FITF since 2016.
Transparency	Less visibility of MPC Minutes	Detailed minutes, voting records, and targets.
Primary Focus	Inflation control, often prioritizing IMF terms.	Inflation targeting with growth considerations.
Structural Challenges	High fiscal dominance, weak transmission.	Stronger institutional framework.

Critique of CPI

According to Masud et. al (2024), the main problem with the existing composition of the CPI basket is that it may fail to represent current or future patterns of societal consumption. Certain items in the RCPI and UCPI lists are obsolete for inclusion, while certain items omitted deserve incorporation into the consumer basket. In the United Kingdom, the items in the consumer basket for CPI are reviewed yearly, whereby terminologies deemed irrelevant are excluded, new items introduced into the market are included in the consumer basket. Such statistical updates are crucial in considering changes in the expenditure pattern of consumers.

Since obtaining a price census for all consumer transactions in the country is impossible, it will be necessary to make up some form of a basket. But the basket must accompany the changes in the patterns of consumption and expenditure of people. Currently, the CPI basket of Pakistan comprises a very limited number of goods and services (Masud et.al 2024).

A table showing a comparative analysis for data collection practices for CPI statistics in different countries is given below:

Countries	Number of items	Base year Revision	Weights Revision
China	600	5 years	5 years
Malaysia	552	Last updated as 2010	2 years
Japan	582	5 years	5 years
United Kingdom	744	5 years	5 years
Vietnam	752	5 years	5 years
Mauritius	194	5 years	5 years
India	448 (Rural CPI) 460 (Urban CPI) 465 (CPI IW) 85-106 (CPI AL)	10 years	5 years
Bangladesh	469 (Urban CPI) 341 (Rural CPI)	10 years	10 years

Besides the monetary and fiscal policy other gaps which are ***cross cutting*** in nature are tabulated below:

Gap	Description
Lack of an integrated Cost of Living policy	No unified national framework exists to coordinate inflation control, wage policies, and consumer protection under a single overarching policy framework.
Inadequate indexing of wages to inflation	This is a cross cutting issue as minimum wage is not indexed to CPI. If inflation is 1% today and jumps to 11% tomorrow the informal worker will not receive the proportionate rise.
Fragmented social protection policies	Social welfare is a devolved subject but Federal Government and Provincial Government operates separate programs with no clear linkages leading to fragmentation and duplication.
Weak consumer protection laws	Laws governing pricing, profiteering, and hoarding are outdated or inconsistently enforced, especially for essential goods.
Insufficient focus on informal economy	The informal economy is estimated to be 64% larger than the formal economy (Business Recorder, 2024) but there is no mechanism to ensure notified minimum wage to it at both federal and provincial level.
Limited fiscal space for subsidy reforms	Lack of sustainable subsidy frameworks (e.g., for food, fuel, utilities) means that short-term inflation shocks are not absorbed effectively especially after the structural adjustment of IMF related to removal of subsidies from energy prices.

Policy Gaps at provincial Level (KP):

Gap	Description
Irregular wage revisions and weak enforcement of minimum wage under Minimum Wages Act 2013 and Rules 2022.	The interview with Director Labour revealed that despite efforts by DoL, the enforcement of minimum wage remains a challenge.
Limited focus on informal labor economy	**The KP Home Based Workers Act 2021**, and **Home-Based Workers Rules 2022** have been enacted but the Director Labour informed that implementation would require phased implementation.
Weak social safety net integration at the provincial level	Although federal programs like **Ehsaas/BISP** operate in KP, the province lacks its own tailored, integrated provincial-level safety net. Besides, the programs are fragmented and not being executed under a single Department. For instance, SHPI is being implemented by Health Department, while other Social Welfare initiatives like Zakat and Ushr are under the legal ambit of Social Welfare Department.
No localized inflation buffering mechanisms	There are no structured commodity buffer stock or price stabilization strategies to handle seasonal or emergency price shocks (e.g., wheat, sugar, oil).
Subsidy implementation lacks targeting precision	Provincial subsidies are not always targeted based on household income or vulnerability levels due to weak beneficiary databases.

Institutional Fault lines at Federal Level:

Fault lines	Description
Poor coordination between Ministry of Finance, Ministry of Planning, and other Federal entities.	Multiple federal bodies (e.g., Ministry of Finance, Ministry of Planning, SBP, BISP, Utility Stores Corporation) operate with poor coordination and unclear accountability.
Limited capacity of Utility Stores Corporation (USC)	USC lacks coverage, supply chain efficiency, and market competitiveness to influence essential commodity prices nationwide. Instead of targeting poor consumers, it provides services to all citizens with no bifurcation mechanism. Moreover it is a loss making SoE.

Underutilization of real-time data by PBS	The Pakistan Bureau of Statistics (PBS) collects inflation and price data but lacks integration with planning and policy response systems.
Insufficient local-level institutional linkages	Federal institutions are often disconnected from local realities; district administrations have limited input in policy design but bear implementation burdens.
Public outreach and awareness gaps by OGRA, NEPRA, BISP	Citizens often lack information about price control measures, grievance redress mechanisms, or welfare entitlements, due to weak public communication strategies.

Institutional Fault lines at provincial level (KP):

Fault Lines	Description
Dependency of poverty protection measures on Budgetary Ceilings by Finance Department	Finance Department allocates budgets ceilings based on estimates received by the Federal Government. First Charge on Budget is salary expenditure and space for pro-poor initiatives depend on the available fiscal space and not as per actual need. The allocation for Social Welfare Sector in ADP 2024-25 is just 0.6% of the total ADP.
Capacity issues of Labour Department to implement minimum wages and laws related to informal workers like Home Based Workers Act 2021 and its Rules	The Department faces issues in implementation of minimum wages in true sense owing to job protection issues of formal labour and non-availability of a dedicated data base of informal workers
Lack of a central coordinating Authority to spearhead all Social Protection initiatives	KP Social Protection Strategy (2024) identifies it as a major bottleneck in effective implementation of Social Welfare Initiatives.
SHPI under Health Department targets Universal Health Coverage	The Universal Health Coverage in a province like KP hinders prioritized targeting of the poorest segments of the society.
Duplication of activities by Health Department	On one hand Health Department has allocated around 34 billion to SHPI but alongside the budget for MTIs and has also seen consistent increase even when the hospitals earn from SHPI as well. Other examples include duplication of activities between PIPOS and

	Paraplegic Center, both autonomous bodies of Health Deptt.
Underutilization of Local Government System	Village and tehsil councils are rarely involved in budgetary planning, price monitoring, or welfare targeting and are practically dysfunctional
Inefficient public grievance redress mechanisms	Citizens face difficulty reporting price manipulation, wage violations, or subsidy access problems due to non-digitized and under-publicized complaint systems.
Poor public-private coordination	Engagement with **Chambers of Commerce**, **trader bodies**, and **civil society** on pricing and wage issues is adhoc and unstructured.

Institutional Fault Lines at District level of KP:

Fault Lines	**Description**
District administrations lack real-time economic data	DCs and local authorities often operate without timely access to district-level inflation, poverty, or wage compliance data. Besides the on-spot mechanisms are stereotypical and ignore supply and demand principles of Market
Price control is a secondary function at District Level.	ACs perform price checking as a secondary function owing to other duties related to revenue administration and law and order.
Outreach constraints of BISP	According to information obtained from BISP office Peshawar there are 30 Tehsils in KP where BISP offices are yet to be established.
Low public awareness of rights and complaint channels	Most citizens are unaware of their wage rights, official price lists, or how to report violations at the district level.

Issues & Challenges

Based on the analysis carried out in the previous sections a number of issues and challenges emerge which merit prompt redressal. The same are outlined below:

i. Lack of linkages between monetary and fiscal policies to safeguard living conditions of common citizens (Masud et. al 2024).
ii. Conflict between fiscal and monetary policy especially during expansive spending by the Government.
iii. Irregular/ non updation of CPI Basket which contains less items as compared to global best practices.
iv. Pakistan lacks an integrated cost of living policy framework. Such a system would have the features like close monitoring of inflation, indexation of wages, subsidies, and integration of social welfare programs and close inter and intra ministerial coordination.
v. Fragmentation in implementation and coordination of social protection programs (e.g., BISP, Ehsaas, and provincial level programs).
vi. Weak enforcement of minimum wage legal regime
vii. Inadequate focus on informal sector and lack of a robust mechanism to register informal sector. KP has enacted laws related to domestic workers but does not have adequate implementation capability.
viii. Weak coordination between departments across all government levels.
ix. Poor capacity of local governments and their non-involvement in policy
x. Poor enforcement mechanisms related to price control regime at district level, and lack of awareness of the district formation regarding supply and demand principles.
xi. Lack of proper public awareness about their rights, foras, to convey their grievances.

Conclusion

Pakistan in the past few years has faced consistent high inflation with its peak in FY 2023. The inflation currently is showing a downward trend but the poverty indicators as well as our survey shows that it has adversely affected the purchasing power of the common citizens. This has also led to erosion of incomes of informal workers and fixed wage earners deepening the vulnerabilities.

While the government has taken notable steps to provide relief through legal instruments, programs like BISP, and provincial initiatives in Khyber Pakhtunkhwa; these interventions are fragmented, underfunded, and inadequately indexed to inflation. The absence of an integrated cost-of-living policy framework, limited institutional coordination, and data gaps across governance levels have emerged as key challenges.

Recommendations

To address the erosion of purchasing power caused by persistent inflation and to prevent further deterioration in household welfare, the following recommendations are proposed:

Integrated Cost-of-Living Policy Framework

- Develop a cross-sectoral national strategy that links inflation monitoring, wage policy, subsidies, and social protection.
- Institutionalize cost-of-living adjustments (COLA) in minimum wages and social transfers through a legal mandate, as practiced in South Africa and Brazil.
- Review and revise the CPI, SPI based on the international best practices to make it more reflective of actual inflationary trends.

Introduce Inflation-Indexed Social Protection Instruments

- Link cash transfer amounts (e.g., BISP stipends, provincial cash grants) to CPI trends, with automatic annual adjustments. Slabs may be introduced vis-à-vis the severity of vulnerability to prioritize support to the poorest.
- Expand in-kind support (e.g., food subsidies) during periods of high inflation through dynamic triggers based on poverty and food inflation data.

Strengthen Informal Sector Protection

- Extend legal and contributory social protection to informal workers through legislation such as the KP Home-Based Workers Act.
- Establish a national registry of informal workers integrated with NSER to improve targeting.

Enhance Provincial Coordination and Delivery Capacity

- Formalize the establishment of a KP Social Protection Authority as a single focal point for integrating all social protection initiatives.
- Integrate fragmented schemes under a single registry or Management Information System.
- Empower district price control formations through digital reporting tools.
- Strengthen and Extend the labour courts in the province and the labour prosecution attorneys.

Enhance Fiscal Space for Social Welfare Schemes.

- Prioritize pro-poor spending in federal and provincial budgets with a dedicated Social Protection Development Fund.

Operational Plan

Short-Term Actions (0–12 Months)

Action	**Responsible Institution(s)**	**Resources Required (PKR)**	**KPI**
Commission study to develop national cost-of-living framework and COLA mechanism	Ministry of Finance, Planning Commission, SBP	100 million	COLA formula adopted; notification issued
Index BISP and provincial cash transfers to CPI	BISP, KP Social Welfare Dept	100 million (annual)	Transfer values revised and disbursed quarterly
Enact KP Social Protection Authority Act and Rules	KP Social Welfare Dept, P&DD, Law Department	5 million	Act Passed from Assembly, Rules framed
Operationalize KP Social Protection Authority (KPSPA)	KP Social Welfare Dept, P&DD	250 million (setup); 2 billion (ops)	Authority notified; MIS system functional
Digitize District Price Control Committees	Provincial Food Depts, Deputy Commissioners	500 Million	Dashboards and enforcement active in 100% districts

Medium-Term Actions (12–24 Months)

Action	**Responsible Institution(s)**	**Resources Required (PKR)**	**KPI**
Launch national informal worker registry integrated with NSER	NADRA, Ministry of Labour, BISP	500 million	5 million informal workers enrolled
Establish Labor Courts in all Districts	Labour Deptt., Law Deptt., Peshawar High Court	1 billion	Labour Courts established in all Districts of KP
Build Capacity of Directorate of Labour for active implementation of minimum wages, payment of wages and Home-based Workers Act and Rules	Finance Deptt., Labour Deptt., Directorate of Labor	1billion	Minimum wages implemented
Create Social Protection Development Fund (SPDF)	Federal & Provincial Finance Ministries	30 billion (initial)	Fund operational; quarterly reports published
Establish inflation-adjusted poverty dashboard	PBS, World Bank, UNDP	200 million	Dashboard live and updated quarterly

Long-Term Actions (More than 24 Months)

Action	**Responsible Institution(s)**	**Resources Required (PKR)**	**KPI**
Set up local grievance redress cells at tehsil level	LG Dept, Social Welfare, DC offices	500 Million from District ADP	Redress cells in all tehsils; 80%+ resolution rate
Integrate fragmented social protection programs into unified platform	KPSPA, P&DD, Social Welfare Dept	Included in KPSPA allocation	Single-window access; inter-operability across MIS

This time-bound operational roadmap ensures that interventions are sequenced for maximum impact, address both policy and institutional bottlenecks, and establish measurable milestones for tracking success.

References

1. Arab News. (2025, April 30). *Pakistan among top five nations with most people living in poverty - UN report*. https://arab.news/4s8pm
2. Arby, M. F., & Hanif, M. N. (2010). Monetary and fiscal policies coordination: Pakistan's experience. *State Bank of Pakistan Research Bulletin, 6*(1). https://www.sbp.org.pk/research/bulletin/2010/vol6/Monetaryandfscal policies.pdf
3. Bastagli, F., Hagen-Zanker, J., Harman, L., Barca, V., Sturge, G., Schmidt, T., & Pellerano, L. (2016). *Cash transfers: What does the evidence say?* Overseas Development Institute. https://odi.org/en/publications/cash-transfers-what-does-the-evidence-say/
4. BMZ. (2023). *Extending work-related social protection to informal workers in Pakistan*. https://health.bmz.de/wp-content/uploads/studies/Extending-work-related-SP-to-informal-workers-in-Pakistan.pdf
5. Business Recorder. (2023, June 1). *Pakistan's headline inflation hits new record at 38% in May 2023*. https://www.brecorder.com/news/40245453
6. Business Recorder. (2024). *Informal economy*. https://www.brecorder.com/news/40304405
7. Chani, M. I., Pervaiz, Z., Jan, S. A., Ali, A., & Chaudhary, A. R. (2011). Poverty, inflation and economic growth: Empirical evidence from Pakistan. *Munich Personal RePEc Archive*. https://mpra.ub.uni-muenchen.de/34290/
8. Choudhri, E. U., & Malik, H. (2012). *Monetary policy in Pakistan: Confronting fiscal dominance and imperfect credibility*. International Growth Centre. https://www.theigc.org/sites/default/files/2012/06/Choudhri-Malik-2012-2-Working-Paper.pdf
9. Creswell, J. W., & Plano Clark, V. L. (2018). *Designing and conducting mixed methods research* (3rd ed.). SAGE Publications.
10. Dawn. (2024, December 30). *The inflation conundrum in Pakistan*. https://www.dawn.com/news/1881451
11. Easterly, W., & Fischer, S. (2001). Inflation and the poor. *Journal of Money, Credit and Banking, 33*(2), 160–178. https://doi.org/10.2307/2673879
12. FAO. (2024). *Cost of healthy diet in Pakistan*. Food and Agriculture Organization of the United Nations.
13. Finance Division, Government of Pakistan. (2023). *Fiscal policy statement*. https://www.finance.gov.pk/publications/FPS_2023.pdf
14. Gentilini, U., Almenfi, M., Orton, I., & Dale, P. (2022). *Social protection and jobs responses to COVID-19: A real-time review of country measures*. World Bank. https://openknowledge.worldbank.org/handle/10986/33635
15. GIDS. (2025). *Economic turmoil pushes millions of Pakistanis out of middle class*. https://www.gids.org.pk/economic-turmoil-pushes-millions-of-pakistanis-out-of-middle-class/
16. Government of Khyber Pakhtunkhwa. (2024). *KP social protection strategy 2024*.
17. Government of Pakistan. (1973). *The Constitution of the Islamic Republic of Pakistan*. https://na.gov.pk/uploads/documents/1549886415_632.pdf
18. Government of Pakistan. (2024). *Pakistan economic survey 2023–24: Ministry of Finance*. https://www.finance.gov.pk/survey

19. Haan, J. de, & Sturm, J. E. (2017). Finance and income inequality: A review and new evidence. *European Journal of Political Economy, 50*, 171–195. https://doi.org/10.1016/j.ejpoleco.2017.01.001
20. International Labour Organization (ILO). (2021). *World social protection report 2020–22: Social protection at the crossroads – in pursuit of a better future*. https://www.ilo.org/global/publications/books/WCMS_817572/lang--en/index.htm
21. Malik, M. J., & Sadiq, S. (2022). Inflation and its impact on the living standards in Pakistan. *Pakistan Journal of Social Issues, 13*(1), 45–62.
22. Masud, Z., Salman, A., Ali, S. S., & Ayub, M. (2024). *Inflation in Pakistan: Monetary or fiscal phenomena*. Islamabad Policy Research Institute. https://ipripak.org
23. Nishtar, S. (2020). Lessons from Pakistan's COVID-19 social protection response. *Global Social Policy Blog*. https://www.globalsocialpolicy.org/nishtar-pakistan-covid-response
24. Pakistan Bureau of Statistics. (2025). *Monthly review on price indices: April 2025*. Ministry of Planning, Development & Special Initiatives. https://www.pbs.gov.pk
25. PIDE. (2024). *Multidimensional poverty index at 39.5% in Pakistan*. *The News*. https://www.thenews.com.pk/print/1192998
26. Rawls, J. (1971). *A theory of justice*. Harvard University Press.
27. Shah, M. (2020). Monetary and fiscal policy interaction: The case of Pakistan. *MPRA Paper No. 85549*. https://mpra.ub.uni-muenchen.de/85549/1/MPRA_paper_85549.pdf
28. UNDP. (2023). *Human development report 2023/24*. https://hdr.undp.org
29. World Bank. (2022). *Poverty and shared prosperity 2022: Correcting course*. https://www.worldbank.org/en/publication/poverty-and-shared-prosperity
30. World Bank. (2025). *Poverty and equity brief: Spring 2025*. https://www.worldbank.org/en/topic/poverty/publication/poverty-and-equity-briefs

Policy Implementation Gaps and Institutional Fault- Lines in the Context of Income Inequality and Economic Disparities Among Classes in Pakistan

Dr. Kashif Hussain[1], *Omer Farooq*[2], *Nisar Ali Soomro*[3], *Imran Zia*[4], *Dr. Muqeem ul Islam*[5]

Citation:
Hussain, K., Farooq, O., Soomro, N. A., Zia, I., & Islam, M. U. (2025). Policy implementation gaps and institutional fault-lines in the context of income inequality and economic disparities among classes in Pakistan. Khyber Journal of Public Policy, 4*(2), PP. 58-117*

Article Info:
Received: 15/05/2025
Revised: 20/05/2025
Accepted: 25/05/2025
Published:31/05/2025

Disclaimer:
The opinions expressed in this publication do not implicitly or explicitly reflect the opinions or views of the editors, members, employees, or the organization. The mention of individuals or entities and the materials presented in this publication do not imply any opinion by the editors or employees regarding the legal status of any opinion, area, territory, institution, or individual, nor do they guarantee the accuracy, completeness, or suitability of any content or references.

Copy Right Statement:
© 2022 Khyber Journal of Public Policy
This work is licensed under a Creative Commons Attribution 4.0 International License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Abstract:

This paper explores the multifaceted nature of income inequality and economic disparities in Pakistan, arguing that a narrow focus on poverty alleviation overlooks broader structural imbalances. Inequality encompasses disparities in education, health, assets, and access to opportunities, affecting not just the poor but the entire socioeconomic fabric. Drawing on empirical evidence, the study reveals that wealth inequality in Pakistan is significantly more pronounced than income inequality, with the top 10% holding over 60% of total wealth. It emphasizes that equitable development requires integrated policy reforms targeting structural barriers, tax reforms, labor laws, and education access. The paper proposes a rights-based, inclusive governance framework aligned with the Sustainable Development Goals (SDGs), advocating for decentralization, transparency, and participatory policymaking. Simulations indicate that wealth redistribution is more effective than income redistribution in reducing poverty. The study concludes that tackling inequality is essential not just for economic justice but also for achieving sustainable, inclusive national development in Pakistan.

Key words:

Income Inequality, Economic Disparity, Wealth Distribution, Inclusive Development, Social Protection Policies

[1] *Office Management Group Government of Pakistan Email: dash.invincible@gmail.com*
[2] *Economist Group Government of Pakistan Email: askomerfarooq@gmail.com*
[3] *Federal Board of Revenue Government of Pakistan Email: Nisar.soomro@fbr.gov.pk*
[4] *Provincial Management Service (PMS-KP) Email: imranzia81@gmail.com*
[5] *Chief Instructor National Institute of Public Administration, NIPA Peshawar Email: muqeemz@gmail.com*

Introduction

Modern societies are facing two common but grave challenges in the form of inequality and economic disparities. Inequality pertains to the variations in living standards across an entire population. In contrast, economic disparities pertain to variations in provision of education, health, income, infrastructure, technology etc. In the event of severe income inequalities and economic disparities societies fall prey to poverty. Poverty specifically addresses individuals whose living standards fall below a designated threshold level, such as a poverty line. This threshold can be established in absolute terms, based on an externally determined norm like calorie requirements, or in relative terms, such as a fraction of the overall average standard of living. On analogy of determining dimensions of poverty (Jamal, 2006), dimensions of inequality include education, health and nutrition, security, power, social inclusion, income or consumption, and assets (McKay, 2002). Although distinct, these dimensions are often interrelated, even if the correlation is not perfect. For instance, patterns of educational inequality may reflect gender disparities, while asset inequalities may result from or contribute to inequality in political power (Jamal, 2006; McKay, 2002; Stiglitz, 2013). Another critical aspect of this issue is the necessity to consider inequality in terms of both opportunities and outcomes (Stiglitz, 2013). There is no single number that can depict all aspects of society's inequality, but matters have become worse in the domain of income inequality (Stiglitz, 2013)**.** Countries with "high level of income and asset inequality achieve lower economic growth rate on average" (Jamal, 2009, p. 2). Increasing inequality tends to reduce aggregate demand within the economy, thereby heightening the likelihood of a recession, as Stiglitz (2010) aptly highlights.

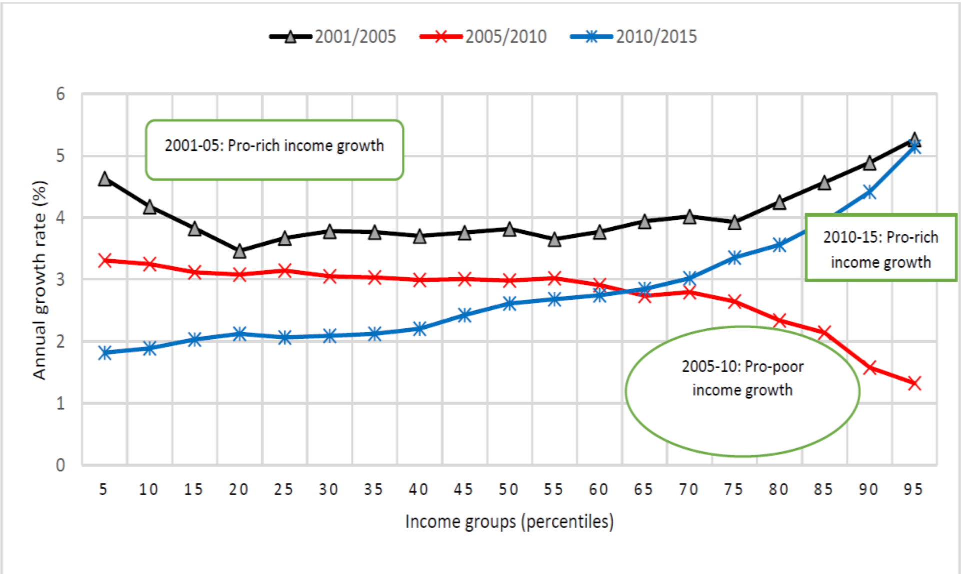
Income inequality and economic disparity continue to pose significant challenges within Pakistan's socioeconomic framework. Although inequality has a profound effect on the economy, life chances, and poverty, a government policy that exclusively targets poverty reduction falls short of achieving true development and fails to reveal the full scope of income and wealth disparity in Pakistan. Focusing solely on poverty reduction overlooks the broader implications of inequality on Pakistan's socioeconomic landscape. While poverty alleviation is crucial, it addresses only one aspect of the complex issue of economic disparity. Inequality affects not only those living below the poverty line but also impacts the middle class and overall economic growth.

By neglecting to address the wider spectrum of income and wealth distribution, policymakers risk perpetuating a system that concentrates resources among a small segment of the population, limiting social mobility and economic opportunities for the majority.

A comprehensive approach to development in Pakistan must consider the multifaceted nature of inequality.

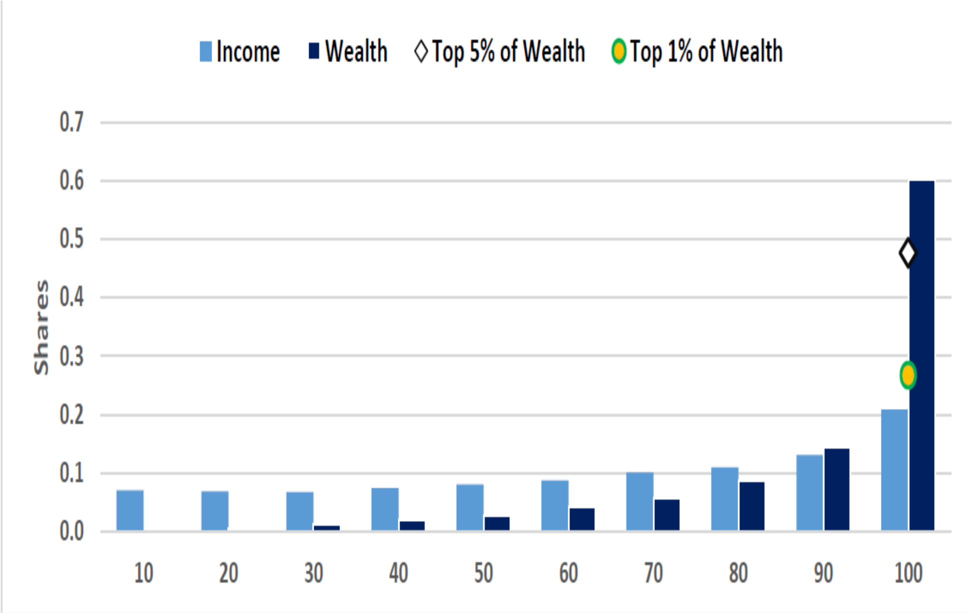
This includes examining factors such as access to education, healthcare, and employment opportunities across different income groups. Additionally, addressing wealth concentration, tax policies, and structural barriers that perpetuate inequality is essential for fostering sustainable economic growth and social progress. By broadening the focus beyond poverty reduction to encompass the entire socioeconomic spectrum, policymakers can work towards creating a more equitable society that benefits all citizens and promotes long-term national development (Shaikh & Anis, 2020). Burki et al. (2020) have demonstrated that income growth in Pakistan predominantly benefits the affluent, with wealth inequality being twice as pronounced as income inequality (**Figure 1**). The wealthiest 10 percent of households possess 60 percent of the total household wealth, whereas the least wealthy 60 percent hold merely one-tenth of it (Burki et al., 2020) (**Figure 2 -3**). A simulation analysis by Burki et.al indicates that achieving a more equitable distribution of wealth is significantly more effective in alleviating poverty than pursuing a more equitable distribution of income.

Figure 1 Growth incidence curves for Pakistan



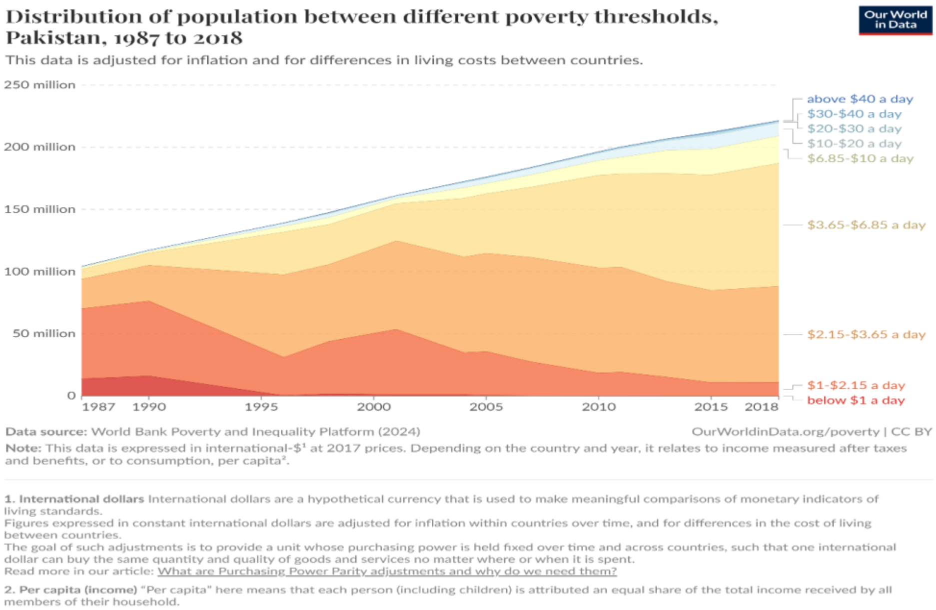
Source: Burki et.al , 2020

Figure 2 Share of households in wealth and income across deciles in Pakistan



Source Burki et.al 2020 based on PSLM-HIES 2013-14

Figure 3



Statement of Problem

Pakistan's economy shows a high level of income inequality and disparity among classes. These issues, though highlighted by each successive government, have been tackled in such a manner that very little progress has been made in the reduction of those inequities. Rather income inequality and economic disparity has widened over the years because the benefits due to moderate economic growth have disproportionately accrued to upper-income groups rather than the middle or lower class. Income inequality and economic disparities in Pakistan represent critical barriers to sustainable development and social cohesion. Moreover, income inequality in many sectors compounds economic disparities among the general population. There exist gaps in the implementation of policies and fault-lines among institutions that undermine efforts to address these disparities. Without comprehensive reforms, Pakistan risks deepening economic divides, threatening social stability and long-term growth. Therefore, in order to formulate sustainable policy outcomes for citizens, a study is required of the factors and institutions that are responsible for reducing income inequality and economic disparity.

Scope of Study

This study will comprehensively investigate policy implementation gaps and institutional fault-lines contributing to income inequality and economic disparities in Pakistan, with a focus on achieving equitable and sustainable development. The study will examine structural drivers of inequality and review relevant policies, programs, legal frameworks, budgets, and governance mechanisms, assessing their coherence, efficiency, and effectiveness in reducing disparities. This study will apply the UNDP's eight governance dimensions—participation, rule of law, transparency, responsiveness, consensus orientation, equity and inclusiveness, effectiveness and efficiency, and accountability—to identify institutional weaknesses and bottlenecks. The study will produce a situational analysis, stakeholder mapping, institutional assessments, evidence-based policy recommendations, and a logical framework with timelines, and monitoring mechanisms to guide reforms.

Exclusions: The study will not address macroeconomic policies unrelated to inequality (e.g., monetary policy) or non-economic factors (e.g., cultural norms) unless directly linked to income disparities. It will rely on existing data and will not conduct primary field surveys.

The policy paper aims to critically evaluate health services and epidemics in the context of the recent floods (2022) in KP. The study duration is from November 28 to December 12, 2022.

Information and meetings with the Health Department will be held to gauge the planning, preparedness, and performance of health service delivery and epidemic management during the flood.

The study will identify gaps and suggest a way forward for better provision of public health services as per the International Health Regulations, 2005.

Research Methodology

The research methodology adopts a mixed-methods approach to systematically investigate policy implementation gaps and institutional fault-lines contributing to income inequality and economic disparities in Pakistan. It integrates qualitative and quantitative methods to ensure a comprehensive, evidence-based analysis. This study conducted semi-structured interviews with key stakeholders (e.g., Ministry of Finance, Planning and Development Division, Provincial departments, academia) to map roles and identify coordination gaps. This study conducted content analysis of policy documents and stakeholder inputs to identify themes. This study has combined quantitative data analysis with qualitative assessments to triangulate findings and explore systemic gaps and diagnoses root causes of income inequality and economic disparity. This methodology ensures a rigorous, evidence-based approach to identifying and addressing policy implementation gaps and institutional fault-lines, fostering equitable economic outcomes across Pakistan.

Limitations: Primary data collection (e.g., field surveys) is excluded due to scope constraints; reliance on existing data may limit granularity at lower tier of government.

Ethical Considerations: This study has ensured data accuracy and source credibility while maintaining neutrality in stakeholder consultations to avoid bias. This study also acknowledges limitations of secondary data reliance.

Theories of Inequality and Economic Disparity in Pakistan

Income inequality and economic disparities in Pakistan, stem from complex structural, social, and institutional factors. To understand these dynamics, this section outlines key theories of inequality—Classical Economic Theory, Marxist Theory, Human Capital Theory, Institutional Theory and Functional inequality —and applies them to Pakistan’s context. Each theory provides a lens to analyse the drivers of inequality, from market dynamics and class structures to education access and governance failures, informing policy recommendations to achieve equitable development.

Classical Economic Theory

Overview: Classical economists like Adam Smith and David Ricardo argue that inequality arises naturally from market dynamics, where differences in productivity, skills, and resource ownership lead to unequal income distribution. Smith's "invisible hand" suggests markets allocate resources efficiently, but disparities emerge when individuals or groups have unequal access to capital, land, or opportunities. Ricardo's theory of comparative advantage highlights how specialization can widen income gaps if benefits accrue disproportionately to certain groups.

Application to Pakistan: In Pakistan, market-driven disparities are evident in the concentration of wealth among urban elites and large landowners, with the top 10% capturing 42% of national income (GoP, 2024). The informal sector, employing over 70% of the workforce, lacks access to capital and formal markets, perpetuating low wages and vulnerability. Agricultural subsidies ($3 billion annually) disproportionately benefit large landowners, leaving small farmers (20% of subsidy benefits) marginalized (GoP, 2024). This aligns with Ricardo's view, as specialization in rent-seeking sectors like real estate over innovation-driven industries concentrates wealth.

Marxist Theory

Overview: Karl Marx posits that inequality is rooted in class struggles, where the bourgeoisie (capital owners) exploit the proletariat (workers) through control of production means. Capital accumulation concentrates wealth, while labor is undervalued, leading to systemic disparities. Inequality persists unless structural reforms redistribute power and resources.

Application to Pakistan: Marxist theory explains Pakistan's inequality through elite capture and class-based exploitation. The wealthiest 10% hold 60% of household wealth, while the bottom 60% share just 10% (Burki et al., 2020). Elite capture of subsidies and tax exemptions ($1 billion annually) diverts resources from the poor, with 40% of BISP funds lost to leakages (BISP, 2025). The informal sector, comprising 70% of workers, faces exploitation due to weak labor protections perpetuating low wages and precarious employment. Rural land ownership, concentrated among feudal elites, restricts access for small farmers. Marxist theory highlights the need for land reforms and stronger labor laws, but political patronage and weak enforcement entrench class disparities, hindering in reduction of inequalities.

Human Capital Theory

Overview: Developed by Gary Becker, Human Capital Theory argues that inequality results from differences in education, skills, and training, which determine earning potential. Investments in education and vocational training reduce disparities by enhancing workforce productivity and mobility.

Application to Pakistan: Pakistan's education disparities are a key driver of inequality, with a literacy rate of 60% and 26 million children out of school, primarily in rural areas and among girls (PIE, 2024). The quality gap between elite private schools and underfunded public schools (1 teacher per 40 students) restricts upward mobility for low-income groups (Muqeem-ul-Islam, 2021, p. 237). Female graduates face four times higher unemployment than males, reflecting gender barriers in skill utilization (Muqeem-ul-Islam, 2021, p. 17). Programs like **Benazir Taleemi Wazaif** target 3 million children but fall short of the 5 million goal due to data limitations and rural neglect. The **National Vocational and Technical Training Commission (NAVTTC)** trains <1% of youth annually, limiting market-relevant skills in a tech-driven economy.

Human Capital Theory underscores the need for increased education spending (to 4–6% of GDP) and vocational programs, aligning with **Article 37(e)**'s mandate for basic necessities and SDG 4 (Quality Education).

Institutional Theory

Overview: Institutional Theory posits that inequality is perpetuated by weak institutions, governance failures, and unequal access to legal, political, and economic systems. Effective institutions—through transparency, accountability, and inclusivity—reduce disparities by ensuring equitable resource distribution.

Application to Pakistan: Institutional failures, including corruption (CPI score 27/100), centralized governance, and weak rule of law, drive Pakistan's inequality (International, 2025). The low Tax-GDP ratio (8-9%) due to tax evasion limits funding for social programs, with debt servicing consuming more than 40% of the budget (GoP, 2024)). Centralized policies favor urban areas, leaving rural regions (63% of population) with 0.5 doctors per 1,000 people and 30% of villages without secondary schools (Bank, 2025). Weak oversight by NAB and bureaucratic inefficiencies cause more than 60% of BISP beneficiaries to face payment delays (BISP, 2025). The **Public Finance Management Act, 2019**, aims to enhance transparency, but slow implementation reflects institutional inertia. Institutional Theory highlights the need for decentralized governance, digitized tax systems, and strengthened accountability to fulfill **Article 25**'s equal protection mandate and advance SDG 16 (Peace, Justice, and Strong Institutions).

Mahbub ul Haq's Functional Inequality

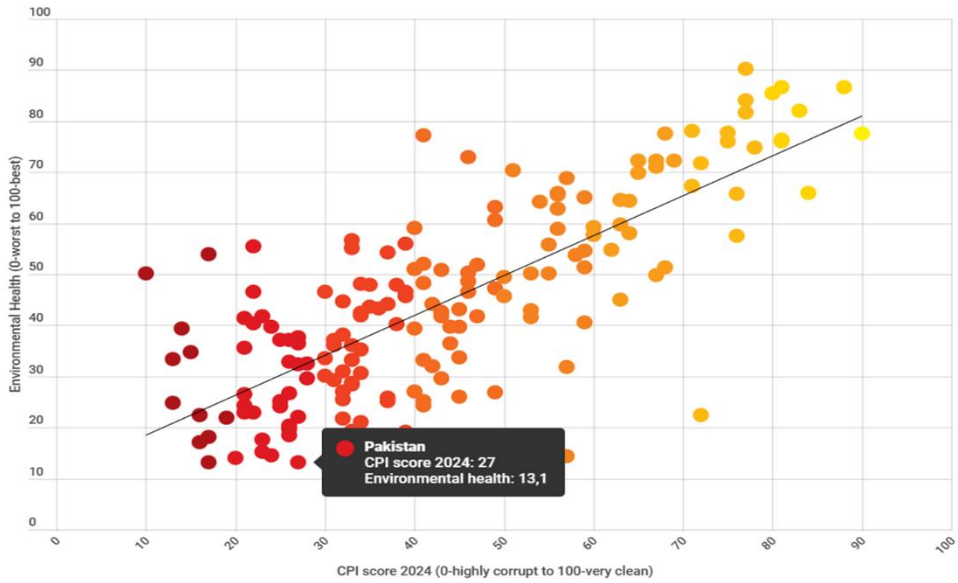
Overview: Mahbub ul Haq posits that moderate income inequality can be functional for economic growth if it incentivizes productivity, innovation, and entrepreneurship, provided wealth is reinvested into human development and supported by strong institutions. Unlike dysfunctional inequality, which entrenches poverty, functional inequality enables social mobility and equitable resource distribution through education, health, and social protection.

Haq emphasizes that inequality is only beneficial if it fosters dynamic opportunities and prevents wealth concentration, requiring robust governance to ensure redistribution and inclusivity (Haq, 1976).

Application to Pakistan: Haq's functional inequality highlights Pakistan's dysfunctional system, where wealth concentration stifles growth and mobility. The top 10% hold 42% of income and 60% of wealth, while the bottom 60% share just 10% (Burki et al., 2020). Elite capture of $3 billion in subsidies and $1 billion in tax exemptions diverts resources from the poor (Husain, 2019), with 40% of **Benazir Income Support Programme (BISP)** funds lost to leakages (BISP, 2024).

The informal sector (70% of workers) faces low wages due to weak labor protections under the **Industrial and Commercial Employment Ordinance, 1968**, and limited capital access (15% of bank loans to SMEs) (GoP, 2024).
Low social spending (2% GDP on education, 0.4% on health) and restricted mobility (female literacy 48%, 26M children out of school) reflect insufficient reinvestment. Haq's theory underscores the need for progressive taxation, increased social investment, and institutional reforms to foster functional inequality, but corruption (CPI 27/100) (**Figure 5**) and elite resistance, entrench disparities, hindering SDG 10 (International, 2025).

Figure 5 Corruption Perception Index Pakistan



Source Transparency International, 2025

Analysis

Situational Analysis

Addressing income inequality and economic disparity in Pakistan requires a multifaceted approach. Economic growth is identified as a reliable tool to decrease poverty levels (Kanat et al., 2023). Higher education development shows promise in controlling income inequality overall (Huber & Hillebrandt, 2019; Ilie et al., 2021). While economic development decreases gender inequality in Pakistan, it paradoxically boosts poverty levels (Kanat et al., 2024). This suggests that the benefits of growth are not evenly distributed across society.
The integration of empirical findings from the situational analysis with relevant theoretical frameworks provides a comprehensive understanding of Pakistan's socio-economic landscape.

This approach allows for a nuanced examination of how the country's current conditions align with established theoretical constructs, offering insights into the complex interplay between economic factors, social dynamics, and policy implementation. By contextualizing the empirical data within these theoretical frameworks, the analysis gains depth and relevance, enabling a more robust interpretation of the challenges and opportunities facing Pakistan's development trajectory. This analysis considers existing legal frameworks (**Table 1 and Annex-A**), social cost of income inequality and economic disparity, and mapping of stakeholders that contribute towards the achievement of specific Sustainable Development Goals, namely SDGs 1 (No Poverty), 5 (Gender Equality), 10 (Reduced Inequalities), and 16 (Peace, Justice, and Strong Institutions) (Figure 6). This multifaceted approach ensures that the proposed policies are not only grounded in empirical evidence and theoretical understanding but also aligned with national and international development objectives.

Figure 6 Sustainable Development Goals

Table 1 Legal Framework

Category	Framework/Law	Key Provisions/Objectives	Relevance to Income Inequality
Constitutional Provisions	**Constitution of Pakistan (1973)**	- **Article 38**: Ensures well-being, prevents wealth concentration, promotes equitable resource distribution. - **Article 25**: Guarantees equality before the law and equal protection for economic/social rights. - **Article 37(e)**: Mandates provision of basic necessities (food, clothing, housing, education, medical relief).	Provides a constitutional mandate to reduce income disparities and ensure equitable access to resources and opportunities.
National Strategy	**National Social Protection Strategy (2007)**	- Increases access to economic opportunities for the poor. - Prevents income shocks from pushing households into poverty. - Provides basic needs for the chronic poor and those unable to work. - Aligns with PRSP and Pakistan Vision 2030.	Guides social protection programs like BISP, targeting poverty alleviation and economic equity.
Specific Legislation	**Benazir Income Support Programme Act, 2010**	- Establishes BISP as an autonomous social safety net authority. - Provides financial assistance to economically distressed persons, focusing on women-headed households. - Uses National Socio-Economic Registry (NSER) for targeting. - Includes programs like Benazir Kafaalat (cash transfers), Taleemi Wazaif (education stipends), Nashonuma (nutrition support).	Directly addresses income inequality by providing targeted financial support and social protection to the poorest households.
Other Relevant Laws	**Labor Laws** - Industrial and Commercial Employment Ordinance, 1968 - Factories Act, 1934	- Provide minimum wages and social security benefits for formal sector workers. - Limited applicability to informal sector (70% of workforce).	Aims to protect formal sector workers but leaves informal workers vulnerable, exacerbating income disparities.
	Social Security Laws	- Offer health insurance, disability benefits, and	Supports formal sector workers but

	- Workers' Welfare Fund Ordinance, 1971 - Employees' Social Security Ordinance, 1965	pensions for industrial workers. - Coverage limited to formal sector.	excludes informal workers, limiting impact on broader inequality.
	Taxation Laws - Income Tax Ordinance, 2001	- Governs fiscal policies for income redistribution. - Criticized for regressive taxation (reliance on indirect taxes).	Regressive tax system burdens lower-income groups, hindering equitable wealth distribution.
	Public Finance Management - Public Finance Management Act, 2019	- Enhances fiscal transparency and accountability for funding social protection programs.	Ensures efficient funding for social programs, critical for addressing income inequality.
International Commitments	**Universal Declaration of Human Rights (UDHR)**	- Article 25: Right to an adequate standard of living (food, clothing, housing, medical care).	Reinforces Pakistan's obligation to ensure basic living standards, reducing economic disparities.
	International Covenant on Economic, Social and Cultural Rights (ICESCR)	- Ratified in 2008, ensures right to social security and adequate living standards.	Commits Pakistan to social protection measures that address poverty and inequality.
	Sustainable Development Goals (SDGs)	- SDG 1 (No Poverty) and SDG 10 (Reduced Inequalities) guide social protection policies.	Aligns national policies with global goals to reduce poverty and promote equitable growth.

Comprehensive Analysis of Social Costs and Service Delivery in Pakistan

Income inequality and economic disparity among classes in Pakistan impose significant social costs, particularly in the realm of service delivery. These costs manifest as reduced access to and quality of public services, leading to adverse outcomes in health, education, and overall human development.

Overview of Social Costs

Income inequality in Pakistan creates a range of social costs that affect societal well-being. Research suggests that unequal income distribution leads to:

- **Reduced Human Development**: A studies by Faisal (2022) and (Hussain, 2023) indicates that income inequality has a negative and statistically significant effect on human development.

- This implies that higher inequality hinders progress in education, health, and living standards.
- **Health Disparities**: Poorer health outcomes, such as lower life expectancy and higher infant mortality rates, are likely exacerbated by limited access to quality healthcare among lower-income groups. The reliance on underfunded public health facilities contributes to these disparities.
- **Educational Inequities**: Inequality restricts access to quality education, particularly for the poor, leading to lower literacy rates and reduced opportunities for upward mobility. This perpetuates the cycle of poverty and inequality.
- **Social Cohesion and Crime**: Economic disparity can erode social cohesion, potentially increasing crime rates, as noted in studies linking economic misery and ethnic diversity to higher crime rates in Pakistan.

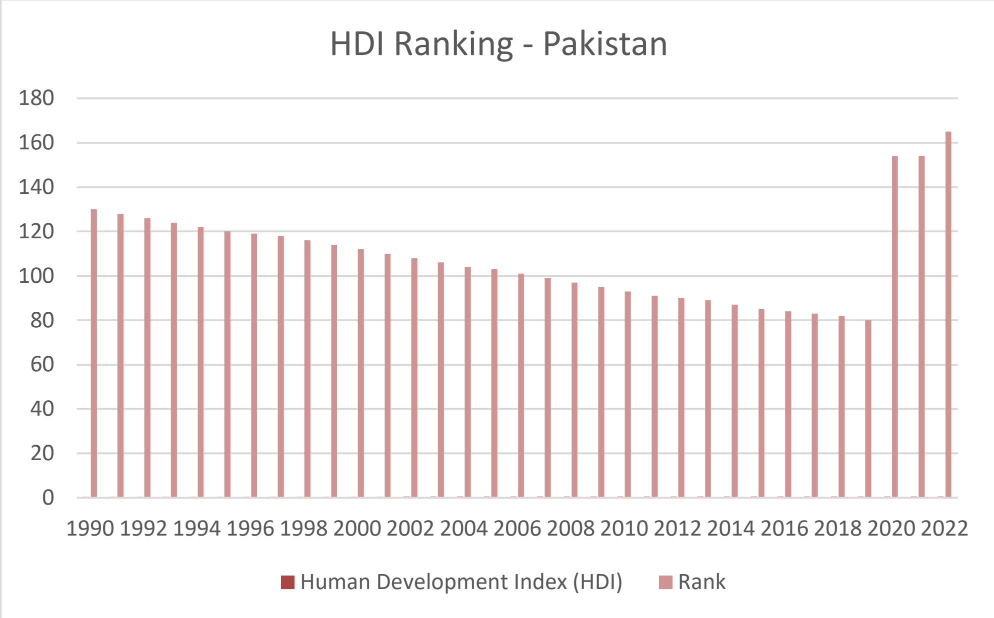
The UNDP Human Development Report 2023-2024 places Pakistan in the 'low' human development category, with an HDI value of 0.540 and a global ranking of 164 out of 193 countries (UNDP, 2024) (Table 2 and Figure 7). The adjusted HDI, accounting for inequality, is 0.360, indicating a 33% decline from the standard HDI, highlighting the significant impact of income inequality on human development (UNDP, 2024).

Table 2 Human Development Index – Pakistan (2022)

Indicator	Value
Life expectancy at birth (years)	66.4
Expected years of schooling	7.9
Mean years of schooling	4.4
Gross national income (GNI) per capita (USD)	5,374
GNI per capita rank minus HDI rank	-27
HDI rank (2021)	165
HDI Rank (2022)	164

Source UNDP (2024, p. 276)

Figure 1 HDI Ranking of Pakistan (1990-2022)



Source UNDP Human Development Index Reports (various editions)
Impact on Service Delivery

Service delivery, encompassing public services like healthcare, education, infrastructure, and social welfare, is significantly affected by income inequality. Key findings include:

- **Healthcare Access**: Wealthier individuals often opt for private healthcare, leaving public facilities to serve lower-income groups. These facilities are frequently under-resourced, leading to poorer health outcomes. The Research Gate study highlights that public service provision, including health services, positively impacts human development, suggesting that improvements in delivery could mitigate inequality's effects.
- **Education Disparities**: Public education systems struggle to provide quality education to all, with lower-income communities facing overcrowded schools and inadequate resources (Pirzada et al., 2024). The positive association between public service provision and human development underscores the potential for enhanced educational services to counteract inequality (Kanat et al., 2024).
- **Infrastructure and Basic Services**: Programs like Khushhal Pakistan aim to improve infrastructure, such as water supply and sanitation, but their effectiveness is hampered by governance issues. The public expenditures on basic infrastructure can benefit the poor, but inefficiencies limit impact (GoP, 2024).
- **Governance Challenges**: Poor governance, including corruption and ineffective policy implementation, exacerbates service delivery issues. Governance reforms, such as devolution and civil service improvements, are crucial for enhancing service delivery (GoP, 2024).

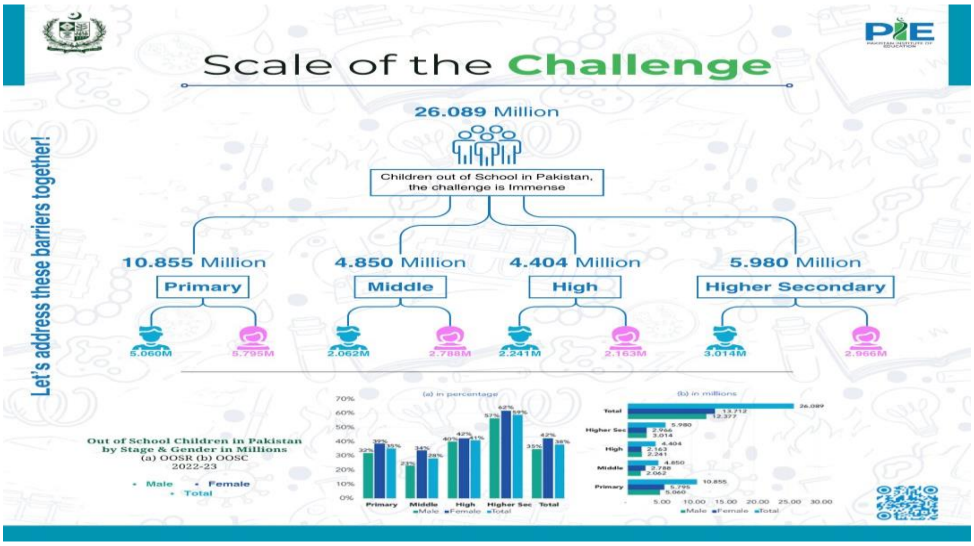
The World Bank Overview of Pakistan indicates that poverty headcount for FY25 is estimated at 42.3%, unchanged from previous estimates, implying an additional 1.8 million poor people, which underscores the strain on service delivery systems (Bank, 2025).

Access to land, quality education, and capital remains highly unequal. In both urban and rural settings, merit is often sidelined in favour of social connections and elite privilege. Weak institutions further compound the problem, as genuine reforms in taxation, land ownership, and public service delivery have been largely absent. These inequalities persist without a fundamental shift in how the economy is structured and governed.

According to the UNDP's 2023/2024 Human Development Report, Pakistan is ranked 164th out of 193 countries, placing it in the "low" human development category (UNDP, 2024). This represents a decline from the 2021/2022 161st position (UNDP, 2024). These figures reflect worsening development indicators, particularly in education and health. 42% of the population lives below the poverty line (Amin, 2025), and 22% face food insecurity (Ahmed, 2025). Wealth remains disproportionately concentrated, with the top 10% of the population earning 25% of national income (Kazmi, 2023).

Disparities in education and healthcare access are stark. Almost twenty-six million children aged five to sixteen years are out of school, representing forty per cent of the population within this age group (PIE (PIE, 2024). The data on out-of-school children across all levels is alarming as in primary education, 36% (10.77 million), in middle school, 30% (4.94 million) children are out of school (PIE, 2024) (**Figure 8**). Of school children, the phenomenon increases with the increase in education level as there are 44% (4.55 million) children who are missing school high school, and this percentage is higher secondary levels is 60% (5.95 million) (PIE, 2024), and half of the population has no access to healthcare (Junaidi, 2023). Female graduates are nearly four times more likely to be unemployed than their male counterparts, reflecting a severe gender imbalance in economic participation. The World Bank reports a 33% decline in Pakistan's inequality-adjusted HDI, further confirming that development gains are not being equitably shared (Wahid, 2024).

Figure 8 Out-of-School-Children



Stakeholder Analysis

This stakeholder analysis maps key institutional and societal actors involved in addressing income inequality and economic disparities in Pakistan. It assesses their roles, interests, influence, potential contributions, and coordination gaps, providing a foundation for targeted engagement and policy reforms. Stakeholders are categorized into **Institutional** (government and public sector) and **Societal** (non-governmental and community-based) groups, reflecting their mandates and impact on governance and social protection programs (**Table 3**).

Table 3 Stakeholders

Stakeholder	Role	Interests	Influence (High/Medium/Low)	Potential Contribution	Coordination Gaps
			Institutional Stakeholders		
Ministry of Poverty Alleviation and Social Safety (MoPASS)	Oversees social protection programs like BISP, coordinates poverty alleviation policies.	Effective implementation of BISP, poverty reduction, alignment with National Social Protection Strategy (2007).	High: Controls BISP funding and policy design.	Expand BISP coverage to 10M households, improve NSER accuracy, integrate participatory feedback.	Limited coordination with provincial governments on local implementation; weak engagement with rural communities.
Benazir Income Support Programme (BISP) Authority	Implements cash transfer programs (e.g., Kafaalat, Taleemi Wazaif, Nashonuma), maintains NSER.	Accurate beneficiary targeting, reduced leakages (currently 40%), women's empowerment.	High: Directly serves 7M households, influences social safety net design.	Enhance digital payment systems, target 2M additional rural girls for Taleemi Wazaif.	Inconsistent NSER updates; limited collaboration with local governments for grassroots outreach.
Federal Board of Revenue (FBR)	Administers tax collection under Income Tax Ordinance, 2001, funds social programs.	Increase Tax-GDP ratio from 10-12% to 15%, reduce tax evasion.	High: Controls fiscal resources critical for social spending.	Digitize tax systems to generate $5B annually, reform regressive taxation to fund pro-poor programs.	Weak enforcement against elite tax evasion; poor coordination with MoPASS on redistributive fiscal policies.
National Accountability Bureau (NAB)	Enforces anti-corruption laws under National Accountability Ordinance, 1999, oversees public fund misuse.	Reduce corruption (CPI score 29/100), ensure program integrity.	Medium: Influence limited by political interference.	Strengthen oversight to cut BISP fund leakages by 20%, prosecute elite capture cases.	Political interference weakens independence; minimal coordination with MoPASS for program audits.
Ministry of Finance	Manages national budget, allocates funds for social protection, implements Public Finance Management Act, 2019.	Fiscal discipline, equitable budget allocation, reduce debt servicing (40% of budget).	High: Controls resource allocation for health, education, and BISP.	Allocate 30% of health/education budgets to underserved regions like Balochistan, increase social spending to 4% of GDP.	Prioritizes debt repayment over social programs; limited transparency in budget data sharing.
Provincial Local Government Departments	Implement Local Government Acts, manage union	Empower local governance, address rural	Medium: Limited by low budgets (15% of public expenditure).	Establish participatory councils, train 10,000 union	Underfunded and understaffed; weak

Stakeholder	Role	Interests	Influence (High/Medium/Low)	Potential Contribution	Coordination Gaps
	councils, deliver localized services.	needs (63% of population).		council staff to improve service delivery.	coordination with federal agencies like MoPASS and BISP.
Ministry of Health	Oversees Sehat Sahulat, manages public health facilities, addresses health disparities.	Universal health coverage, increase health spending from 0.4% to 6% of GDP.	Medium: Constrained by low funding and urban bias.	Expand rural health access (0.8 doctors/1,000 people), reduce maternal mortality to <100/100,000.	Urban-centric resource allocation; poor integration with BISP for health-nutrition programs.
Ministry of Education	Manages public education, implements Benazir Taleemi Wazaif, addresses literacy gaps.	Increase literacy (currently 60%) to 90%, reduce gender disparities (female literacy 48%).	Medium: Limited by low budget (2% of GDP).	Scale Taleemi Wazaif to 5M children, build rural schools to cut out-of-school children from 22.5M to 10M.	Rural neglect; weak coordination with BISP for education stipends.
State Bank of Pakistan (SBP)	Sets monetary policies, regulates credit access for SMEs, influences employment.	Promote inclusive growth, support SME financing to reduce unemployment.	High: Shapes economic policy impacting income distribution.	Provide low-interest loans to SMEs, targeting 1M new jobs by 2030.	Limited focus on informal sector; poor alignment with MoPASS on poverty alleviation goals.
Planning Commission	Develops long-term economic plans (e.g., Pakistan Vision 2030), coordinates development policies.	Reduce poverty to 10% by 2030, align with SDGs 1 and 10.	Medium: Advisory role with limited implementation power.	Integrate inequality reduction into Vision 2030, prioritize rural development.	Weak influence over provincial implementation; limited stakeholder engagement.
Societal Stakeholders					
Civil Society Organizations (CSOs)	Advocate for marginalized groups, monitor program implementation, engage communities.	Promote equity, inclusion, and accountability in social programs.	Medium: Influence through advocacy and grassroots networks.	Mobilize rural communities for BISP participation, monitor fund misuse, advocate for women's rights.	Fragmented efforts; limited formal integration with MoPASS or BISP.
Community-Based Organizations (CBOs)	Represent local communities, facilitate grassroots feedback, support rural development.	Address local needs (e.g., education, health), empower women and minorities.	Low: Limited resources and reach.	Provide feedback to participatory councils, support BISP outreach in rural areas.	Lack of funding; minimal coordination with local governments.

Stakeholder	Role	Interests	Influence (High/Medium/Low)	Potential Contribution	Coordination Gaps
Private Sector	Creates jobs, contributes to tax revenue, engages in CSR for social development.	Deregulation, access to finance, market-driven growth.	Medium: Significant economic influence but limited policy role.	Generate 2M jobs through SMEs, fund CSR initiatives for education/health in rural areas.	Focus on profit over social impact; weak collaboration with MoPASS on pro-poor initiatives.
Women's Groups and Activists	Advocate for gender equity, address low female labor participation (21%) and literacy (48%).	Economic empowerment, access to education and jobs, policy inclusion.	Medium: Growing influence through advocacy.	Promote Taleemi Wazaif uptake, provide gender-specific feedback for BISP design.	Limited representation in policy forums; fragmented coordination with CSOs.
Religious and Minority Groups	Represent marginalized communities, address exclusion in social programs.	Equal access to services, protection of rights under Article 25.	Low: Limited political influence.	Advocate for inclusive policies, support community-level program implementation.	Marginalized in decision-making; weak links with BISP or local governments.
Academic Institutions	Conduct research, provide evidence-based policy recommendations, train workforce.	Evidence-based policymaking, modern skill development.	Medium: Influence through research and expertise.	Develop poverty metrics, train 50,000 youth in market-relevant skills annually.	Limited policy uptake; weak collaboration with MoPASS or FBR.
International Development Partners (e.g., World Bank, UNDP, IMF)	Provide funding, technical expertise, and global best practices (e.g., Bolsa Família).	Align Pakistan with SDGs, promote fiscal and governance reforms.	High: Significant financial and advisory influence.	Fund $2B for social protection, provide expertise on progressive taxation and decentralization.	Short-term project focus; misalignment with local priorities.

- **Institutional Stakeholders**: High-influence actors like MoPASS, FBR, and the Ministry of Finance are critical for policy design and funding but face coordination gaps with provincial and local entities, leading to urban bias and inefficient service delivery. For instance, only 15% of public expenditure is managed locally, limiting rural impact (GoP, 2022).
- **Societal Stakeholders**: CSOs, CBOs, and women's groups have medium to low influence but are vital for grassroots feedback and advocacy. Their fragmented efforts and lack of formal integration with government programs (e.g., BISP) reduce their impact.
- **Influence vs. Interest Misalignment**: High-influence stakeholders like FBR prioritize fiscal stability over redistributive policies, while low-influence groups like CBOs and minority groups have strong interests in equity but lack decision-making power.

- **Coordination Gaps**: Centralized governance and weak inter-agency collaboration hinder effective implementation. For example, BISP's NSER updates are not synchronized with provincial data, causing 20% exclusion errors (Hasan & Masood, 2024). Similarly, NAB's anti-corruption efforts are disconnected from MoPASS's program oversight, allowing 40% fund leakages.

The stakeholder analysis highlights the critical roles of institutional actors like MoPASS, FBR, and BISP in driving policy and funding, alongside societal actors like CSOs and CBOs in ensuring grassroots inclusion. High-influence stakeholders must prioritize redistributive policies, while low-influence groups need greater representation in decision-making. Addressing coordination gaps through councils, data platforms, and partnerships will enhance program effectiveness, reduce income inequality (Gini from 0.31 to ~0.25), and promote equitable development, fulfilling constitutional mandates (**Articles 25, 38, 37(e)**) and advancing SDGs 1, 5, 10, and 16.

Institutional Analysis of Actors/Institutions Impacting Income Inequality

Pakistan's persistent income inequality, marked by a Gini coefficient of 0.31 and a poverty headcount of 42.3% in FY25, is profoundly shaped by the actions and shortcomings of its key institutions (World Bank, 2025). This analysis examines the roles of actors that actively reduce and mitigate income inequality, contributing to equitable development, as well as those that exacerbate disparities, either directly through resource misallocation or indirectly through governance failures. The analysis assesses how these institutions align with constitutional mandates (**Articles 25, 38, 37(e)**), legal frameworks (**Table 1**). By categorizing institutions into those fostering equity and those perpetuating inequality (**Table 4** and **Annex-B**), this section highlights their direct and indirect impacts, challenges, and necessary policy reforms, informed by the emphasis on governance and anti-corruption measures (Muqeem-ul-Islam, 2021, pp. 19, 237) .

Table 4

Institutions Negatively Impacting Income Inequality

Institution	Role and Mandate	Impact on Inequality	Challenges
Benazir Income Support Programme (BISP)	Administers cash transfer programs (e.g., Kafaalat, Taleemi Wazaif, Nashonuma) under **BISP Act, 2010**, targeting poverty alleviation and women's empowerment.	**Direct**: Serves 7M households, reducing poverty for 30M people; Kafaalat boosts female income by 15% (BISP, 2024). **Indirect**: Enhances women's agency, supporting SDG 5.	40% fund leakages due to elite capture; 20% NSER exclusion errors; limited rural outreach (BISP, 2024; Muqeem-ul-Islam, 2021).
Ministry of Poverty Alleviation and Social Safety (MoPASS)	Oversees social protection policies, coordinates BISP, and aligns with **National**	**Direct**: Allocates 1% of GDP to social protection, reducing poverty by 5% since 2010. **Indirect**:	Weak coordination with provinces; urban bias in policy design.

Institution	Role and Mandate	Impact on Inequality	Challenges
	Social Protection Strategy (2007).	Promotes policy frameworks for equity (GoP, 2024).	
Ministry of Education	Manages public education and **Benazir Taleemi Wazaif**, promoting literacy and skill development under **Article 37(e)**.	**Direct**: Taleemi Wazaif supports 3M children, reducing dropout rates by 10%. **Indirect**: Raises literacy (60%) and employability, narrowing income gaps (UNESCO, 2023).	Low budget (2% GDP); 26M children out of school; rural neglect (PIE, 2023).
Ministry of Health	Oversees **Sehat Sahulat** and public health facilities, addressing health disparities under **Article 38**.	**Direct**: Sehat Sahulat covers 10M households, reducing out-of-pocket health costs by 20%. **Indirect**: Improves workforce productivity, supporting income stability (Ministry of Health, 2024).	Low health spending (0.4% GDP); urban bias (70% hospitals in cities) (World Bank, 2023).
National Vocational and Technical Training Commission (NAVTTC)	Provides skill training to enhance employability, targeting youth and marginalized groups.	**Direct**: Trains 50,000 youth annually, increasing incomes by 12% for trainees. **Indirect**: Boosts labor market inclusion, especially for women.	Limited reach (<1% of youth); urban-centric programs.

Institutions Exacerbating Income Inequality

Institution	Role and Mandate	Impact on Inequality	Challenges
Federal Board of Revenue (FBR)	Administers tax collection under **Income Tax Ordinance, 2001**, funding public services.	**Direct**: Low Tax-GDP ratio (10–12%) limits social spending; $1B in exemptions benefits elites. **Indirect**: Regressive taxation burdens low-income groups (GoP, 2024).	Weak enforcement; elite-driven evasion; only 2M taxpayers registered (World Bank, 2023).
National Accountability Bureau (NAB)	Enforces anti-corruption under **National Accountability Ordinance, 1999**, ensuring public fund integrity.	**Indirect**: Weak enforcement (15% case resolution) enables elite capture, diverting 30% of health/education funds (Transparency International, 2024)	Political interference; limited resources.
Ministry of Finance	Manages budget and fiscal policy under **Public Finance Management Act, 2019**, allocating resources.	**Direct**: Prioritizes debt servicing (40% budget), limiting social spending (health 0.4%, education 2% GDP). **Indirect**: Urban-biased allocations widen rural-urban gaps (World Bank, 2023).	High debt (80% GDP); low transparency (20% budget data accessible) (Open Budget Survey, 2023).

Provincial Local Government Departments	Implement **Local Government Acts**, delivering localized services.	**Indirect**: Underfunding (15% public expenditure) and elite influence limit rural service delivery, deepening disparities (World Bank, 2023).	Low budgets; weak capacity.
Planning Commission	Develops economic plans (e.g., **Pakistan Vision 2030**), coordinating development policies.	**Indirect**: Urban-centric plans and elite influence neglect rural needs (63% population), stalling equitable growth.	Limited implementation power; weak stakeholder engagement (World Bank, 2023).

Gap Analysis

This study unveils significant disparities between the present situation and the aspired equitable outcomes, highlighting the profound impact of structural, institutional, and policy-related obstacles. The identified gaps paint a stark picture of societal inequalities and systemic shortcomings. The most glaring issue is the persistent income inequality, where a mere 10% of the population controls a disproportionate 42% of the total income. This concentration of wealth at the top echelons of society creates a substantial barrier to economic mobility for the majority of the population.

Furthermore, the study exposes critical deficiencies in essential public services, particularly in healthcare and education. The alarmingly low public expenditure in these sectors, at 0.4% and 2% of GDP respectively, indicates a severe underinvestment in human capital development. This inadequate funding translates to limited access to quality healthcare and educational opportunities, perpetuating a cycle of disadvantage for marginalized communities. Additionally, the research points to significant governance failures, characterized by widespread corruption and an urban-centric development approach. These factors collectively contribute to the ineffective distribution of resources and create formidable barriers to social mobility, further entrenching existing inequalities and hindering progress towards a more equitable society.

This study delves into the critical areas of income inequality, health, education, and governance as the primary pillars where significant gaps and faults exist in society. By examining these four interconnected domains, the research aims to provide a comprehensive understanding of the underlying causes and consequences of societal disparities. Income inequality serves as a fundamental factor influencing various aspects of life, including access to healthcare, quality education, and political representation. The study likely explores how wealth disparities contribute to unequal opportunities and outcomes across different socioeconomic groups. In terms of health, the research may investigate disparities in access to medical care, health outcomes, and the social determinants of health. Educational inequalities are likely addressed by examining factors such as resource allocation, quality of instruction, and barriers to access.

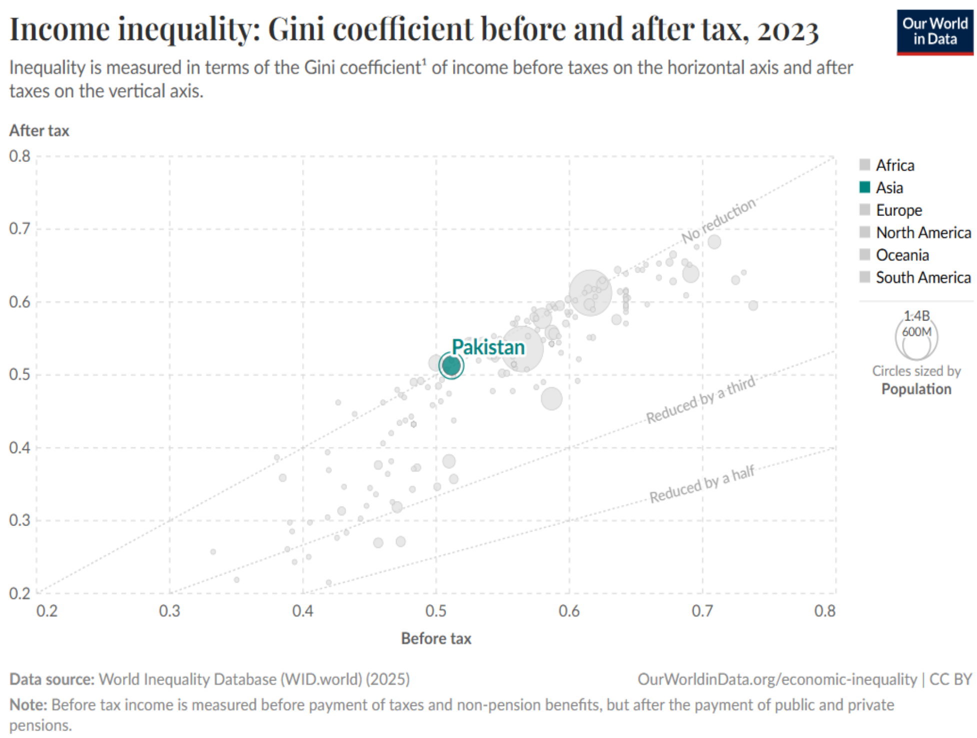
Lastly, the study likely scrutinizes governance structures and their role in perpetuating or mitigating these inequalities, focusing on policy decisions, resource allocation, and representation in decision-making processes.

Income Inequality

Current State:

- Pakistan's Gini coefficient, estimated at ~0.31 (World Bank, 2023), indicates moderate but persistent income inequality (Figure 9). The top 10% of earners capture 42% of national income, while the bottom 40% share less than 20% (GoP, 2024).
- Wealth concentration is evident in urban elites and large landowners, with rural areas (63% of population) facing chronic poverty. Programs like the Benazir Income Support Programme (BISP) provide cash transfers but reach only ~7 million households, covering a fraction of the poor (BISP, 2024).
- The informal sector, employing over 70% of workers, lacks social protections, perpetuating low wages and income disparities.

Figure 9



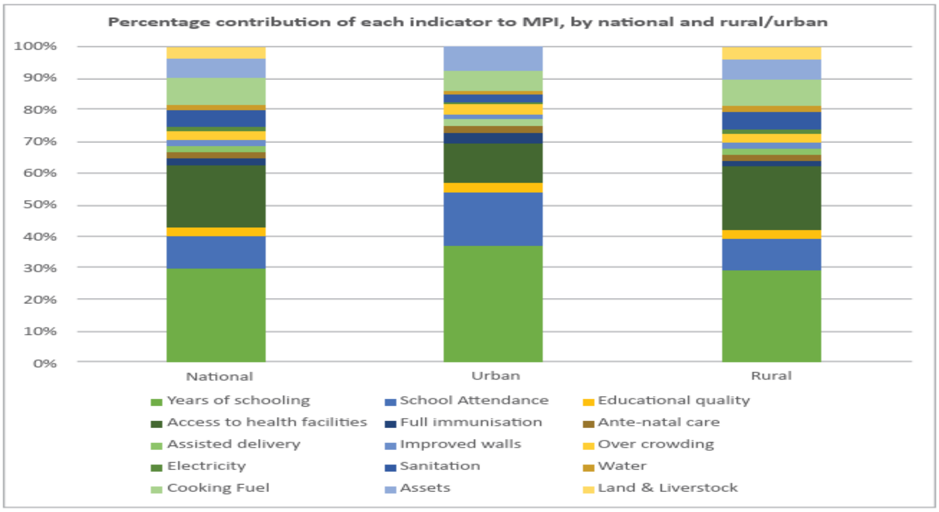
Desired State:

- A Gini coefficient of ~0.25 would align Pakistan with more equitable economies like Sri Lanka. This requires reducing the income share of the top decile to ~30% and increasing the bottom 40%'s share to ~25%.
- Equitable distribution would involve expanding the middle class through job creation in formal sectors, progressive taxation, and land reforms to redistribute wealth.
- Universal access to social protection programs, like an expanded BISP, would ensure income stability for the poorest households.

Gap:

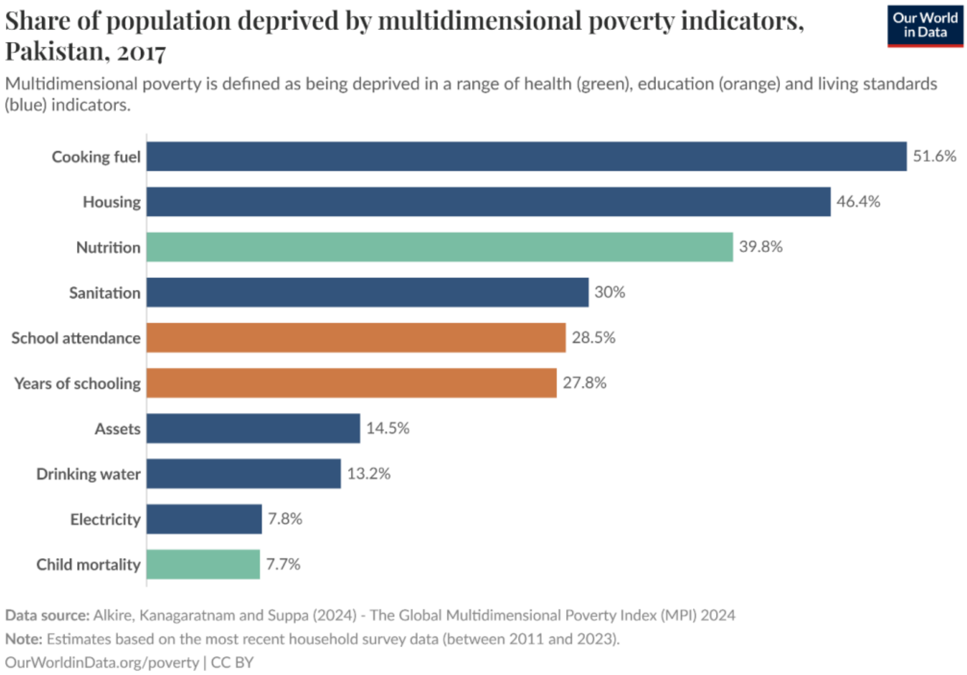
- The gap is evident in the slow progress of poverty reduction (poverty rate ~24% in 2023, down from 34% in 2015) and limited impact of redistributive policies (World Bank, 2023). Economic growth (GDP growth ~3.5% in 2024) has not translated into proportional benefits for lower-income groups.
- The Multiple Poverty Index (MPI) shows high sensitivity to governance failures, indicating that income inequality persists due to institutional barriers (UNDP, 2023) (Figure 10 -11).

Figure 10 Multidimensional Poverty Index -Pakistan



Source: MoPD&SI, 2023

Figure 11



Root Causes:

- Regressive Taxation: Pakistan's tax system relies heavily on indirect taxes (e.g., GST), which account for ~60% of revenue, disproportionately burdening low-income households. The Income Tax Ordinance, 2001, fails to enforce progressive taxation due to loopholes and elite capture.
- Informal Sector Dominance: Over 70% of workers are in the informal sector, lacking minimum wage protections or social security, leading to low incomes and high vulnerability. The Industrial and Commercial Employment Ordinance, 1968, applies only to formal workers, excluding the majority.
- Weak Redistributive Policies: The Land Reforms Act, 1972, aimed at redistributing land, has been undermined by elite resistance and poor implementation, perpetuating rural inequality. Similarly, BISP's limited coverage and inefficiencies due to corruption restrict its impact.

Healthcare

Current State:

- Public healthcare spending in Pakistan is ~0.4% of GDP (GoP, 2024), among the lowest globally, leading to underfunded facilities and reliance on private providers (60% of healthcare expenditure is out-of-pocket).

- Rural areas, with 63% of the population, have limited access to quality healthcare, with only 0.5 doctors per 1,000 people in rural regions compared to 1.2 in urban areas (WHO, 2023). Low-income groups face poor health outcomes, with maternal mortality at 186 per 100,000 live births (Figure 12) and under-5 mortalities at 67 per 1,000 (Figure 13) (UNICEF, 2023).
- Programs like Sehat Sahulat (health insurance) cover ~40% of the population but are urban-biased and face implementation challenges due to corruption.

Figure 12

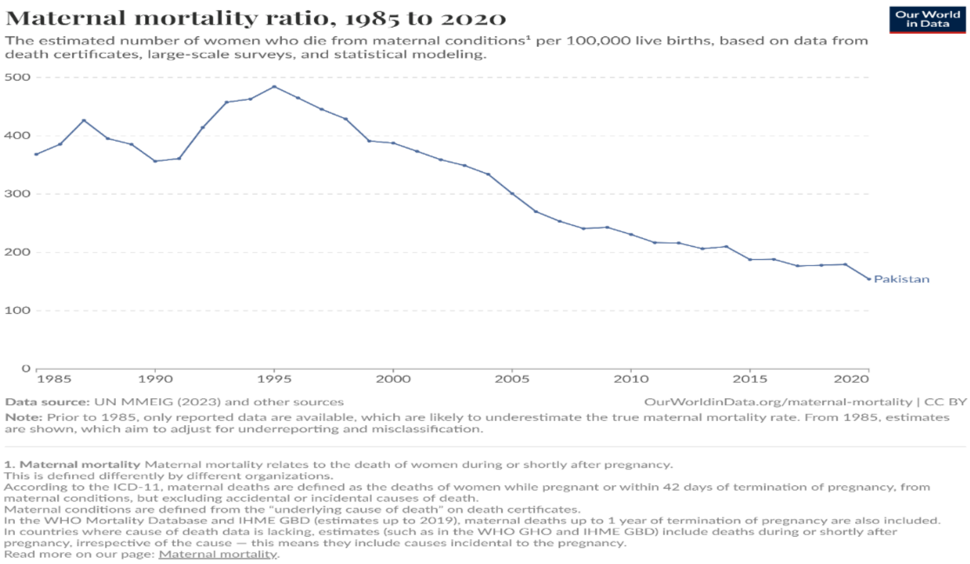
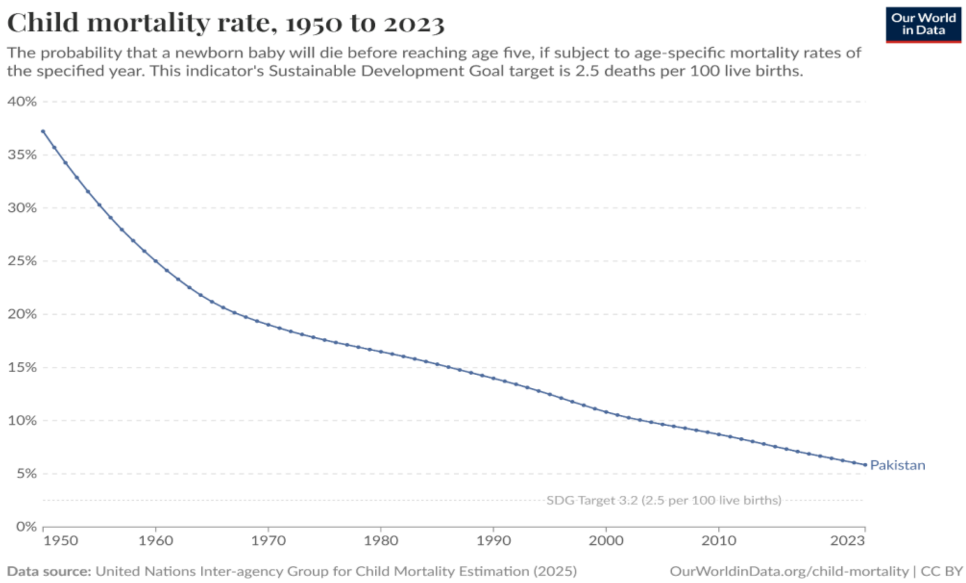


Figure 13



Desired State:

- Universal healthcare coverage, as mandated by Article 37(e), would ensure access to quality care for all, regardless of income or location. Public spending at 6% of GDP (WHO recommendation) would fund hospitals, trained staff, and preventive care.
- Equitable outcomes would reduce maternal mortality to <100 per 100,000 and under-5 mortalities to <30 per 1,000, aligning with SDG 3 (Good Health and Well-Being).

Gap:

- The gap is stark: public health facilities are understaffed and under-equipped, with only 1 hospital bed per 1,600 people (World Bank, 2025). Urban bias leaves rural areas underserved, exacerbating health disparities.
- Corruption and inefficiencies in health programs, as noted in the thesis, divert resources, reducing their impact on low-income groups.

Root Causes:

- Low Fiscal Capacity: A low Tax-GDP ratio limits public spending, with healthcare competing with other priorities like debt servicing (40% of budget).
- Weak Governance and Corruption: Mismanagement and elite capture in health programs (e.g., Sehat Sahulat) lead to inefficiencies. The thesis highlights that corruption undermines institutional performance, reducing the effectiveness of health initiatives.
- Urban Bias: Resource allocation favors urban centers, with 70% of public hospitals located in cities despite the rural majority.

Education

Current State:

- Pakistan's literacy rate is ~60% (GoP, 2024), with significant disparities: urban literacy is 74%, rural 52%, and female literacy lags at 48% compared to 71% for males (GoP, 2023).
- Public education spending is ~2% of GDP, below the 4-6% recommended by UNESCO. Over 26million children are out of school, primarily in rural areas and among girls (PIE, 2024).
- Quality disparities are evident: private schools in urban areas offer better facilities, while public schools, especially in rural regions, lack trained teachers and infrastructure.

Desired State:

- Equal access to education, as mandated by Article 37(e), would ensure universal enrollment and a literacy rate above 90%, aligning with SDG 4 (Quality Education).
- High-quality education would involve standardized curricula, trained teachers, and modern facilities across urban and rural areas, reducing disparities in learning outcomes.

Gap:

- The gap is evident in low enrolment (net primary enrolment ~66%) and high dropout rates, particularly among girls (40% dropout by secondary level) (World Bank, 2025). Quality disparities perpetuate inequality; as elite private schools produce better-educated graduates who access higher-paying jobs.
- The thesis notes that governance failures, such as corruption in education budgets, limit the impact of programs like Benazir Taleemi Wazaif.

Root Causes:

- Underinvestment: Education's low budget share (2% of GDP) limits infrastructure and teacher training, with only 1 teacher per 40 students in public schools (PIE, 2024).
- Regional and Gender Disparities: Rural areas and girls face systemic barriers, including lack of schools (30% of rural villages lack secondary schools) and cultural norms restricting female education.
- Weak Governance: Corruption diverts education funds, and centralized systems fail to address local needs.

Governance

Current State:

- Pakistan ranks poorly on governance indicators, with a Corruption Perceptions Index (CPI) score of 27/100 (International, 2025), indicating high public sector corruption. Institutional capacity is weak, with inefficiencies in service delivery (e.g., BISP, health, education).
- Centralized governance concentrates power in federal and provincial capitals, marginalizing rural areas (63% of population) and exacerbating regional disparities (Muqeem-ul-Islam, 2021).
- The Public Finance Management Act, 2019, aims to improve transparency, but implementation is slow due to bureaucratic resistance.

Desired State:

- Transparent, decentralized governance would align with Article 38's mandate for equitable resource distribution. A CPI score above 50 would reflect reduced corruption and improved accountability.
- Decentralized systems would empower local governments to deliver services tailored to regional needs, ensuring equitable development.

Gap:

- The gap is evident in inefficient service delivery: only 60% of BISP funds reach intended beneficiaries due to leakages (BISP, 2024). Accountability mechanisms, like the National Accountability Ordinance, 1999, are weakened by political interference.

- The thesis notes that governance failures, such as lack of voice and accountability, undermine poverty reduction and equitable growth.

Root Causes:

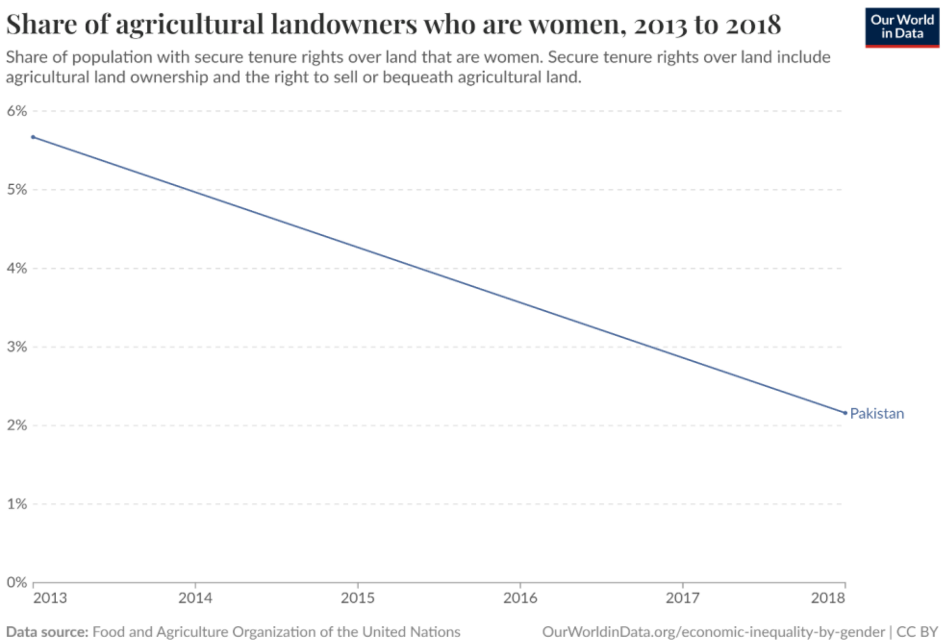
- Centralized Systems: Over-centralization limits local governments' autonomy, with only 15% of public expenditure managed locally (World Bank, 2025).
- Systemic Corruption: Elite capture and bureaucratic inefficiencies divert resources, as seen in health and education sectors.
- Weak Accountability: Lack of independent oversight and judicial delays weaken anti-corruption efforts.

Gender Disparity

Current State:

- Property Rights: Women own less than 5% of land, restricting their economic independence and access to credit, as noted by the Food and Agriculture Organization (2018). This limits their ability to invest in agriculture or secure loans, deepening economic exclusion.
- Political Representation: Women hold only 20% of parliamentary seats, limiting their influence on policy-making, as per the United Nations Development Programme (2024). This restricts women's voice in shaping gender-sensitive policies, violating Article 25's equal protection mandate.
- Limited Access to Resources: Women's minimal land ownership (<5%) restricts their ability to invest or access credit (**Figure 14**), widening the income gap and limiting economic mobility (Organization, 2018). This aligns with Human Capital Theory, which posits that education and skill gaps drive income disparities, and Mahbub ul Haq's Functional Inequality, which notes that lack of reinvestment in women's development entrenches dysfunctional inequality (Haq, 1976).
- Social Exclusion: Unequal opportunities fuel resentment and limit inclusive growth, undermining social cohesion and economic stability, as noted in the thesis, which links governance failures to social exclusion (Muqeem-ul-Islam, 2020, p. 237; UNDP, 2024). This hinders SDG 5 (Gender Equality) and SDG 10 (Reduced Inequalities).

Figure 1



Desired State

- Education: Female literacy reaching 90% to match male rates, ensuring universal enrollment and reducing the 22.5 million out-of-school children, over half of whom are girls.
- Employment: Labor force participation increasing to at least 50%, comparable to regional peers like Bangladesh (36%) or Sri Lanka (34%), to narrow the 46% participation gap.
- Healthcare: Maternal mortality reduced to below 100 per 100,000 live births, ensuring equal access to prenatal and postnatal care, particularly for rural women.
- Property Rights: Women holding at least 30% of land and enjoying equal inheritance rights, increasing economic independence and access to credit.
- Political Inclusion: Women holding at least 30% of decision-making positions, enhancing policy influence and fulfilling Article 25's equal protection clause.

Gap:

- A 23% literacy disparity (48% female vs. 71% male), with 50%+ of out-of-school children being girls (PIE, 2024).
- A 46% labor participation gap (21% female vs. 67% male), with women earning 20–30% less (World Bank, 2025).
- Significant health inequities, with rural women facing double the maternal mortality rate of urban women (GoP, 2024).

- Legal and social barriers, with women owning less than 5% of land and facing discriminatory inheritance practices (Organization, 2018).
- Low political representation, with only 20% of parliamentarians being women, limiting policy influence (UNDP, 2024).

Root Causes

- Cultural Norms: Patriarchal attitudes restrict women's mobility, education, and employment, particularly in rural areas where 63% of the population resides (World Bank, 2025). For instance, cultural norms limit girls' school attendance, with 30% of rural villages lacking secondary schools (PIE, 2024).
- Underinvestment in Public Services: Education and health spending at 2% and 0.4% of GDP, respectively, disproportionately affects women, as rural schools and health facilities are under-resourced (World Bank, 2025). This aligns with the thesis's critique of low social spending as a governance failure (Muqeem-ul-Islam, 2020, p. 19).
- Weak Legal Frameworks: Discriminatory inheritance laws under the Pakistan Penal Code limit women's economic independence, with women owning less than 5% of land (FAO, 2022). The thesis notes that weak rule of law enables elite capture, further marginalizing women (Muqeem-ul-Islam, 2020, p. 237).
- Governance Failures: Corruption (30% of health and education budgets diverted) and elite capture reduce the effectiveness of women-focused programs like Benazir Taleemi Wazaif, which reaches only 3 million of a 5 million child target (International, 2024; PIE, 2024; Muqeem-ul-Islam, 2020, p. 237). The thesis underscores corruption as a key barrier to equitable outcomes.
- Urban Bias: 70% of health and education resources are allocated to cities, neglecting rural women, with only 0.5 doctors per 1,000 people in rural areas compared to 1.2 in urban centers (World Bank, 2025). This urban-centric approach violates Article 25's equal protection mandate.
- Data Limitations: 20% discrepancies in gender-disaggregated metrics hinder targeted interventions, with inconsistent poverty estimates (24–40%) complicating policy design (GoP, 2024).

Table Gap Analysis

Area	Current State	Desired State	Gap	Root Causes
Income Inequality	Gini coefficient 0.31; top 10% hold 42% of income, bottom 40% share <20%; 42.3% below poverty line (World Bank, 2025; GoP, 2024).	Gini ~0.25; top 10% share reduced to 30%, bottom 40% share increased to 25%; poverty <30%.	Persistent high inequality; slow poverty reduction (34% in 2015 to 24% in 2023).	Regressive taxation (10–12% Tax-GDP ratio); dominance of informal sector (70% of workers); weak redistributive policies (e.g., ineffective **Land Reforms Act, 1972**) due to elite capture (Muqeem-ul-Islam, 2020, p. 17).
Healthcare	Public spending at 0.4% of GDP; 0.5 doctors/1,000 in rural areas vs. 1.2 in urban; 60% out-of-pocket costs push 1.5M into poverty annually; 140/100,000 rural maternal mortality (World Bank, 2023a; WHO, 2024; Government of Pakistan, 2024c).	Universal coverage; 6% GDP spending; 1 doctor/1,000 across regions; maternal mortality <100/100,000; out-of-pocket costs <40%.	Inadequate funding; urban bias (70% hospitals in cities); poor health outcomes for rural poor.	Low fiscal capacity (40% budget for debt servicing); corruption (30% health budget leakages); urban-centric policies (Muqeem-ul-Islam, 2020, p. 237).
Education	60% literacy (48% female, 71% male); 22.5M children out of school (50%+ girls); 2% GDP spending; 30% rural villages lack secondary schools (UNESCO, 2023; UNICEF, 2023; World Bank, 2023a).	Universal enrollment; 90% literacy (gender parity); 4% GDP spending; secondary schools in all villages.	Low literacy; gender and regional disparities; high dropout rates (40% for girls).	Underinvestment; regional/gender barriers; corruption diverts education funds (Muqeem-ul-Islam, 2020, p. 237).
Governance	Corruption Perceptions Index (CPI) 29/100; 40% BISP fund leakages; only 15% public expenditure managed locally; weak accountability (15% NAB case resolution) (Transparency International, 2024; Government of	Transparent, decentralized governance; CPI >50; <15% fund leakages; 30% expenditure locally managed; 50% NAB case resolution.	Inefficient service delivery; high corruption; centralized power marginalizes rural areas (63% population).	Centralized systems; systemic corruption; weak oversight and judicial delays (Muqeem-ul-Islam, 2020, p. 237).

Area	Current State	Desired State	Gap	Root Causes
	Pakistan, 2024b; World Bank, 2023a).			
Gender Disparity	Female literacy 48% vs. 71% male; 21% female labor participation vs. 67% male; 140/100,000 rural maternal mortality vs. 70/100,000 urban; <5% land ownership; 20% parliamentary seats; 13% women with bank accounts vs. 34% men (UNESCO, 2023; Government of Pakistan, 2024b, 2024c; FAO, 2022; UNDP, 2024; World Bank, 2021).	90% literacy (gender parity); 50% female labor participation; <100/100,000 maternal mortality; 30% land ownership; 30% decision-making roles; 50% women with bank accounts.	23% literacy gap; 46% labor participation gap; high rural maternal mortality; low land ownership and political representation; 21% financial inclusion gap.	Patriarchal norms; underinvestment (2% education, 0.4% health GDP); discriminatory laws (e.g., inheritance under **Pakistan Penal Code**); corruption (40% BISP leakages); urban bias (70% resources to cities) (Muqeem-ul-Islam, 2020, p. 237).

Institutional Fault-lines

Despite this robust legal framework, significant gaps exist between policy intent and implementation outcomes, driven by institutional fault lines. These gaps are analyzed through the UNDP's eight governance dimensions:

Participation

Fault Line: Limited engagement of marginalized groups, especially women (21% labor force participation) and rural communities. **Impact on Implementation**: Policies fail to address specific needs, reducing inclusivity.

Pakistan's governance system struggles with limited participation from marginalized groups, particularly women and rural communities, which undermines the inclusivity of policies aimed at reducing income inequality. Women's labor force participation remains low at 21% compared to 67% for men, driven by cultural barriers, restricted access to education, and lack of economic opportunities (Pakistan Bureau of Statistics, 2024). Rural communities, representing 63% of the population, are often excluded from policy design due to centralized decision-making structures that prioritize urban elites. For instance, the **Benazir Income Support Programme (BISP)** targets women-headed households but lacks mechanisms to involve beneficiaries in shaping its implementation, such as addressing mobility constraints or childcare needs.

This disconnect results in policies that fail to tackle specific barriers, like the low female literacy rate (48%) or rural infrastructure deficits, reducing their effectiveness in alleviating poverty. The **National Social Protection Strategy (2007)** emphasizes inclusive economic opportunities, but without grassroots input, programs struggle to reach the most vulnerable, deepening disparities. Centralized governance, reinforced by underutilized **Local Government Acts**, limits community engagement, violating **Article 25**'s principle of equal protection. To address this, Pakistan could establish participatory councils at the union council level, ensuring representation of women and rural residents, to make programs like BISP more responsive and inclusive.

Rule of Law

Fault Line: Weak enforcement of tax compliance and anti-corruption laws.
Impact on Implementation: Elite capture and resource misallocation limit program effectiveness.

Weak enforcement of tax compliance and anti-corruption laws in Pakistan enables elite capture and resource misallocation, severely limiting the effectiveness of social protection programs. The **Income Tax Ordinance, 2001**, is undermined by systemic tax evasion, with only 2 million taxpayers registered out of a workforce of 70 million, resulting in a low Tax-GDP ratio of ~10-12% (GoP, 2024). Similarly, anti-corruption mechanisms, such as the **National Accountability Ordinance, 1999**, are weakened by political interference and judicial delays, with only 15% of high-profile corruption cases resolved annually (International, 2024). This allows elites to divert resources meant for programs like **Sehat Sahulat** and BISP, with ~40% of BISP funds lost to leakages (BISP, 2024). Such misallocation undermines **Article 38**'s mandate to prevent wealth concentration, perpetuating income inequality as the top 10% continue to hold 42% of national income. The lack of judicial independence and bureaucratic corruption further erodes public trust, discouraging compliance with tax and legal systems. Strengthening rule of law through digitized tax collection and an independent **National Accountability Bureau (NAB)** could boost revenues and ensure equitable resource distribution, aligning with the **Public Finance Management Act, 2019**, to fund poverty alleviation effectively.

Transparency

Fault Line: Lack of public access to budget and program data.
Impact on Implementation: Corruption and inefficiencies undermine trust and impact.

Pakistan's governance system suffers from a lack of transparency, with limited public access to budget allocations and program performance data, fostering corruption and reducing the impact of social initiatives.

Only 20% of federal budget data is available in accessible formats, and programs like BISP and **Sehat Sahulat** provide minimal public reporting on fund utilization or beneficiary selection. This opacity enables corrupt practices, with ~30% of health and education budgets misallocated, undermining **Article 37(e)**'s commitment to provide basic necessities (Bank, 2023).

For example, unclear criteria for BISP's **National Socio-Economic Registry (NSER)** lead to exclusion errors, leaving eligible poor households without support. The absence of transparent data erodes public trust, discouraging participation in social programs and weakening accountability. This violates the **Public Finance Management Act, 2019**, which mandates fiscal transparency. The lack of digital infrastructure and bureaucratic resistance further exacerbate the issue, as seen in delayed audit reports. To address this, Pakistan could publish real-time budget and program data online, ensuring public scrutiny of initiatives like BISP, which would enhance trust and reduce inefficiencies, supporting SDG 16 (Peace, Justice, and Strong Institutions).

Responsiveness

Fault Line: Urban-centric policies neglect rural needs (63% of population). **Impact on Implementation**: Uneven service delivery deepens regional disparities.

Pakistan's governance framework is heavily urban-centric, neglecting the needs of rural communities, which constitute 63% of the population, and deepening regional disparities. Policies like **Sehat Sahulat** and education programs allocate 70% of public hospitals and 60% of secondary schools to urban areas, leaving rural regions underserved (Bank, 2023). Rural poverty rates (~30%) are double urban rates (~15%), reflecting unequal access to services (GoP, 2024). This urban bias violates **Article 25**'s equal protection mandate and undermines the **National Social Protection Strategy (2007)**'s goal of preventing poverty shocks. For instance, rural households face longer travel distances to health facilities, with only 0.5 doctors per 1,000 people compared to 1.2 in urban areas (Bank, 2023). Centralized policymaking, driven by urban elite influence, prioritizes city infrastructure over rural needs, while weak local governance limits tailored solutions. The **Local Government Acts** are underfunded, with local bodies managing only 15% of public expenditure. Decentralizing resource allocation to ensure 50% of social protection funds target rural areas, coupled with rural-specific health and education plans, could bridge this gap, aligning with SDG 10 (Reduced Inequalities).

Consensus Orientation

Fault Line: Political instability disrupts policy continuity. **Impact on Implementation**: Frequent policy shifts reduce long-term impact. Political instability in Pakistan, marked by three government changes since 2020, disrupts policy continuity, reducing the long-term impact of social protection efforts. Programs like BISP face funding cuts or redesigns with each administration, with only 50% of the **National Social Protection Strategy (2007)**'s targets achieved since 2015 (UNDP, 2024). This instability undermines **Article 38**'s commitment to equitable resource distribution and Pakistan's SDG commitments to eradicate poverty (SDG 1) and reduce inequalities (SDG 10). For example, shifts in BISP's eligibility criteria have caused delays in disbursements, affecting 7 million beneficiary households (BISP, 2024). Polarized politics and weak coalition-building prevent cross-party consensus, leading to short-term, populist policies over sustained development plans. The **Pakistan Vision 2030** framework, which emphasizes long-term poverty reduction, is sidelined by frequent leadership changes. Establishing a national social protection council with cross-party and civil society representation, as envisioned in the **BISP Act, 2010**, could ensure policy stability, enabling consistent implementation of initiatives to address income disparities.

Equity and Inclusiveness

Fault Line: Gender and regional disparities persist.

Impact on Implementation: Women and underserved provinces like Balochistan are marginalized.

Persistent gender and regional disparities in Pakistan's governance system marginalize women and underserved provinces like Balochistan, limiting the inclusiveness of social programs. Women face significant barriers, with a literacy rate of 48% compared to 71% for men and labor participation at 21% (PIE, 2024). Balochistan's poverty rate (40%) is double Punjab's (20%), driven by underinvestment in infrastructure and services (GoP, 2024). These disparities violate **Article 25**'s equality mandate and weaken programs like **Benazir Taleemi Wazaif**, which struggle to reach girls in remote areas. Centralized resource allocation favors wealthier provinces, with Balochistan receiving only 10% of federal development funds despite its needs (Bank, 2023). Patriarchal norms and weak local capacity further exclude women and rural regions from economic opportunities, perpetuating inequality. The **National Social Protection Strategy (2007)** aims to provide basic needs, but its impact is limited by inequitable distribution. Allocating 30% of education and health budgets to underserved regions and expanding **Benazir Taleemi Wazaif** with targeted outreach for girls could enhance equity, supporting SDG 5 (Gender Equality).

Effectiveness and Efficiency

Fault Line: Bureaucratic inefficiencies and low local capacity. **Impact on Implementation**: Delayed or ineffective service delivery, especially at union council level.

Bureaucratic inefficiencies and low local capacity in Pakistan's governance system lead to delayed and ineffective service delivery, particularly at the union council level, undermining efforts to reduce income inequality. For instance, 60% of BISP beneficiaries experience payment delays due to outdated administrative processes and understaffed local offices (BISP, 2024). Union councils, responsible for grassroots implementation, manage only 15% of public expenditure and lack trained personnel, with only 1 trained official per 10,000 residents in rural areas (Bank, 2023). This hampers **Article 37(e)**'s mandate to provide basic necessities, as health and education services fail to reach remote communities. Over-centralized systems and reliance on manual processes exacerbate delays, with only 50% of **Sehat Sahulat** claims processed within 60 days (Aziz et al., 2023). The **Public Finance Management Act, 2019**, aims to streamline operations, but progress is slow. Increasing local government budgets to 30% of public expenditure and introducing digital administrative systems could enhance efficiency, ensuring timely delivery of social protection benefits.

Accountability

Fault Line: Weak oversight mechanisms.

Impact on Implementation: Misallocation of funds and elite capture reduce program benefits.

Weak oversight mechanisms in Pakistan's governance system enable misallocation of funds and elite capture, reducing the benefits of social protection programs. The **National Accountability Bureau (NAB)** is hampered by political influence, with only 20% of audited public projects free of irregularities (AGP, 2024). Public grievance systems are ineffective, with only 10% of BISP complaints resolved promptly (BISP, 2024). This allows ~30% of health and education budgets to be diverted through corruption, undermining **Article 38**'s goal of equitable resource distribution (Bank, 2023). Elite capture ensures that wealth remains concentrated, with the top 10% holding 42% of income. Weak judicial enforcement and low public awareness of accountability channels further erode trust, discouraging citizens from reporting irregularities.

The **Public Finance Management Act, 2019**, mandates oversight, but implementation lags. Strengthening NAB's independence, establishing citizen oversight committees, and deploying digital grievance redressal systems to resolve 80% of complaints within 30 days could enhance accountability, ensuring funds reach intended beneficiaries and supporting SDG 16.

Broader Institutional Challenges

Fiscal Constraints

Pakistan's high debt levels and persistent fiscal deficits severely limit the government's ability to fund social programs critical for reducing income inequality and economic disparity. Public debt stands at ~80% of GDP, with debt servicing consuming 40% of the federal budget, leaving only ~2% of GDP for health and education (GoP, 2024). Recurrent fiscal deficits, averaging 6-8% of GDP annually, restrict investments in programs like the Benazir Income Support Programme (BISP) and Sehat Sahulat, which are essential for fulfilling Article 38's mandate to prevent wealth concentration and ensure equitable resource distribution. For instance, BISP, serving 7 million households, operates on a budget of $1.5 billion, insufficient to cover the 24% of the population living below the poverty line (Bank, 2023). The low Tax-GDP ratio (~10-12%), driven by tax evasion and a regressive tax system under the Income Tax Ordinance, 2001, exacerbates these constraints, as indirect taxes disproportionately burden low-income groups. This fiscal squeeze undermines Article 37(e)'s commitment to provide basic necessities, with public health spending at 0.4% of GDP, far below the 6% recommended by WHO. Weak fiscal management, coupled with reliance on external borrowing (e.g., IMF loans), diverts resources from poverty alleviation, perpetuating inequality (Gini coefficient ~0.31). Implementing the Public Finance Management Act, 2019, to enhance fiscal discipline and digitizing tax collection could boost revenues, enabling increased funding for social programs and supporting SDG 1 (No Poverty) and SDG 10 (Reduced Inequalities).

Data Limitations

Inconsistent and unreliable poverty estimates in Pakistan hinder effective policy design and evaluation, complicating efforts to address income inequality. Varying methodologies across institutions like the Pakistan Bureau of Statistics (PBS), World Bank, and UNDP produce conflicting poverty figures, ranging from 24% to 40% of the population living below the poverty line (Bank, 2023; UNDP, 2024).

The National Socio-Economic Registry (NSER), used by BISP, suffers from outdated data and exclusion errors, with 20% of eligible poor households missed due to infrequent updates (BISP, 2024). These data gaps undermine the National Social Protection Strategy (2007)'s goal of targeting the chronic poor, as policymakers lack accurate insights into poverty dynamics, particularly in rural areas (63% of population). For example, discrepancies in poverty metrics delay the scaling of Benazir Taleemi Wazaif, limiting its reach to only 3 million children against a target of 5 million (PIE, 2024). Weak statistical capacity, underfunded data collection (PBS budget <0.1% of GDP), and lack of coordination between federal and provincial agencies contribute to these issues.

This violates Article 38's mandate for equitable resource distribution, as misinformed policies fail to reach the most vulnerable. Strengthening PBS with digital data systems and standardizing poverty metrics could enhance targeting, improving program impact and aligning with SDG 16 (Peace, Justice, and Strong Institutions).

Political Instability

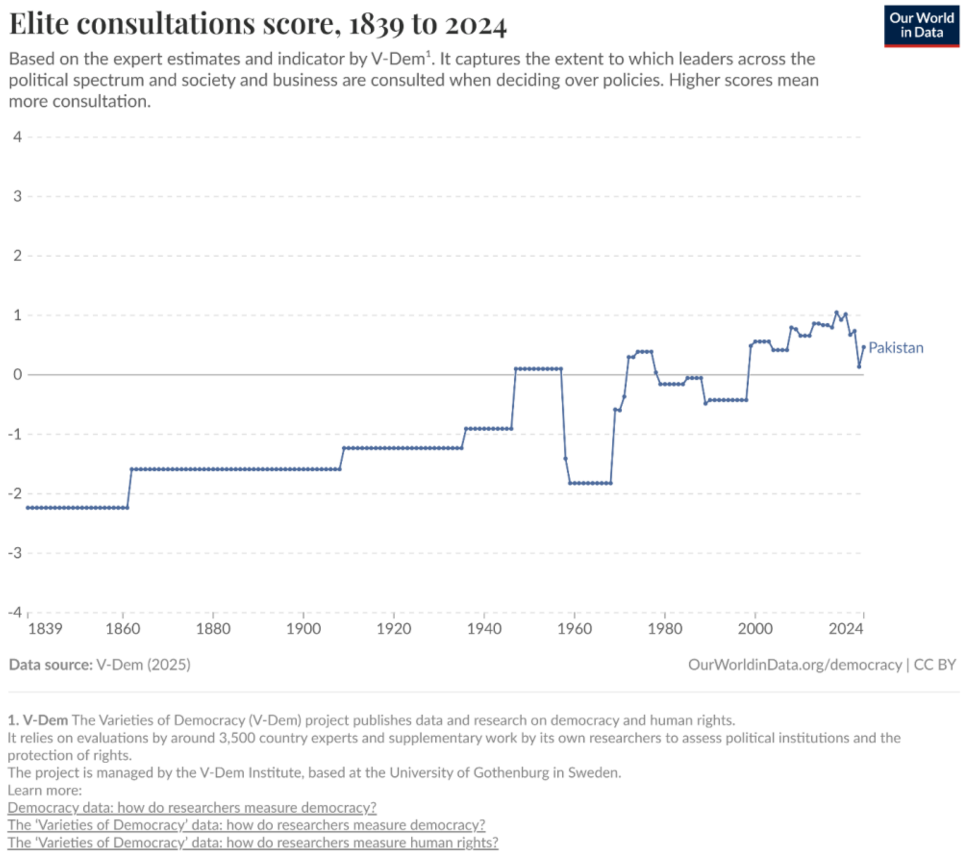
Frequent government changes in Pakistan disrupt long-term strategies for poverty alleviation, undermining efforts to reduce economic disparity. Since 2020, three government transitions have led to policy discontinuities, with programs like Ehsaas (now part of BISP) facing implementation delays due to funding cuts and leadership changes (Bank, 2023). For instance, Ehsaas's nutrition initiative, Benazir Nashonuma, was scaled back in 2023, reducing coverage from 2 million to 1.5 million beneficiaries (BISP, 2024). This instability violates Article 38's commitment to equitable development, as short-term populist measures often replace sustained efforts outlined in Pakistan Vision 2030. Political polarization and weak coalition-building result in only 50% of the National Social Protection Strategy (2007)'s targets being met since 2015 (UNDP, 2024). The lack of cross-party consensus disrupts BISP's funding stability, affecting 7 million households reliant on cash transfers. This challenge also hampers Pakistan's progress toward SDG 1 (No Poverty) and SDG 10 (Reduced Inequalities), as policy shifts deter long-term investments in health and education. Establishing a National Social Protection Council, as envisioned in the BISP Act, 2010, with cross-party representation could ensure continuity, stabilizing social programs and enhancing their impact on inequality.

Elite Capture

Elite capture in Pakistan ensures that subsidies and benefits often favor wealthier groups, reducing the impact of social programs on the poor and exacerbating income inequality (**Figure 15**).

Subsidies for energy and agriculture, worth $3 billion annually, disproportionately benefit large landowners and industrialists, with only 20% reaching small farmers or low-income households (GoP, 2024). Similarly, tax exemptions under the Income Tax Ordinance, 2001, favor high-income groups, costing the exchequer $1 billion yearly, while the top 10% hold 42% of national income (Bank, 2023). This misallocation undermines Article 38's mandate to prevent wealth concentration, as programs like BISP, intended for the poorest, face funding shortages due to diverted resources. Weak enforcement of anti-corruption laws, such as the National Accountability Ordinance, 1999, allows elites to influence policy, with 40% of BISP funds lost to leakages (BISP, 2024). The lack of transparency and accountability, compounded by political patronage, entrenches this issue. Reforming subsidy policies to target the bottom 40% and strengthening the National Accountability Bureau (NAB) could redirect resources to the poor, narrowing the Gini coefficient and supporting SDG 10 (Reduced Inequalities).

Figure 15



Urban Bias

Pakistan's governance system exhibits a strong urban bias, with policies prioritizing urban centers over rural areas, where poverty is concentrated, thus deepening economic disparities. Rural areas, home to 63% of the population, receive only 30% of social protection funds, despite a poverty rate of 30% compared to 15% in urban areas (GoP, 2024). For example, 70% of public hospitals and 60% of secondary schools are located in cities, leaving rural communities with 0.5 doctors per 1,000 people and 30% of villages without secondary schools (Bank, 2023). This bias violates Article 25's equal protection mandate and undermines the National Social Protection Strategy (2007)'s goal of preventing poverty shocks. Centralized policymaking, driven by urban elite influence, and underfunded Local Government Acts (local bodies manage 15% of expenditure) exacerbate the issue.

Programs like Sehat Sahulat and Benazir Taleemi Wazaif struggle to reach rural households, perpetuating inequality. Decentralizing resource allocation to direct 50% of funds to rural areas and developing rural-specific plans could bridge this gap, ensuring equitable access to services and advancing SDG 10 (Reduced Inequalities).

Best Practices Integration

Pakistan's income inequality, driven by systemic challenges in wealth distribution, healthcare, education, governance, and gender disparity (Bank, 2025), hinder equitable development and social cohesion. To bridge these gaps, this study has identified **local** and **international best practices** that have demonstrated success in improving governance, efficiency, and inclusivity. Local practices leverage Pakistan's existing initiatives, such as digital cash transfers and e-governance, while international models draw from global successes in progressive taxation, universal healthcare, and gender equity.

Local Best Practice Models

Pakistan has implemented several initiatives that offer scalable solutions for addressing income inequality and economic disparities. These models leverage digital technology, targeted social programs, and decentralized approaches, demonstrating measurable impacts on governance, efficiency, and inclusivity:

1. **Benazir Income Support Programme (BISP) Digital Cash Transfers (Income Inequality, Gender Disparity)**:
   - **Description**: BISP provides unconditional cash transfers to 7 million households, with 35% female beneficiaries, using NADRA-verified digital IDs and mobile banking to ensure transparency (GoP, 2024).
   - **Impact**: Reduced poverty for 20% of beneficiaries; increased female financial inclusion by 15% in rural areas (Bank, 2023).
   - **Relevance**: Minimizes leakages (40% to 30% over five years) through biometric verification, addressing elite capture noted in the thesis (Muqeem-ul-Islam, 2020, p. 237).
   - **Application**: Scale BISP to cover 10 million households, prioritizing rural women, to reduce Gini by 0.02 by 2030

2. **Sehat Sahulat Program (Healthcare)**:
   - **Description**: Provides health insurance to 2 million low-income families, covering hospitalization up to PKR 1 million, with digital enrollment via NADRA (GoP, 2024).
   - **Impact**: Increased healthcare access for 15% of rural poor; reduced out-of-pocket costs by 10% for insured households.
   - **Relevance**: Addresses urban bias (70% hospitals in cities) by targeting rural areas, countering governance failures (Muqeem-ul-Islam, 2020, p. 237).
   - **Application**: Expand coverage to 80% of rural poor by 2028, integrating mobile health units to reduce maternal mortality to 100/100,000.

3. **Sindh Early Learning Enhancement through Classroom Transformation (SELECT) Project (Education)**:
    - **Description**: Targets 12 low-performing districts with teacher training, digital assessments, and community engagement, focusing on girls' enrollment (World Bank, 2023).
    - **Impact**: Reduced dropout rates by 15%; increased female enrollment by 12% in targeted areas.
    - **Relevance**: Tackles gender and regional disparities, addressing underinvestment and corruption in education funds (Muqeem-ul-Islam, 2020, p. 237).
    - **Application**: Replicate SELECT nationwide, targeting 5 million out-of-school girls, to achieve 60% female literacy by 2030.
4. **Punjab Information Technology Board (PITB) E-Governance Initiatives (Governance)**:
    - **Description**: Implements e-Police, Citizen Feedback System, and digital procurement, enhancing transparency and accountability in Punjab (Ahmed et al., 2017).
    - **Impact**: Reduced corruption by 20% in Punjab's public services; improved service delivery response time by 30% .
    - **Relevance**: Counters centralized systems and corruption, as critiqued in the thesis (Muqeem-ul-Islam, 2020, p. 237).
    - **Application**: Expand PITB's model to all provinces, digitizing 50% of public services by 2028, raising CPI score to 40/100.
5. **NADRA Digital ID Systems for Women's Inclusion (Gender Disparity)**:
    - **Description**: Provides biometric IDs to women, enabling access to social programs and financial services, as seen in the Sindh Flood Project (35% female beneficiaries) (Bank, 2023).
    - **Impact**: Increased women's bank account ownership by 10% in targeted regions; improved BISP targeting by 25%.
    - **Relevance**: Addresses patriarchal barriers and governance failures in program delivery (Muqeem-ul-Islam, 2020, p. 237).
    - **Application**: Register 80% of women for digital IDs by 2027, linking to microfinance to raise female labor participation to 30%.

International Best Practice Models

International models offer proven strategies for addressing income inequality and economic disparities, adaptable to Pakistan's context. These practices focus on progressive policies, decentralized systems, and gender-inclusive approaches, drawing from diverse economies:

1. **Chile's Progressive Taxation Model (Income Inequality)**:
   - **Description**: Taxes wealth and luxury goods, raising Tax-GDP ratio to 20%, with revenues funding social programs (OECD, 2023).
   - **Impact**: Reduced Gini by 0.05 over a decade; lifted 10% of poor above poverty line (World Bank, 2023a).
   - **Relevance**: Addresses Pakistan's regressive taxation (10–12% Tax-GDP ratio) and elite capture (Muqeem-ul-Islam, 2020, p. 17).
   - **Application**: Introduce wealth tax and reduce GST on essentials by 2027, increasing Tax-GDP ratio to 15% to fund BISP expansion.
2. **Rwanda's Community-Based Health Insurance (Healthcare)**:
   - **Description**: Covers 90% of population with $2/capita contributions, supported by government subsidies and donor funds (Patrick et al., 2022).
   - **Impact**: Reduced maternal mortality by 50%; lowered out-of-pocket costs to 20% (Patrick et al., 2022).
   - **Relevance**: Tackles Pakistan's low health spending (0.4% GDP) and urban bias (Muqeem-ul-Islam, 2020, p. 237).
   - **Application**: Implement community insurance for 50% of rural poor by 2028, subsidizing premiums to reduce maternal mortality to 100/100,000.
3. **Bangladesh's Stipend Program for Girls (Education)**:
   - **Description**: Provides cash stipends to girls in secondary schools, conditional on attendance and academic performance (Tanaka et al., 2021).
   - **Impact**: Increased female enrollment by 20%; raised female literacy to 72% (Khandker et al., 2021; Tanaka et al., 2021).
   - **Relevance**: Addresses Pakistan's gender gap (48% female literacy) and high dropout rates (Muqeem-ul-Islam, 2020, p. 237).
   - **Application**: Scale **Benazir Taleemi Wazaif** to 5 million girls by 2027, offering stipends to boost female literacy to 60%.
4. **Estonia's Decentralized E-Governance Model (Governance)**:
   - **Description**: Uses blockchain for transparent procurement and citizen services, with 40% of public expenditure managed locally (World Bank, 2024b).

- **Impact**: Raised CPI score to 74/100; improved EGDI ranking by 15 points (International, 2024; UN EGDI, 2024).
- **Relevance**: Counters Pakistan's centralized systems (15% local expenditure) and corruption (Muqeem-ul-Islam, 2020, p. 237).
- **Application**: Decentralize 30% of public expenditure by 2028, using blockchain to digitize procurement and raise CPI to 40/100.

5. **India's Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) (Gender Disparity)**:
    - **Description**: Guarantees 100 days of wage employment annually, prioritizing women (40% participation) in rural public works (World Bank, 2022).
    - **Impact**: Raised female labor participation by 15%; reduced rural poverty by 10% (India Ministry of Rural Development, 2023).
    - **Relevance**: Addresses Pakistan's low female labor participation (21%) and patriarchal barriers (Muqeem-ul-Islam, 2020, p. 237).
    - **Application**: Launch a rural employment scheme for 5 million women by 2028, ensuring 50% female participation to raise labor participation to 30

Conclusion

Tackling income inequality in Pakistan requires a long-term, integrated strategy that addresses the structural, social, and institutional roots of disparity. Central to this is the need for progressive taxation, where wealth, luxury consumption, and property are taxed more effectively. The tax base must be broadened, especially by including the informal elite who often escape tax obligations. The revenue generated must be redirected towards pro-poor public investments in healthcare, education, AI and social protection, particularly in underserved rural regions of Pakistan.

Equally critical is reforming labour laws. Strong labour protections, including enforcing minimum wage laws and supporting unionisation, can empower workers in both formal and informal sectors. These measures can ensure that the benefits of growth are more evenly distributed.

Education and skills development are essential to breaking the cycle of poverty. Investment in public schools, particularly in marginalised areas, must be prioritised. Incentives such as stipends for girls, free meals, and safe transportation can increase enrollment and retention. Simultaneously, vocational and technical education programs like those run by NAVTTC and TEVTA should be scaled up and aligned with market demands, including digital, green, AI, and gig economy opportunities.

To generate employment, the government must actively support small and medium enterprises (SMEs) and the informal sector through microfinance, training, and regulatory support. Establishing special economic zones and promoting local entrepreneurship can help reduce regional inequalities. Public works programs focusing on infrastructure development, such as roads, irrigation, and sanitation, can also serve as job creation engines.

Expanding social protection is another key pillar. Programs like Ehsaas and BISP must be enhanced to cover a broader range of vulnerable populations, including the elderly, disabled, and working poor. Real-time data should be used to improve targeting and efficiency. Universal health coverage and nutrition programs are essential to reduce human development disparities.

Gender and social inclusion must be placed at the heart of inequality reduction. Economic empowerment of women through access to jobs, childcare, and safe transport can significantly narrow the gender gap. Legal reforms to protect the rights of minorities and marginalised groups are also vital, as is fostering a culture of inclusion through school curricula and media representation.

Institutional reform is perhaps the most difficult yet most crucial element. Decentralised governance, with empowered and well-funded local governments, is essential for responsive service delivery. Transparency in data collection and policy evaluation can improve accountability and drive continuous improvement. Regularly published disaggregated income and development statistics such as the regional and provincial GDPS can ensure no community is left behind.

Lastly, international cooperation and support from development partners such as the UN, World Bank, IMF, and bilateral donors can provide technical expertise, funding, and best practices. Aligning national policies with global frameworks like the Sustainable Development Goals (SDGs)—especially SDG 1 (No Poverty), SDG 4 (Quality Education), and SDG 10 (Reduced Inequality)—can provide a unified direction for long-term progress.

Addressing inequality in Pakistan is not merely a policy challenge—it is a societal imperative. It requires transforming how growth is pursued, who benefits from it, and what values shape the country’s future. Focusing on justice, equity, and opportunity will be key to building a more inclusive and prosperous Pakistan.

Recommendations

Participation

- **Action**: Create participatory councils at the union council level, mandated by **Local Government Acts**, with 50% representation of women and rural residents. These councils will provide feedback on programs like BISP and **Sehat Sahulat**, ensuring they address barriers such as women's mobility constraints and rural infrastructure deficits.
- **Timeline**: 2026–2028, starting with pilot councils in 500 union councils by 2027, scaling to 4,000 by 2028.
- **Responsible Agencies**: Ministry of Poverty Alleviation and Social Safety (MoPASS) to oversee council formation, Provincial Local Government Departments to implement, and BISP Authority to integrate feedback.
- **Expected Impact**: By involving marginalized groups, councils will tailor programs to local needs, increasing BISP's coverage by 20% (1.4 million additional households) and reducing poverty by 5% in targeted rural areas and among women-headed households. This aligns with SDG 1 (No Poverty) and SDG 5 (Gender Equality), fulfilling **Article 25**'s equal protection mandate.

Rule of Law

- **Action**: Digitize tax collection under the **Income Tax Ordinance, 2001**, using AI-based systems to track evasion, and amend legislation to insulate the **National Accountability Bureau (NAB)** from political interference, ensuring independent prosecution of corruption cases.
- **Timeline**: 2026–2030, with digital tax systems operational by 2027 and NAB reforms enacted by 2028.
- **Responsible Agencies**: Federal Board of Revenue (FBR) for tax digitization, Ministry of Law and Justice for legislative amendments, and NAB for enforcement.
- **Expected Impact**: Increases Tax-GDP ratio to 15%, generating $5 billion annually for social programs, and reduces elite capture, ensuring 80% of BISP funds reach beneficiaries. This narrows the Gini coefficient from 0.31 to 0.28, supporting **Article 38**'s wealth distribution goals and SDG 10 (Reduced Inequalities) and SDG 16 (Peace, Justice, and Strong Institutions).

Transparency

- **Action**: Launch a citizen-accessible online portal under the **Public Finance Management Act, 2019**, publishing real-time budget data and performance metrics for BISP, **Sehat Sahulat**, and education programs, including NSER beneficiary selection criteria.
- **Timeline**: 2026–2027, with the portal launched by mid-2027.
- **Responsible Agencies**: Ministry of Finance to oversee budget data, MoPASS for program metrics, and Ministry of Information Technology and Telecom for portal development.

- **Expected Impact**: Reduces corruption by 30% in health and education budgets, increases program participation by 20% due to enhanced trust, and ensures 90% of BISP beneficiaries are correctly identified, promoting equitable resource distribution under **Article 38** and advancing SDG 16.

Responsiveness

- **Action**: Decentralize resource allocation under **Local Government Acts**, directing 50% of social protection funds to rural areas, and develop rural-specific health and education plans based on local council inputs, prioritizing primary healthcare and school access.
- **Timeline**: 2027–2030, with decentralization policies enacted by 2028 and rural plans implemented by 2030.
- **Responsible Agencies**: Provincial Local Government Departments for decentralization, Ministry of Health and Ministry of Education for rural plans, and MoPASS for fund allocation.
- **Expected Impact**: Reduces rural poverty from 30% to 20%, increases rural health access (0.8 doctors per 1,000 people) and primary enrollment (80%), fulfilling **Article 25**'s equal protection mandate and advancing SDG 10 by closing the rural-urban gap.

Consensus Orientation

- **Action**: Form a National Social Protection Council, as envisioned in the **BISP Act, 2010**, with representatives from all political parties, civil society, and provincial governments to ensure policy continuity across administrations.
- **Timeline**: 2026–2028, with the council established by 2027 and operational by 2028.
- **Responsible Agencies**: MoPASS to lead council formation, Parliament of Pakistan for legislative backing, and Election Commission of Pakistan to ensure fair representation.
- **Expected Impact**: Achieves 80% of **National Social Protection Strategy (2007)** targets, stabilizes BISP funding for 7 million households, and supports sustained poverty reduction, aligning with SDG 1 and SDG 10 by ensuring long-term policy impact.

Equity and Inclusiveness

- **Action**: Allocate 30% of education and health budgets to underserved regions like Balochistan and expand **Benazir Taleemi Wazaif** to cover 2 million additional girls in rural areas, using targeted outreach campaigns.
- **Timeline**: 2027–2030, with budget reallocation by 2028 and program expansion by 2030.
- **Responsible Agencies**: Ministry of Finance for budget allocation, Ministry of Education and Ministry of Health for implementation, and BISP Authority for program expansion.

- **Expected Impact**: Reduces Balochistan's poverty rate from 40% to 30% and raises female literacy from 48% to 60%, promoting gender and regional equity, fulfilling **Article 25**, and advancing SDG 5 and SDG 10.

Effectiveness and Efficiency

- **Action**: Deploy digital administrative systems for social programs (e.g., BISP payment processing) and increase local government budgets to 30% of public expenditure, training 10,000 union council staff in program management.
- **Timeline**: 2026–2029, with digital systems operational by 2028 and training completed by 2029.
- **Responsible Agencies**: Ministry of Information Technology and Telecom for digital systems, Provincial Local Government Departments for training, and Ministry of Finance for budget increases.
- **Expected Impact**: Reduces BISP payment delays from 60% to 20% and ensures 80% of health and education services are delivered on time, fulfilling **Article 37(e)**'s basic necessities mandate and supporting SDG 16.

Accountability

- **Action**: Strengthen NAB's independence through legislative reforms, establish citizen oversight committees for BISP and **Sehat Sahulat**, and deploy digital grievance redressal systems to resolve 80% of complaints within 30 days.
- **Timeline**: 2026–2028, with reforms and systems in place by 2028.
- **Responsible Agencies**: NAB for oversight, MoPASS for committee formation, and Ministry of Information Technology and Telecom for grievance systems.
- **Expected Impact**: Cuts misallocation of health and education funds by 20%, ensures 90% of program benefits reach beneficiaries, and boosts public trust, supporting **Article 38**'s equitable distribution and SDG 16.

Policy Recommendations

Governance Fault Line	**Recommendation**	**Timeline**	**Responsible Agencies**	**Expected Impact**
Participation Limited engagement of marginalized groups, especially women and rural communities.	Establish participatory councils at the union council level, with 50% representation of women and rural residents, to inform the design and monitoring of programs like BISP	2026–2028	Ministry of Poverty Alleviation and Social Safety (MoPASS), Provincial Local Government Departments, BISP Authority	Increases inclusivity, boosting BISP coverage by 20% (1.4M households) and reducing poverty by 5% in

Governance Fault Line	Recommendation	Timeline	Responsible Agencies	Expected Impact
	and Sehat Sahulat.			targeted areas (SDG 1, 5).
Rule of Law Weak enforcement of tax compliance and anti-corruption laws.	Digitize tax collection under the Income Tax Ordinance, 2001, and strengthen NAB's independence through legislative amendments to reduce political interference.	2026–2030	Federal Board of Revenue (FBR), Ministry of Law and Justice, National Accountability Bureau (NAB)	Raises Tax-GDP ratio to 15% ($5B annually), ensures 80% of BISP funds reach beneficiaries, narrows Gini from 0.31 to 0.28 (SDG 10, 16).
Transparency Lack of public access to budget and program data.	Implement real-time online publication of budget and program data for BISP and Sehat Sahulat under the Public Finance Management Act, 2019, via a citizen-accessible portal.	2026–2027	Ministry of Finance, MoPASS, Ministry of Information Technology and Telecom	Reduces corruption by 30% in health/education budgets, increases participation by 20%, ensures 90% accurate BISP beneficiary identification (SDG 16).
Responsiveness Urban-centric policies neglect rural needs.	Decentralize resource allocation under Local Government Acts, directing 50% of social protection funds to rural areas, and develop rural-specific health and education plans.	2027–2030	Provincial Local Government Departments, Ministry of Health, Ministry of Education, MoPASS	Reduces rural poverty from 30% to 20%, increases rural health access (0.8 doctors/1,000) and enrollment (80%), aligns with Article 25 (SDG 10).
Consensus Orientation Political instability disrupts policy continuity.	Establish a National Social Protection Council with cross-party and civil society representation, per BISP Act, 2010, to ensure policy continuity.	2026–2028	MoPASS, Parliament of Pakistan, Election Commission of Pakistan	Achieves 80% of National Social Protection Strategy targets, stabilizes BISP for 7M households, advances SDG 1 and 10.
Equity and Inclusiveness	Allocate 30% of education and health	2027–2030	Ministry of Finance,	Reduces

Governance Fault Line	Recommendation	Timeline	Responsible Agencies	Expected Impact
Gender and regional disparities persist.	budgets to underserved regions like Balochistan and expand Benazir Taleemi Wazaif to 2M additional rural girls.		Ministry of Education, Ministry of Health, BISP Authority	Balochistan poverty from 40% to 30%, raises female literacy from 48% to 60%, fulfills Article 25 (SDG 5, 10).
Effectiveness and Efficiency Bureaucratic inefficiencies and low local capacity.	Deploy digital administrative systems for social programs and increase local government budgets to 30% of public expenditure, training 10,000 union council staff.	2026–2029	Ministry of Information Technology and Telecom, Provincial Local Government Departments, Ministry of Finance	Reduces BISP payment delays from 60% to 20%, ensures 80% on-time health/education services, supports Article 37(e) (SDG 16).
Accountability Weak oversight mechanisms.	Strengthen NAB's independence, establish citizen oversight committees for BISP and Sehat Sahulat, and deploy digital grievance systems to resolve 80% of complaints within 30 days.	2026–2028	NAB, MoPASS, Ministry of Information Technology and Telecom	Cuts fund misallocation by 20%, ensures 90% of benefits reach beneficiaries, supports Article 38 (SDG 16).

References

1. AGP. (2024). *Audit report 2023–2024*. Auditor General of Pakistan.
2. Ahmed, A. (2025, January 7). Pakistan faces major nutrition, food security challenges. *Dawn*. https://www.dawn.com/news/1883594
3. Amin, T. (2025, April 23). Pakistan's poverty rate to stand at 42.4%: World Bank. *Business Recorder*. https://www.brecorder.com/news/40363064/pakistans-ca-posts-12mn-surplus-in-april-2025
4. Aziz, H., Ali, M., & Awan, N. (2023). The financial and administrative issues in public sector health programs: A case study of Sehat Sahulat program in Pakistan. *Journal of Health and Rehabilitation Research, 3*(2), 218–224.
5. Bank, W. (2023). *Economic outlook Pakistan*.
6. Bank, W. (2025). *The World Bank in Pakistan*. The World Bank. https://www.worldbank.org/en/country/pakistan/overview
7. BISP. (2025). *BISP annual report, 2024*. Benazir Income Support Programme.
8. Burki, A., Hussain, A., & Khan, K. (2020). *Exploring the extent of selected dimensions of inequality in Pakistan*. https://doi.org/10.13140/RG.2.2.28664.98562
9. Faisal, S. (2022). Analysis of human development, economic growth and income inequality in SAARC country. *Journal of Development and Social Sciences, 3*(2), 96–104. https://doi.org/10.47205/jdss.2022(3-II)10
10. GoP. (2022). *Pakistan economic survey 2021–22*. Government of Pakistan.
11. GoP. (2023). *Population census 2023*. Government of Pakistan.
12. GoP. (2024). *Economic survey of Pakistan 2023–2024*. Government of Pakistan.
13. Haq, M. U. (1976). *The poverty curtain: Choices for the Third World*. Columbia University Press.
14. Hasan, M., & Masood, M. (2024). Equitable and transparent cash disbursement under the BISP program: An analysis. *Perennial Journal of History, 5*, 144–164. https://doi.org/10.52700/pjh.v5i1.188
15. Huber, M., & Hillebrandt, M. (2019). "Pay for promise" in higher education. *Historical Social Research/Historische Sozialforschung, 44*(2), 247–269.
16. Husain, I. (2019). *Pakistan: The economy of an elitist state*. Oxford University Press.
17. Hussain, P. (2023). A comparative analysis of income inequality and human development across the world. *ILMA Journal of Social Sciences & Economics, 4*.
18. Ilie, S., Rose, P., & Vignoles, A. (2021). Understanding higher education access: Inequalities and early learning in low and lower-middle-income countries. *British Educational Research Journal, 47*(5), 1237–1258.
19. International, T. (2025). *The corruption perception index 2024*. Transparency International. https://images.transparencycdn.org/images/Report_CPI2024_English.pdf
20. Jamal, H. (2006). Does inequality matter for poverty reduction? Evidence from Pakistan's poverty trends. *The Pakistan Development Review*, 439–459.
21. Jamal, H. (2009). *Income inequality in Pakistan: Trends, determinants and impact* [Policy brief]. United Nations Development Programme. https://www.undp.org/sites/g/files/zskgke326/files/migration/pk/UNDP-PK-Poverty-2-Income-Inequality-in-Pakistan.pdf

22. Junaidi, I. (2023, December 13). Half of Pakistan's population lack access to essential health services: Minister. *Dawn*. https://www.dawn.com/news/1797389
23. Kanat, O., Yan, Z., Asghar, M. M., Zaidi, S. A. H., & Sami, A. (2024). Gender inequality and poverty: The role of financial development in mitigating poverty in Pakistan. *Journal of the Knowledge Economy, 15*(3), 11848–11876. https://doi.org/10.1007/s13132-023-01527-y
24. Kazmi, W. M. (2023, March 3). Inequality of wealth distribution in Pakistan. *Daily Times*. https://dailytimes.com.pk/1068550/inequality-of-wealth-distribution-in-pakistan/
25. Khandker, S. R., Samad, H. A., Fuwa, N., & Hayashi, R. (2021). *The female secondary stipend and assistance program in Bangladesh: What did it accomplish?*
26. McKay, A. (2002). *Inequality briefing* (Briefing Paper No. 1), 1–6.
27. Muqeem-ul-Islam. (2021). *Impact of institutional quality and governance on structural change and economic development* [Master's thesis, National Defence University]. Islamabad.
28. OECD. (2023). *Revenue statistics 2023: Tax revenue buoyancy in OECD countries*. Organisation for Economic Co-operation and Development.
29. Organization, F. a. A. (2018). *The gender gap in land rights*. https://www.fao.org/3/I8796EN/i8796en.pdf
30. Patrick, M., Zaman, M. S. U., Afzal, G., Mahsud, M., & Hanifatu, M. N. (2022). Factors that affect maternal mortality in Rwanda: A comparative study with India and Bangladesh. *Computational and Mathematical Methods in Medicine, 2022*, 1940188. https://doi.org/10.1155/2022/1940188
31. PIE. (2024). *Pakistan education statistics 2021–22*. Ministry of Federal Education & Professional Training.
32. Pirzada, G., Yousaf, A., & Masood, S. (2024). Issues, challenges & opportunities of education for marginalized communities in Pakistan. *Journal of Education and Social Sciences, 2*, 2024.
33. Shaikh, H., & Anis, A. (2020, May 15). Poverty eradication in Pakistan: Past, present, and future. *International Growth Centre*. https://www.theigc.org/blogs/progress-poverty-eradication/poverty-eradication-pakistan-past-present-and-future
34. Stiglitz, J. E. (2010). *Freefall: America, free markets, and the sinking of the world economy*. W. W. Norton. https://books.google.com.pk/books?id=TFBfdvpuQmkC
35. Stiglitz, J. E. (2013). *The price of inequality: How today's divided society endangers our future*. W. W. Norton. https://books.google.com.pk/books?id=qJzQAgAAQBAJ
36. Tanaka, T., Takahashi, K., & Otsuka, K. (2021). Gains from female education in rural Bangladesh: A multidimensional approach. *International Journal of Educational Development, 81*, 102344.
37. UNDP. (2024). *Human development report 2023/2024: Breaking the gridlock – Reimagining cooperation in a polarized world*. https://hdr.undp.org/system/files/documents/global-report-document/hdr2023-24reporten.pdf
38. Wahid, S. (2024, October 1). Worsening social inequality. *The Express Tribune*. https://tribune.com.pk/letter/2256151/worsening-social-inequality

Annex-A

Constitutional Provisions

- The **Constitution of the Islamic Republic of Pakistan (1973)**, particularly the Principles of Policy (Part II, Chapter 2), lays the foundation for social protection and economic equity:
  - **Article 38**: Obliges the state to ensure the well-being of the people by raising their standard of living, preventing concentration of wealth, and ensuring equitable distribution of resources.
  - **Article 25**: Guarantees equality before the law and equal protection, extending to economic and social rights.
  - **Article 37(e)**: Directs the state to provide basic necessities of life, such as food, clothing, housing, education, and medical relief, to all citizens.
- These provisions guide state policy and action, emphasizing the constitutional mandate to address income inequality.

National Social Protection Strategy (2007)

- Pakistan's **National Social Protection Strategy (NSPS)**, adopted in 2007, provides a sectoral framework for poverty alleviation and social protection, aligned with the Poverty Reduction Strategy Paper (PRSP) and Pakistan Vision 2030. It identifies three priority areas:
  - Increasing access to economic opportunities among the poor.
  - Preventing households from falling into poverty due to income shocks.
  - Providing basic needs for the chronic poor and those unable to work.
- The NSPS serves as a guiding document for social protection programs, including the Benazir Income Support Programme (BISP).

Benazir Income Support Programme Act, 2010

- The **Benazir Income Support Programme Act, 2010 (Act No. XVIII of 2010)** is the primary legal basis for BISP, Pakistan's flagship social protection program. Key aspects include:
  - **Establishment**: Establishes BISP as an autonomous social safety net authority under the federal government, tasked with coordinating the design and implementation of targeted programs for the poor.
  - **Objectives**: Aims to provide financial assistance and other social protection measures to economically distressed persons and families, aligning with constitutional mandates.
  - **Governance Structure**:
    - A **Board of Governors** oversees policy and strategic direction.

        - A **Council** ensures representation from various stakeholders, including provincial governments and civil society.
    - **Eligibility Criteria**: Defines "eligible persons" as those meeting specific poverty thresholds, with a focus on women-headed households.
    - **Benazir Income Support Fund**: Establishes a dedicated fund for financing BISP's operations and programs.
    - **Implementation**: Mandates the use of a National Socio-Economic Registry (NSER) to identify and target eligible beneficiaries.
- BISP's programs, such as **Benazir Kafaalat (Unconditional Cash Transfers)**, **Benazir Taleemi Wazaif (Education Stipends)**, and **Benazir Nashonuma (Nutrition Support)**, are all governed under this legal framework.

Other Relevant Laws and Regulations

Labor Laws:

- The **Industrial and Commercial Employment (Standing Orders) Ordinance, 1968**, and the **Factories Act, 1934**, provide basic labor protections, including minimum wages and social security benefits for formal sector workers. However, these laws have limited applicability to the informal sector, which employs over 70% of Pakistan's workforce.

Social Security Laws:

- The **Workers' Welfare Fund Ordinance, 1971**, and the **Employees' Social Security Ordinance, 1965**, establish social security schemes for industrial workers, including health insurance, disability benefits, and pensions. Coverage is limited to formal sector employees.

Taxation Laws:

- The **Income Tax Ordinance, 2001**, and related fiscal policies play a role in income redistribution. However, Pakistan's tax system is often criticized for being regressive, with a heavy reliance on indirect taxes that disproportionately burden lower-income groups.

Public Finance Management:

- The **Public Finance Management Act, 2019**, aims to improve fiscal transparency and accountability, crucial for ensuring that social protection programs are adequately funded and implemented effectively.

International Commitments:

- Pakistan is a signatory to several international treaties influencing its social protection framework:

- **Universal Declaration of Human Rights (UDHR)**: Article 25 recognizes the right to an adequate standard of living, including food, clothing, housing, and medical care.
- **International Covenant on Economic, Social, and Cultural Rights (ICESCR)**: Ratified in 2008, it obliges the state to ensure the right to social security and an adequate standard of living.
- **Sustainable Development Goals (SDGs)**: Pakistan has committed to achieving SDG 1 (No Poverty) and SDG 10 (Reduced Inequalities), guiding its social protection policies.

Annex-B

Institutions like the **Benazir Income Support Programme (BISP) Authority** and the **Ministry of Poverty Alleviation and Social Safety (MoPASS)** play pivotal roles in reducing income inequality. BISP, established under the **BISP Act, 2010**, directly mitigates poverty through cash transfer programs such as Kafaalat, Taleemi Wazaif, and Nashonuma, serving 7 million households and reducing poverty for approximately 30 million people. Its Kafaalat program boosts women's income by 15%, empowering female beneficiaries and indirectly advancing gender equity (BISP, 2024; SDG 5). MoPASS, overseeing social protection policies, allocates 1% of GDP to programs that have lowered poverty by 5% since 2010, indirectly fostering inclusive policy frameworks (GoP, 2024). However, challenges like 40% fund leakages due to elite capture, 20% exclusion errors in the National Socio-Economic Registry (NSER), and urban-biased policy design limit their impact, as noted in the thesis's critique of governance failures (Thesis, p. 237). To enhance effectiveness, BISP should expand coverage to 10 million households by 2028, digitize payments to cut leakages to 20%, and integrate NSER with provincial data, while MoPASS could establish a National Social Protection Council by 2026 to improve inter-provincial coordination (SDG 1, 10).

The **Ministry of Education** and **Ministry of Health** further contribute to reducing inequality by enhancing human capital and health outcomes. The Ministry of Education, responsible for public education and **Benazir Taleemi Wazaif**, directly supports 3 million children, reducing school dropout rates by 10% and indirectly boosting employability through literacy gains (currently 60%) (UNESCO, 2023). Similarly, the Ministry of Health's **Sehat Sahulat** program covers 10 million households, cutting out-of-pocket health costs by 20% and indirectly improving workforce productivity (Ministry of Health, 2024).

These efforts align with **Article 37(e)**'s mandate for basic necessities and SDGs 3 and 4. Yet, low budgets—2% of GDP for education and 0.4% for health—coupled with rural neglect (70% of hospitals in cities), hinder scalability, particularly in regions like Balochistan with 40% poverty rates (World Bank, 2023).

Increasing education and health budgets to 4% and 1% of GDP by 2030, scaling Taleemi Wazaif to 5 million children, and allocating 30% of health funds to rural areas could address these gaps, ensuring equitable access (SDG 10).

The **National Vocational and Technical Training Commission (NAVTTC)** also mitigates inequality by equipping youth with market-relevant skills. It trains 50,000 individuals annually, increasing trainees' incomes by 12% and indirectly promoting labor market inclusion, especially for women (NAVTTC, 2024).

However, its limited reach (less than 1% of youth) and urban-centric programs restrict broader impact, as highlighted in the document (Document, p. 17). Expanding NAVTTC to train 100,000 youth annually by 2030, with 50% female participation and new rural training centers, would enhance its contribution to reducing income disparities, aligning with SDGs 4 and 5. Collectively, these institutions demonstrate the potential to narrow income gaps, but their effectiveness is curtailed by systemic issues like corruption and elite capture, as emphasized in the thesis (Thesis, p. 237).

Conversely, several institutions exacerbate income inequality, either directly or indirectly, due to governance failures and elite influence. The **Federal Board of Revenue (FBR)**, tasked with tax collection under the **Income Tax Ordinance, 2001**, directly limits social spending through a low Tax-GDP ratio of 10–12%, with $1 billion in annual exemptions benefiting elites. Its regressive taxation disproportionately burdens low-income groups, widening income gaps (GoP, 2024; Thesis, p. 19). Weak enforcement, with only 2 million registered taxpayers out of a 70-million-strong workforce, reflects elite-driven evasion (World Bank, 2023). Digitizing tax systems by 2027 to eliminate exemptions and raise the Tax-GDP ratio to 15% could generate $5 billion for social programs, aligning with **Article 38** and SDG 10.

The **National Accountability Bureau (NAB)**, established under the **National Accountability Ordinance, 1999**, indirectly exacerbates inequality by failing to curb corruption effectively. With only 15% of high-profile cases resolved annually due to political interference, NAB enables elite capture, diverting 30% of health and education funds and 40% of BISP resources (Transparency International, 2024; BISP, 2024).

Weak anti-corruption mechanisms are key institutional fault-line.

Insulating NAB through legislative reforms by 2026 and increasing case resolution to 50% by 2030 could strengthen accountability, supporting SDG 16. Similarly, the **Ministry of Finance**, responsible for budget allocation under the **Public Finance Management Act, 2019**, prioritizes debt servicing (40% of budget) over social spending (health 0.4%, education 2% of GDP), directly limiting resources for poverty alleviation. Its urban-biased allocations further widen rural-urban disparities, with rural areas receiving only 30% of social funds (World Bank, 2023). Allocating 30% of social budgets to rural areas by 2028 and launching a transparent budget portal by 2026 would enhance equity (SDG 10, 16).

Provincial Local Government Departments, tasked with implementing **Local Government Acts**, indirectly deepen disparities due to underfunding (15% of public expenditure) and elite influence, which limit rural service delivery (World Bank, 2023).

With 63% of Pakistan's population rural, this neglect exacerbates poverty (30% rural vs. 15% urban) (World Bank, 2023). Increasing local budgets to 30% by 2030 and training 10,000 union council staff by 2028 could empower local governance, per the thesis's call for decentralized systems (SDG 10). The **Planning Commission**, responsible for long-term plans like **Pakistan Vision 2030**, indirectly perpetuates inequality through urban-centric strategies that neglect rural needs. Integrating rural development into Vision 2030 by 2027 and engaging civil society organizations in planning would align with SDG 10.

Table Institutional Fault line

Governance Dimension	**Fault Line**	**Impact on Implementation**
Participation	Limited engagement of marginalized groups, especially women (21% labour force participation) and rural communities.	Policies fail to address specific needs, reducing inclusivity .
Rule of Law	Weak enforcement of tax compliance and anti-corruption laws.	Elite capture and resource misallocation limit program effectiveness .
Transparency	Lack of public access to budget and program data.	Corruption and inefficiencies undermine trust and impact .
Responsiveness	Urban-centric policies neglect rural needs (63% of population).	Uneven service delivery deepens regional disparities .

Governance Dimension	**Fault Line**	**Impact on Implementation**
Consensus Orientation	Political instability disrupts policy continuity.	Frequent policy shifts reduce long-term impact.
Equity and Inclusiveness	Gender and regional disparities persist.	Women and underserved provinces like Baluchistan are marginalized .
Effectiveness and Efficiency	Bureaucratic inefficiencies and low local capacity.	Delayed or ineffective service delivery, especially at union council level.
Accountability	Weak oversight mechanisms.	Misallocation of funds and elite capture reduce program benefits .

Policy Implementation Gaps and Institutional Fault-Lines in the context of Healthcare Access for Vulnerable Segments of Society and its Impact on the Lowest Economic Class

Syed Ali Raza Shah [1], Dr. Kashif Nazeer [2], Saqib Ali [3], Faryal Qasim [4], Mr. Jehanzeb Khan [5], Dr. Muqeem ul Islam[6]

Citation:
Shah, S. A. R., Nazeer, K., Ali, S., Qasim, F., & Khan, J. (2025). Policy implementation gaps and institutional fault-lines in the context of healthcare access for vulnerable segments of society and its impact on the lowest economic class. Khyber Journal of Public Policy, 4*(2), PP. 116-146*

Article Info:
Received: 15/05/2025
Revised: 20/05/2025
Accepted: 25/05/2025
Published:31/05/2025

Disclaimer:
The opinions expressed in this publication do not implicitly or explicitly reflect the opinions or views of the editors, members, employees, or the organization. The mention of individuals or entities and the materials presented in this publication do not imply any opinion by the editors or employees regarding the legal status of any opinion, area, territory, institution, or individual, nor do they guarantee the accuracy, completeness, or suitability of any content or references.

Copy Right Statement:
© 2022 Khyber Journal of Public Policy
This work is licensed under a Creative Commons Attribution 4.0 International License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Abstract:

This paper explores economic and institutional barriers to healthcare access among vulnerable populations in Pakistan, with a specific focus on Khyber Pakhtunkhwa (KP). Despite constitutional mandates and global health commitments, Pakistan's healthcare system remains fragmented and underfunded, with public health expenditure below 1% of GDP. Vulnerable groups—daily wage earners, women-headed households, persons with disabilities, and rural communities—face intersecting challenges such as high out-of-pocket expenses, long distances to facilities, discrimination, and limited infrastructure. Applying economic theories including Human Capital, Welfare Economics, Market Failure, and Opportunity Cost, the study analyzes structural inequities. Using KP as a case study, it advocates for targeted policy interventions including expanded Sehat Sahulat coverage, mobile clinics, and rural health workforce incentives. A phased strategy is proposed to enhance access, equity, and sustainability in healthcare delivery.

Key words:

Healthcare Access, Vulnerability, Economic Barriers, Khyber Pakhtunkhwa, Universal Health Coverage

1 *Foreign Service of Pakistan Government of Pakistan Email: sar.shah14@gmail.com*
2 *Provincial Planning Service Government of KPK Email: Thinkable_omerta@yahoo.com*
3 *Intelligence Bureau Government of Pakistan Email: xakib.ali@gmail.com*
4 *Provincial Management Service (PMS-KP) Email: faryalkazim@gmail.com*
5 *Faculty Member National Institute of Public Administration, NIPA Peshawar, Email: janzeb@gmail.com*
6 *Chief Instructor National Institute of Public Administration, NIPA Peshawar Email: muqeemz@gmail.com*

Introduction

Globally, healthcare is recognized as a public good and a fundamental component of human development. Health and well-being of a population not only represent a moral and constitutional obligation but also serve as key enabler of economic growth, poverty reduction, and social cohesion. A healthy population positively impacts labor productivity, educational achievement, and decreases public expenditure on curative health. In recent decades, global frameworks such as the Sustainable Development Goals (SDGs) and the Universal Health Coverage (UHC) have placed health at the forefront of the development policy. The World Health Organization (WHO) affirms that health must be treated as both a human right and a global public good, calling universal healthcare an "utmost development priority" (WHO, Close to one billion people globally are served by health-care facilities with no electricity access or with unreliable electricity, 2023)

Pakistan has also embedded the commitment to healthcare within its constitutional and strategic frameworks. Article 38(d) of the Constitution of Pakistan obligates the state to provide basic necessities including "medical relief, for all such citizens, irrespective of sex, caste, creed or race, as are permanently or temporarily unable to earn their livelihoods on account of infirmity, sickness or unemployment". This domestic mandate is reinforced by international commitments under SDG 3. National strategies, including Vision 2025, pledged to increase public health expenditure to 3% of GDP (GoP, 2016). However, actual spending remains around 1% of GDP (Finance, 2024) which is significantly below both targets and global norms.

In 2010, the 18th constitutional amendment devolved healthcare responsibilities to the provinces. While this reform allowed local authorities to tailor interventions to regional contexts as per their specific needs, it also exposed capacity gaps, fragmented responsibilities, and uneven levels of institutional maturity. At the federal level, the Ministry of National Health Services, Regulations and Coordination (M/o NHSR&C) deals with the subject of health, national and international coordination in the fields of public health, enforcement of drug laws and regulations and vertical programs such as polio eradication (NHSR&C, Mission & Vision, 2025). Provincial governments are responsible for health infrastructure and service delivery, including Basic Health Units (BHUs), Rural Health Centers (RHCs), Tehsil Headquarters Hospitals (THQs), District Headquarters Hospitals (DHQs) and Medical Teaching Hospitals (MTIs). The implementation of health polices is typically delegated to district-level health offices, although the erosion of elected local governments has weakened their operational effectiveness.

This fragmented and resource-constrained health system poses particular risks for vulnerable groups. WHO defines vulnerable groups as "groups that experience a higher risk of poor health outcomes due to barriers in accessing healthcare services, discrimination, socio-economic disadvantage, or underlying health conditions".

As per the National Social Protection Policy (2016), these include women-headed households, persons with disabilities, the elderly, transgender persons, minorities, and geographically isolated communities. Besides these vulnerable communities, the lowest economic class, approximately 39% of the population (Pakistan Bureau of Statistics, 2023) comprising of daily wage earners, informal workers, and slum residents, also face the greatest structural and financial barriers to quality healthcare. In Khyber Pakhtunkhwa (KP), approximately 48.50% of the total population lives below poverty line.

Summary for KP based on PBS Census 2023			
Area	**MPI Incidence %**	**Population (million)**	**Estimated Number of Poor People (million)**
Overall	48.50%	40.85	19.81
Urban	19.60%	10.63	2.08
Rural	54.10%	30.22	16.35

Source: Directorate of Health Services-KP

Vulnerable populations in Pakistan encounter multiple and overlapping barriers in accessing healthcare. The far-flung rural communities lack nearby health facilities or functioning referral systems, even when services exist, financial costs such as transport, user fees, and informal payments deter utilization. Moreover, these people reportedly often experience discrimination or neglect at public hospitals, reducing trust in formal care (Aman, 2020). Cultural and linguistic barriers further complicate outreach to ethnic minorities or indigenous populations. In urban slums, overcrowding and poor sanitation increase health risks, which further results into massive pressure on public hospitals.

Conceptual Framework

Vulnerable groups in Pakistan face considerable problems in accessing proper healthcare for their families. For instance, a father who needs to take his ill child to remote hospital usually does not have transport or assistance. While government healthcare is theoretically free, drugs and transport can be expensive, and distance itself is a barrier. These challenges can be understood by studying them in conjunction with core theories.

- **Human Capital Theory:** Human Capital Theory postulates that health and education are investments that enhance the productivity of an individual. A sick child left untreated may suffer long-term health and educational deficits, reducing future productivity and human capital. Similarly, ill parent (or one who needs to take care of an ill child on a regular basis) cannot work regularly, eroding human capital of the household.

- **Opportunity Cost:** Opportunity cost is the value of the best alternative forgone. For a daily wage worker, a day of going to a hospital is a day of lost pay. Rural informal workers, particularly men, prefer to delay or skip treatment since it is extremely costly to take time off. As the journey itself costs time and money that could have been spent earning. This high opportunity cost traps families into a vicious cycle of debts, poor health, since untreated illness can get worse and eventually cost more.
- **Market Failure:** Market failures occur when free markets fail to distribute resources efficiently or equitably. Rural healthcare is under-provided by the market. Private providers are unable to make profits in low-density, low-income areas. Rural hospitals or clinics, that are crucial to communities, cannot exist if profit is the sole criterion—there are insufficient paying patients to cover costs. Externalities like disease transmission and the social benefit of a healthy workforce are not accounted for by the market. This justifies government intervention to correct the failure.
- **Welfare Economics:** Welfare economics aims at maximizing social welfare and equity. When 56–60% of Pakistan's health expenditure is out-of-pocket, poor households experience catastrophic expenditure. Increased OPE drive many poor into deeper poverty. This discriminatory outcome is a welfare loss. From a welfare economic perspective, interventions (e.g. insurance, subsidies) are needed in order to ensure access of the poor to proper healthcare. Initiatives to offer the poor free care, such as the Sehat Sahulat program, serve the purpose of equity.
- **Demand and Supply Theory:** Basic economics of supply (health care that is available) and demand (ability/necessity to pay for health care). Demand is high in rural areas because of disease burden in absence of preventive care, but effective demand is pushed down by in-adequate ability to pay and poor health literacy. Supply is unevenly distributed, i.e. specialist doctors and clinics are in cities, leaving villages underserved. Long distances and absence of public transportation further lower the quantity consumed. The outcome is unmet need: families forgo care because of high costs.

The above theories emphasize the need for targeted interventions. A State has to ensure that children's health requirements are met immediately, if it wants to invest in human capital. There is a need to reduce the opportunity costs by bringing the healthcare closer – for example, through mobile clinics or adequately staffed BHUs/RHCs – meaning daily wage earners don't have to lose a day's wage to access healthcare. In order to correct market failures, for the poor, the government may extend programs such as Sehat Sahulat to include outpatient care and make rural hospitals financially sustainable. Improving welfare and equity demands universal health coverage, so that no one is driven poor by a child's sickness. Lastly, matching supply with demand means training and incentivizing healthcare providers to cover rural areas and increasing outreach services.

The combination of these interventions would constitute a strong policy response, enabling poor rural households to receive care for their children without excessive economic sacrifice.

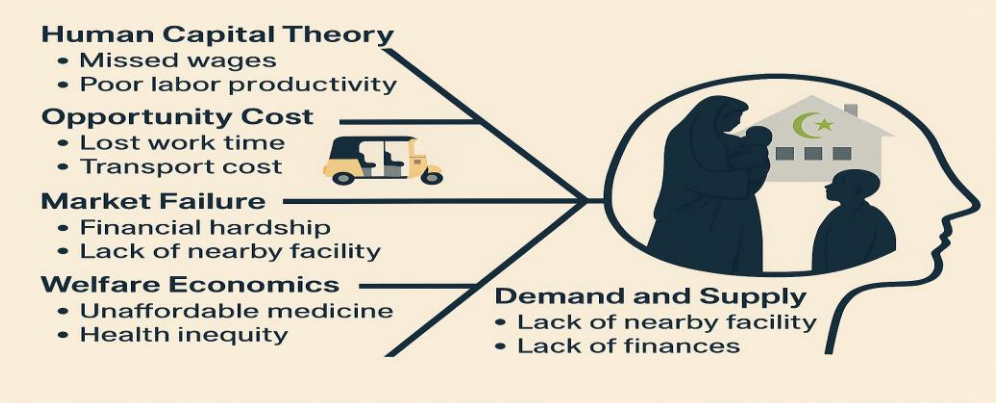


Figure: Fishbone diagram illustrating how various economic factors contribute to access barriers to healthcare among rural daily wage earners. Each "bone" is one economic theory category of cause, with sub-causes such as lost income, transport, cost of medicines, and facility distance.

Statement of Problem

The Constitution of Pakistan and international commitments such as the Sustainable Development Goals (SDGs) recognize access to healthcare as a fundamental right. However, the vulnerable segments of the society in Pakistan including the lowest economic class seemingly face significant barriers in accessing healthcare services. Therefore, there is a need to identify policy implementation gaps and institutional fault lines that hinder equitable access to healthcare for vulnerable groups.

Scope of Study

The research is grounded in the identification and examination of salient gaps in policy implementation of healthcare policies as well as the fault lines in the institutional mechanisms in Pakistan and particularly how these gaps affect healthcare access to the poorest economic strata. This study investigates institutional, financial, and operational aspects of access and delivery of healthcare, particularly to the vulnerable groups like the informal sector workers, female-headed households, disabled individuals, transgender individuals, and peri-urban or rural populations.

The analysis is provincial in scope, with primary focus on Khyber Pakhtunkhwa (KP), but uses national, provincial and district-level data to highlight differences and implementation divergence by context. Public sector schemes, including the Sehat Sahulat Programme in KP, are compared with multilateral, donor-sponsored, public-private schemes like People's Primary Healthcare Initiative (PPHI) and civil society-supported schemes to give a broad overview of the health scene. The analysis also uses Pakistan's constitutional guarantees, National Health Vision 2016–2025, SDGs, and WHO standards to review systemic alignment and identify institutional fault lines.

The aim is to provide evidence-based recommendations to the policy makers on healthcare governance reforms and improving access for the vulnerable communities. The paper focuses on structural, administrative, and policy issues influencing healthcare accessibility to the lowest economic class.

Research Methodology

This policy paper applies a qualitative, descriptive research design to evaluate the institutional and economic barriers to access to healthcare among vulnerable groups in Pakistan with specific focus on KP. The research integrates a multi-level institutional analysis at the federal, provincial, district, and tehsil levels. Semi-structured primary data was collected through interviews of senior government official of the Directorate of Health Services (KP), the DHO (Peshawar), and the official of the M/o NHSR&C. The interviews provided firsthand data on governance problems, coordination gaps, and frontline implementation loopholes.

Secondary data were gathered from policy reports, performance audits, World Bank and World Health Organization reports, and research papers on public health financing and the health system of Pakistan. Analysis tools, including situational analysis, SWOT & EETH, GAP analysis, to identify the policy implementation gaps and institutional fault-lines. The research design allows contextual and evidence-based comprehension of the issues and informs practical policy recommendations.

Situational Analysis

Pakistan's healthcare sector is not uniformly developed, and there are extensive access and outcome gaps, particularly among the poor and rural segments. Maternal mortality ratio (MMR) fell from 276 to 189 per 100,000 live births (NIPS, 2019) and life expectancy is 66 years (Economic Survey of Pakistan, 2023). Yet, nearly 50% of the population has no access to primary healthcare, and 42% are also not covered under health insurance and are at risk of high out-of-pocket health costs (Ijaz, 2024).

Despite targets for SDG-3 and the National Health Vision 2016–2025, maternal and child health indicators are poor. Infant mortality is 53 per 1,000 live births, and under-five mortality is 63 (Statista, 2021), making it the worst in Asia. Stunting is found in 38% of children under five, and the incidence of tuberculosis is 264 per 100,000 (Economic Survey of Pakistan, 2023). Public health expenditure is a mere 1% of GDP, far from the WHO's 3% threshold. Pakistan's health workforce, 1.1 doctors and 0.5 nurses/midwives per 1,000 persons (Country Nutrition Profiles, 2019), is also far short of the needed level. Primary healthcare facilities are plagued by absenteeism, shortages of medicines, and infrastructure, especially in rural regions of KP.

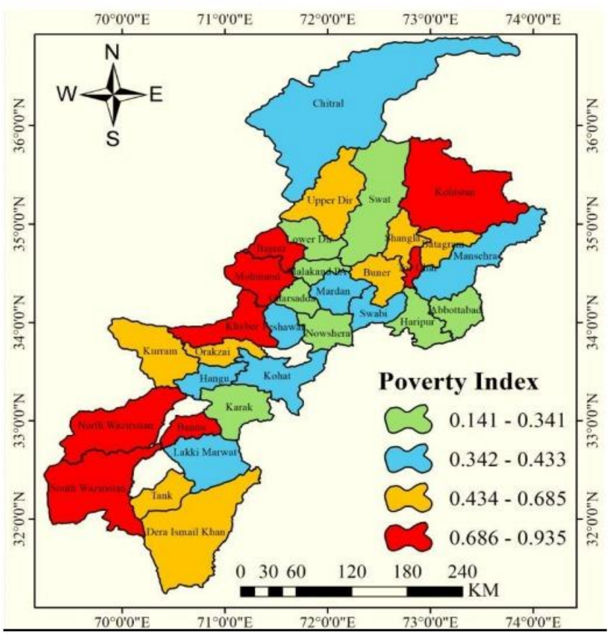
18th constitutional amendment shifted health responsibilities to the provinces, allowing KP to develop region-specific interventions. Decentralization promoted programs such as Sehat Card Plus but exposed capacity and coordination gaps.

Resultantly, KP find it difficult to harmonize with federal programs in polio eradication, nutrition, and disease surveillance. The COVID-19 pandemic revealed the vulnerability of KP's health system, derailing routine immunizations, maternal care, and chronic disease management. Rural areas experienced medicine shortages and redeployment of staff to emergencies. KP established 1166 health helpline, and establishing district emergency coordination cells. These efforts demonstrated innovation, but infrastructure and data constraints limited scalability.

KP’s rural districts, like Lower Kohistan, Tor Ghar have serious healthcare access challenges. Though efforts such as the Sehat Card Plus and mobile health exist, they are poorly distributed and lack adequate resources. In Chitral district, the KP government employed telemedicine services and furthermore have contracted out 4 health facilities to Agha Khan Development Network (AKDN). Moreover, while some of the primary and secondary healthcare facilities do have the necessary medical equipment, but there are no medical technicians to operate this equipment. Similarly, massive gap in female health workers deters women from receiving maternal care. UNICEF states that skilled birth attendance in KP is significantly lower than in Punjab and less than 50% in rural settings (UNICEF)

Geographic barriers, conflict legacies, and cultural attitudes towards gender increase inaccessibility to maternal health. Rural settings usually lack functional emergency, obstetric care and referral services. While there are better services in urban cities like Peshawar, they are overcrowded and receive patients from the surrounding districts, which adds to overcrowding and decreased quality.

Figure 1: Poverty heat-map of Khyber Pakhtunkhwa



As per studies, the urban areas of KP are less poor as compared to the rural areas. Some of the major hubs of poverty in the province include Bajaur, Mohmand, South & North Waziristan, Kohistan and Khyber district, with poverty rate in these districts exceeding 70% (Fig-I) (Nafees Ahmad, 2024). Due to prevalent security situation in these districts and absence of adequate healthcare facilities in these areas, the vulnerable groups face extreme difficulties in accessing appropriate healthcare.

Moreover, many of the transgender community members also faced problem in accessing healthcare due to non-issuance of CNICs by NADRA. However, this issue has reportedly been resolved.

Policy Review

Impact of the 18th Amendment (2010) on Healthcare Administration

The 18th constitutional amendment, enacted in 2010, was a landmark shift in Pakistan's healthcare governance by devolving major subjects like health to provinces. The amendment accorded provinces jurisdiction over policymaking on matters relating to health, infrastructure, personnel, and program implementation. The federal government, post-amendment, assumed a coordinating role—managing international commitments, setting national standards, and overseeing vertical health programs such as TB and HIV/AIDS. Devolution, besides ensuring tailor made interventions, also uncovered interprovincial heterogeneity, fragmented delivery of health services, and administrative redundancy. Punjab and KP provinces showed relative harmony in the implementation of health reforms, whereas Sindh and Balochistan lagged behind because of their weak institutional and fiscal capacity.

International Health Responsibilities

Pakistan is a signatory to various global health frameworks:

- SDG 3 demands universal health coverage (UHC), improved maternal and child health, and access to medicines. National integration of SDG indicators continues in effect in the face of subnational inequities (UNDP, 2022).
- Immunization Agenda 2030 (IA2030) promotes global vaccine accessibility to all ages. Vaccine hesitancy, logistics shortages, and insecurity in some parts are the issues that haunt Pakistan (WHO, 2024)
- International Health Regulations (IHR 2005) demand preparedness to respond to health emergencies. Pakistan has been better since the post-COVID-19 but is behind in disease surveillance and cross-sectoral coordination (WHO, 2023)

Organizational Structure for Provision of Healthcare

- **Federal Institutions**: M/o NHSR&C guides national health policy, coordinates vertical programs, manages donor coordination, and offers standard setting
- **Expanded Program on Immunization (EPI):** Initiated in 1978, EPI provides immunity against ten vaccine-preventable diseases and is run in collaboration with the provinces with the assistance of WHO, GAVI, and UNICEF (WHO, 2023)
- **Coordination with Development Partners**: WHO supports UHC and International Health Regulations (IHR), GAVI and Melinda & Gates Foundation provides financing for immunization, and UNICEF coordinates cold chain systems and maternal-child health programs (WHO, 2023).

- **Provincial Institutions (Post-Devolution):** Provincial Health Departments are responsible for planning, budgeting, human resources, and public health programming. Punjab and KP have been the forerunners of systematic reforms, while Sindh and Balochistan face systemic challenges related to finances.
- **Immunization Support Programs (ISPs):** Provinces are responsible for EPI delivery, training, and monitoring. Punjab and KP programs are enhanced due to GAVI-supported system strengthening.
- **District Health Authorities (DHAs):** Function as operational wings in charge of grassroots-level service delivery but are plagued by chronic underfunding and capacity deficits.

Regulatory Authorities:

- **PMDC (Pakistan Medical and Dental Council):** Governs licensing, ethical issues, and curriculum accreditation (PMDU, 2023)
- **DRAP (Drug Regulatory Authority of Pakistan):** Regulates drugs, ensuring drug quality and safety through enforcement of the DRAP Act 2012 (DRAP, 2012).
- **Provincial Health Commissions**: PHC (Punjab) and KPHCC (KP) oversee healthcare standards, accredit facilities, and conduct probes.

National and Provincial Health Policies

- **The National Health Vision (2016–2025)**: It is the federal health governance roadmap for the post-devolution era. UHC, primary care, immunization, maternal and child health, and emergency preparedness are given top priority (NHSR&C, 2016). The UHC Benefit Package (2020) lists 88 key services to be provided across the country as a standard package, focusing on the poorest 40%.
- **National Immunization Policy:** This policy anchors EPI operations, connecting services to maternal-child health platforms. Technologies like E-Vaccs (Punjab) and EPI-MIS (KP) facilitate real-time monitoring. Vaccine hesitancy, rural-urban disparities, and security issues still exist despite the progress.
- **Provincial Health Strategies**: Punjab's policy (2019–2028) is on rural governance change and health. KP's Health Policy (2018–2025) is on digital health, Sehat Card Plus, and services for tribal districts. Sindh (Health for all policy) and Balochistan (Health Sector Strategy 2018-2025) are confronted with siloed service delivery, donor dependency, and information gaps.
- **Vaccination and Immunization Services:** They deliver routine immunization through 6,000+ EPI sites throughout the nation. Fixed, outreach, and mobile modes of vaccine delivery includes TB, polio, hepatitis B, tetanus, measles, mumps, rubella, putisis and rotavirus. Cold chain equipment is WHO-compatible, and DHIS-2 and LogTag systems support digital surveillance. Birth registrations are getting interconnected increasingly with EPI databases. Punjab and KP are leading in digital tracking, while Sindh and Balochistan lag behind

due to logistical and security concerns. Federal level has allocated PKR 10 billion for immunization and PKR 20 billion per annum for SSP in 2022. GAVI has utilized about USD 70 million in 2023 on vaccines and infrastructure.

Stakeholder Mapping

Effective healthcare delivery to the vulnerable populations in KP involves a complex network of stakeholders across all administrative levels, from the grassroots (union councils) up to the KP Health Department. An overview of key stakeholders at each level and their roles, including public sector entities, development partners, civil society, marginalized groups, and the private sector, is as follows:

- **Union Council Level:** As per the law, Union Council officials and community leaders are responsible for making health initiatives. However, the local government elections have not been held in KP since 2018. Therefore, in the absence of local government bodies, District Health Officers (DHOs) are currently managing the primary health units, which basically consist of BHUs/RHCs and LHWs, who operate as the first point of care, providing preventive and basic curative services to the community. Marginalized groups (women, the poorest households, persons with disabilities) are primary stakeholders as service beneficiaries, and their engagement through community committees or health volunteers is crucial for participatory planning.
- **Tehsil (Sub-district) Level:** Tehsil administrations oversee a cluster of Union Councils, with Tehsil Headquarters Hospitals (THQs) delivering secondary care. Key stakeholders include the hospital management, medical superintendents, and tehsil health officers who ensure referral services. They coordinate with BHUs/RHCs in their area for referrals. Local private practitioners and clinics also operate at this level, often filling gaps in provision of healthcare services.
- **District Level:** DHOs are primarily responsible for implementing health policies and managing public health programs across the district at primary and secondary level. The District Headquarters Hospital (DHQ) provides tertiary care and supervises lower facilities. In the absence of elected district officials (e.g. District Council members, Mayors), DHO is responsible for health budgeting and oversight. Civil society organizations are prominent at this level, including local chapters of national NGOs and advocacy groups focusing on women's and children's health. For example, AKDN, Merlin International, Central Excellence of Rural Development (CERD) and other charities operate healthcare services or clinics for the poor in certain districts. Private sector stakeholders at district level include owners of private hospitals, laboratories, and pharmacies, which often cater to those who can pay, but also extend services to the broader community.

- **Provincial Level:** After the 18th constitutional amendment, health is a provincial subject. Thus, each province's Department of Health (e.g. KP Health Department, Sindh Health Department, Punjab Health Department) and the provincial Minister of Health are pivotal stakeholders. They formulate provincial health policies, allocate budgets, and manage type-A category public hospitals, like Medical Teaching Hospitals (MTIs) and province-wide programs. Provincial Ministries of Finance and Planning also influence health outcomes through budgetary support and development schemes. Chief Ministers and provincial cabinets can champion health initiatives or conversely, deprioritize health in favor of other sectors. Provincial public health programs, for instance, Sehat Card Plus in KP, immunization & LHW programs, involve coordination with development partners and NGOs. Additionally, provincial branches of professional associations (doctors, nurses, like YDA) and health worker unions are stakeholders that can affect service delivery (e.g. through strikes or advocacy for reforms).

  The private sector is significant at the provincial level as well: private medical colleges, pharmaceutical companies, and hospital networks (such as the Aga Khan Health Services or Indus Hospital network) partner with government on training, referrals, and sometimes public-private service delivery models, e.g. district Chitral. Development partners like WHO and UNICEF have provincial offices or focal persons liaising with provincial authorities to support programs (e.g. WHO supporting polio campaigns in high-risk districts of KP).
- **National Level:** Federal stakeholders provide overall vision, coordination, and resource mobilization. M/o NHSR&C is the apex body setting national health policy guidelines and liaising with provinces to ensure alignment with national targets (such as SDG 3 – Good Health and Wellbeing). Other relevant federal ministries include the Ministry of Finance (which allocates federal funds and conditional grants for health), Economic Affairs Division (which manages donor-funded health projects), and the Ministry of Planning, Development & Special Initiatives (which includes health projects in PSDP). The federal government, despite devolution, continues to fund health projects of provincial nature through PSDP allocations. International development partners are key national-level stakeholders: WHO, for instance, advises on policy and disease outbreaks; GIZ supports health system strengthening projects (such as improving health services in refugee-hosting communities); the World Bank and Asian Development Bank fund health reform and insurance programs; and UNICEF, UNFPA, USAID, DFID/FCDO.

Institutional Weaknesses, Fault Lines and Governance Gaps

Pakistan's healthcare system faces institutional weaknesses and governance gaps that stifle access on the part of the vulnerable subgroup despite the health programs. Within the lens of the eight facets of good government by the UNDP, such gaps include:

- **Participation:** Health sector decision-making is not normally done with the involvement of the community. The poor and minorities have no role in health planning. Although health committees are on paper, in absence of local government representatives, they are usually ineffective or dominated by local elites, ignoring the interests of the vulnerable population. This is reflected in low health literacy and trust, and poor communities feel excluded from a system that does not hear their opinions. Programs can therefore fail to address grassroots needs, and there is low participation, such as refusal of immunization. Empowering participation is essential to ensuring the "voices of the most vulnerable in society are heard in decision-making." Institutionalized citizen participation in health governance, other than occasional NGO consultations, does not exist.
- **Rule of Law:** Pakistan's enforcement of health regulations is patchy and reveals a governance gap. Healthcare policies are poorly enforced, leading to unqualified rural and low-income urban practice. Slum or village patients with vulnerabilities seek the services of "unregulated healthcare providers" as the formal sector is not reliable. The gap in rule of law extends to non-enforcement of patients' rights and medical negligence legislation, with the poor never suing for substandard quality care. Rural clinic absenteeism is another problem that goes unchecked due to patronage, compromising accountability. Therefore, while there are laws, such as a statutory body like healthcare commissions, effective enforcement is absent, leaving vulnerable groups at risk.
- **Transparency:** Health sector transparency remains poor, perpetuating inefficiency and corruption. Allocations and expenditure of the health budget are not publicly disclosed; for instance, communities and civil society struggle to trace how much of the allocated health budget actually ends up in a district hospital or BHU. Procurement of medicines and equipment, especially at provincial and district levels, are often opaque, sometimes resulting in shortages or substandard supplies in public facilities for the poor. Mismanagement of funds and essential medicines supply has been alleged; lack of publicly accessible information makes it easy for communities not to hold officials to account. Transparency of data is also lacking: health information systems are fragmented, and while there are national surveys and dashboards, real-time facility-level data (on service availability, staff attendance, drug stocks) does not exist.

This lack of transparency disproportionately harms the poor, as they cannot afford alternatives when public services do not function – for instance, if a government clinic has no doctor or medicine, a rich patient can seek private care, but a poor patient has no recourse and no information on where else to seek care. The government principle of transparency, making information freely available and in an understandable, is not yet a reality in much of Pakistan's health system.

- **Responsiveness:** A responsive health system "serves all stakeholders within a reasonable timeframe" (UNESCAP), but Pakistan's system frequently fails, particularly for the poorest economic group. Responsiveness gaps result in long waiting lists, non-treatment of patients, disrespectful patients' treatment, and delayed policy responses. Patients' complaints in government hospitals frequently go unanswered. Emergency services such as ambulances in rural areas are inappropriate, with no urgent needs. Health policies sometimes overlook cultural barriers; e.g., family planning and mental health services do not sufficiently respond to stigma in conservative societies. Overall, bureaucratic inertia prevents the system from responding to the poorest communities' needs.
- **Consensus Orientation:** Consensus-building among stakeholders and policy consistency is weak, indicating fault lines in developing health strategies. Post-devolution, provinces at times pursue divergent health policies, and federal visions and provincial priorities at times clash. For example, while National Health Vision 2016–2025 did provide a collective framework with focus on universal access for all including vulnerable groups, the degree to which provinces have adopted and implemented it is variable. Moreover, consensus orientation implies bringing non-governmental stakeholders into synchronization but often health policies are built with little consultation with civil society, private sector, and end-users. For example, marginalized groups and NGOs working among them are hardly consulted in policy-making, leading to policies that sound good on paper but don't account for on-ground realities. Fragmentation and silo-working remain issues; for example, nutrition, population welfare, and health programs may operate in parallel and not through an integrated consensus-driven approach, leading to gaps and overlaps confusing the community. Consensus orientation must be strengthened so that all provinces, ministries, and partners are in consensus on common goals and strategies so that there is continuity beyond political terms.
- **Equity and Inclusiveness:** Perhaps the most glaring governance shortfall is in ensuring equity and inclusiveness. Policy aims to reach the poor and vulnerable, but access to healthcare and health outcomes in Pakistan are highly inequitable. The poorest economic group still faces financial, geographic, and social barriers to care.

Inequity is reflected in health indicators: for instance, under-five mortality in the poorest quintile is 41 per 1,000 higher than in the richest quintile (DB, 2013) and rich women are much more likely to have skilled birth attendance than poor women (DB, 2013). Although the constitution and national vision require equal rights to health, in practice the system discriminates in favor of those with resources or power. Rural and remote areas (many of which overlap with poverty) have fewer doctors and health facilities; for instance, while over 5,500 BHUs, many are under-staffed or remote from small villages, and so are unused by those without transport. Lack of an effective safety net means out-of-pocket costs discourage the poorest from accessing care. An inequitable financing system makes this worse: out-of-pocket expenditure accounts for around 65-70% of total health expenditure, so the burden is extremely heavily on the poor. Gaps in inclusiveness also impact some groups – for instance, persons with disabilities have few accommodations in health facilities, and transgender individuals are often stigmatized in healthcare facilities. Although programs such as the SSP (health insurance for poor families) and primary care programs aim to enhance equity, governance shortfalls (such as poor budgeting and patchy implementation) restrict their impact. The goal of "leaving no one behind" is still unrealized, with disparities continuing to exist between provinces (Balochistan's health statistics trail behind Punjab's, for instance) and socioeconomic segments.

- **Effectiveness and Efficiency**: Institutional problems impede the effectiveness (achievement of health outcomes) and efficiency (utilization of resources) of the health system. Effectiveness is undermined when policies fail to deliver; e.g., despite a national TB control program, there remains a high burden of TB in Pakistan, indicating gaps in care for poor patients. Programs (maternal health vouchers, nutrition programs) have improved somewhat in some cases, owing to operational problems. Efficiency is undermined by wastage of resources owing to inefficient management. Government expenditure is in the direction of curative care for urban residents compared to cost-saving preventive care for rural poor communities, leading to low health expenditure (1.0% of GDP in FY2022-23) that fails to maximize health benefit for the vulnerable. Overlapping functions and roles and ambiguous responsibilities between institutions provide additional inefficiencies; post-devolution, federal and provincial governments sometimes replicate work (e.g., vaccine procurement) or gap in coordination (e.g., trans-provincial disease surveillance prior to the establishment of the health ministry in 2013). Human resource deployment also impacts efficiency: doctor concentration in urban areas results in over-deployment of doctors in towns and under-deployment in rural areas. Some of these are acknowledged by the government as seen in attempts to build an EPHS aimed at prioritizing cost-saving interventions. Until system reform is initiated, health campaigns are ineffective and useless, with continued poor health for the poor.

- **Accountability:** Pakistan's health governance accountability mechanisms are weak. There is no robust monitoring and accountability from top to bottom – from policymakers to front-line providers. Performance management is rarely linked to consequences; e.g., if a province does not increase immunization coverage or if funds for primary care are unused to the end of a budget period, officials are hardly held accountable. At the facility level, staff absenteeism or unofficial charges being levied to patients are frequent complaints, but punishment is rare. Complaint redressal mechanisms are poorly communicated or not trusted by the public. In regard to financial accountability, audits are done, but findings (e.g. irregularities in expenditures) don't always result in prosecutions or reforms, creating a culture of impunity. Politicization of health appointments (e.g. health directors, hospital medical superintendents, district health officers) further obscures accountability, as loyalty may be prized more than performance.

In summary, there are wide areas of governance that are inter-related, exacerbating each other, in Pakistan's health sector, a low accountability providing space for inequities and a lack of participation leading to unresponsive services. Institutional malaises, such as the implementation-policy gap, fragmentation post-devolution, and the urban-rural divide, further exacerbate these governance ills. Sustained efforts in reforms and capacity-building would be required in order to translate good governance at all levels of the health system to ensure benefits from health programs and policies accruing to marginalized citizens.

Institutional Fault Lines

- **M/o NHSR&C (Federal Level):** M/o NHSR&C retains oversight on health programs and international health commitments, but its coordination with provincial health departments, in this case KP, is weak. Delayed fund transfer, fragmented data sharing, and undefined roles in rolling out national programs (e.g., EPI, HIV/AIDS and TB) prevent harmonized delivery of services. Provincial alignment with national strategy is inconsistent, resulting in programmatic silos.
- **Khyber Pakhtunkhwa Health Department (Provincial Level):** The KP Health Department is at the center of policy making, resource allocation, and program management in the province. Despite the reforms like the MTI Act and Sehat Card Plus, the department suffers from deep-rooted issues: bureaucratic inertia, politicization of appointments, under-resourced planning units, and weak monitoring mechanisms. Its dual role of regulation of provincial programs and oversight of district services leads to over-centralization and blurred accountability. Health Information Systems like DHIS are not used for evidence-based policymaking.

- **Medical Teaching Institutions (MTIs):** MTIs, which are regulated by the MTI Act, are headed by Boards of Governors and therefore enjoy financial and HR autonomy. Implementation, however, has been inconsistent. Performance monitoring, service delivery targets, and frameworks for career progression remain vaguely defined. Resistance from within the medical community and weak alignment with non-MTI hospitals further weaken integrated service delivery.
- **KP Healthcare Commission (KP HCC):** KP HCC is mandated to license and regulate the entire healthcare facilities in KP. Currently, thousands of private health facilities, like clinics and hospitals are active across the province, however, in comparison the number of licenses issued by the HCC are quite less. These unregistered private facilities, especially private clinics, are not being monitored due to loopholes in legislation, inadequate human resources, and limited field presence. Moreover, lack of enforcement powers and incomplete integration with other regulators like the district administration, further reduces the effectiveness of HCC.
- **District Health Offices (DHOs):** DHOs are tasked with monitoring all the health institutions of a district, from BHUs, RHCs, THQs, and DHQs. However, they operate in an inflexible hierarchical chain of command with limited administrative and financial autonomy. Their dual reporting to the KP Health Department and local administrative governments (Deputy Commissioners) leads to jurisdictional conflict. Inadequacies in public health management, insufficient transport for field monitoring, and lack of authority to manage HR or budgets severely limit their effectiveness.
- **Tehsil & District Headquarters Hospitals (THQs & DHQs):** These secondary care institutions offer suffer from poor referral linkages with BHUs and RHCs. Many THQs lack specialists, emergency services, and diagnostic capabilities. Therefore, DHQs are overcrowded, absorbing both primary and secondary level cases due to poor gatekeeping. Most are managed under civil service rules, with little operational autonomy, and lack active, community-inclusive oversight mechanisms like Health Management Committees.
- **Rural Health Centres (RHCs) and Basic Health Units (BHUs):** Since they are the initial interface with rural populations, BHUs and RHCs are supposed to play a pivotal role towards preventive and primary healthcare. However, they are normally under-staffed, under-equipped, and lack functional infrastructure. Non-availability of physicians/medical staff, non-functional equipment, and limited drug availability compromise the quality of healthcare, thus resulting in low public confidence and movement of patients to secondary or tertiary hospitals.

- **Referral System:** KP healthcare system also lacks a structured referral system which can link BHUs, RHCs, THQs, and DHQs. Self-referral is common, exacerbating inefficiencies and overloading of high tier facilities. This disrupts the continuity of medical treatment across medical facilities.
- **Private Sector Hospitals and Clinics:** It is an unregulated industry and operates with minimal oversight. The majority of the clinics are unlicensed, have no standard procedure, and are not certified. There is overcharging, redundant testing (particularly under Sehat Card Plus), and unregulated laboratory facilities. The lack of active monitoring by the KP HCC or district governments allows these activities to be pursued uninterrupted.

Assessment of Implementation Bottlenecks

Policy implementation in the health sector in Pakistan is generally poor owing to a range of fiscal, procedural, administrative, and systemic barriers. These barriers deprive vulnerable people of the benefit of good health policies. The major barriers are:

- **Fiscal Bottlenecks**: Insufficient funding is a principal bottleneck. Pakistan's public health spending was a paltry 1% of GDP in FY2022-23 (a decline from 1.4% the year before), much lower than international benchmarks and inadequate for its population size. For example, primary healthcare scale-up and community health worker recruitment are typically slashed or deferred. Even the funds allocated can be unpredictable – fiscal crises inducing delays disrupt programs like vaccine purchases or BHU construction. Moreover, more than 52% of health spending is private, mainly OPE, placing financial burdens on individuals, particularly the poor. Moreover, most of the health budget is spent on tertiary hospitals and salaries, with little remaining for operations, maintenance, or outreach, thereby precluding new policies like essential health service packages without new funding. Conditional federal government grants sometimes conflict with provincial priorities post-devolution, resulting in double dipping.
- **Procedural Bottlenecks:** Cumbersome bureaucratic processes result in poor health policy implementation. Approving and initiating health projects involves several layers of paperwork (PC-1 forms, planning & finance department clearances, etc.), which can slow down initiatives considerably. For instance, if a provincial health department wishes to purchase ambulances for rural settings from development funds, the tender and approval process may take months or years, and needs go un-met. Procurement regulations, meant to bring in transparency, are sometimes implemented rigidly and cause delays (e.g. life-saving medications stuck in procurement loops).

Recruitment of health staff is another sphere with procedural bottlenecks: recruiting doctors or nurses to vacant positions can be time-consuming because of administrative clearances or public service commission formalities. By the time personnel are hired, communities have wasted years without essential health workers. In addition, inter-departmental coordination processes are weak. For instance, rolling out a nutrition program requires coordination between health, finance, and local government departments; lacking procedural guidelines, such multi-sector interventions collapse. There have been instances when donor-funded interventions were procedurally delayed in fund flow or government NOCs (No Objection Certificates), and Pakistan lost out on fully availing international aid. Inflexible processes and red tape thus become bottlenecks, and unless streamlined (through reforms like one-window approvals or delegation of powers), even quality-designed policies will have slow off-take.

- **Administrative Bottlenecks:** These are management and capacity limitations in health institutions that inhibit effective implementation. One of the significant administrative bottlenecks is untrained human resource. There is a deficiency of trained managers and administrators in the health sector; for instance, District Health Offices typically have very few management staff compared to the nature of their tasks. Many officials also don't receive training in new public health management practices, data analysis, and problem-solving, which impacts their capacity to implement programs effectively. Frequent transfer and rotation of key officials (partly because of political interference) disrupts continuity, a district health officer may not be able to complete a reform if they get rotated out within a year. Another administrative limitation is the poor health information system, i.e. weak data collection and monitoring & evaluation systems, which result in administrators not receiving timely, accurate data to guide decisions or to identify implementation problems. Logistics and supply chain management is also a recurring administrative issue: out-of-stock medicines and supplies are the norm in facilities serving the poor, undermining program implementation. Furthermore, poor supervision and mentoring of frontline health workers (because of few supervisory staff and large geographic coverage) is an administrative shortcoming that leads to variable service quality. Coordination problems between the government, such as between health authorities and their related agencies (education for school health, water for WASH), usually stem from hesitation or uncertain directions. Until administrative capacity and systems are built up, policy will not improve service delivery.
- **Systemic Bottlenecks**: One of the main bottleneck is urban-rural and inter-provincial health infrastructure disparity. Traditionally, more resources have flowed to urban tertiary institutions while rural primary healthcare has been ignored.

This systemic bias is such that policy intervention to improve rural health is a matter of reversing decades of neglect, new facilities to be built, staffed, and trusted by the community, a slow process. Absence of a composite health information architecture is another systemic bottleneck; parallel reporting systems (for immunization, for disease surveillance, etc.) rule out a composite picture and composite response. Cultural and social norms also constitute a systemic bottleneck: e.g., gender norms in some places limit women's mobility, so even if services are present, women from conservative poor families may not use them without a female provider or a community health worker's facilitation. Overcoming this bottleneck, require policies that recruit and deploy female staff (such as LHWs) and community mobilization. Another systemic barrier is the growing population and epidemiological transition – a dual burden of disease (communicable and non-communicable) that taxes an already resource-constrained system. Implementers have a tendency to find the reality of overcrowded health facilities and overburdened health workers. E.g., a single BHU serving a 15,000+ population cannot realistically implement all elements of an essential service package. Service fragmentation is structural; a patient may receive vaccinations from one group, antenatal care from a health center, and nutrition advice from an NGO, with little coordination. This reduces effectiveness and squanders effort. In other words, systemic bottlenecks slow implementation – unless solved through structural reforms (e.g. investment in primary care, role clarification, service integration, and social determinants), progress will be slow, sustaining gaps between policy and reality.

SWOT and EETH Analysis of Relevant Institutions

For comprehension of health provision to the marginalized, examination of the most important public sector institutions through SWOT and EETH analyses is essential. They are Health Department and District Health Administration of KP. These are the key public institutions in KP to which the task of implementing health policy devolves. Private sector and civil society are significant, as well, but this focus is on public institutions serving the most disadvantaged.

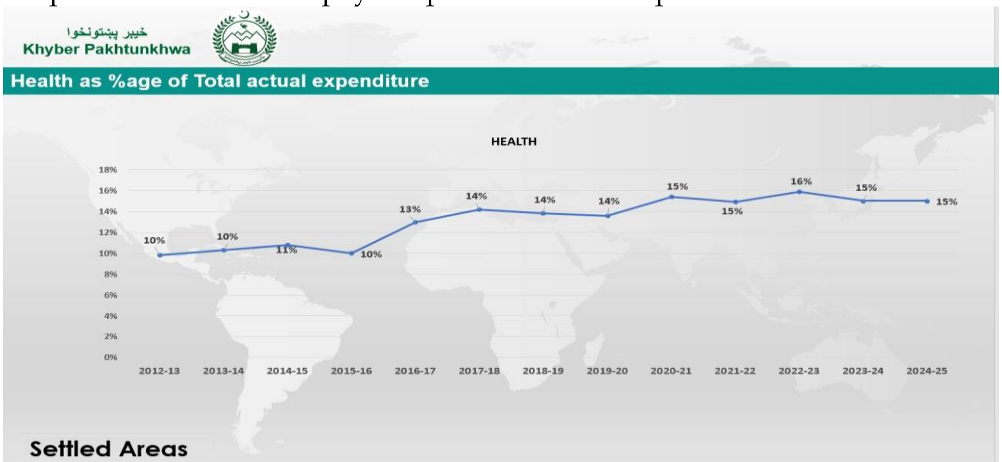
SWOT Analysis

Strengths

There are several strengths in KP's health system. There is a wide coverage of BHUs/RHCs, and tehsil/district hospitals in rural areas. Sehat Sahulat program aims for universal health coverage through insurance coverage for poor families. The Lady Health Worker (LHW) program is an effective community outreach model. Digital initiatives such as the telemedicine clinics in remote areas like Chitral are a new direction in public service delivery.

Weaknesses

Though it has its strengths, the system is marred by serious institutional flaws. Public health expenditure is a mere 0.21% of GDP and 15% of KP's total budget (GoKP, 2024), far below international norms. Chronic absenteeism of personnel, shortage of trained staff and shortages of medicines are the common maladies of most BHUs and RHCs, particularly in rural areas. Quality assurance and patient safety practices are weak, and referral systems are non-functional. Inadequate monitoring and evaluation, and poor-quality health data constrain evidence-based policy-making. Moreover, Sehat Card Plus, which is providing coverage to 100% public is not cost-efficient as it creates undue burden on province's budget. Moreover, a double dipping dilemma is also created as the government not only has to run the public hospitals but also has to pay the private sector hospitals.



Source: FMIU, Finance Dept. Government of KP

Opportunities

There are various opportunities to bolster the healthcare system. Telemedicine and e-health can extend gaps in service in remote areas. Public-private partnerships can improve primary care delivery on the model of KP government-AKDN, which are most cost efficient. Post-devolution autonomy permits provinces to customize health reforms. Partnership with development agencies and NGOs can help increase the health service delivery in remote areas by contracting out facilities.

Threats

Systemic and external danger tests institutional resilience. Political intrusion into hospital management erodes professionalism. Medical professional emigration reduces capacity, particularly for specialties. Immunization resistance in conservative pockets jeopardizes public health. Climate change imposes additional health challenges (e.g., vector-borne disease, malnutrition), while security dangers in KP compromise access and demoralize health workers.

EETH Analysis

Elimination of Threats
There is a need to promote merit-based recruitment and professional independence in health leadership and to depoliticize the administration. The provincial government also needs to improve the safety of medical workers, working in conflict areas of KP through protective policies and incentives. There is a need to combatting vaccine hesitance through persistent community outreach in tribal and conservative areas.
Exploitation of Opportunities
KP's healthcare system is of huge unrealized potential for institutions. With a growing IT industry, government can scale telemedicine and digital health to cover remote populations in mountainous areas. Merging social protection and health (e.g., Ehsaas and Sehat Sahulat) can tackle poverty and enhance healthcare usage. Partnership with NGOs and local communities in disadvantaged communities can also be established to improve the healthcare.
Tolerance of Weaknesses
Structural adjustments are time-consuming, but certain institutional weaknesses can be addressed. Upskilling and deployment of rural health workers through phased models and task-shifting to trained mid-level health workers. Usage of mobile health units and LHW networks, rather than permanent facilities where there are no fixed facilities, can also be beneficial. Moreover, budgeting can be done for recurring operational shortfalls (transport, utilities) until system-wide planning and finance reforms are underway.
Harnessing of Strengths
Healthcare institutions must strengthen and expand their existing strengths to overcome implementation challenges. There is a need to standardize platforms such as DHIS to increase transparency and accountability across all provinces. Learn from good practices in the country and from around the world to rebuild the healthcare system.

Best Practices Integration

To uplift the healthcare sector, we must learn from the best practices and successful experiences in Pakistan and around the world that have demonstrated effective healthcare among marginalized communities. These instances provide lessons and models that can be employed for more effective policymaking.
National Best Practices:

- **Sehat Sahulat Programme (Health Care Insurance for the Poor)**: SSP, launched in 2015, is a government-funded health insurance scheme, providing free inpatient care to ultra-poor families based on Proxy Means Test (PMT).

Initially managed through financing of Kreditanstalt für Wiederaufbau (KfW) bank, the program was initiated in 4 districts of KP, including Malakand, Mardan, Kohat and Chitral. KP government launched the second phase in 2016 through provincial annual development program (ADP), under which 21% of the poorest population was included in the program. In 2016, the scheme was regularized and its budget was transferred to the current budget, which expanded the program to include 50% of the province's population based on PMT. SSP aligned with SDG 3.8 by offering financial protection and included transgender persons and individuals with disabilities. Evaluations show reduced out-of-pocket expenses and improved service utilization, though coverage was mainly limited to hospitalization, with outpatient care still unaffordable for many.

- **People's Primary Healthcare Initiative (PPHI)**: Initiated in the early 2000s in Sindh and extended to other provinces subsequently, PPHI outsourced management of government primary health units to non-governmental organizations, invariably headed by retired professionals. This was intended to circumvent bureaucratic lags and improve performance through managerial freedom and private-sector management. Assessments in Sindh revealed that PPHI facilities had more doctors, improved availability of medicines, and higher outpatient visits than non-PPHI facilities. By maintaining extended clinic timings and ensuring the presence of staff, PPHI-managed BHUs became more convenient for poor communities. This This model proved local replicability and community-oriented management within the public system. Variations were introduced in Balochistan and KP too. Success was achieved through clear accountability, sufficient funding, and fewer red tape, leading to more consistent services. The PPHI case provides a model of governance reforms that benefit marginalized rural communities that rely on BHUs for care.

Global Best Practices

- **Rwanda's Community-Based Health Insurance (Mutuelles de Santé):** Rwanda, a low-income country, has recorded significant health gains, on the threshold of having universal health insurance through a community-based scheme. In the early 2000s, barely 7% were insured; by 2010, under Mutuelles, this rose to more than 74%, and today more than 90% are insured, mostly through Mutuelles. The scheme promotes equity: premiums are based on income, with the poorest 25% fully subsidized by government and donors. This allows even the most vulnerable to access services without financial limits.

High insurance coverage has led to increased life expectancy, from 49.7 years in 2001 to 69.6 years in 2022, demonstrating that better access to healthcare leads to improved overall health. Rwanda also expanded services by building health posts in remote villages and training community health workers to provide outreach. For Pakistan, Rwanda is a model of effective community and government co-financing for health and of political will to support the poor. It demonstrates that high insurance coverage is feasible in resource-poor settings and is linked to stunning gains in health.

- **Iran's PHC Network:** Iran developed a strong PHC network after the revolution in 1979 to improve access to health in rural communities. They constructed "health houses" in major villages, staffed with trained community health workers (Behvarz), connected to rural health centers. This multi-tiered model strongly improved rural health outcomes, decreasing infant and maternal mortality and decreasing the rural-urban divide. High levels of immunization and universal prenatal care were obtained using this system. The key best practice is to build community-based primary care using local staff and an effective referral system. Pakistan's LHW program is similar, but Iran's had infrastructure for these staff and a well-defined career progression. Iran's experience shows that investment in care infrastructure at the community level is good for equity. For Pakistan, transitioning from a program-based approach (e.g., LHWs) to an integrated PHC model (with fixed health houses and strong supply chains) might achieve similar results.
- **Brazil's Family Health Strategy:** Brazil's Family Health Strategy (FHS) revolutionized primary care by deploying teams of physicians, nurses, and community agents for preventative care. A team makes rounds to each assigned number of houses on a regular basis, expanding access to favelas and the Northeast, and lowering infant mortality and hospitalization of sensitive cases. The outreach and extended care model brings patients to the healthcare providers rather than expecting the patients to come to the clinics, emphasizing prevention. Brazil's success in covering millions of poor citizens exemplifies the quality of decentralized team-based care with strong political commitment to invest in healthcare for the poor under its SUS system. Pakistan can bring the quality of care to the poor by similar family practice schemes and increasing the role of the health worker.

GAP Analysis

In spite of clear-cut policies and best practices, massive gaps still prevail between health policy plans and practice. This section identifies key misalignments and disconnects:

- **Policy Vision vs. Implementation Capacity**: Pakistan's National Health Vision 2016–2025 is for "universal access to quality essential health services…with a focus on vulnerable groups." Subnational implementation capacity is, however, weak.

Policy ambitions and provincial health system capacities are not aligned. For instance, while policy encourages comprehensive primary healthcare, BHUs, especially in poor districts, are under-staffed and services fragmented. Integration of maternal care, child immunization, and nutrition counseling frequently collapses due to vertical silos. As a result, ambitious targets are deprived of management strengthening and training for effective implementation.

- **Resource Distribution vs. Equity Targets**: Distribution of resources and equity targets are out of alignment. Policies have the intention to address inequities, but nevertheless, funds disproportionately flow to urban areas and higher-order treatment. Although there is a consideration to give higher priority to primary care, the lion's share of public health expenditure goes to tertiary institutions in cities that are beyond the reach of poor individuals in the rural areas. Rural health units get a small proportion of health expenditure although they serve a large number of poor individuals. Pakistan Economic Survey shows that health expenditure rose (from 1.0% to 1.4% of GDP in 2021-22), and then dipped to 1%, showing the lack of uniform commitment. Second, disbursement is too often devoid of pro-poor orientation: prevention and community outreach schemes benefiting the poor are cut or reduced, but salaries and tertiary projects are spared. This is a reflection of a disconnect between equitable intention and fiscal action.
- **Intersectoral Action in Policy vs. Siloed Implementation**: Health policies acknowledge social determinants such as nutrition, sanitation, and maternal education, and encourage intersectoral action and its strategies focus on cooperation among departments (e.g., nutrition and agriculture, WASH and local government). In reality, however, cooperation is poor. Frequently, departments work in silos; health officials focus on curative services, ignoring preventive efforts which require coordination, such as improved village sanitation to prevent disease. As a result, the envisioned holistic approach fails at district and community levels, and preventable disease related to malnutrition and poor water continues among the poor, emphasizing the disconnect between strategies and delivery.
- **Availability of Services vs. Utilization by the Poor**: There is a gap between delivery of services and their use by the poor. For example, even if the government provides free maternal services or opens clinics, utilization is low because of indirect costs (transport, loss of wages), social barriers, or unawareness. The purpose of "free services" is negated by the fact that the poor pay hefty out-of-pocket charges (for transport, unavailability of drugs, etc.). Evidence indicates out-of-pocket expenditure varies between 56-70% of total health expenditure, indicating a gap between the intention of financial protection and the burden imposed. Having a facility or scheme is not a guarantee of benefits to the poorest, indicating problems of quality, outreach, and trust.

Conclusion

Pakistan's health system, while there has been some development, remains unequal and underperforming, particularly for the poor. National policies such as the Sustainable Development Goals and the National Health Vision 2016–2025 set universal health coverage as a goal, but systemic governance loopholes, inefficiencies, and regional disparities hinder effective implementation.

Khyber Pakhtunkhwa (KP) identifies issues in the delivery of health services under devolved government. In spite of political will through the Sehat Card Plus and telehealth technologies, most residents—particularly in rural, tribal, and conflict areas—continue to face geographic, cultural, and economic barriers. Inadequate infrastructure, female personnel, and emergency services further complicate access for women, children, disabled individuals, and minorities.

The results indicate that equity, institution capacity, and integrated health and social welfare must be the basis of a coordinated national and provincial response. Enhancing health governance through the eight pillars of UNDP is important in promoting universal healthcare access in Pakistan. Failure to implement initiatives improving healthcare quality and governance, particularly in such poor provinces as KP, will lead to continued health inequities and poverty in Pakistan. Provision of essential health services to all is a constitutional, ethical, and development imperative.

Recommendations

Closing gaps in Pakistan's health system requires a multi-faceted strategy. Below are evidence-based recommendations organized into short, medium, and long-term interventions to improve access to healthcare for poor communities.

Short-Term Solutions (1–2 years)

- **Increase Health Funding for Primary and Preventive Care**: Allocate a greater portion of existing health budgets towards primary healthcare facilities and outreach programs in underdeveloped areas. For instance, ring-fence funds for BHUs/RHCs so that they have operational budgets for local purchase of medicines and community outreach. Pakistan should target raising public health expenditure to at least 2% of GDP in the coming years, but immediately, federal and provincial governments can prioritize spending on immunizations, mother-child health, and community health workers which directly benefit the poor. This includes fully funding the Lady Health Workers program expansion (as per its 2022–2028 plan) and ensuring no stock-outs of essential medicines at primary level.
- **Increase Transparency and Citizens' Participation**: Implement transparency measures such as publicly displaying facility budgets, drug inventories, and attendance of staff in all government health facilities. This can be done through public notification, requiring each

DHQ hospital and rural health center to publish basic information (budget, key staff, services provided). Simultaneously, implement feedback mechanisms to record and address public grievances.

- **Close Human Resource Gaps in Underdeveloped Areas**: Use an incentive package to recruit and retain healthcare workers in rural and low-income urban settings. This would involve fiscal incentives, career progression for service completion in remote settings, and accommodation of staff. Evidence indicates that staff shortages are prevalent; incentives have been used successfully in other countries to boost rural availability of healthcare. A short-term intervention is to audit facilities in poor settings and recruit local female paramedics or nurses in the absence of doctors.
- **Enhance Community Engagement & Demand Generation for Vaccines**: Community engagement is critical to overcoming vaccine hesitancy and improving immunization uptake. Programs should focus on demand generation for vaccines through community-based initiatives, leveraging local influencers, religious leaders, and community health workers (LHWs). There is also a need to educate communities on the benefits of vaccination, particularly in underserved areas. Public awareness campaigns that highlight the importance of vaccines and counter misinformation can help foster a more positive attitude toward immunization.

Medium-Term Proposals (3–5 years):

- **Double Health Spending with Pro-Poor Targeting**: By years 3–5, Pakistan must increase public health spending to 2-3% of GDP. This must be targeted through conditional grants to provinces on the basis of need indices (poverty, disease burden) to focus the resources in poor areas. Federal transfers to provinces linked to performance in priority equity indicators (e.g., immunization or maternal health in poor districts) will promote a performance-based response.
- **Health Workforce Development and Training**: Roll out a complete Health Workforce Development Plan with emphasis on training and deploying mid-level providers and nurses from vulnerable communities. Upscale the production of nurses, midwives, and community mid-level providers (e.g., nurse practitioners or physician assistants) with compulsory rural rotations over 3-5 years. Reform medical and nursing curricula to incorporate community medicine and exposure to low-resource settings. Collaborate with medical universities to utilize a district hospital or community clinics as training sites (as in some international programs).
- **Revitalization of Primary Health Care – "Health for All" Districts**: Launch a "Model Districts for UHC" program by choosing pilot districts with weak indicators.

Launch a full PHC strengthening package, upgrading BHUs to 24/7 service, assigning Field Health Teams (FWW, LHWs, CMWs) for home visits, and unifying vertical programs under one administration. Pilot to develop a scalable model and scale up to additional districts in year 5.

- **Institutionalize Community Accountability Mechanisms**: Formalize community participation mechanisms. Establish Health Management Committees at the district and tehsil hospital levels, with participation from local government, civil society, and patients to ensure quality and equity of services. Introduce legal provisions for annual social audits of health programs, with each district submitting health outcomes and budgets to the public for feedback. Leverage technology by scaling up SMS or app reporting for patients to rate facilities anonymously and report drug stock status, which is fed into provincial health dashboards.
- **Targeted Health Education Campaigns**: Implement medium-term country-wide campaigns emphasizing citizens' health rights and poor people's services. For example, a local language campaign of "Healthcare in government facilities is your right – demand it!" to communicate free services (immunization, maternal care, insurance). Use local influencers (teachers, religious leaders) to encourage preventive behaviors and health service utilization in their communities.

Long-Term Recommendations (5+ years)

- **Raise Health Spending to 4-5% of GDP & Make It Equitable**: A minimum of 4% of GDP health spending in Pakistan by 2030 has to be the target, predominantly from the government, as suggested by WHO guidelines. This will necessitate a commitment, perhaps by special health taxes or out of GDP growth health allocations. Resource distribution needs to be done on the basis of equity using National Finance Commission or some other Health Equity Formula on the basis of population, poverty, and health need so that funds reach underdeveloped regions.
- **Multi-sector Action for Preventive Healthcare**: In the next ten years, enhance cooperation between health and other sectors to tackle root causes of poor health in poor communities. For example, ensure safe water and sanitation in every union council by working with municipal and public health engineering. Scale up initiatives like school health (in partnership with Education for nutrition, and health check-ups in poor schools) and conditional cash transfers for nutrition (with Social Protection). National and provincial inter-ministerial committees should plan and harmonize these interventions (some of which already exist, but need strengthening and continuation).

- **Introduce Equity based Health Insurance System**: A federal government led initiative to introduce equity-based health insurance system can also be planned for the entire country. Under this program, the governments can privatize the public healthcare facilities and can introduce health insurance system. For the vulnerable and poorest strata, the provincial governments can offer 100% subsidized insurances, while for the lower income quantile, 75% subsidy can be offered. The middle and higher-income people can utilize private insurances. This system will not only ensure judicious use of public resources but would also prevent double-dipping (paying to the private sector in addition to developing public sector facilities).

Logical Framework

The logical framework presented below offers the key goals, indicators, responsible bodies, and time line for the actions proposed. The matrix is designed to enable the implementation, tracking, and accountability of the Health Minister's Task Force strategy to address policy implementation gaps and institutional fault lines. It encapsulates the strategic vision in formalized form:

Objectives	Key Performance Indicators (KPIs)	Responsibility
Short-Term (1–2 years)		
Increase Health Funding for Primary and Preventive Care	• Allocate a greater portion of health budgets to primary healthcare and immunization programs • Ensure full funding for the LHW program • Ensure provision of medicines	• M/o NHSR&C • Ministry of Finance • Provincial Finance Department • Provincial Health Departments
Increase Transparency and Citizens' Participation	• Publicly display of: o Facility budgets o Drug inventories o Staff attendance • Implement grievance redressal system	• Provincial Health Departments • Local Governments (when elected) • Auditor General of Pakistan
Close Human Resource Gaps in Underdeveloped Areas	• Use incentives to attract staff to rural areas • Ensure monitoring mechanism • Recruit local female health workers	• Provincial Health Departments • Public Service Commissions • Local Governments
Enhance Community Engagement & Demand Generation for Vaccines	• Conduct vaccine demand-generation through religious/community leaders and public awareness campaigns	• M/o NHSR&C • Religious Departments/Auqaf • Extended Program for Immunization (EPI)

Medium-Term (3–5 years):		
Double Health Spending with Pro-Poor Targeting	• Raise health spending to 2–3% of GDP • Use conditional grants linked to poverty and disease burden	• MoNHSR&C • Ministry of Finance/Finance Departments • M/o Planning /P&DD
Health Workforce Development and Training	• Train and deploy mid-level care providers • Reform curriculum • Expand community-based training	• PMDC/PNC • Health Services Academy • Provincial Health Departments • World Bank/WHO
Revitalization of Primary Health Care – "Health for All" Districts	• Launch Model Districts for UHC • Upgrade BHUs • Implement Field Health Teams and unify programs	• MoNHSR&C • Provincial Health Departments • WHO/UNICEF
Institutionalize Community Accountability Mechanisms	• Establish Health Management Committees • Implement social audits and citizen feedback apps	• Provincial Health Departments • Local Governments • Civil Society
Targeted Health Education Campaigns	• Run local language campaigns promoting health rights and free government services	• MoIB • MoNHSR&C • Provincial Information Departments • Health Departments
Long-Term (5+ years)		
Raise Health Spending to 4-5% of GDP & Make It Equitable	• Commit to higher spending via special taxes or GDP growth • Distribute resources using a Health Equity Formula	• Ministry of Finance • Federal Board of Revenue • MoNHSR&C • Provincial Governments
Multi-sector Action for Preventive Healthcare	• Collaborate across sectors for water, sanitation, school health, and nutrition programs.	• MoNHSR&C • PHE • Provincial Governments/SWDs
Introduce Equity based Health Insurance System	• Implement a national health insurance model with full subsidy for the poorest and sliding-scale for others	• MoNHSR&C • Provincial Health Departments • State Life Insurance Corporation/Insuran ce companies • NADRA

References

1. Aman, M. (2020). *"Go in disguise to receive medical treatment": Religious discrimination in Pakistan*. Institute of Development Studies.
2. DB, W. (2013). Vulnerable populations in healthcare. *Current Opinion in Anaesthesiology*. https://pubmed.ncbi.nlm.nih.gov/23385323/
3. Division, F. (2023). *Economic Survey of Pakistan*. https://www.finance.gov.pk/survey/chapters_23/11_Health.pdf
4. DRAP. (2012). *Drug Regulatory Authority of Pakistan Act, 2012*. https://www.dra.gov.pk/wp-content/uploads/2022/10/DRAP-2012-_As-Amended-till-Feb-2022.pdf
5. Finance Division. (2024). *Pakistan Economic Survey 2023–2024 (Chapter 11: Health and Nutrition)*. https://finance.gov.pk/survey/chapter_24/11_health.pdf
6. GoKP. (2024). *Citizens budget 2024–2025*. Government of Khyber Pakhtunkhwa.
7. GoP. (2016). *National Health Vision 2016–2025*. https://extranet.who.int/countryplanningcycles/sites/default/files/planning_cycle_repository/pakistan/national_health_vision_2016-25_30-08-2016.pdf
8. Ijaz, S. (2024). *In sickness and in debt: The right to health*. Human Rights Watch. https://www.hrw.org/news/2024/04/22/sickness-and-debt-right-health#:~:text=In%20Sickness%20and%20in%20Debt%3A,The%20Right%20to%20Health
9. Nafees Ahmad, M. F. (2024). Multi-dimensional poverty in the newly merged tribal districts of Khyber Pakhtunkhwa: Identifying the key areas of priority. *Journal of Applied Development and Social Sciences*, *13*(3). https://doi.org/10.62345/jads.2024.13.3.126
10. NHSR&C, Ministry of. (2016). *National Health Vision 2016–2025*. https://phkh.nhsrc.pk/sites/default/files/2020-12/National%20Health%20Vision%20Pakistan%202016-2025.pdf
11. NHSR&C, Ministry of. (2025). *Mission & vision*. https://www.nhsrc.gov.pk/Detail/YjIxNDkyYWQtNzcxNi00NTNmLThiNzItYWI3YzY0ZGYxZmYx
12. NIPS, National Institute of Population Studies. (2019). *Pakistan–Maternal Mortality Survey*. https://dhsprogram.com/pubs/pdf/PR128/PR128.pdf#:~:text=Maternal%20mortality%20ratio%20,interval%201%20Punjab%20includes%20ICT
13. Pakistan Bureau of Statistics. (2023). *Health-related statistics and poverty analysis*. https://www.pbs.gov.pk
14. PMDU. (2023). *Pakistan Registration of Medical and Dental Practitioners Regulations, 2023*. https://pmdc.pk/Documents/law/Registration%20Regulations%202023.pdf
15. Report, G. N. (2019). *Country nutrition profiles: Pakistan*. Global Nutrition Report. https://globalnutritionreport.org/resources/nutrition-profiles/asia/southern-asia/pakistan/#:~:text=Population%20density%20of%20health%20workers,per%201%2C000%20people
16. Shahid Younas, A. (2025). Directorate of Health Services. (RG-4, Interviewer).

17. Statista. (2021). Under-five child mortality rate in the Asia-Pacific region in 2021, by country. https://www.statista.com/statistics/696072/asia-pacific-under-five-child-mortality-rate-by-country/
18. UNDP. (2022). *Annual report: UNDP Pakistan*. https://www.undp.org/pakistan/publications/undp-pakistan-annual-report-2022
19. UNESCAP. (n.d.). *What is good governance?* https://www.unescap.org/sites/default/files/good-governance.pdf
20. UNICEF. (n.d.). *Maternal and newborn health disparities: Pakistan*. https://data.unicef.org
21. WHO. (2023a). *Close to one billion people globally are served by health-care facilities with no electricity access or with unreliable electricity*. https://www.who.int/news/item/14-01-2023-close-to-one-billion-people-globally-are-served-by-health-care-facilities-with-no-electricity-access-or-with-unreliable-electricity
22. WHO. (2023b). *Joint external evaluation of the International Health Regulations (2005) core capacities of Pakistan*. https://iris.who.int/bitstream/handle/10665/380882/9789240106338-eng.pdf
23. WHO. (2023c). *Pakistan–Expanded Programme on Immunization*. https://www.emro.who.int/pak/programmes/expanded-programme-on-immunization.html
24. WHO. (2024). *Strategic framework for implementation of the Immunization Agenda 2030 in the Eastern Mediterranean Region*. https://applications.emro.who.int/docs/9789292745141-eng.pdf
25. WHO. (2025a). *Strategic framework for implementation of the Immunization Agenda 2030 in the Eastern* Mediterranean *Region*. https://applications.emro.who.int/docs/9789292745141-eng.pdf
26. WHO. (2025b). *Strategic framework for implementation of the Immunization Agenda 2030 in the Eastern Mediterranean Region*. https://applications.emro.who.int/docs/9789292745141-eng.pdf

Policy Implementation Gaps and Institutional Fault Lines in the Context of the Role of INGOS, GONGOS and NGOS in Social Sector Interventions and Poverty Alleviation in Pakistan

Arslan Ali [1], *Izazullah* [2], *Muhammad Abdullah Amin* [3], *Palwasha Rehman* [4], *Dr. Muqeem ul Islam*[5]

KJPP

Citation:
Ali, A., Izazullah, Amin, M. A., Rehman, P., & Islam, M. ul. (2025). Policy implementation gaps and institutional fault lines in the context of the role of INGOs, GONGOs and NGOs in social sector interventions and poverty alleviation in Pakistan. Khyber Journal of Public Policy, 4(2), Summer. PP- 147-189

Article Info:
Received: 15/05/2025
Revised: 20/05/2025
Accepted: 25/05/2025
Published: 31/05/2025

Disclaimer:
The opinions expressed in this publication do not implicitly or explicitly reflect the opinions or views of the editors, members, employees, or the organization. The mention of individuals or entities and the materials presented in this publication do not imply any opinion by the editors or employees regarding the legal status of any opinion, area, territory, institution, or individual, nor do they guarantee the accuracy, completeness, or suitability of any content or references.

Copy Right Statement:
© 2022 Khyber Journal of Public Policy
This work is licensed under a Creative Commons Attribution 4.0 International License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Abstract:

This policy paper critically examines the implementation gaps and institutional fault lines that hinder the effectiveness of NGOs, INGOs, and GONGOs in Pakistan's social sector, with a focus on poverty alleviation. Using the UNDP's governance framework, the study draws on stakeholder interviews and policy analysis across federal, provincial, and district levels. Key challenges identified include outdated legal frameworks, overlapping regulations, bureaucratic bottlenecks, security-centric oversight, trust deficits, and lack of digitization. The paper emphasizes fragmentation in governance, particularly in Khyber Pakhtunkhwa, and proposes the establishment of the Pakistan NGOs and Charities Commission (PNCC) as a centralized, digitized regulatory body. PNCC aims to harmonize federal and provincial systems, eliminate legacy legislation, and promote stakeholder coordination. The proposed framework is rooted in international best practices and seeks to foster a transparent, accountable, and enabling environment for sustainable civil society engagement in development.

Key words: *Policy Implementation Gaps, Civil Society Governance, NGOs and INGOs, Regulatory Reform, Poverty Alleviation in Pakistan*

[1] *Board of Investment (BOI), Email: arslanali6160@gmail.com*
[2] *Provincial Management Service (PMS-KP), Email: izazullah79@gmail.com*
[3] *Foreign Service of Pakistan (FSP), Email: abdullahghumman473@gmail.com*
[4] *Provincial Planning Service (PPS-KP), Email: paljamal14@gmail.com*
[5] *Chief Instructor, National Institute of Public Administration, Peshawar Email: muqeemz@gmail.com*

Introduction

NGOs mean Non-Governmental Organizations which are established for the sole purpose of ensuring community work and social welfare. Broadly, the NGOs are categorized as local NGOs, International NGOs (INGOs), and Government-Organized NGOs (GONGOs). INGO and GONGO have the same mission akin to NGOs, but a local NGO only operates in its home country. However, an INGO has international origin and operates in several countries, whereas a GONGO is an organization established by a government to carry out a social or political agenda and mimic the civil society operational models.

Evolution of NGOs and Civil Societies

The development of civil society, NGOs and social welfare programs is closely linked to the fluctuating nature of governance, social justice and humanitarian needs. Factually speaking, the need for such organizations has risen due to the inability of states to oversee or manage several issues of society. While working from grass root level to international, these have played a crucial role in advocating for equity, justice and social inclusion. With the passage of time, the scope of these organizations has expanded from assistance to international advocacy, policy inspiration and other development related interventions.

Usually, these organizations fill the gaps in the public service delivery of a state and quite often provide their services in remote and marginalized areas of countries in the sectors of education, health, women empowerment, environment and human rights. Their flexible, participatory, community-based approach of working is the key factor via which they can respond quickly to the emerging needs while fetching advancement and ease to the society by their context specific solution-oriented approach.

In developing countries like Pakistan, enabling NGOs and civil society and their solidification can play a very significant role. They can supplement the efforts of the government in poverty alleviation, disaster management, public health campaigns, and education, especially in merged and conflict-affected areas. In order to enhance service delivery of federal government and provincial governments of Pakistan, there is a need to promote NGOs, charities and civil society.

NGOs, INGOs and GONGOs in Pakistan

NGOs, INGOs and GONGOs have emerged as critical partners in the efforts of state to address public service delivery failures and thus have shaped the social sector landscape significantly. NGOs in Pakistan have contributed significantly to poverty alleviation, addressing inequalities, access to education, women empowerment through microfinance initiatives, vocational training, and community-led development projects. Notably their humanitarian contributions in natural calamities such as the 2005 earthquake, devastating 2010 and 2022 floods have been exemplary.

Moreover, these organizations also demonstrated their potential to complement government efforts in the conflict-affected areas of Khyber Pakhtunkhwa (KP) and Balochistan where public service coverage is fragmented and resource starved (Gazdar, 2011).

Despite their crucial contributions, NGOs and INGOs operate in an increasingly constrained regulatory and operational environment. A mosaic of overlapping federal and provincial laws including the Societies Registration Act, Trusts Act, Companies Act, Charities Acts, and Voluntary Social Welfare Agencies Registration and Control Ordinances coupled with NGO Policy 2015 and 2022 has resulted in complex, multi-tiered procedures for registration, MOUs & NOC acquisition and project approval. Field interviews confirmed that NGOs need to clear security-related clearances and then secure multiple NOCs which need to be renewed annually. There are cumbersome requirements which are mostly manual with no tracking mechanism, hence the multiple visits to the government offices and misuse of authority by officials. Furthermore, once a project is approved, no post-clearance supervisory mechanism or impact evaluation process is in place, resulting in a system that is risk-averse at entry but indifferent to subsequent outcomes.

Moreover, there is duplication of regulatory activities at federal and provincial levels. The Charities Commissions have been established recently in all provinces which require registration of all not profit organizations with them, even if they are registered under respective regulations with other government departments. Post registration, approvals from these Commission for fund raising are required as well. These duplications of regulatory compliances result in regulatory burden on these entities causing confusion and financial burden as well. Further, no central database is being maintained and the platforms at government level are not integrated which is resulting in fragmentation of services, poor utilization of data and inefficient governance.

In addition, owing to prevalent security challenges in the country, the core philosophy of civil society regulation is misaligned with development goals. NGOs are often viewed through a national security lens rather than as development actors. The Shakeel Afridi incident and Financial Action Task Force (FATF)-related pressures catalyzed a sweeping crackdown on civil society in 2013–2015, leading to EAD and security agencies' control without a parallel mechanism for constructive engagement or performance evaluation. Even local NGOs, which self-finance their activities, are required to present MoUs, NOCs and security clearances to open bank accounts—despite being outside the foreign funding framework.

This paper adopts a multi-level analytical approach guided by the Terms of Reference (ToRs) of the simulation exercise. Using the UNDP's eight governance dimensions as a diagnostic tool, it evaluates institutional, legal, fiscal, and administrative challenges affecting NGOs, INGOs, and GONGOs and identified the policy implementation gaps and institutional fault lines.

The findings culminate in a reform-oriented recommendation that align with the broader goal of improving policy coherence, regulatory transparency, and service delivery efficiency in Pakistan's social sector.
The NGO sector in Pakistan has significant potential to contribute to the country's sustainable development goals. By implementing the recommendations outlined in this study, fostering collaboration between NGOs, government agencies, and the private sector, Pakistan can overcome existing challenges and unlock the full potential of this vital sector. Addressing the identified policy implementation gaps and institutional fault lines will not only enhance regulatory transparency and service delivery efficiency but also promote a more conducive environment for sustainable development and poverty alleviation.

Problem Statement

NGOs, INGOs, and GONGOs have a critical role in poverty alleviation and social service delivery in Pakistan, particularly to augment state capacity. Despite a sizeable presence of NGOs in Pakistan, benefits in social sector development and poverty alleviation have been elusive. This situation warrants the need to examine policy, institutional arrangement and systemic fault lines and propose actionable reforms for a more cohesive and effective development framework.

Scope of Study

The focus of this study is to identify policy implementation gaps and institutional fault lines in Pakistan with regard to regulation of NGOs, INGOs and GONGOs at Federal and Provincial Government levels with special focus on Khyber Pakhtunkhwa (KP). This study also evaluates the role of these organizations in uplifting of social sector and poverty alleviation. It critically examines the regulatory environment, inter-organizational dynamics and operational barriers at Federal and Provincial Government levels. This study strives to identify inefficiencies and recommend practical solutions for improved governance of the NGOs and provision of an enabling environment to enhance their impact on the society. Major focus of the study is from 2015 onwards when INGO policy-2015 was notified by the Ministry of Interior (MoI).

Significance of the Study

There is a clear governance issue which includes unclear and cumbersome regulatory framework, multiple reporting layers, duplication of efforts and disconnect between the state and the agendas of the NGOs.

This study identifies the gaps in policies, probes institutional fault lines, classifies regulatory constraints, and enumerates the duplication of efforts. Hence it contributes to policy dialogue on creating an enabling environment for social sector and maximizing the impact of activities of NGOs. The findings of this study and the proposed governance structure will be crucial for the Governor and other stakeholders in developing inclusive, responsive, and sustainable frameworks which can leverage the full potential of civil society actors in poverty reduction and service delivery.

Literature Review

One of the significant reasons for the sluggish industrialization in Pakistan is the prolonged absence of a dedicated industrial policy. Consequently, the roles such a policy would typically fulfill are being managed through other public sector policies related to investment, trade, and monetary matters. The SMEDA Act of 1998 was established to regulate small and medium enterprises (SMEs) by the federal government, followed by Vision 2025 (Burki, 2008). An SME policy was formulated in 2007, which has since been amended and is pending cabinet approval. The 18th Constitutional Amendment devolved Part I of the Federal Legislative List, including the industrial sector, to the provinces, transferring industrial affairs to provincial governments (MOIP, 2021). Frequent changes in government are a major contributor to policy uncertainty in Pakistan. Moreover, past governments have often implemented ad-hoc industrial policies in reaction to crises (Kemal, 2008). The conflict between federal and provincial industrial policies has further complicated the achievement of desired outcomes in the industrial sector (Burki, 2008). The Pakistan Business Council advocates for a "Make-in-Pakistan" initiative to drive industrial growth, leveraging Pakistan's domestic market of over 200 million consumers to develop scale and competitiveness, eventually addressing global demand (PBC, 2018).

Research Methodology

The methodology of the study is mixed, mainly basing upon qualitative approach. Interviews of the representatives of INGOs, GONGOs, NGOs and regulatory departments (List at Appendix-A) were conducted to obtain the data as primary source. Semi Structured interviews were conducted to obtain input from the interviewees. (The questionnaire for government departments and NGOs are attached at Appendix-B & C). Published articles and relevant legislation and policies regarding governance framework and issues being faced by the INGOs / NGOs were also as secondary sources. Detailed Situational, Institutional, Legal and Policy gap analysis was conducted for finalizing the findings and recommendations of the study.

Situational Analysis

Historical, Religious and Societal Foundations of Charity in Pakistan

With over 96% Muslims among its total population, Pakistan has the practice of charitable giving, both mandatory and voluntary, deeply rooted in Islamic tradition. The practice of Zakat, a mandatory annual donation of 2.5% of one's accumulated wealth, is a fundamental pillar of Islam and in 2024 alone, Pakistanis contributed an estimated Rs. 619 billion (approximately $2.19 billion) in Zakat, soaring past the budget of the country's largest state-sponsored cash transfer program, the Benazir Income Support Programme.

In addition, other Islamic forms of donations such as Sadaqah, Fitrana, and Kaffarah further enrich the ecosystem of voluntary social support. While the federal government has an official Zakat collection and distribution system governed by the Zakat and Ushr Ordinance (1980), a large proportion of Zakat gets distributed individually by the citizens themselves, beyond the purview of state systems. Thus, this generosity is largely informal and unstructured, with a significant portion of donations given directly to individuals, local mosques, madrassas, and informal community leaders, often without documentation or oversight, thereby raising issues like lack of strategic direction and transparency.

Responding to these challenges, Pakistan’s civil society has witnessed a gradual institutionalization of philanthropic activities, particularly since the 1980s. Visionary social entrepreneurs established organizations such as the Edhi Foundation, Chhipa Welfare Association and the Alkhidmat Foundation, which have built strong reputations through scale, transparency, and responsiveness. They also have an expanding volunteer base and nationwide footprint that makes them extremely resourceful in disaster relief, health services, and educational support.

Landscape of civil societies in Pakistan

Pakistan's social sector depends heavily upon civil society organizations, including NGOs, INGOs, and GONGOs, to supplement efforts in poverty alleviation, education, health, and humanitarian relief. Historically, these organizations have filled the critical service delivery gaps in both urban and rural settings, particularly in crisis prone districts in KP and Balochistan. However, in recent years, the operational space for civil society actors has increasingly shrunk due to rigid legal frameworks, poor institutional coordination, and an increasingly securitized governance view which often favors control over engagement.

On the federal Government level, regulatory oversight of NGOs and INGOs is being undertaken by multiple departments and overseen by myriad legal frameworks. The key oversight institutions include the Securities and Exchange Commission of Pakistan (SECP), Economic Affairs Division (EAD), Ministry of Interior (MoI), Federal Board of Revenue (FBR), and the State Bank of Pakistan (SBP). These departments play their respective roles in registration, taxation, financial compliance and most importantly security clearance, yet there is no unified or streamlined interface for organizations seeking operational approval.

The oversized role of Ministry of Interior and security agencies came to pass after the Abbottabad incident of 2011, in which Osama bin Laden was killed on the basis of information supplied by Dr. Shakil Afridi, who allegedly helped the CIA run a fake hepatitis vaccine program in Abbottabad in order to confirm Osama bin Laden's presence in the city by obtaining DNA samples. The vaccine program was funded by UK-based NGO Save the Children. After this incident, Pakistan launched a crackdown against NGOs especially those getting fundings from abroad.

Up till 2015, INGOs used to get registered with Economic Affairs Division and there was no monitoring mechanism and security clearance. This practice was discontinued in 2015 and Policy for Regulation of INGOs in Pakistan was introduced in which role of intelligence agencies to issue security clearance was introduced. Starting from 2015, Ministry of Interior (MoI), Islamabad took strict action against a no. of INGOs, directing few to stop their works or projects in Pakistan, rejected registration applications of many and specified time frame for some INGOs to complete their projects and leave.

Likewise, to obtain international funding for projects in Pakistan, locally run NGOs working in Pakistan also have to undergo security clearance, sign MOU with EAD and seek separate No Objection Certificate (NOC) from provincial departments. This causes delays which significantly slow down project implementation. Surprisingly however, once clearances are granted, there is no institutional mechanism to monitor project performance or conduct post-implementation impact evaluations, indicating a governance model that is risk-focused at the entry level but indifferent to long-term developmental outcomes.

At provincial level, the situation gets further complicated, particularly in KP. Charities Acts were introduced in Punjab in 2018, in Sindh, KP and Balochistan in 2019 and in Islamabad Capital Territory (ICT) in 2021.

The Charities Commission is not fully functional in KP. Moreover, the Directorate of Social Welfare and the Industries Department continue to oversee registration under legacy laws such as the Societies Registration Act-1860 and the Voluntary Social Welfare Agencies (Registration and Control) Ordinance-1961. According to the KP Industries Department, over 260 non-profit organizations (NPOs) are registered with them, yet the same organizations often have duplicate registrations under different departments, contributing to fragmentation and weak oversight. Punjab, by contrast, has implemented a digital registration system that is not interoperable with KP, reflecting the lack of inter-provincial coordination and data sharing. On the other hand, Balochistan is the only province which has repealed the Societies Registration Act, 1860, and the Voluntary Social Welfare Agencies (Registration and Control) Ordinance 1961 to the extent of Balochistan.

This legal and procedural fragmentation leads to complex and burdensome regulatory regime eroding confidence of local and international NGOs. Moreover, there is no risk-based categorization. For instance, the Sarhad Rural Support Programme (SRSP) established in 1989 and operating across KP's settled and merged districts also needs to sign separate MoUs for each project, despite being a recognized development partner of the provincial government. The SRSP also reported that delays in NOC issuance can span several months due to overlapping jurisdiction between the EAD, Planning and Development Department (P&D), and the Home Department. In newly merged districts, the International Development Section (IDS) within P&D requires project-specific MoUs signed by EAD, which has ceased issuing them since September, 2024 following a Lahore High Court decision challenging the legality of the 2022 INGO policy (EAD, 2024). Consequently, development funds committed by foreign donors to local NGOs are likely to be returned unused to donors due to procedural paralysis.

Pakistan Bait-ul-Mal (PBM), a GONGO operating under the Ministry of Poverty Alleviation also shared issues of lack of coherence and collaboration among government departments. Although PBM has digitized 70–80% of its internal processes and manages a range of programs—from individual financial assistance to child protection centers and vocational training—its coordination with national and provincial platforms remains dismal. PBM's efforts to integrate their databases with the Sehat Card initiative have not been successful, and access to the database maintained by Benazir Income Support Programme (BISP) remains monetized. Similarly, financial support for education and health being provided by PBM overlap with education support under BISP and health coverage benefits under Sehat Card. Hence, there is clear duplication of activities and functions between GONGOs as well, underscoring the need for enhanced coordination and integration.

Further compounding these issues, financial compliance burdens are also a major source of concern for NGOs and INGOs. Opening a bank account is a basic requisite for operating an NGO. Sometimes, donors ask NGOs to open dedicated accounts for their projects given to these NGOs. After FATF, the Know Your Customer requirement has become very difficult to comply with by the NGOs and opening a bank account may take months. Moreover, banks do not have clear understanding of working of social sector hence sometimes demand MOUs with EAD and NOCs from Home department for local NGOs as well, thus discouraging and delaying the projects.

The consequences of these regulatory anomalies are far-reaching. NGOs have an impression that the civil societies regulations have been subjected to state's definition of security—primarily derived from military and counterterrorism imperatives. This regulatory approach has resulted in the treatment of NGOs as potential threats instead of development actors.

In conclusion, the current landscape of NGO and INGO activity in Pakistan is marred by institutional misalignment, regulatory overreach, and underutilization of civil society's potential. The regulatory bodies at federal and provincial level have become procedural bottlenecks instead of serving as facilitators for development and creating an enabling environment for civil society. Due to absence of integrated national charities commission, risk-based efficient clearance systems, and digitized coordination mechanisms, NGOs and INGOs are operating in a fragmented, insecure, and inefficient environment. The initial diagnosis establishes a foundation for the following sections of this paper that will explore institutional mapping and governance gaps before offering policy recommendations to improve Pakistan's development ecosystem.

Review of Policy and Regulatory Frameworks

The NGOs, INGOs and GONGOs are facing challenge of navigating through complex and cumbersome regulatory environment in Pakistan. The regulatory choke points lead to frustration, disenchantment and discontinuation of projects. Disintegrated national and policy frameworks with legacy legislations dating back to 17th Century do not cater to the evolving modern day scenarios. The general legal framework which impacts philanthropic organizations consists of more than a dozen federal and provincial legislations and provide a macro-framework in terms of Registration, Recognition and Fiscal / taxation regulation. Laws and policies governing NGOs that either explicitly require registration or implicitly confer recognition include:

i. The Societies Registration Act, 1860
ii. The Religious Endowments Act, 1863
iii. The Charitable Endowments Act (Vi Of 1890)
iv. The Mussalman Wakf Validating Act, 1913
v. The Voluntary Social Welfare Agencies (Registration And Control) Ordinance, 1961
vi. The Charitable and Religious Trusts Act, 1920
vii. The Mussalman Wakf Act, 1923
viii. The Cooperative Societies Act, 1925
ix. The Mussalman Validation Act, 1930
x. The Local Government Ordinance, 2001
xi. Income Tax Ordinance 2001
xii. The Companies Act, 2017
xiii. Charities Acts at provincial level (Islamabad Capital Territory Charities Registration, regulation and Facilitation Act, 2021, Sindh Charities Registration and Regulation Act, 2019, Punjab Charities Act 2018, Pakhtunkhwa Charities Act, 2019, Balochistan Charities (Registration, Regulation and Facilitation) Act, 2019.)
xiv. INGO Policy, 2015, Ministry of Interior
xv. The Trusts Act (2020)
xvi. NGO Policy, 2022, Economic Affairs Division

From the interaction with the private sector and regulators, it has been gathered that most of the NGOs are registered under the Companies Act, Societies Registration Act, and Voluntary Social Welfare Agencies Ordinance. Moreover, the recent enactment of Charities Acts in provinces also require the already registered entities under any of above regulations to seek fresh registration with provincial Charities Commissions and authorities. INGO Policy, 2015 regulates the INGOs working in Pakistan whereas NGO Policy, 2022 governs the funding of local NGOs by international donors. Hence in this study, we analyze these legislations and policies in detail.

Companies Act-2017

Securities and Exchange Commission of Pakistan (SECP) is mandated through Companies Act, 2017 to register non-profit companies with limited liabilities under Section 42 of The Companies Act of 2017. The aim of these associations may be advocacy and development of commerce, art, science, religion, sports, social services, charity, or any other useful objective. The association shall direct its profits or income towards advancing its stated objectives and shall prohibit the payment of any returns to its members. In most cases, registered nonprofit companies are organizations engaged in research with donor funding, clubs, and very large organizations engaged in delivering social and welfare services.

According to SECP, there are 1461 Not-for-Profit companies registered as of 31st March, 2025 (Securities and Exchange Commission of Pakistan, 2025). While Section-42 registration provides corporate-level oversight and formal financial auditing, it entails high compliance costs which limit accessibility for grassroots NGOs. The regulatory requirements for forming a Section-42 company are also relatively higher and are subject to stringent scrutiny. Initial contribution and donation by members and promotors is also high and requirement of audit and oversight such as restriction of receiving donation in cash above Rs. 20,000 are also strict. These factors collectively discourage registration of companies under Section-42 in Pakistan.

Policy for Regulation of INGOs-2015

The Ministry of Interior (MoI) issued the Policy in 2015 to regulate the registration, working, funding, monitoring and other related aspects pertaining to all types of INGOs which were functioning in Pakistan. An INGO Committee, headed by Secretary, MoI was established with mandate to approving registration and monitoring of INGOs in Pakistan. Once registration is approved, the INGO is required to sign an MOU with the Govt of Pakistan valid for 3 years from date of signatures.

Under INGOs policy-2015, certain checks were imposed on INGOs where they were subjected to security clearance, strict monitoring, permission to engage local NGOs and restrictions on surveys and research beyond their approved TORs. The INGOs regard the policy as rigid, opaque and counter-productive for their operational efficiency. The requirement of NOCs for each project, oversight and compliance to multiple agencies especially by intelligence agencies leads to administrative burden and loss of momentum in project activities. The situation is further exacerbated by the unpredictability of approvals. The INGO Policy 2015 may have delivered its intended outcomes, however, it did so at the cost of operational flexibility and eroded the space for international civil society engagement in critical humanitarian and development work, leading to diversion of those funds to other countries.

NGO Policy-2022

The Economic Affairs Division promulgated “Policy for Local NGOs/ NPOs Receiving Foreign Contributions-2022" to regulate and enhance the effectiveness of foreign funding being received, availed and utilized by the NGOs and NPOs registered in Pakistan. EAD established an online portal for submission of applications for signing of MOUs with EAD which is then shared with security agencies for security clearance. Once security clearance is received, MOU is signed between the NGO and EAD.

The MOU is valid for six months and extendable to maximum of 30 months while it can be cancelled anytime subject to adverse report from security agencies.

This policy was criticized by the NGOs for its restrictive nature and was challenged in Lahore High Court (LHC). The Lahore High Court in its orders dated 6th September, 2024 declared the policy unlawful and highlighted the absence of legislative backing for the policy as the lacunae.

LHC acknowledged the potential violation of fundamental rights guaranteed under Article 18 of the Constitution and emphasized that the executive cannot impose restrictions on fundamental rights without statutory authority. When EAD was approached, they informed that EAD has filed intra-court appeal for review of the decision and no MOU has been signed since 6th September, 2024. According to an NGO, this has resulted in a state of halt in ongoing and under process cases and loss of millions of dollars which were approved for the projects in Pakistan.

The Societies Registration Act-1860

The Societies Registration Act of 1860 is one of Pakistan's oldest legal frameworks for non-profit organizations. The Act was introduced during British colonial administration to establish a registration system for various society types including literary, scientific, charitable, and public welfare organizations. Entities that can register under this Act consist of trusts, community organizations as well as educational and religious or cultural societies. Seven or more individuals can establish a society which requires registration with the Provincial Registrar of Joint Stock Companies according to this law. The registration framework continues to serve as a popular choice for small to medium-sized NGOs working on the ground in Pakistan because of its friendly registration process and affordable compliance expenses.

The Societies Registration Act faces major structural and operational challenges. Since its creation, the Act remains unchanged resulting in obsolete rules and ineffective regulatory control. Without compulsory financial auditing and annual activity reporting requirements or governance transparency regulations, organizations may experience misuse, underreporting and organizational dormancy. The absence of integration between national regulatory bodies and provincial Charity Commissions particularly in Punjab and Khyber Pakhtunkhwa creates regulatory duplication which forces societies to register again under new provincial systems. Without digital systems and standardized monitoring or a central registry, coordination between state and civil society actors faces significant challenges which disrupts accountability efforts and strategic alignment with national development goals.

The Voluntary Social Welfare Agencies (Registration and Control) Ordinance-1961

The Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961 is regulated by the Social Welfare Departments of respective provincial governments in Pakistan. This ordinance governs registration, compliance, and activities of social welfare organizations with aim to promote the establishment of voluntary agencies for social development. However, lengthy and cumbersome registration process requires extensive documentation which deters grassroots organizations from formalizing their operations and limits their access to funding and support.

Moreover, this ordinance grants broad powers to Government for controlling registered agencies, including the authority to revoke registration without substantial justification. This creates an environment of fear and uncertainty which stifles innovation. This restrictive nature ultimately hinders voluntary organizations' ability to mobilize resources effectively and engage in meaningful social interventions, impeding their contributions to community welfare and development in Pakistan.

Provincial Charities Acts

The provincial governments have enacted Charities Acts at provincial level as below:

Sr No.	Province	New Legislation	Repealed Legislation
i.	ICT	Islamabad Capital Territory Charities Registration, Regulation and Facilitation Act, 2021	Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961
ii.	Sindh	Sindh Charities Registration and Regulation Act, 2019	Charitable Funds (Regulation of Collections) Act, 1953
iii.	Punjab	Punjab Charities Act 2018	Charitable Funds (Regulation of Collections) Act, 1953 Punjab Charities Ordinance 2018
iv.	KP	Pakhtunkhwa Charities Act, 2019	Charitable Funds (Regulation of Collections) Act, 1953
v.	Balochistan	Balochistan Charities (Registration, Regulation and Facilitation) Act, 2019	Societies Registration Act, 1860 Voluntary Social Welfare Agencies (Registration and Control Ordinance, 1961

Mostly the commissions remain semi functional and working only to the extent of registration of entities already registered with Social Welfare departments or Industries Departments. Balochistan is the only province which has repealed the Societies Registration Act, 1860 and the Voluntary Social Welfare Agencies Ordinance 1961in their application to the extent of Balochistan.

Stakeholders Analysis

Federal-Level Stakeholders

At the federal Government level, several institutions come into play as they directly influence NGO and INGO operations:

Economic Affairs Division (EAD)

Being the principal agency tasked with regulation of INGOs and foreign-funded NGOs, the EAD facilitates the signing of Memoranda of Understanding (MoUs), ensures project vetting, and is supposed to align foreign aid with national priorities. However, its role has relegated to being a clearance authority dominated by security concerns, with minimal engagement in performance evaluation or development planning post-registration/ approval stage. It is also important to note that EAD has also stopped signing MoUs since September, 2024, effectively freezing INGO operations in many provinces, particularly KP.

Ministry of Interior (MoI)

Primarily responsible for registering and issuing security clearances to INGOs, the MoI relies on inputs from security and intelligence agencies. This clearance is required by all INGOs in line with the INGO Policy-2015. According to NGOs interviewed, delays from even one agency halt the entire clearance process. It is evident that MoI's lens is primarily security-dominated, lacks risk categorization, and marginalizes the developmental ethos of the sector.

Federal Board of Revenue (FBR) and State Bank of Pakistan (SBP)

The main mandate of these agencies is to oversee financial compliance such as taxation and banking compliance and while the FBR approves the tax-exempt status upon certification from the Pakistan Centre for Philanthropy (PCP), the SBP enforces Know Your Customer (KYC) regulations for account opening and use of banking channels. One commercial bank was consulted to know the process of opening a bank account of NGO or a Trust.

According to information provided by them, more than a dozen compliances and documents are required for opening a bank account. Major requirements include:

- Account opening form,
- CNIC and Bio-Verysis of all members of governing bodies/BoD/ Trustees, Executive Committee
- If registered with SECP: certified copies of registration documents, certificate of incorporation, license, Memorandum of Association (MoA), Article of Association (AoA), Form-III for new and Form-29 for already incorporated entity, resolution of governing body.
- If registered under Cooperative Societies act: certified copies of Certificate of Registration, Constitution/Bye-Laws, MoA, Annual Renewal Certificate, resolution of governing body.
- Registration with Charity Commission
- Personal profiles of each trustee/ board member
- Latest financial audit statement
- List of donors
- Visit report
- Vernacular form for each signatory
- Board resolution
- MOU signed with EAD (for INGOs).
- In Case, NGO is mandated to receive Foreign Funding as mentioned in constitution, it is mandatory to present MOU signed off by EAD. If not, then undertaking that NGO will not receive Foreign Funding at all or if receive, will inform to Bank immediately.
- NTN or exemption certificate from FBR

The list of bank requirements and guidelines for account opening is attached as **Appendix-D**. A frequent systemic hiccup faced by the INGOs and NGOs is that they sometimes have to open multiple project-specific accounts as per donor requirement, facing months of delays due to lack of MoUs and excessive compliance requirements (IMC, 2024).

Pakistan Centre for Philanthropy (PCP)

PCP is a Secition-42 company mandated with certification of NGOs for tax exemption and while it plays a regulatory role, its fees and procedural requirements have made it inaccessible for smaller, community-based organizations. Hence, originally envisioned to promote philanthropy, it now acts as a mere gatekeeper.

Benazir Income Support Programme (BISP) and Pakistan Bait-ul-Mal (PBM)

Operating under the Federal Ministry of Poverty Alleviation, these are federal government funding GONGOs responsible for projects such as cash transfers, individual assistance, and orphan/ widow support programs. Upon visiting the PBM and enquiring regarding its functioning, it transpired that lack of coordination with other departments such as Health dept and BISP mar its performance despite being under the same Ministry. For instance, while financing medical treatment verification of sehat sahulat card user is not directly made by PBM online, the individual has to get a certificate from rep of health dept in hospital that either the patient is ineligible for sehat sahulat card or has exhausted its limit. Similarly, while financing education of a poor child, PBM has to pay BISP to verify whether the same facility is not being extended by BISP to the family of child. Moreover, all of the projects shared by the PBM management were in either way implemented by other departments as well, such as vocational training institutes are also being run by TEVTA and social welfare, health services under Individual Finance Assistance Programmes (IFA) of PBM are also being provided through sehat sahulat card.

Securities and Exchange Commission of Pakistan(SECP)

SECP is tasked with registration and monitoring of non-profit entities, under Section 42 of the Companies Act 2017. The larger NGOs and INGOs seek formal incorporation for enhanced credibility, tax exemption, and donor compliance. However, in the context of stakeholder coordination, SECP functions in isolation, with limited data-sharing or procedural alignment with the federal or provincial regulatory bodies, thereby leading to fragmentation, duplicative registrations, and compliance fatigue among NGOs.

Provincial-Level Stakeholders (Khyber Pakhtunkhwa Focus)

At the provincial tier, stakeholder roles appear equally fragmented, with key institutions often operating in silos:

Planning and Development Department (P&D)

International Development Section (IDS): Despite being the lead agency for NGO project approval in KP, IDS cannot issue NOCs without an MoU from EAD, effectively stalling projects since 2024. Its access to federal digital systems also remains limited and coordination with sectoral departments is also minimal.

Directorate of Social Welfare, KP

Responsible for registering, monitoring and coordination with social welfare organization under Voluntary Social Welfare Agencies (Registration and Control) Ordinance 1961. Social Welfare department informed that 836 entities registered are currently active. The role of Social Welfare Department is, however, confined to mere registration and it also requires submission of more than a dozen documents (List of requirements attached at **Appendix-E**) Once the registration part is done, no monitoring and evaluation activity is being rendered by them. Lack of digitization, coordination gaps with other departments, HR constraints render the role of Social Welfare Department largely ineffective. To add insult to injury, after promulgation of Charities Act, another layer of regulatory compliance has also been added.

Industries Department, KP

The department oversees NGO/ NPOs registration under Societies Registration Act, 1860 and Trust Act, 2020. As reported by Industries Dept KP currently 264 active NGOs and 48 trusts are registered with them. Similar to Social Welfare department, Industries dept also lacked digitization, coordination and monitoring capacity.

Charities Commission, KP

Established under the 2019 Charities Act, this body is constituted under the administrative control of Home & Tribal Affairs Department, Government of KP, however, it remains non-operational, with no office, staff, or digital portal, virtually present only on website. This commission is another regulatory compliance layer in addition to already functioning Social Welfare and Industries departments. The structure of the Commission is inefficient and weak as compared to Commissions in other provinces.

District-Level Stakeholders

District-level coordination mechanisms are extremely weak, mostly ad hoc, and heavily dependent on the personal initiative of individual officers:

Deputy Commissioners (DCs) and Assistant Commissioners (ACs)

While serving as local gatekeepers and in the absence of centralized oversight, they exercise discretionary power to allow or restrict NGO access, leading to inconsistency across districts and undermines transparency. The Pakhtunkhwa Charities Act, 2019 delegates the power to DC to register NPO/ NGO at district level whereas AC is empowered to register NPO/ NGO when their activities are to the extent of Tehsil levels.

However, there is no monitoring mechanism provided to be implemented by the DCs or ACs. Moreover, there is lack of coordination between these offices and other stakeholders nor any database is being established for central repository.

District Relief Officers / ADC Relief

These officers are expected to collect data from NGOs and convene local coordination forums, however, no formal platform or SOPs exist. These coordination forums, even where present, are irregular and lack analytical capacity.

District Disaster Management Units (DDMUs)

Constituted under National Disaster Management(KP) Act-2010, these bodies involve the NGOs during emergencies but operate outside any formal integration system both in the pre and post crisis phases, hence no feedback mechanism after a natural or manmade disaster and resultantly, minimal improvements. Their relationship with PDMA, NGOs, and DDMU-level stakeholders remains informal and mainly on case-to-case basis.

Field Units of Social Welfare Directorate

They are present in all districts but lack integration with provincial and federal databases, thus their potential role in NGO monitoring and outreach remains untapped.

Institutional Weaknesses, Fault Lines, and Governance Gaps

The NGO-Government relationship has a profound impact on the contribution of NGOs to the society. The style of leadership in Government, organizational arrangements such as governance structures and development strategy also impact the relationship and thus influence working of NGOs. According to Clark, 1992, collaborative relations develop in countries where effective structures are established at government agencies. Similarly, (Brautigam et. al, 2007) argue that collaborative relations are established in countries where Government agencies have capacity to comply with donor partnership requirements. These collaborative engagement and relationships complement the working efficiency of their NGO counterparts.

However, if government organizations lack capacity and the employees have limited skills, the relationship between Government and NGOs are likely to be tense and frustrated (Jelinek, 2006). Similarly, the absence of a central regulatory or coordination authority creates inefficiencies in resource use and monitoring (Planning Commission of Pakistan, 2021).

Donor fatigue and dependency on external funding also threaten the sustainability of many NGO-led interventions. This results in an effort to maintain control over the service sector by the ineffective government agencies (Rose, 2006).

In view of above, the effectiveness and contribution of NGOs, INGOs, and GONGOs in Pakistan is linked with the efficiency and responsiveness of institutional frameworks that regulate them. However, the policy and regulatory framework as well as operational environment at federal and provincial levels suffer from inefficiencies, institutional weaknesses, outdated regulations, fragmented mandates, and overlapping jurisdictions. These issues affect the efficiency of NGOs, hinder service delivery, discourage donor engagement, and also erode trust of the public. This study applies the UNDP's eight governance dimensions, and map the institutional governance deficits in Pakistan's civil society regulatory and policy frameworks.

Participation

The engagement of the civil society in the formulation, implementation and evaluation of policies is very limited in Pakistan. There is no institutional arrangement for public of stakeholder consultation and the policies such as INGO policy-2015 and NGO policy-2022 were made without stakeholders' consultation. This limited participatory engagement results in lack of ownership and face criticism from stakeholders. According to civil society organizations, lack of stakeholder consultation and involvement in policy formulation and implementation is one of the major reasons why these policies were drafted through a security-centric lens instead of developmental priorities and partnership between the government and the civil societies. At district levels, the coordination meetings are held under Deputy Commissioners however this is not a regular phenomenon and varies from districts to districts, thus district-level coordination platforms are also missing.

Rule of Law

The legal infrastructure for regulation of NGOs and NPOs exists in Pakistan but there are three major issues with it. One, it dates back to colonial times and has not been updated according to modern scenarios such as Societies Act dates back to 1860. Secondly, its enforcement is uneven and inconsistent, especially after 18th amendment. Third, there is duplication and redundant compliance mechanism which results in regulatory burden and increased compliance costs. For instance, recent legislation of Charities Acts at provinces requires registration of entities with Charities Commission/ Authorities once again even if they are already registered with Social Welfare Departments or Industries Departments.

Furthermore, after the recent suspension of NGO Policy-2022 by LHC on 6th September, 2024, EAD has stopped signing of MOUs which has led to regulatory quagmire. Resultantly, potential projects and those in pipeline have come to a state of halt. The decision of LHC demonstrates that the state institutions often are operating without legal backing and accountability.

Transparency

The regulatory framework for NGOs and INGOs in Pakistan lacks transparency. There is no facility to track the approval requests submitted to EAD, MoI or other regulators. Moreover, information about security clearance is also not shared with applicants leading to uncertainty as well lack of transparency. There is no publicly available database of NGOs, tracking of their projects and evaluation of their activities which also results in lack of trust from public on the NGOs.

Responsiveness

State institutions lack responsiveness at federal and provincial levels in Pakistan. The regulatory inertia and lack of ownership aggravated by duplication in mandates leads to inefficient response and reactive approach by the Government institutions. NGOs reported that the Government departments are not aware of potential of civil societies in development, changing dynamics of the civil societies and only treat them as subjects. Moreover, the hostile responses and clearances form security agencies also discourage NGOs to continue operations in Pakistan. Latest example of the bureaucratic inertia is evident from no make shift arrangement by EAD after LHC decision against NGO policy 2022 which has resulted in pending application for MOUs at the end of EAD and MoI. This will result in return of unutilized funds and discontinuation of humanitarian services in high-need areas.

Consensus Orientation

The inter-agency consensus on mandate, responsibilities and regulatory hierarchies is also broadly missing. Moreover, National and Provincial development priorities have not been integrated with the activities of the civil societies and their potential has not been utilized. Hence the coordination mechanism which could lead to consensus amongst stakeholders and unified direction of actions and priorities is missing.

Equity and Inclusiveness

Current institutional and regulatory framework disproportionately disadvantages small and community-based organizations. Cumbersome regulatory requirements for registration, difficult and costly tax exemptions are financially and procedurally prohibitive for most local actors.

Absence of transparency and enabling environment has led to exclusion of small entities from mainstream. The resource fulness of big NGOs and INGOs has further contributed to inequitable access to funding and decision-making.

Effectiveness and Efficiency

The government institutions are generally inefficient and lack of accountability is further adding to the damage to the civil societies. Some departments see these societies as their competitors and contribute to slow down of their activities. The inefficient registration process, lack of digitization and transparency has resulted in redundant service delivery and weak data utilization.

Accountability

While interaction with civil societies, it was learnt that that the major focus of Government departments is on pre-clearance procedures and there is no institutional mechanism for post-approval monitoring or impact evaluation of NGO or INGO projects. There is no accountability of NGOs for the claimed or projected benefits of the projects and actual contribution to the society. On the other hand, departments lack digital infrastructure and trained HR to monitor the field activities of the NGOs, hence there is not monitoring and reporting mechanism. Moreover, internal accountability mechanism exists at Government departments on the opportunity cost incurred to NGOs for not delay in registration, issuance of NOCs and signing of MOUs.

Institutional Fault Lines and Public Trust Deficit in NGOs& INGOS

The role of NGOs and INGOs has increased incrementally in recent decades and organization like Edhi Foundation, Al-Khidmat Foundation, Chipa welfare Association and Agha Khan Foundation are widely acknowledged for their contributions to education and health services, especially in underserved regions (AKDN, 2022; TCF, 2022). These organizations often partner with communities to provide low-cost, scalable, and culturally sensitive interventions. Similarly, UNICEF, Save the Children, Islamic Relief, Muslim Aid, and Oxfam are all INGOs whose contributions provide a substantial basis and resource to Pakistan for humanitarian assistance, primary healthcare needs, educational programs, and initiatives for empowerment of women. They bring different global experiences, resources for financing, and proven international models of how to get into development locally. For instance, Khyber Pakhtunkhwa and Sindh have benefited from essential child health and nutrition programs provided by UNICEF, especially in a flooding emergency and recovery from the latest pandemic (UNICEF Pakistan, 2023).

But, at best, the continuity of operations of INGO's is interrupted frequently because of bureaucratic delays and restrictions related to national security, and it also adversely affects its ability to sustain impacts long-term greatly (Human Rights Watch, 2019).

However, one of the most persistent fault lines in the civil societies' landscape in Pakistan is the profound trust deficit between the government and these organizations. Similarly, a chasm exists between the latter and general public as many Pakistanis perceive INGOs as foreign actors, allegedly pursuing western cultural agendas that contravene local religious and social norms. Their involvement in advocacy surrounding controversial issues such as LGBTQ+ rights or progressive gender narratives (e.g., Aurat March) in particular reinforces the public perception of NGOs serving Western ideological interests oblivious to local development needs. This is further compounded by high-profile incidents such as the Shakeel Afridi case, where an NGO's vaccination initiative was reportedly used as cover for intelligence operations, severely undermining the credibility of international humanitarian efforts. Similar apprehensions exist in the society about polio eradication and vaccination campaigns.

Moreover, owing to prevalent law and order situation in Pakistan, the state, particularly security agencies and the Ministry of Interior, view NGOs through the national security lens. Resultantly, the current INGO policy requires vetting by multiple security agencies and restricts foreign staffing, limits their movements, geographic coverage, and even the thematic scope of projects. The perception about INGOs as potential covers for intelligence agencies has led to revocation of NOCs, project closures, and a stifling regulatory environment, particularly in strategically sensitive regions like Balochistan and KP. Conversely, local NGOs are often seen as self-serving, stuffed with family-led boards and lacking internal transparency or monitoring mechanisms. The public's preference for giving Zakat and other donations directly to individuals, mosques, or madrassas, rather than through NGOs, is also outcome of this mistrust.

On the end of NGOs, a mismatch also exists between donors' priorities and genuine community needs which is another major fault line as many externally funded projects are designed with little local input, leading to thematic misalignment and poor outcomes. In certain cases, NGOs have also been accused of collecting sensitive terrain and demographic data under the garb of development surveys thereby triggering further scrutiny from security and regulatory agencies. While some GONGOs such as PBM and BISP have wider acceptance and appreciation due to being officially sanctioned, they are also plagued inefficiencies, political interference and poor inter-agency coordination, both at horizontal and vertical levels.

These factors combine together to severely compromise the potential of Pakistan's civil society and their recognition as a strategic development partner in eye of both Government as well as general public. A reform agenda must therefore begin by acknowledging these fault lines, establishing institutional credibility, ensuring transparency, and fusing their programs with Pakistan's socio-cultural values and national priorities.

International Trends/ Best Practices and relevance to Pakistan

In the light of institutional weaknesses and regulatory fragmentation outlined earlier, the integration of globally recognized best practices offers a pragmatic pathway to reform Pakistan's NGO governance framework. Countries with comparable institutional contexts, such as India, Bangladesh, Kenya, and the United Kingdom have implemented streamlined, transparent, and risk-sensitive models for NGO oversight. These models emphasize digital integration, unified registration systems, sectoral coordination, and risk-based compliance, demonstrating the feasibility of a system that balances regulatory control with operational flexibility. The following subsections present relevant international examples and assess their applicability to Pakistan:

United Kingdom – Charity Commission Model

The UK Charity Commission, a renowned international organization is managing 170,816 main and 14,042 linked registered charities. It is an independent public body which safeguard compliance and transparency via public registers, and classifies NGOs on the basis of functions, scope and most important the public trust. For monitoring, Risk Based Approach has been adopted, wherein frequent audits are being carried out of the high-risk organizations while trusted ones benefit from longer registration tenures and fewer compliance hurdles.

Relevance to Pakistan: Establishment of a National Charities Commission, will connect the provincial stakeholders digitally replicates this model. Pakistan currently lacks a federal monitoring mechanism. Moreover, the provincial commissions (such as in KP) are non-functional. A risk-based regulation mechanism linked to performance scorecards and long duration of MoU can be used to swap the current existing long process of security clearance.

India – Development Partnership Administration (DPA) and NGO-DARPAN Platform

India has established a Development Partnership Administration under the Ministry of External Affairs for synergizing the foreign-funded initiatives and national development goals. Moreover, National Institution for Transforming India Aayog and the Ministry of Electronics and IT, has developed an actual public registry which contain data of over 100,000 NGOs, regarding financial matters, allies and results.

Relevance to Pakistan: A similar national level portal for integrating the functions of SECP, PCP, and other departments at federal and provincial level can aid in ensuring transparency and identification of reliable NGOs for the donors. The portal can be used for assessing the performance of NGOs, for tracing the MoU status, the locations of the interventions, coverage, beneficiaries' validations and audit records.

Kenya – NGO Coordination Board

There is a Coordination body called Kenya's NGO Coordination Board which provide all services like registration, compliance, data transparency. Moreover, it also serves as the regulatory body to resolve the executing and regulatory issues between the NGOs and the state, hence, it demonstrates to be a One Stop Agency for all the activities.

Relevance to Pakistan: Despite involvement of several stakeholders regarding donor-funded initiatives in Pakistan, there is no institutionalized forum for continuous dialogue between the government and NGOs. The One Stop Agency Model of Kenya can be replicated in Pakistan too for coordination between the civil society and the government.

Bangladesh – NGO Affairs Bureau

The government of Bangladesh has established a Bureau called NGO Affairs Bureau which Bangladesh controls INGOs and foreign-funded NGOs. The board operates through an efficient approval process, annual monitoring, and sectoral performance evaluations. There a proper coordination and data/progress sharing mechanism between different sectors like health, education and the donors.

Relevance to Pakistan: In Pakistan particularly KP, main govt. departments like Social Welfare Dept., Home Dept., P& D Dept. and Industries Dept. are not involved in NGO approval or monitoring processes, which leads to duplication. By adopting the Bangladesh model in Pakistan would result in institutionalization of cross-sectoral endorsement and would enable provincial line departments to participate in vetting and M&E.

The review of international best practices illustrates that effective NGO governance requires more than procedural control it demands transparency, inter-agency coordination, digital infrastructure, and inclusive stakeholder engagement. For Pakistan, the path forward lies in customizing these proven frameworks to the national and provincial context, especially in KP, where administrative gaps are most visible. Incorporating risk-based clearance, centralized data platforms, and sector-linked monitoring can bridge existing institutional deficits and enhance service delivery. These insights directly inform the subsequent gap analysis, which identifies the systemic disconnects between policy frameworks and operational realities in Pakistan's NGO ecosystem.

Issues and Challenges

While NGOs, INGOs, and GONGOs in Pakistan are playing an important role in poverty alleviation and social sector service delivery, their operational effectiveness gets hampered by a range of implementation bottlenecks. These include regulatory challenges, poor inter-agency coordination, fiscal rigidity, outdated institutional systems, anachronistic legal frameworks and weak accountability structures. This section attempts to synthesize key bottlenecks under five broad categories, i.e, fiscal, administrative, procedural, implementation, and governance-related, primarily focused on federal and KP-level challenges.

Fiscal Bottlenecks

Among the most significant constraints affecting NGO operations and efficiency is the increasingly hostile financial environment defined by donor withdrawal, high compliance costs and delayed financial approvals.

- Shrinking donor pool: Some of the major funding sources such as USAID and the UK's FCDO have either reduced or withdrawn support altogether to their internal policies whereby these countries have started diverting funds to other high priority domestic sectors. However, the local NGOs also pin blame on Pakistan's non-transparent and high-friction regulatory environment as a push-factor for the remaining donors as the latter get frustrated over delayed approvals and divert the funds elsewhere. Similarly, it was shared that an estimated $40 million in donor commitments were returned unutilized in 2023 due to bureaucratic stagnation.
- Compliance-related costs: While big INGOs like IMC can maintain dedicated compliance staff and incur certain fixed administrative costs e.g., premises rents, documentation, obtaining bank letters, paying certification fees to PCP and securing project-specific tax exemptions, smaller local NGOs get disproportionately impacted as their financial outlays are hardly enough to maintain the staff and allied paraphernalia required to stay operational.
- Banking barriers: SBP regulations and donor requirements often prescribe opening of separate bank accounts for each project, yet owing to around two-dozen mandatory documents required for the same, commercial banks delay account openings without even for self-financed or domestically funded NGOs, thus making the latter go around in circles and stalling fund disbursements and payrolls.

Administrative Bottlenecks

The bureaucratic machinery tasked with overseeing NGO operations is marred by capacity constraints and inter-departmental disconnects.

- Limited institutional capacity: The Directorate of Social Welfare in KP lacks trained personnel, digital tools, monitoring mechanism and integration with other departments. Despite having presence down to the district level, it is unable to track NGO activities or contribute meaningfully to project oversight.

- Disempowered provincial entities: The Planning & Development Department's IDS section in KP is unable to approve any NGO projects in the absence of an MoU from EAD, which in turn has suspended this function indefinitely following court orders in 2024, hence rendering the provincial approval process completely dysfunctional and the NGOs clueless (SRSP, 2024).
- HR constraints: PBM, despite its expanding mandate, operates under a government-imposed hiring freeze owing to austerity measures, resultantly preventing the recruitment of new staff to fill the already approved vacant posts due to retirements since the last four years. Likewise, quite a sizable number of trained, experienced and educated human resource erstwhile employed in the NGO sector has moved to better climes overseas, resulting in brain drain and loss of technical expertise).

Procedural Bottlenecks

Redundant and non-transparent procedures delay project rollouts and deter effective coordination.

- Multiplicity of clearances: NGOs, even after getting NOCs/ approvals from EAD and MoI, have to perform complex navigation maneuvers by obtaining up to 10 separate NOCs from federal, provincial, and district authorities. There is no one-window clearance system and no status tracking portal.
- Manual documentation: Despite the presence of an EAD portal, most provincial departments (including KP's Departments of Industries and Social Welfare) still require physical document submissions, adding to logistical burdens and pushing the planned timelines.
- Inconsistent approval timelines: There are no binding timeframes for project review or MoU approval and in certain cases, projects have been pending for over six months, even after completing all formalities, due to delayed approvals from concerned govt. agencies, resulting in donor frustration and project withdrawal.

Implementation Bottlenecks

The regulatory architecture in its very design lacks coherence, interoperability, and alignment with sectoral needs.

- Legal and institutional fragmentation: NGOs have to navigate a complex legal environment, including the Societies Registration Act, Companies Act, and various provincial Charity Acts. These laws largely operate in silos with overlapping mandates compounding the confusion and there is no overarching framework or harmonization effort to bring uniformity.
- Non-functional Charities Commission: Despite the legal mandate under relevant legislations, the provincial commissions have not been operationalized with Balochistan being the only exception. Thus, the applications get stuck in limbo, leading to incertitude and legal uncertainty

for civil society actors (Industries Dept., 2024).

- Absence of sectoral coordination: Health, education, and women development departments-while being thematic counterparts to NGO programs are not included in project vetting, monitoring, or evaluation processes, leading to poor alignment with local needs.

Governance-Related Bottlenecks

Weak oversight and non-existent feedback loops undermine learning and accountability.

- No monitoring and evaluation system: After NOC issuance, there is literally no follow-up or monitoring mechanism to assess whether the approved project delivered its intended outcomes or even the organization remains functional at all as neither EAD nor provincial departments conduct field-level validation and checks.
- Security overreach without performance checks: INGOs invariably face extensive pre-clearance requirements from security agencies, but there is no risk-based scoring system or trust-building mechanism for organizations with proven track records (IMC, 2024).
- Opaque decision-making: Decisions regarding project approvals, rejections, or NOC expirations are rarely communicated in writing and keep rotting away in files, and no grievance redressal forums exist at the federal or provincial level (SRSP, 2024).

The bottlenecks affecting the implementation of NGO and INGO-led programs are deep-rooted and systemic, encompassing fiscal rigidity, procedural opacity, institutional fragmentation and poor administrative design. Unless addressed through coherent policy reform, streamlined procedures, digital integration, and capacity building both at the federal and provincial levels, the development potential of this sector will remain underutilized.

Conclusion

The role of NGOs, INGOs, and GONGOs in Pakistan's social development landscape has evolved significantly, especially in view of the state's limited ability to ensure consistent service delivery in remote, disaster-afflicted and marginalized communities. However, despite their proven contributions to myriad domains of social development such as education, health, women empowerment and disaster response, these organizations operate in an environment of increasing regulatory hostility, procedural opacity and public mistrust. The intersection of security imperatives and development goals has given rise to a fragmented governance regime, where multiple agencies have overlapping jurisdictions, often without any coordination, thus resulting in procedural inertia, financial inefficiencies and underutilization of the sector's potential. Public misgivings further complicate this landscape with large sections of the populace viewing INGOs as purveyors of foreign agendas and local NGOs as unaccountable entities, leading them to routes charitable giving through informal networks outside the regulated system.

In the interest of restoring trust and optimizing the development potential of these organizations, an integrated reform strategy that streamlines legal frameworks, eliminates institutional overlapping and enhances coordination between different tiers of the governance vertical is the need of the hour. Aforesaid in view, the proposed establishment of a Pakistan NGO and Charity Commission, along with strengthening of its provincial counterparts, would prove instrumental in creation a one-window interface for these entities as well as it will unify registration, licensing, compliance, and performance monitoring across the country. By incorporating international best practices such as public access registries, sectoral vetting, and donor dashboards, Pakistan can graduate from a control-oriented to a collaborative governance model. This will not only strengthen transparency and accountability but also create a policy environment that aligns the endeavors of these organization with national development priorities and amplifies its role in poverty alleviation and sustainable service delivery.

Recommendations

The policy and institutional framework governing NGOs, INGOs, and GONGOs in Pakistan is very fragile, inefficient and lacks coordination among stakeholders. Improvement of the environment to tap potential contribution of Civil Societies an overarching reform agenda comprising set of strategic, actionable, and evidence-based reforms is required. On the basis of exhaustive study of local dynamics and international best practices, this policy paper offers evidence-based recommendations in form of a proposed model regulatory and institutional framework which address the key challenges of regulatory duplication, legal ambiguity, administrative inefficiencies, and fragmented coordination. The proposed way forward entails merger of fragmented regimes, consolidation of institutional efforts and review and repeal of outdated laws.

In the interest of promoting inter-provincial harmony, improving coordination, wider acceptance and ensuring institutional coherence, it is recommended that the proposal for establishing the Pakistan NGO and Charity Commission (PNCC), along with its provincial chapters, be formally placed before the Council of Common Interests (CCI). Given the fragmented and overlapping nature of NGO regulation involving federal and provincial mandates, arriving at a consensus-driven decision from the CCI will provide constitutional legitimacy, enhance provincial ownership and pave the way for uniform implementation by all tiers of government. This approach will also bring greater alignment between national development goals and localized social sector interventions. The proposed way forward is outlined below:

Establishment of Pakistan NGO and Charity Commission (PNCC)

At National level, a national Commission-Pakistan NGO and Charity Commission shall be established which would be the national single window for NGOs, INGOs, NPOs and charities. It will work under a Governing Board with representation from all key stakeholders and function as a monitoring and coordinating unit for seem-less and coordinated oversight of civil societies. It will align the activities of civil societies with national development plans and act as a benchmark for provincial Charities Commissions.

Minister for Ministry of Poverty Alleviation will chair the Board. Composition of the Governing Board is proposed to be as below:

- Representative of each of the Ministry of Interior, Ministry of Finance, Ministry of Economic Affairs, Ministry of Law, PCP, NDMA, SECP, Ministry of Science and Technology.
- Representative of Planning and Development Board Punjab, Sindh, Baluchistan and Planning & Development Department Khyber Pakhtunkhwa.
- Civil society experts including (NGOs, INGOs, GONGOs) as co-opted members.

- Academia can play a vital role in improving regulations of the NGOs through research, training programs, and backing amendments in polices. Hence, 2 co-opted members form academia will also have made part of the provincial boards.
- 2 co-opted members from donor community, will also be made members of the board.

Provincial NGO & Charity Commission

To complement the National NGO and Charity Commission, at provinces level, the mandate of Charity Commissions and Authorities already established at provincial level will be expanded and amended to Provincial NGO and Charity Commissions, and will oversee the entire NGO landscape of the provinces. These Charity Commissions already have Governing Bodies and in line with federal governing board, a board will also be established at four provinces which will govern all the matters pertaining to NGOs, INGOs, and charities at the provincial levels. Composition of the provincial boards is proposed to be as under:

- Representative of Planning & Development Borad/Department.
- Representatives of relevant line departments like Home Department, Social Welfare Department, Industry Department, Agriculture Department, Finance Department, Law Department, Relief Department, ST&IT Department along with Head/Nominee of Provincial IT Boards.
- Co-opted members from Civil Society (NGOs, INGOs, Charities) and key stakeholders.
- Representative from Donor Community and
- Representative from Academia, as co-opted members.

Mandate and Framework of Pakistan NGO & Charity Commission

i. **Unified Registration & Authorizing System:**
   - A single online platform for registration and authorizing of all NGOs, INGOs including Charities, a federally hosted multi-agency digital portal will be developed.
   - Multiple MoUs and clearances will be replaced with introduction of a simplified approvals procedure containing single MoU.

ii. **Risk-Based Compliance & Monitoring**
   - Risk classification on the basis of governance, financial health, prior performance, and sector focus will be introduced for assessing the mechanism of compliance, monitoring, and evaluation.
   - Digital performance score system will be introduced to assess organizational performance, financial, and governance.

- Annual and biennial audits/ reviews will be conducted for high-risk NGOs. Similarly, for low-risk and complaint organizations, extended MoU validity and longer licensing periods will be introduced.

iii. Public Access Registry

- A public digital registry will be established which will be updated in real time showcasing:
  - All registered NGOs/ INGOs and Charities will be listed.
  - Financial revelations, project funding and ongoing activities will be updated.
  - Geographic coverage, sectoral focus, and impact assessment and projects graduation will be displayed.
  - Status of MOUs and audit reports will be shared on the registry.
- Donor-Friendly features will be introduced and performance reports, donor dashboards, and fund-tracking tools will be established to build donor confidence.

iv. Inter Sectoral Coordination & Dispute Resolution

- To ensure inter sectoral coordination key government departments shall be engaged in vetting of the NGOs, monitoring, evaluation, and endorsement.
- A separate platform will be established for conflict resolution between NGOs and federal/provincial government via negotiation and settlement.

v. Data Reporting & Policy Advisory

- Annual Sectoral Reports will be published to analyse civil society's performance, trends, and challenges.
- Data sharing mechanism will be introduced through which access to key sector data shall be given to donors, media, academia and the public.
- Advisory role shall be given to federal and provincial governments for giving recommendations to harmonize regulations of civil society, and policy improvements.

vi. Capacity Building, Knowledge Sharing & Private Sector involvement for Corporate Social Responsibility (CSR)

- Capacity-building programs regarding compliance, financial management, governance, transparency, and donor engagement will be conducted regularly.
- Knowledge sharing mechanism shall be introduced which may contain creation of forums and platforms for NGOs, government bodies, and donors to share best practices and innovations.
- Private sector organizations will be engage to mobilize their contributions to Corporate Social Responsibilities (CSR) generating resources and financing for development initiatives across the country.

Mandate and Framework of Provincial NGO & Charity Boards

i. **Provincial Registration & Licensing Facilitation**

- In order to manage registration of NGOs/ NPOs at provincial level PNCC's unified online portal will be used to ensure single window operations and centralized database.
- A localized monitoring mechanism will be developed for issuance of licensing, MoUs, clearances along with their monitoring to ensure compliance with both federal and provincial laws.
- Within the province, NGOs will be classified into Low, Medium, and High Risk, in line with PNCC and compliance burden will be lowered on low-risk entities.

ii. **Provincial Risk-Based Compliance & Monitoring**

- A risk-based mechanism will be developed for monitoring, auditing, and evaluation of NGOs operating within the province.
- In line with PNCC dashboard, digital score system will be maintained for provincial NGOs for performance tracking.
- Annual and biennial audits will be conducted for high-risk NGOs. Similarly, for low-risk and complaint organizations, extended MoU validity and longer licensing periods will be followed.

iii. **Donor Assurance at Provincial Level**

- Provincial dashboards will be established and periodic reports will be issued to enhance transparency and attract localized donor funding.
- Initiatives will be taken for trust building and bringing informal donations to formal sector.

iv. **Provincial Coordination & Dispute Resolution Mechanism**

- Relevant provincial departments will be engaged in vetting, monitoring, and evaluation processes to ensure effective coordination
- The PNCC will act as the primary authority for dispute resolution between NGOs and provincial authorities.

v. **Data Collection, Reporting & Policy Recommendations**

- Annual performance reports will be published and submitted to the PNCC, highlighting local dynamics, issues and support requirements.
- Compile and submit annual performance reports to the PNCC, highlighting local dynamics and issues.
- Will consolidate the Government and civil societies activities and initiatives for coordinated efforts of social interventions
- Will recommend provincial-specific regulatory improvements while aligning with national harmonization efforts.

vi. **Provincial Capacity Building & Outreach**

- Will conduct regular sessions for NGOs, local officials, and donors on compliance, governance, and transparency tailored to provincial contexts.
- Will facilitate local platforms for dialogue, innovation, and experience-sharing between NGOs, donors, and government stakeholders.
- Initiatives will be undertaken to showcase the contribution made by NGOs to local community and drive informal charity to performing NGOs.

vii. **Donor Engagement & Confidence Building at Provincial Level**

- Will provide provincial-level donor dashboards linked to update NGO performance reports and fund utilization.
- Will establish systems to track and report donor funds utilized in the province to enhance credibility and trust.

15. Log-Frame Matrix

Objectives	Key Activities	Expected Outputs	Responsible Institutions	Timeline	Monitoring Indicators
Establishment of a unified national NGO governance body	Enactment of PNCC legislation; establishment of central authority and board	PNCC legally established and functional	Ministry of Law, EAD, SECP, PCP	12–18 months	Passage of the Act; PNCC board notified; office operational
Streamlining of provincial oversight	Reconstitution of Provincial Charity Commissions as Provincial NGO & Charity Commissions	Active and functioning provincial NGO boards with local oversight	Provincial Departments of P&D, Social Welfare, Industries	6–12 months	Boards established; portal usage stats; number of registrations
Digitization of registration and approvals	Launch the unified national NGO digital portal integrated with provincial systems	One-window e-governance portal	PNCC, MoIT, PITBs, SECP, PCP	9 months	Portal live; number of departments on-board
Introduction of risk-based regulation	Designing the NGO risk classification and scorecard	Scalable compliance model with incentives	PNCC, MoI, EAD, Provincial Boards	6–9 months	Framework adopted; percentage of NGOs categorized
Improvement in transparency & donor trust	Launch of online registry with MoUs, audits, and	Transparent NGO database for public and donors	PNCC, SECP, PCP	6 months	Registry live; user access data

	project info				
Strengthening inter-sectoral coordination	Involvement of sectoral depts. in vetting and post-evaluation	Program alignment with national priorities	PNCC, MoH, MoE, MoPD, Social Welfare	3–6 months	SOPs issued; meetings recorded
Simplifying the compliance for small NGOs	Waive PCP/SECP fees; issue simplified reporting formats	Inclusive regulatory environment	PCP, SECP, PNCC	3–6 months	Number of templates issued; number of waivers granted
Institutionalizing the Monitoring & Evaluation	Conduct periodic impact evaluations and audits based on risk category	Performance-based accountability culture	PNCC, Provincial Boards	6–12 months	Evaluation reports submitted; percentage coverage
Building stakeholder capacity	Train NGOs and govt staff on compliance, CSR, coordination	Stronger institutional skills and collaboration	PNCC, academia, donors, PCP	Ongoing	Number of trainings; pre/post assessments
Creation of donor engagement platform	Launch donor dashboard; tracking utilization and reporting	Rebuilding of trust and streamlined fund flow	PNCC, SBP, FBR, EAD	6 months	Dashboard analytics; donor feedback

References

1. Aga Khan Development Network. (2022). Annual report 2022. https://www.akdn.org
2. Brautigam, D. A., & Segarra, M. (2007). Difficult partnerships: The World Bank, states, and NGOs. Latin American Politics and Society, 49(4), 149–181.
3. Clark, J. (1992). Democratising development: NGOs and the state. Development in Practice, 2(3), 151–162. https://doi.org/10.1080/096145249200077991
4. Gazdar, H. (2011). Social protection in Pakistan: In the midst of a paradigm shift? (IDS Working Paper No. 327). https://doi.org/10.2139/ssrn.1994119
5. Human Rights Watch. (2019, April 4). Pakistan: Crackdown on international NGOs. https://www.hrw.org/news/2019/04/04/pakistan-crackdown-international-ngos
6. Jelinek, E. (2006). A study of NGO relations with government and communities in Afghanistan. Agency Coordinating Body for Afghan Relief.
7. Planning Commission of Pakistan. (2021). Pakistan social protection strategy. Government of Pakistan. https://www.pc.gov.pk
8. Rose, P. (2006). Collaborating in education for all? Experiences of government support for non-state provision of basic education in South Asia and Sub-Saharan Africa. Public Administration and Development, 26(3), 219–229. https://doi.org/10.1002/pad.420
9. Securities and Exchange Commission of Pakistan. (2025, April 30). List of Section 42 companies under Companies Act, 2017, as on April 30, 2025. https://www.secp.gov.pk/document/list-of-section-42-companies-under-companies-act-2017-as-on-march-31-2025/
10. The Citizens Foundation. (2022). Impact report 2022. https://www.tcf.org.pk
11. UNICEF Pakistan. (2023). Annual report 2023. https://www.unicef.org/pakistan/

Appendix-A

Details of Departments/ NGOs/ INGOs/ GONGOs Visited/ Contacted for the study

Sr#	Name of Departments/NGOs/GONGOs	Mode Visited/Contacted
1.	Sarhad Rural Support Programs (SRSP)	Physical Visit
2.	Directorate of Social Welfare Khyber Pakhtunkhwa	Physical Visit
3.	Directorate of Industries Khyber Pakhtunkhwa	Physical Visit
4.	Charity Commission Khyber Pakhtunkhwa	Contacted On Call
5.	Pakistan Baitul Mal (PBM)	Physical Visit
6.	Deputy Secretary, Economics Affair Division	Contacted On Call
7.	Initiative for Development & Empowerment Axis (IDEA)	Physical Visit
8.	International Medical Corps. (IMC)	Contacted On Call
9.	Water Aid Pakistan	Contacted On Call
10.	Bank Islamic Ltd.	Contacted On Call

Appendix-B

QUESTIONNAIRE FOR GOVERNMENT OFFICES

GENERAL OVERSIGHT

1. **Department Role:**
    - What is the primary role of your Department in overseeing NGOs working on poverty alleviation?
2. **NGO Registration Process:**
    - Can you explain the process for registering and evaluating NGOs in the social sector?

POLICY IMPLEMENTATION GAPS

3. **Policy Awareness:**
    - How well do you think NGOs understand the government policies related to social welfare and poverty alleviation?
4. **Implementation Challenges:**
    - What are the main challenges faced by NGOs when implementing these policies on the ground?
5. **Compliance Monitoring:**
    - How does your department monitor compliance with government policies among the NGOs?
6. **Feedback from NGOs:**
    - Do you have mechanisms for NGOs to provide feedback on policy effectiveness? How is this feedback utilized?

COORDINATION AND COLLABORATION

7. **Collaboration with NGOs:**
    - How does your Department collaborate with NGOs to align efforts in poverty alleviation?
8. **Inter-Departmental Coordination:**
    - What measures are in place to ensure coordination between different government departments and NGOs?

MEASURING IMPACT

9. **Evaluation of Programs:**
    - How does your department assess the impact of NGO programs on poverty alleviation?
10. **Success Stories:**
    - Can you share any success stories or case studies that highlight effective interventions by NGOs?

INSTITUTIONAL CHALLENGES

11. **Resource Allocation:**
    - How does funding from the government and other sources affect NGO operations in the region?

12. **Capacity Building:**
    - What initiatives are in place to strengthen the capacity of NGOs to deliver effective social services?

FUTURE DIRECTIONS

13. **Policy Recommendations:**
    - Based on your observations, what changes would you recommend to improve the implementation of NGO related policies?

14. **Challenges Ahead:**
    - What do you foresee as the biggest challenges for your Department and NGOs in the coming years?

Closing Questions

15. **Support Needed:**
    - What additional support or resources does your Department need to enhance its oversight of NGOs?
16. **Engagement with Communities:**
    - How does the department ensure that community voices are heard in the planning and implementation of welfare programs?

Appendix-C

QUESTIONNAIRE FOR NGOs/ INGO/GONGOs

GENERAL QUESTIONS

1. **Mission and Objectives:**
   - What are the primary goals of your organization regarding poverty alleviation and social sector interventions?
   -
2. **Target Population:**
   - Who are the primary beneficiaries of your programs, and how do you identify and reach out to them?
3. **Program Overview:**
   - Can you provide an overview of the key programs you are currently implementing in Khyber Pakhtunkhwa?

POLICY IMPLEMENTATION GAPS

4. **Policy Awareness:**
   - How familiar are you with existing government policies related to poverty alleviation and social welfare in Khyber Pakhtunkhwa?
5. **Implementation Challenges:**
   - What specific challenges have you encountered in implementing these policies at the ground level?
6. **Collaboration with Government:**
   - How do you collaborate with government institutions to align your programs with national and provincial policies?
7. **Feedback Mechanisms:**
   - Do you have systems in place to provide feedback to policymakers about the effectiveness of their policies? If so, can you elaborate?

INSTITUTIONAL FAULT LINES

8. **Resource Allocation:**
   - How do funding and resource allocation from both government and international donors impact your operations?
9. **Capacity Building:**
   - What capacity-building efforts are in place for staff and volunteers to address institutional weaknesses?

10. **Coordination Among NGOs:**
    - How do you coordinate with other NGOs and INGOs to avoid duplication of efforts and ensure comprehensive coverage of social issues?

<u>MEASURING IMPACT</u>

11. **Monitoring and Evaluation:**
    - What methods do you use to measure the impact of your programs on poverty alleviation?

12. **Success Stories:**
    - Can you share any success stories that demonstrate the effectiveness of your interventions?

<u>COMMUNITY ENGAGEMENT</u>

13. **Community Involvement:**
    - How do you involve the community in the planning and implementation of your programs?
14. **Feedback from Beneficiaries:**
    - What mechanisms do you have in place to gather feedback from beneficiaries regarding your services?

<u>FUTURE DIRECTIONS</u>

15. **Policy Recommendations:**
    - Based on your experiences, what recommendations would you make to improve policy implementation for poverty alleviation?
16. **Sustainability:**
    - How do you ensure the sustainability of your programs after initial funding or support ends?

Closing Questions

17. **Challenges Ahead:**
    - What do you see as the biggest challenges facing NGOs in Khyber Pakhtunkhwa in the next few years?
18. **Support Needed:**
    - What type of support or resources do you believe would enhance your capacity to address poverty more effectively?

Appendix-D

Documents required for NGOs Account (Revised)

1-Account Opening Form (Used for Corporate A/C) duly signed

2-Valid CNIC along-with Bio-Verisys/Nadra Verisys (as the case may be) of
a)-All members of Governing Body/Board of Directors/Trustees/Executive Committee, if it is ultimate governing body.
b)-all authorities' signatories

If Registered from SECP

3-Certified copies of following documents:
a)-All relevant Registration documents/Certificate of Incorporation/License issued by SECP,as applicable.
b)-Memorandum & Article of Association
c)-Incorporation Form II in case of newly incorporated company (within one year) and Form-29 in case of already incorporated company/NGO (after One Year).
Note:*All above documents must also be signed stamped by Signatories cosigned by BM/CSM with Stamp*
d)-Resolution of the Governing Body/Board of Directors/Executive Committee, if it is a governing body, for opening of account authorizing the person(s) to operate the account.

3-*1)*-Statement of Objectives,Source & Utilization of Funds (Signed/Stamped by Board)

If Registered under Cooperative Societies Act

3- Certified Copies of
a)-Certificate of Registration **b)**-Memorandum of Association **c)**-Annual Renewal Certificate
d)-Constitution/Bye-Laws

Note:*All above documents must also be signed stamped by Signatories cosigned by BM/CSM with Stamp*
e) -Resolution of the Governing Body/Board of Directors/Executive Committee, if it is a governing body, for opening of account mentioning authorizing the person(s) to operate the account.

Other Documents for Both above

4- List of Board Members on Letter Head comprised of **i)**-Name **ii)**-CNIC # **iii)**-Designation **iv)**-Signature

5-Registration from Charity Commission is also required. Provincial or Federal as the case may be (*must also be signedstamped by Signatories cosigned by BM/CSM with Stamp)*

6 -Personal Profile required of each Board Member or Governing Body/Executive Committee

7-OFAC/UNSC/NACTA of Board Members and Signatories (C*osigned by BM/CSM with Stamp)*

8 -OFAC/UNSC/NATCA of NGO itself (Co*signed by BM/CSM with Stamp)*

9-.On Letter Head, addressed to Bank to open Account with Operation Mode and Signatories signed by Authorized Signatories.

10- Undertaking required from customer that any change take place in members/signatories during operations of the account, the management of entity will inform to the BANK officially in writing without any delay (Required from Board)

11- Declaration on ultimate control regarding purpose, source and utilization of funds. Also non-involvement in TerrorismFinancing (Required from Board)

12- Declaration that any member/Signatory and Organization itself does not belong to any proscribed entity either locally or internationally (Required from Board)

Note: *Point # 10,11 & 12,Board can provide in Main Board Resolution as mentioned in point # 3d (SECP) & 3e (Societies Act Section)*

13- In Case, NGO is mandated to receive Foreign Funding as mentioned in constitution, it is mandatory to present Memorandum of Understanding (MOU) signed off by Govt of Pakistan (Ministry of Economic Affair Division).If not, then undertaking that NGO will not receive Foreign Funding at all or if receive, will inform to Bank immediately (From Board)

14- Registration Certificate of Respective Education Authority Required if it runs Educational Institution otherwise other concerned Body's Certificate keeping in view nature of Business .e.g **i)**-Approval from Ministry of Interior in case of

International NGO **ii)**-NOC from Registrar Office in case of opening Housing Society's A/C.

15 -NTN is must. If not available, then Exemption Certificate from FBR. In case NGO/Society is newly established, then undertaking regarding under processing of NTN and stating to present to Bank as and when it will receive. (NTN must beverified online and jointly signed by BM/CSM with Stamp).

16 -In case of Newly established NGO, undertaking from Board Directors regarding in processed NTN and stating to ensure same will be present upon receipt. AM & ROM (N)'s Joint Approval is required on Format given on Page# 126-127 of GBM- 2022 in case A/C is being opened without NTN.

17-Latest Audited Financial. **18**-List of Donors **19**-Visit Report **20** -Location from Google Map

21 - i)-KFS- One Pager. **ii)**-Vernacular Form (Signed by each signatory)

22-Branch should ensure that transactions are in line with the specific purpose as mentioned in objectives of the entity and will not involve any ML/TF activities.

23 -Branch confirmation required that customer (all members/directories/Signatories and entity)are screened through BIPLinternal list and no match found.

24- Branch should ensure and confirm that if any of the associated members is PEP or linked with any PEP, EDD must be conducted and separate approval must be taken as per matrix.

25- Branch confirmation required that they have originally seen all documents of entity and found itgenuine.

Note: Branch can use one Format for foregoing points # 22 to 25 *(Format is given below-This is requirement of ComplianceDeptt)*

Approval Matrix of NGO Account: Refer Page# 530 of GBM 2022

Sr #	**CUSTOMER/ACCOUNT TYPE**	**Recommendation & Approval Authority**							
		Approval Criteria	**BM/CSM**	**AM**	**ROM**	**GM**	**Head of Operation**	**Group Head Distribution**	**Head of Compliance**
4	NGO's.NPOs.Chatitable/Religious Organization	In All Cases	R	R	R	R	A	A	A

Note:*This A/C is excluded from Biometric Image Capturing Process (GBM-2022 v 2.2,Page#694)*

Definitions:

Memorandum of Association: It explains organization's relationship with outside world under which business. The nature of Business of Organization.

Articles of Association: It is about day to day proceedings within the company. It tells about the role of CEO and directors. In short, it tells about how the company will run.

Difference Between NGO & Trust

1- "NGO" is an abbreviation for "Non-governmental Organization," and "trust" is the term itself.

2- NGOs assist the government with initiatives that it cannot already carry out, whereas trusts are not reliant on the government.

3- NGOs strive to enhance the natural environment, encourage human rights adherence, improve the welfare of the underprivileged, or reflect a corporate objective. However, Trust is a modest organization that seeks to attract donors who give you money with the expectation that you would spend it wisely to fulfill the purposes outlined in your trust deed.

4- NGOs may get funding from the government, whereas trusts do not receive funds from the government.

Collected By: **Mubashir Akram-RCSM under kind guidance and supervision of Venerable MohammadAbid Khan (ROM-N)**

1-Kindly point out deficiency in it, if any, or any addition so that it may be revised.

2-This document is not conclusive. These are minimum requirements which must be adhere to. The authority subject to approval/activation of Account can demand any other document according to scenario.

3-Kindly share it with others. mubashir.akram@bankislami.com.pk

Appendix-E

REQUIREMENTS FOR REGISTRATION OF NEW ORGANIZATION UNDER VOLUNTARY SOCIAL WELFARE AGENCIES (REGISTRATION & CONTROL) ORDINANCE 1961.

1. Feasibility Report. (By Concerned District Officer)
2. Constitution (as per rule-3 of VSWA (R&C) Rules 1962 & Schedule-I).
3. 1st meeting minutes.
4. Last meeting minutes.
5. General Body list (25-40 NICs).
6. Executive Body list (7-9 NICs selected out of General Body). Note: - Members of the Executive Body must be at least 21 year of age.
7. Future Plan, Plan of Operation and Thematic Area of the organization.
8. Income & Expenditure Statement of previous activities.
9. Progress Report of previous year activities.
10. Details of Employees/Staff of the organization.
11. Affidavit (In which it is affirm that there is no member of the org from any previous de-registered/banned organization. No member of the org is involved in any criminal, anti-state activity and there is no member amongst Executive Body is a govt; servant).
12. CVs of Executive Body members.
13. Police clearance/verification certificates of all Executive Body members from concerned Police Assistance Line (PAL).
14. Undertaking/certificate form concerned District officer.

Policy Implementation Gaps and Institutional Fault Lines in the Context of Tax Evasion, the Informal Economy, Fiscal Constraints and their Impact on Social Spending in Pakistan

Tajdar Khan[1], Asad Sarwar[2], Hussain Wazir[3], Raeesa Attache[4], Dr. Muhammad Riaz Khan[5], Dr. Muqeem ul Islam[6]

KJPP

Khan, T., Sarwar, A., Wazir, H., Attache, R., Khan, M. R., & Islam, M. U. (2025). Policy implementation gaps and institutional fault lines in the context of tax evasion, the informal economy, fiscal constraints and their impact on social spending in Pakistan. Khyber Journal of Public Policy, 4(2), Summer 2025, PP- 190-261

Article Info:
Received: 15/05/2025
Revised: 20/05/2025
Accepted: 25/05/2025
Published: 31/05/2025

Disclaimer:
The opinions expressed in this publication do not implicitly or explicitly reflect the opinions or views of the editors, members, employees, or the organization. The mention of individuals or entities and the materials presented in this publication do not imply any opinion by the editors or employees regarding the legal status of any opinion, area, territory, institution, or individual, nor do they guarantee the accuracy, completeness, or suitability of any content or references.

Copy Right Statement:
© 2022 Khyber Journal of Public Policy
This work is licensed under a Creative Commons Attribution 4.0 International License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Abstract:

Pakistan's fiscal system faces persistent challenges rooted in tax evasion, a large informal economy, and weak institutional frameworks. With a tax-to-GDP ratio of merely 9.5%, significantly below regional benchmarks, the country struggles to mobilize domestic resources and finance essential public services. Policy implementation gaps and institutional inefficiencies—such as weak enforcement, bureaucratic inertia, and corruption—exacerbate fiscal constraints, impeding education, healthcare, and poverty alleviation. The informal sector, comprising up to 40% of GDP, and annual tax evasion losses exceeding $1 billion further erode the revenue base. This paper examines the historical and structural roots of Pakistan's fiscal challenges, highlighting how political will, institutional reforms, equitable tax policies, and enhanced enforcement mechanisms are critical to strengthening the fiscal framework. Recommendations include restructuring the Federal Board of Revenue, rationalizing tax exemptions, and expanding the tax net to improve equity and public trust. Broad-based reforms are essential to ensure sustainable, inclusive development.

Key words: *Pakistan, Tax evasion, Informal economy, Fiscal policy, Institutional reform*

[1]*Ministry of Energy, Email tajdar.dgpc@gmail.com*
[2] *Provincial Management Service (PMS-KP) Email asad_sarwar77@hotmail.com*
[3] *Information Group (IG) Email: hussainwazir14@gmail.com*
[4] *Postal Group Email: raeesa.attacha@gmail.com*
[5] *Faculty Advisor, National Institute of Public Administration, Peshawar Email mkriaz83@gmail.com*
[6] *Chief Instructor, National Institute of Public Administration, Peshawar Email: muqeemz@gmail.com*

Introduction

Pakistan's fiscal landscape is characterized by persistent challenges that undermine its capacity to deliver essential public services and achieve sustainable economic development. Central to these challenges are policy implementation gaps and institutional fault lines that exacerbate tax evasion, perpetuate a sprawling informal economy, and impose severe fiscal constraints. These issues collectively limit the government's ability to fund social spending, critical for addressing poverty, education, and healthcare needs in a country where 42% of the population lives below the poverty line and 40% of children under five suffer from stunting (World Bank, 2025). With a tax-to-GDP ratio languishing at approximately 9.5%, significantly below the Asia Pacific average of 19.3%, Pakistan struggles to mobilize domestic resources, relying heavily on external borrowing and indirect taxes that disproportionately burden lower-income groups (LUMS MHRC, 2023).

Tax evasion, estimated to cost over $1 billion annually in lost revenue, thrives in an environment of weak enforcement, complex tax systems, and low public trust in governance (PIDE, 2023). Concurrently, the informal economy, encompassing 30–40% of GDP, operates outside regulatory oversight, further eroding the tax base through unregistered businesses, informal employment, and cash-based transactions. These phenomena are not merely economic but deeply institutional, rooted in policy inconsistencies, bureaucratic inefficiencies, and corruption that undermine the Federal Board of Revenue (FBR) and other agencies. The resulting fiscal constraints, with a fiscal deficit of 6.7% of GDP in FY25, restrict social spending, leaving critical sectors like education (1.8% of GDP) and healthcare (1.1% of GDP) underfunded (World Bank, 2025).

This research paper examines the interplay of policy implementation gaps and institutional fault lines in perpetuating tax evasion and the informal economy, and their cascading effects on fiscal capacity and social spending in Pakistan. Policy implementation gaps refer to the disconnect between formulated tax policies and their execution, often due to inadequate resources, lack of coordination, or resistance from vested interests. Institutional fault lines encompass structural weaknesses, such as corruption, overlapping mandates, and lack of accountability, that hinder effective governance. By analyzing these dynamics, the paper aims to identify actionable reforms to strengthen Pakistan's fiscal framework, enhance revenue mobilization, and prioritize social investments for equitable development.

The study is structured as: a historical overview traces the evolution of Pakistan's tax system and institutional challenges; subsequent sections analyze policy gaps, institutional weaknesses, and their impacts on fiscal space and social spending, drawing on qualitative and secondary data from sources like the World Bank, IMF, Economic Survey of Pakistan, FBR publications, KPRA Annual Report and local research institutions and newspapers articles. For the finalization of this paper, primary sources were also consulted to verify the existing literature from the experts from FBR and Tax Consultants to pin point the gaps between theory and practice. Therefore, this paper concludes with recommendations to address these challenges, emphasizing institutional reforms, policy coherence, and public trust-building measures.

Literature Review

The literature on Pakistan's fiscal challenges, tax evasion, informal economy, and social spending highlights structural, institutional, and socioeconomic factors that perpetuate low revenue mobilization and constrain development. Key sources include academic studies, institutional reports, and news analyses, providing a robust foundation for understanding policy implementation gaps and institutional fault lines.

Tax Evasion

Economic deterrence theory (Allingham-Sandmo, 1972) frames tax evasion as a rational choice driven by low detection risks and weak penalties, highly relevant to Pakistan, where only 1% of tax returns are audited. Behavioral economics emphasizes low tax morale, with only 40% of Pakistanis trusting government revenue use, fueling evasion (PIDE, 2023). Institutional theory highlights weak governance, with Transparency International (2024) ranking Pakistan 135/180 on corruption, and FBR scandals undermining enforcement. FBR informed National Assembly on registered businesses in the country depicting with only 12.5 million registered taxpayers, and exemptions for agriculture (22% of GDP) cost PKR 100 billion annually. The World Bank (2025) underscores that tax evasion, costing USD 1 billion yearly, is exacerbated by complex tax systems and low compliance.

Informal Economy

The informal economy, estimated at 30–40% of GDP, employs 70% of Pakistan's workforce, evading taxes through cash transactions and unregistered businesses (PIDE, 2023). Dualist theory views informality as a survival strategy for marginalized groups, with 42% of Pakistanis below the poverty line relying on informal livelihoods (World Bank, 2025). Structuralism theory (Castells & Portes) sees informality as integral to formal economies, with unregistered retail (50% of urban activity) undercutting formal businesses (PIDE, 2023). De Soto's legalist perspective attributes informality to high compliance costs (PKR 50,000–100,000 for small retailers) and bureaucratic inefficiencies (PIDE, 2023).

VOA News (2024) highlights smuggling in Balochistan, costing PKR 227 billion annually on account of Petroleum Levy only, as a socioeconomic necessity in regions (Balochistan) with 70% poverty. Arby et al. (2010) trace informality's growth to 1970s nationalization policies and weak state presence in border areas.

Fiscal Constraints

Pakistan's fiscal deficit, averaging 6–8% of GDP, reflects low revenue and high debt servicing (51.8% of the budget) (World Bank, 2025). The FBR's reliance on indirect taxes (60% of revenue) and exemptions for influential sectors narrows the tax base, forcing borrowing (public debt PKR 67 trillion in 2024) (LUMS MHRC, 2023). Khan (1999) and Husain (2005) note historical weaknesses, with colonial legacies and post-independence elite capture entrenching low taxation of agriculture. IMF (2024) conditions, such as tax hikes, often increase informality, creating a feedback loop. The 18th Amendment's devolution of power has led to provincial underperformance, with provinces contributing only 1% to the tax-to-GDP ratio despite 57% federal revenue transfers and 57.7% contribution of Services sector to the GDP (World Bank, 2025).

Social Spending

Welfare state theories (Esping-Andersen) contextualize Pakistan's underfunded social sectors, with education (1.8% of GDP) and healthcare (1.1% of GDP) below regional averages (World Bank, 2025). Public choice theory explains limited spending as a result of political incentives favoring elite exemptions over public goods (LUMS MHRC, 2023). The fiscal capacity framework links low revenue to inadequate social investments, resulting in 44 million out-of-school children and 40% child stunting (World Bank, 2025). The Economic Survey (2023) notes federal spending on devolved sectors like health (PKR 45 billion) and education (PKR 114 billion) in FY2023-24, reflecting coordination failures post-18th Amendment. Dawn (2024) highlights regional disparities, with Balochistan's schools lacking basic facilities.

Comparative Insights

India and Vietnam offer lessons for Pakistan. India's GST unified indirect taxes, boosting collections to INR 1 trillion monthly, while digital tools like GSTN enhanced compliance (World Bank, 2023). Vietnam's VAT and phased tax reforms doubled revenue, with digitization reducing informality to 15% of GDP (IMF, 2023). Both countries simplified tax structures and limited exemptions, contrasting with Pakistan's complex system and widespread concessions (PIDE, 2023).

Gaps and Contributions

While the literature comprehensively addresses tax evasion and informality's economic impacts, less attention is given to institutional fault lines like post-18th Amendment coordination failures and elite capture's role in sustaining exemptions. Primary consultations with FBR experts, as noted in the document, bridge this gap by pinpointing practical implementation challenges. This study contributes by integrating theoretical frameworks (economic deterrence, structuralist, fiscal capacity) with empirical data and comparative analysis, offering actionable reforms to address Pakistan's fiscal and social challenges.

Theories, Conceptual and Theoretical Framework of Tax Evasion, Informal Economy and Social Spending

Conceptualizing Tax Evasion, Informal Economy, and Social Spending

Tax Evasion: It refers to illegal practices to avoid paying taxes, including underreporting income, inflating deductions, and hiding money in offshore accounts. It is distinguished from tax avoidance, which, though legal, exploits loopholes to reduce tax liability.

The informal Economy: It comprises unregulated and often untaxed economic activities that are outside the formal institutional framework. This includes unregistered businesses, undeclared employment, and shadow markets. While it offers livelihood in underdeveloped economies, it also undermines formal state revenue collection.

Social spending: It encompasses government expenditure on welfare programs like education, healthcare, pensions, and social safety nets. It reflects a government's redistributive role and impacts socio-economic development and inequality reduction.

These three concepts are interconnected. Tax evasion and a large informal economy reduce state revenues, limiting the fiscal capacity for social spending. Conversely, inadequate social services may incentivize individuals to operate informally or evade taxes, creating a vicious cycle.

Theoretical Frameworks

A. **Theories of Tax Evasion**

Economic Deterrence Theory (Allingham-Sandmo Model, 1972)

This neoclassical model conceptualizes tax evasion as a rational choice based on a cost-benefit analysis. Taxpayers weigh the expected utility of evading taxes (benefit) against the probability of detection and punishment (cost). Enforcement strength and penalty severity are thus central to compliance.

Behavioral Economics Approach

It challenges the purely rational model by incorporating social norms, intrinsic motivations, tax morale, and trust in institutions. Factors like perceived fairness, civic duty, and societal norms play a significant role in influencing tax compliance.

Institutional Theory

It emphasizes the role of state institutions, legal frameworks, and governance quality. Weak institutions and corruption can erode trust in government, thereby increasing tax evasion.

B. Theories of the Informal Economy

Dualist Theory:

It sees informality as a survival strategy by marginal groups excluded from the formal economy. It highlights structural rigidities like lack of formal employment opportunities or barriers to entry (licenses, regulation).

Structuralist Theory (Castells and Portes);

It views the informal sector as subordinated to and exploited by the formal economy. It is not isolated, but rather integral to capitalist systems, often serving to reduce labor costs.

Legalist/Institutionalist Perspective (de Soto)

It argues that excessive regulation and bureaucratic inefficiency push entrepreneurs into informality. Reforming property rights, simplifying registration, and enhancing legal access can help transition to formality.

Political Economy Perspective:

It focuses on power relations and governance. States may tolerate or even benefit politically from informality, especially in clientelist systems where informal actors are mobilized for political support.

C. Theories of Social Spending:

Welfare State Theories (Esping-Andersen)

It categorizes welfare regimes (liberal, corporatist, social democratic) based on state-market-family relations. These regimes differ in their redistributive priorities and social expenditure patterns.

Public Choice Theory:

It analyzes social spending through the lens of political incentives. Politicians expand social programs to maximize electoral support, sometimes at the cost of fiscal prudence.

Fiscal Capacity and Political Will Framework;

It emphasizes that social spending depends not only on resource availability (tax revenue) but also on political will and institutional quality. Low tax collection (due to evasion or informality) limits the state's ability to invest in social sectors.

Conceptual Framework

The dynamics of social spending in Pakistan are shaped by a reinforcing cycle involving tax evasion, informality, and public trust. A large informal economy and low tax compliance narrow the national revenue base, limiting the government's fiscal capacity to invest in critical social sectors like education, health, and social protection. This underinvestment results in inadequate and unequal service delivery, particularly in underserved and marginalized areas, which in turn erodes public trust in state institutions and reduces tax morale.

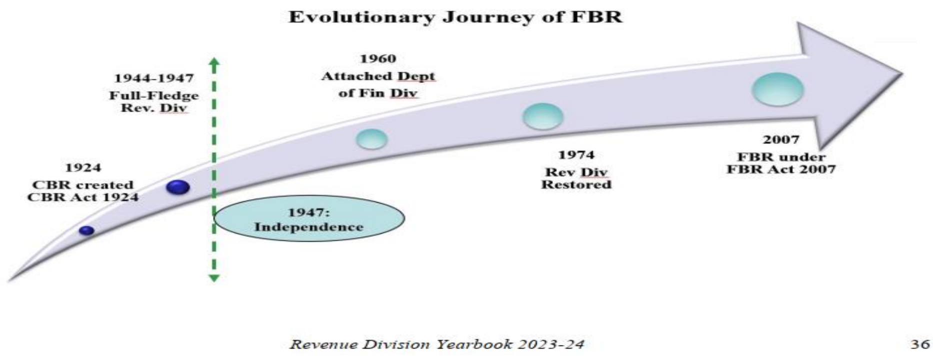
As citizens perceive limited returns on their tax contributions, non-compliance becomes normalized, further entrenching informality and evasion. Weak governance and institutional inefficiencies perpetuate this cycle, deepening structural constraints on development. This framework is especially pertinent to developing countries like Pakistan, where persistent informality, limited social investment, and fragile state-citizen relations create enduring barriers to inclusive and sustainable growth. Addressing this cycle demands a comprehensive approach that expands the tax base, enhances service delivery, and strengthens governance through transparency, accountability, and civic engagement.

Historical Context

Evolution of Pakistan's Tax System

Pakistan's tax system has its roots in the colonial era, with the British introducing land revenue and customs duties as primary revenue sources. Post-independence in 1947, the nascent state inherited a rudimentary fiscal framework, heavily reliant on agriculture, which contributed over 50% to GDP but was lightly taxed to maintain political support from feudal landowners (Khan, 1999). The Income Tax Act of 1922, carried over from British rule, formed the basis of direct taxation, but its scope was limited, targeting urban elites and formal businesses. By the 1950s, indirect taxes, such as sales and excise duties, emerged as significant revenue sources, reflecting the government's preference for administratively simpler mechanisms in a largely informal economy.

The 1960s and 1970s saw efforts to modernize the tax system under military and civilian regimes. The establishment of the Central Board of Revenue (CBR, predecessor to the FBR) in 1960 aimed to centralize tax administration, but its effectiveness was hampered by limited capacity and political interference. The introduction of the General Sales Tax (GST) in the late 1970s marked a shift toward consumption-based taxation, driven by the need to broaden the revenue base amid growing public expenditure. However, exemptions for agriculture and influential sectors, coupled with weak enforcement, kept the tax-to-GDP ratio below 12% (Husain, 2005).



Rise of the Informal Economy

The informal economy, encompassing unregistered businesses, informal labor, and barter trade, has been a persistent feature of Pakistan's economic landscape. In the 1970s, nationalization policies under Prime Minister Zulfiqar Ali Bhutto pushed many small enterprises into the informal sector to evade state control. High tax rates and complex compliance requirements further incentivized informality, particularly in retail and services, which grew as urbanization accelerated. By the 1980s, estimates suggested the informal economy accounted for 20–25% of GDP, driven by cash-based transactions and lack of documentation (Arby et al., 2010).

The informal economy's growth was particularly pronounced in regions like Balochistan and Khyber Pakhtunkhwa, where weak state presence and cross-border trade with Afghanistan and Iran facilitated smuggling and undocumented activities. Balochistan border regions, home to 2.4 million people reliant on informal livelihoods, became hubs for tax evasion, with smuggled goods and unreported income escaping FBR oversight (VOA News, 2024). The informal sector's expansion was not merely economic but also social, as low literacy (59% national rate) and poverty (42% below the poverty line) limited formal employment opportunities, embedding informality in Pakistan's socioeconomic fabric.

Institutional Challenges and Policy Gaps

Institutional fault lines emerged early in Pakistan's history, shaped by political instability, bureaucratic inefficiencies, and elite capture. The CBR, tasked with tax collection, faced chronic understaffing and corruption, with reports of bribery undermining audits and enforcement (Khan, 1999). Overlapping mandates between federal and provincial authorities, particularly after the 1973 Constitution, created coordination failures. For instance, agricultural income tax, a provincial responsibility, was rarely enforced due to resistance from powerful landowners, leaving a significant revenue source untapped (LUMS MHRC, 2023).

Policy implementation gaps became evident in the 1980s and 1990s as structural adjustment programs, backed by the IMF and World Bank, pushed for tax reforms.

The 1991 Tax Reforms Committee recommended broadening the tax base and reducing exemptions, but implementation faltered due to political opposition and bureaucratic inertia. The introduction of the Value Added Tax (VAT) in 1996 aimed to streamline indirect taxation, but poor administrative capacity and public resistance led to widespread evasion, with only 30% of eligible businesses registering (Husain, 2005).

Fiscal Constraints and Social Spending

Pakistan's fiscal constraints have historical roots in low revenue mobilization and high debt servicing. By the 1990s, debt servicing consumed 40% of the budget, crowding out social spending (IMF, 1998). Education and healthcare allocations remained below 1.8% and 1.1% of GDP, respectively, contributing to persistent poverty and human development challenges. The fiscal deficit, averaging 6–8% of GDP since the 1980s, reflected structural weaknesses, with tax evasion and informality limiting revenue growth (World Bank, 2025).

The 2000s saw renewed reform efforts, including the FBR's establishment in 2001 to enhance tax administration. However, outcomes were modest, with the tax-to-GDP ratio stagnating at 7–10%. Corruption scandals, such as the 2010 fake refund scam involving FBR officials, eroded public trust, further encouraging tax evasion. The 18th Amendment in 2010, devolving powers to provinces, aimed to improve governance but exacerbated coordination challenges, as provinces lacked capacity to enforce taxes like agricultural income tax.

Recent Developments

Since 2015, Pakistan has pursued tax reforms under IMF programs, including the 2019 Extended Fund Facility, which mandated increasing the tax-to-GDP ratio to 15% by 2024. Measures like the 2025 Budget's removal of withholding taxes and income tax reductions aimed to simplify compliance, but their impact remains limited, with only 12.5 million taxpayers registered out of a 241 million populations. The informal economy is estimated at around 30–40% of GDP, continues to thrive, driven by high compliance costs and low enforcement (PIDE, 2023). Institutional fault lines, including FBR inefficiencies, lack of political will, pervasive tax-evasion culture and judicial delays in tax evasion cases, persist, while fiscal constraints limit social spending, with 20 million people lacking clean water and 44 million children out of school (World Bank, 2025). The growing fiscal deficit as a result of excess debt servicing further exacerbates the limited fiscal space available for social spending.

Pakistan's tax system and institutional framework have evolved amidst structural challenges, from colonial legacies to modern reform efforts. Historical policy gaps, such as exemptions for agriculture and weak enforcement, have entrenched tax evasion and informality, constraining fiscal space and social spending.

Understanding this historical context is crucial for analyzing current challenges and designing effective reforms to strengthen Pakistan's fiscal and institutional capacity.

Pakistan Tax Revenue (2023-24) - A Reality Check

The FBR successfully achieved its revised revenue target of Rs. 9,252 billion, surpassing it slightly at 100.5% in FY2023-24. The total revenue collected amounted to Rs. 9,299 billion, marking an increase of Rs. 2.1 trillion from the previous fiscal year and achieving an impressive growth rate of 29.8%. Notably, this year marked the first time FBR's revenue collection crossed the Rs. 9 trillion thresholds in the country's history. A breakdown of tax-wise performance shows that the Federal Excise Duty (FED) experienced the highest growth at 56.1%, followed by direct taxes at 38.5%. Sales tax and customs duty also saw significant increases, with growth rates of 19.1% and 18.5% respectively. This performance is particularly commendable given the prevailing economic downturn.

In the context of rapid technological advancements, the FBR has achieved a remarkable 29.8% year-on-year growth in revenue collection. This success can be attributed to improved taxpayer engagement, the effective integration of new technologies, and enhancements to our digital infrastructure, among other factors. These accomplishments reflect the steadfast dedication, relentless efforts, and perseverance of everyone at the FBR

Table 1: Comparison of Collection FY2023-24 vis-a-vis Target

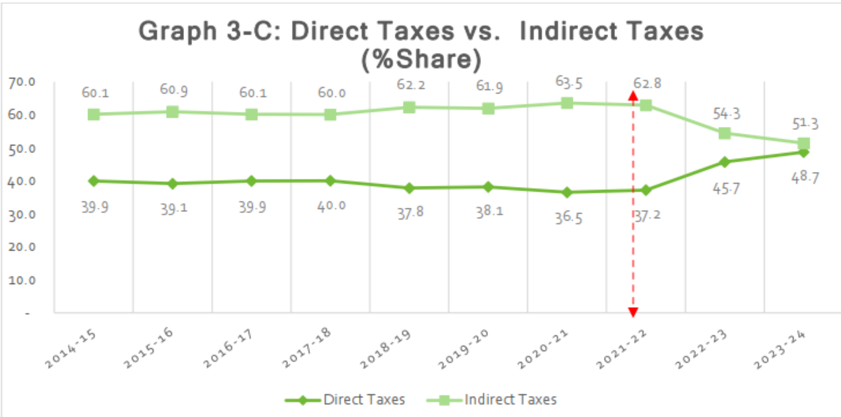
(Rs. Billion)

Tax Heads	Target	Collection (*)	Absolute (Achievement)	Percentage (Achievement)
Direct Taxes	3,721.0	4,530.7	809.7	121.8
Sales Tax	3,607.0	3,086.8	-520.2	85.6
Federal Excise	600.0	577.5	-22.5	96.3
Customs Duty	1,324.0	1,104.1	-219.9	83.4
Total	**9,252.0**	**9,299.1**	**47.1**	**100.5**

(*) The Collection for FY2023-24 is provisional

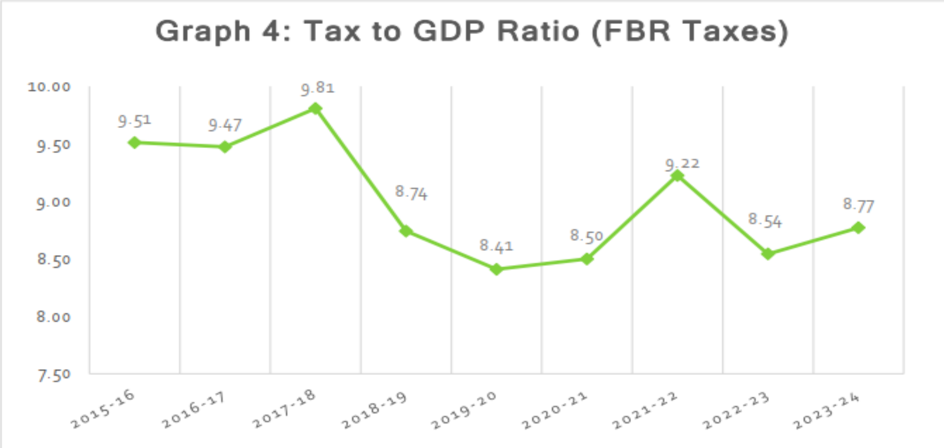
Table 2: Comparison of Net Collection FY2023-24 vis-a-vis FY2022-23				
				(Rs. Billion)
Tax Head	**FY2023-24 (Provisional)**	**FY2022-23**	**Growth**	
			Absolute	**%**
Direct Taxes	4,530.7	3,270.8	1,259.9	38.5
Sales Tax	3,086.8	2,591.4	495.4	19.1
Federal Excise	577.5	369.9	207.6	56.1
Customs Duty	1,104.1	931.7	172.4	18.5
All Taxes	**9,299.1**	**7,163.8**	**2,135.3**	**29.8**

Over the past several years, there has been a consistent upward trend in the share of direct taxes. This is a positive development, as direct taxes are considered progressive, meaning they are based on the taxpayer's ability to pay, with higher earners paying a larger percentage.



Tax to GDP Ratio:

The tax-to-GDP ratio is a key metric for assessing a country's tax revenue in relation to its GDP size. It offers insight into the general trajectory of tax policy and allows for global comparisons of tax revenues relative to economic scales. This ratio also reflects how effectively a nation's government allocates its economic resources through taxation. Typically, developed nations exhibit higher tax-to-GDP ratios compared to developing countries. Higher tax revenues enable a country to invest more in essential areas such as infrastructure, healthcare, and education. According to the World Bank, tax revenues that exceed 15% of a country's GDP are crucial for fostering economic growth and reducing poverty. There was a notable 30% increase in FBR tax revenues during FY2023-24, which improved the Tax-to-GDP Ratio from 8.54 to 8.77, as illustrated in Graph 4. With the continued growth in tax revenues, it is anticipated that the Tax to GDP ratio will further improve in the coming years.



A detailed breakdown of the Tax-to-GDP ratio by tax head can be seen, which shows a trend of the past four years, whereas, proportion of direct taxes to GDP has seen a positive trend, increasing from 3.10 in FY 2020-21 to 4.27 in FY 2023-24. This shift towards a greater reliance on direct taxes, coupled with a decreasing share of indirect taxes, is a promising development for Pakistan's tax structure.

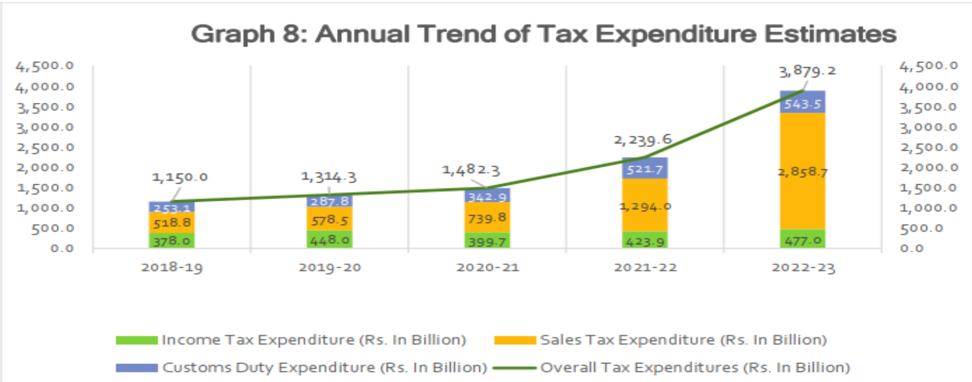
Table 6: FBR Head-wise Tax GDP Ratio

FY	DT	ST	FED	CD	Indirect Taxes	FBR
2015-16	3.72	3.98	0.57	1.24	5.79	9.51
2016-17	3.78	3.74	0.56	1.40	5.69	9.47
2017-18	3.92	3.79	0.54	1.55	5.89	9.81
2018-19	3.30	3.33	0.54	1.57	5.44	8.74
2019-20	3.20	3.36	0.53	1.32	5.20	8.41
2020-21	3.10	3.56	0.50	1.34	5.40	8.50
2021-22	3.43	3.80	0.48	1.52	5.80	9.22
2022-23	3.90	3.09	0.44	1.11	4.64	8.54
2023-24	4.27	2.91	0.54	1.04	4.50	8.77

Payments with Returns: This category encompasses payments made at the time of submission of annual Income Tax Returns, as shown in Table 8. For FY2023-24, collections amounted to Rs. 162 billion, compared to Rs. 119 billion in the previous fiscal year, marking an impressive growth of 35.8%.

Table 8: Advance Tax / Payments with Returns			
			(Rs. Million)
Heads	**FY2023-24**	**FY2022-23**	**Growth (%)**
With Returns	161,534	118,933	35.8
Advance Tax	1,529,533	974,635	56.9
Total	**1,691,067**	**1,093,568**	**54.6**

Tax expenditures: It includes special provisions within the tax code, such as exclusions, deductions, deferrals, credits, and reduced tax rates, designed to benefit certain activities or taxpayer groups. A tax expenditure report quantifies the amount of revenue that the government loses as a result of these provisions. This report prepared by the FBR offers a thorough summary of various tax concessions granted during Tax Year 2024, providing insight into the economic responses of different sectors to these tax benefits. Globally, it is observed that developed countries have higher tax expenditures compared to less developed nations.



(Revenue Division, Year Book 2023-24)

Table 20. Pakistan: General Government Budget, 2018/19–2028/29 (In% of GDP, unless otherwise indicated)											
Description	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**		**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**
	Actual					**Prog.**	**Est.**	**Proj.**				
Revenue and grants	11.3	13.3	12.4	12.1	11.5	12.5	12.6	15.4	15.0	15.5	15.8	15.8
Revenue	11.2	13.2	12.4	12.1	11.5	12.5	12.5	15.3	15.0	15.4	15.7	15.7
Tax Revenue	10.2	10.0	10.3	10.4	10.1	10.6	10.5	12.3	13.0	13.4	**13.7**	**13.7**
Federal	9.3	9.1	9.4	9.5	9.3	9.8	9.8	11.5	11.9	12.0	11.9	11.9
FBR Revenue	**8.7**	**8.4**	**8.5**	**9.2**	**8.6**	**8.8**	**8.8**	**10.6**	**11.0**	**11.1**	**11.1**	**11.1**
Direct Taxes	**3.3**	**3.2**	**3.1**	**3.4**	**3.9**	**4.3**	**4.3**	**4.7**	**4.9**	**5.0**	**5.0**	**5.0**
Federal Excise Duty	**0.5**	**0.5**	**0.5**	**0.5**	**0.4**	**0.5**	**0.5**	**0.9**	**0.9**	**0.9**	**0.9**	**0.9**
Sales Tax	**3.3**	**3.4**	**3.6**	**3.8**	**3.1**	**3.0**	**2.9**	**3.7**	**3.8**	**3.8**	**3.9**	**3.9**
Customs Duties	**1.6**	**1.3**	**1.4**	**1.5**	**1.1**	**1.0**	**1.0**	**1.3**	**1.3**	**1.4**	**1.3**	**1.3**
Petroleum surcharge	0.5	0.6	0.8	0.2	0.7	0.9	1.0	0.9	0.8	0.8	0.8	0.8
Gas surcharge and other	0.0	0.1	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
GIDC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provincial	0.9	0.9	0.9	0.9	0.8	0.8	0.7	0.8	1.1	1.5	1.8	1.8
Nontax revenue	1.0	3.2	2.1	1.6	1.4	1.9	2.0	3.0	2.0	2.0	2.0	2.0
Federal	0.8	3.0	1.8	1.4	1.2	1.7	1.8	2.8	1.8	1.8	1.8	1.8
Provincial	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
https://www.imf.org/en/Publications/CR/Issues/2024/10/10/Pakistan-2024-Article-IV-Consultation-and-Request-for-an-Extended-Arrangement-under-the-556152												

Fiscal Management and Social Expenditures

Pakistan's fiscal management has long been a barrier to economic stability, with poor revenue mobilization coupled with unchecked government expenditure intensifying the crisis. The challenges are further exacerbated by the over-reliance of provincial governments on the federal government for revenues, with little effort to strengthen their own revenue collection authorities.

According to fiscal operations by the Ministry of Finance, the combined tax collection by all four provinces was Rs774.20 billion in FY24, against a whopping Rs2,683.88 billion in expenditures. With provinces contributing only 1% of the tax-to-GDP ratio, the federal government collects an overwhelming 90% of revenue.

Since 57% of the federal government's revenues are transferred to provinces following the 7th NFC Award passed in 2010, provincial governments have not collected revenues at their potential, causing the federal government to rely on domestic and foreign debt to bridge the deficit.

According to data from the Debt Management Office, Pakistan's public debt has surged dramatically since 2010, rising from Rs9 trillion to Rs67 trillion in 2024. This reflects a substantial increase in domestic and external debt over the past decade.

A possible explanation is the NFC Award, which caused the country's debt to surge due to fiscal imbalances created by elevated expenditures while tax collection remained stagnant.

Considering the fiscal management or mismanagement at both levels of government, it is unsurprising that the International Monetary Fund (IMF) included the National Fiscal Pact (NFP) in its programme, binding provincial governments to raise tax collection and thus contribute more to overall revenue collection.

As reported, the NFP aims to redistribute revenues and align provincial and federal taxation policies. The pact will also prevent provincial governments from setting agriculture support prices, which is a positive development. The transfer of some fiscal responsibilities to provinces will compel them to contribute more to revenue generation. While the pact is ambitious and has been signed by all the provinces, certain caveats exist that could undermine the credibility of the NFP. Firstly, aligned with the 18th Amendment, the NFP focuses on tax revenue generation by provincial governments, specifically from historically under-taxed sectors like agriculture. While revenue collection is critical for economic growth and to prevent reliance on debt, expenditure reduction is equally, if not more, crucial.

Without effectively addressing expenditure control at the provincial level, the perpetual risk of fiscal indiscipline will remain. Focusing only on revenue collection will burden taxpayers without effective expenditure rationalization. A benchmark should be provided to provinces to manage their spending within the revenue collection domain. Similarly, the federal government should provide performance-based grants to provinces to enhance accountability and incentivize adherence to benchmarks.

Another inefficiency in the expenditure framework is the duplicity in spending in certain areas, including the Public Sector Development Programme (PSDP). Following the 7th NFC Award, sectors like education, health, and agricultural subsidies were devolved to provincial domains, requiring their financing by provincial governments. However, the federal government continues to fund health and education projects, creating inefficiencies and overlaps. This acts as a double-edged sword, increasing fiscal deficits and contributing to mounting debts when expenditures are financed through borrowing. According to the World Bank, the federal government spent Rs. 328 billion in FY-22 on devolved subjects such as education and health. Redefining roles to eliminate these redundancies is crucial to enhancing federal-provincial coordination and phasing out federal spending on devolved sectors.

Similar to education and health, the social protection sector is also a provincial domain. However, as per the FY25 budget, there has been an increase in the Benazir Income Support Programme (BISP) allocation from Rs466 billion to Rs592 billion. Being a devolved subject, hefty federal spending on social protection can be curtailed by transferring the responsibility entirely to the respective provincial governments.

A legitimate concern is the lack of transparency regarding the NFP, as it has not been made public. This secrecy prevents meaningful debate on the topic and questions the credibility of the pact. The non-disclosure raises scepticism and concerns that provincial governments may inequitably raise tax revenues.

The National Fiscal Pact revisits the National Finance Award to address the lack of provincial capacities that hinder the country's effective fiscal management. The current arrangement, which requires the federal government to transfer 57% of revenue to provinces, is unsustainable, especially when it bears the burden of debt servicing and defence, which consume around 75% of revenues. To ensure a balanced fiscal approach, either the NFC distribution formula must be revised to reduce federal transfers below 50%, or some expenses must be shifted to provinces while encouraging them to significantly increase tax collections. Otherwise, Pakistan's fiscal federalism will falter.

Budget 2024-25 at a Glance

(Rs. in Billion)

RESOURCES		EXPENDITURE	
Tax Revenue (FBR) - Federal Consolidated Fund	12,970	A Current	17,203
		Interest Payments	9,775
Non-Tax Revenue	4,845	Pension	1,014
		Defence Affairs & Services	2,122
a) Gross Revenue Receipts	17,815	Grants and Transfers to Provinces & Others	1,777
b) Less Provincial Share	7,438	Subsidies	1,363
I. Net Revenue Receipts (a-b)	10,377	Running of Civil Govt.	839
II. Non Bank Borrowing (NSSs & Others) - Public Account	2,662	Provision for Emergency and others	313
III. Net External Receipts - Fed. Consolidated Fund	666		
IV. Bank Borrowing (T-Bills, PIBs, Sukuk) - Fed. Consolidated Fund	5,142	B. Development & Net Lending	1,674
V. Privatization Proceeds - Fed. Consolidated Fund	30	Federal PSDP	1,400
		Net Lending	274
Total (II + III + IV + V)	8,500		
TOTAL RESOURCES (I to V)	18,877	TOTAL EXPENDITURE(A+B)	18,877

Fiscal Deficit and Financing of Budget 2024-25

(Rs. in Billion)

Fiscal Deficit		Financing	
A) Federal Revenue (Net)	10,377	A) Net External Financing	666
B) Total Federal Expenditure (i+ii)	18,877	Multilateral & Bilateral Sources	(10)
		Commercial & Euro Bond	676
i) Current Expenditure	17,203		
ii) Development and Net Lending (a+b)	1,674	B) Net Domestic Financing	7,803
a) Federal PSDP	1,400	National Saving Schemes, GP Fund and Deposit & Reserves	120
b) Net Lending	274	Bank (Govt. Securities)	7,683
		C) Privatization Proceeds	30
C) Federal Deficit (A-B)	-8,500	Total Financing (A+B+C)	8,500

BE & RE of FY 2023-24 and BE of FY 2024-25

(Rs. in Billion)

	Budget 2023-24	Revised 2023-24	Budget 2024-25
Revenue Receipt (FBR)	9,415	9,252	12,970
Non Tax Revenue	2,963	2,947	4,845
Gross Revenue (FBR+NTR)	12,378	12,199	17,815
Less: Transfer to Provinces (-)	(5,399)	(5,427)	(7,438)
Net Revenue for Federal Government	6,979	6,772	10,377
Expenditure	14,485	15,160	18,877
Federal Budget Deficit	(7,506)	(8,388)	(8,500)
Provincial Surplus	600	539	1,217
Overall Fiscal Deficit	(6,906)	(7,849)	(7,283)
Overall Fiscal Deficit as %GDP	-6.5%	-7.4%	-5.9%
Primary Surplus	397	402	2,492
Primary Surplus as %GDP	0.38%	0.4%	2.0%
Nominal GDP	105,817	106,045	124,150

(Source: Ministry of Finance)

FY2023-24 Federal Government Current Expenditure on Health, Education and Social Protection

This write-up covers current expenditures of the Federal Government on health, education and social protection, subjects which stand devolved to the provinces with the enactment of the 18th amendment to the Constitution in April 2010. The amendment transferred several subjects from the federal legislative list to the provincial domain, effectively decentralizing power and responsibility, and allowing provinces greater financial and legislative autonomy.

Expenditure on Health

Budgetary allocation for health in FY2023-24 stood at Rs. 24.2 billion. Rs. 9.6 billion was allocated for employee-related expenditures and Rs. 14.6 billion for operational requirements. (Economic Survey of Pakistan 2023-24)

Rs bn

	FY2023-24 Budget	FY2023-24 Actual Expenditure
Employee-related Expenses	9.6	11.8
Operational Expenses	14.6	11.9
EPI	-	21.3
Total	24.2	45.0

FY2023-24 actual expenditure of the Federal Government on health added Rs.

21.3 billion through provincial contribution for the Expanded Program on Immunization (EPI), a program running since 1978 to protect children against vaccine preventable diseases. The program remains critical to the commitment of the Government in providing safe and effective vaccination and for achieving Sustainable Development Goal 3 on reducing child morbidity and mortality.

Break up of EPI by provinces:

Rs. Mn

Provinces/Federal	FY2023-24 Actual Expenditure
Punjab	11,233
Sindh	5,120
Balochistan	1,155
KP	3,496
ICT	258.1
Total EPI	21,262.884

Expenditure on Education

Total expenditure on education including running current expenditure and grants is tabulated below:

Rs bn

	FY2023-24 Budget	FY2023-24 Actual Expenditure
ICT Education (Schools & Model Colleges)	16.9	21.5
FGEIs (Cantt.)	12.5	13.1
HEC (ERE/OE)	1.3	1.3
Others	1.3	0.9
Total Education (Current)	**32.0**	**36.9**
Grants (HEC)	65.0	68.5
Grant (Aspire)	1.5	8.6
Grand Total (Current + Grants)	**98.5**	**114.0**

Expenditure on Social Protection

Besides allocation for employee-related and operational expenditures, grant allocation is made each financial year by the Federal Government for BISP. For FY2023-24 this allocation was Rs. 466.0 billion. (PKR in Billions)

	FY-23-24 Budget	**FY 23-24 Actual Expenditure**
Benazir Kafalat-UCTs	361.50	358.033
Special Relief Package for Daily Wage Workers on Chaman Border, Balochistan	-	0.308
Benazir Nashonoma /Nutritional Program	32.268	34.665
Taleemi Wazaif CCT	55.423	59.716
Scholarships for Undergrads	5.928	4.098
Poverty Graduate Program	1.0	-
NESR Project	2.26	3.183
Direct Cost of Cash Transfers	4.525	3.426
Payments for Services	0.916	0.639

Procurement of Assets	0.98	0.066
Hybrid Social Protection & Digital Financial Literacy	0.75	-
PM Ramzan Relief Package	-	1.827
Media, Communication and Outreach	0.2	0.025
Policy Research Unit	0.25	0.014
ERE and Administrative & General Expenses	5.683	5.149
Total	**471.683**	**471.149**

A smaller component of Federal Government expenditure on social protection is through Pakistan Bait-ul-Mal, an autonomous body contributing to poverty alleviation through various poorest of the poor focused services and assistance to destitute, widows, orphans, invalid, infirm and other needy persons.

(PKR in Billions)

	FY2023-24 Budget	**FY2023-24 Actual Expenditure**
Grant to Bait-ul-Mal	4.3	4.2
Employee-related and Operational Expenses	3.4	3.4

Social investments in Pakistan reach new highs in 2023-24

The Federal Government of Pakistan significantly ramped up its current expenditure on key social sectors during the fiscal year 2023-24, with major allocations and actual spending exceeding initial budgets in health, education, and social protection, according to a report released by Finance Ministry on Tuesday. Despite these areas being constitutionally devolved to the provinces following the 18th Amendment, the Federal Government continues to play a vital supplementary role.

Health Sector Sees Over 85% Increase in Spending

In FY2023-24, the federal government allocated Rs. 24.2 billion for health-related expenditures. However, actual spending soared to Rs. 45 billion—an 85% increase. The rise was primarily driven by Rs. 21.3 billion contributed by provinces for the Expanded Program on Immunization (EPI), which remains a central effort in Pakistan’s child health protection strategy.

The Pakistan Institute of Medical Sciences (PIMS) and the Federal Government Polyclinic (FGPC) in Islamabad remained key beneficiaries. PIMS alone received Rs. 5.2 billion, up from its Rs. 4.0 billion budget. Other notable disbursements included Rs. 4.9 billion for Sheikh Zayed Hospital in Lahore and Rs. 3.93 billion for FGPC.

The EPI initiative—targeting preventable childhood diseases—was significantly bolstered through contributions from Punjab (Rs. 11.23 billion), Sindh (Rs. 5.12 billion), Khyber Pakhtunkhwa (Rs. 3.49 billion), Balochistan (Rs. 1.15 billion), and ICT (Rs. 258 million).

Education Spending Crosses Rs. 100 Billion Mark

Expenditure on Education has seen a rise from an original allocation of Rs. 98.5 billion, whereas, an actual spending in this regard has been observed as Rs. 114 billion. Major chunk in this regard has been in grants through the Higher Education Commission (HEC), which received Rs. 68.5 billion, higher than its original allocation of Rs. 65 billion.

In Islamabad Capital Territory, schools and colleges consumed Rs. 21.5 billion, while Federal Government Educational Institutions (FGEIs) nationwide used Rs. 13.1 billion. Significant investments were made under the World Bank-supported ASPIRE program, with Rs. 8.6 billion spent against an initial budget of Rs. 1.5 billion.

Education funding focused on expanding access and quality from primary levels to higher education, including scholarship and research support. Over Rs. 9 billion were spent through HEC on universities and research programs in ICT, AJK, and Gilgit-Baltistan. (Economic Survey 2023)

Moreover, an educational emergency was declared in 2024, the Federal Government and provinces overall allocated 1.91pc of the Gross Domestic Product (GDP) for education. However, to fulfil the international commitment of 4pc of the GDP for the sector, an amount of Rs4,242 billion would be required. The Federal Government also allocated Rs 215 billion, whereas, Punjab allocated Rs. 673 billion, Sindh Rs. 508 billion, KP Rs. 393 billion, Balochistan Rs. 162 billion, AJK Rs. 48 billion and Gilgit-Baltistan Rs. 33 billion. In the allocation of the federal government's Rs215 billion, 46pc was for development and 54pc for current expenditures.

Federal & Provincial Governments	**Allocation for 2023-24 (PKR Billion)**
Federal Government	215
Punjab	673
Sindh	508
Khyber Pakhtunkhwa	393
Balochistan	162
Azad Jammu & Kashmir	48
Gilgit Baltistan	33

(Economic Survey of Pakistan 2023-24)

It may be noted that the country's education sector is neglected in budgetary allocations to meet the challenges that include over 26 million out-of-school children, issue of quality education in public sector schools and poor infrastructure.

A report on the performance of the education sector released by the Pakistan Institute of Education, a subsidiary of the education Ministry, showed a harrowing state of affairs in the sector, particularly the disparity in the availability of essential facilities such as toilets, potable water and boundary walls in different regions of the country.

The Pakistan Education Statistics 2021-22 underscored a lack of funds, poor pupil-teacher ratio, missing basic facilities as well as the out-of-school children. The report covered 313,418 education institutions, catering to 54,870,964 students with the support of 2,139,631 educators. It said that there was a pressing need for strategic planning and sustainable investment in critical sectors, particularly education, to build a resilient and inclusive society. As per the report, Punjab, Islamabad Capital Territory and Khyber Pakhtunkhwa fared comparatively better in terms of educational facilities. An alarming number of schools across Pakistan lacked toilets, potable water among other basic facilities. Balochistan's education sector faced significant challenges. It is further highlighted that only 23 per cent of primary schools in the province had access to potable water. Moreover, Azad Jammu Kashmir had 31pc primary schools with access to drinking water followed by 61pc in Sindh. Similarly, Gilgit-Baltistan's 63pc primary schools had potable water. The situation was not much better in middle schools either only 40pc schools in Balochistan and 52pc in AJK had access to potable water. According to the same report, only 59pc of Sindh's schools, 39pc in Balochistan, 31pc in AJK and 61pc in GB had boundary walls.

Electricity availability also showed significant regional discrepancies. Punjab and ICT had managed to provide electricity to all primary school. Whereas, figures were lower in other provinces and regions: 15pc in Balochistan, 21pc in AJK, 38pc in Sindh and 44pc in Gilgit-Baltistan were powered.

It said 24pc of primary schools across Pakistan did not have toilet facilities, adding 10pc middle and 3pc high schools were also without this basic facility. (News Report Published in Dawn, July 16th, 2024)

Health Sector

The enhancement of public health is essential for building a thriving society and driving economic prosperity. The Government of Pakistan, under Article 38 of the constitution, is committed to providing the necessities of life i.e. to ensure a healthy population. In this regard, life expectancy has increased from 65.7 to 67.3 years from 2015 to 2022 due to a wide range of government initiatives, such as the program for the elimination of Hepatitis, the control of diabetes, and the expanded program on immunization, all of which have proved to be significant contributors to the increase in life expectancy.

Table 11.1: Health Indicators of Pakistan			
	2015	2021	2022
Incidence of Tuberculosis (per 100,000 people)	270	266	258
Life expectancy at birth (years)	65.7	66.1	67.3
Immunization, Measles (% of children ages (12-23) months	75	81	82
Prevalence of HIV, Total (% of population ages 15-49)	0.1	0.2	0.2
Immunization DPT (%age of children under 12-23 months)	72	83	85
Tuberculosis treatment success rate (new cases)	93	94	-
Maternal mortality ratio (per 100,000 births) as per PDSH 2019	187	186(2019)	-
Neonatal Mortality rate (per 1000 live births)	45.2	39.4	-
Mortality rate, Infant (per 1000 live births)	62.2	52.8	-

Source: WDI, Global Health Observatory, UNICEF

Regional comparison in the Asian region, the health landscape remains challenging, although there has been slight improvement in recent years. As of 2021, the average life expectancy of South Asian countries stood at 71.6 years. Currently, health expenditures in South Asia account for 3.1 percent of GDP, with maternal mortality rates in South Asian countries recorded at 138 per 100,000 live births. Moreover, the infant mortality rate in 2021 was 30.8 per 1000 live births, while the mortality rate of children under 5 years stood at 37.1 per 1000. Below are the key health sector indicators of South Asian countries' averages based on recent available data. This data is presented in the following table to compare with the health situation in Pakistan.

Pakistan Economic Survey 2023-24

Table 11.2: Regional Comparison of Health Indicators of South Asia and Pakistan		
Indicators	South Asia	Pakistan
Life expectancy at birth (years)	71.6	67.3
Maternal mortality ratio (per 100,000 births)	138(2020)	186(2019)
Birth rate (Crude) per 1000 people	18.3	27.5
Mortality rate, Infant (per 1000 live births)	30.8	52.8
Prevalence of HIV (total %age of population 15-49 years of age)	0.20	0.2

Source: WDI, Global Health Observatory, UNICEF

Health expenditures

To achieve universal health coverage, it is crucial to allocate a significant percentage of GDP to public sector health expenditures. In Pakistan, health expenditure as a percentage of GDP is currently very low, but there are positive signs that this allocation will increase over time compared to previous years. The table below shows the consolidated funds allocation position of federal and provincial expenditures over the last 7 years, while Figure 11.1 illustrates Pakistan’s total health expenditures.

Table 11.4: Federal and Provincial Health Expenditures Rs million

Years		Current Expenditure	Development Expenditures	Total Expenditures	Percent of GDP
2017-18	Federal	16721	18129	34850	1.1
	Punjab	173992	44906	218898	
	Sindh	77399	6342	83741	
	Khyber Pakhtunkhwa	44587	12909	57496	
	Balochistan	16334	5148	21482	
	Pakistan	329033	87434	416467	
2018-19	Federal	16853	10278	27131	1.0
	Punjab	187943	30982	218925	
	Sindh	91929	6216	98145	
	Khyber Pakhtunkhwa	46995	8675	55670	
	Balochistan	19434	2473	21907	
	Pakistan	363154	58624	421778	
2019-20	Federal	11439	12856	24295	1.1
	Punjab	220854	40403	261257	
	Sindh	115303	3815	119118	
	Khyber Pakhtunkhwa	58289	15132	73421	
	Balochistan	22030	5290	27320	
	Pakistan	427915	77496	505411	
2020-21	Federal	41309	9613	50922	1.0
	Punjab	221469	52705	274174	
	Sindh	150668	4057	154725	
	Khyber Pakhtunkhwa	56179	20778	76957	
	Balochistan	24981	4511	29492	
	Pakistan	494606	91664	586270	
2021-22	Federal	153030	9530	162560	1.4
	Punjab	258860	152367	411227	
	Sindh	177735	10047	187782	
	Khyber Pakhtunkhwa	95302	28865	124167	
	Balochistan	27362	6320	33682	
	Pakistan	712289	207129	919418	
2022-23 (P)	Federal	31397	4495	35892	1.0
	Punjab	303056	147554	450610	
	Sindh	199474	5158	204632	
	Khyber Pakhtunkhwa	111368	10980	122348	
	Balochistan	22012	7685	29697	
	Pakistan	667307	175872	843179	

P: Provisional

Source: PRSP Budgetary Expenditures, Finance Division

Table 11.5: Health Sector Projects in the Federal PSDP for FY2024 Rs million

Sr. No.	Name of Ministry /Organisation	No. of Projects	Total Cost	2023-2024 PSDP Allocation
1	Ministry of National Health Services, Regulation and Coordination	40	148812.76	13100.00
2	Province and Special Areas	9	31723.53	1197.75
3	Defense Division	2	5000.00	728.13
4	Interior Division	1	6479.88	1197.75
5	Pakistan Atomic Energy Commission	6	13670.69	5764.32
6	Narcotics Control Division	1	456.38	124.06
	Total	59	206143.24	25282.17

Source: Ministry of Planning, Development & Special Initiatives. (M/o PD&SI)

Provincial Performance in the Health Sector in FY 2024

Punjab

The Punjab government has undergone a unique budgeting cycle for the FY 2023-24, owing to an interim government setup. Unlike the traditional 12-month budget cycle, a series of four-month budget cycles is implemented. Each of these cycles is independent, just like a completely new fiscal year.

During the first four-month budget period called ADP 2023-24 (July 2023 - October 2023), funds amounting to Rs 14,410 million were allocated to the Primary & Secondary Healthcare Department (P&SHD). Rs 4,952 million were released by the Finance Department, and by the end of October 2023 (the terminal month), funds amounting to Rs 4,327 million were utilized. The 2nd four-month budget, called ADP 2023- 24 (November 2023 – February 2024), funds amounting to Rs 15,060 million have been allocated, and Rs 11,086 million have been released. Out of the released funds, Rs 2,922 million have been utilized until the end of January 2024. The third four-month budget for FY 2024, called ADP 2023-24 (March 2024 – June 2024), is currently under implementation with focus on preventive and curative health facilities. Moreover, to address the population issue, a US $ 100 million loan with the support of the World Bank is utilized.

Sindh

The government of Sindh is spending around Rs 234.286 billion (Development portfolio Rs 19.739 billion and Recurrent portfolio Rs 214.547 billion) during the financial year 2023-24 covering primary, secondary, and tertiary health care services. To ensure a robust monitoring mechanism, strengthening of the monitoring and surveillance system, integrated MIS, and up-gradation of the District Health Information System (Roll out of DHIS-2) has been initiated under the World Bank funded National Health Support Programme with the provision of equipment and material support for data recording & reporting to ensure timely availability of data for evidence-based decision making as to have better health outcomes. Moreover, a tele-heath system was also introduced in the province.

Khyber Pakhtunkhwa

The KP Health Policy has been approved recently by the Government of Khyber Pakhtunkhwa. KP Health Sector Strategic Plan (2019-2025) (KPHSSP) was developed for the implementation of KP Health Policy. The Health Sector Strategic Plan provides a platform for program development and proposes activities to address the issues related to the health status of the population and to improve the health system in Khyber Pakhtunkhwa. The budget allocated to the health sector for FY 2023-24 was Rs 147.9 billion, with Rs 20.3 bn development budget and Rs 127.6 as the current budget. The innovative intervention includes E-transfer, the Medical Teaching Institution (MTI) Act, and the composition of the Policy Board & BOGs of MTIs are being revised, and the establishment of an Independent Monitoring Unit in the Health Department, Financial Management Cell, Procurement Cell, and Internal Audit Cell. The Project "Treatment of Poor Cancer Patients" is being executed at Hayatabad Medical Complex, Peshawar to provide life-saving anti-cancer medicines to cancer patients of Khyber Pakhtunkhwa.

Balochistan

Balochistan government is all set to revamp the health sector on modern lines and provide the latest equipment to the hospitals aimed to ensure the best healthcare facilities for the local people. The Balochistan government appointed 34 doctors and a health sector reform unit was established for governance and institutional reforms, legal framework, and quality assurance in the health sector of Balochistan. A historic milestone for the people of Balochistan this year was that the state Life Insurance Corporation of Pakistan and health care facility were launched by the government. Moreover, the Balochistan Health Care Commission started its operation.

Availability and accessibility of a quality healthcare system is not a privilege rather it is a fundamental right that indicates the progressiveness of a nation. Economic development of any country is intertwined with human capital development that incorporates top-notch healthcare services and nutrition security. In Pakistan, the health budget for the year 2023 holds immense significance as it lays the foundation for addressing the nation's healthcare challenges and driving positive change.

In Pakistan, the provincial and federal budgets 2023, in terms of health to GDP ratio was 1.4 per cent. The Federal Budget 2023 was passed on 9th June and the health sector was allocated PKR 24.25 billion making up 2.8 per cent of the total development budget and 0.05 per cent of GDP. According to Pakistan Medical Association (PMA), the health budget as per the recommendations of World Health Organization needs to be enhanced to 6 per cent of GDP. Unfortunately, seeing the current GDP makes 6 per cent of GDP a far-sighted avenue of growth. The failure of the government to invest in healthcare systems adds pressure to the already underperforming healthcare sector. Moreover, the reliance of people on the private sector will continue to increase. The underprivileged population that is unable to rely on the private sector will be forced at the cusp of vulnerability making the loopholes in healthcare system a grave concern.

The government's Sehat Sahulat Program that was launched in 2019 had three objectives, i.e. foremost financial safety nets against health-related cost, access to healthcare and quality management. As of now, Rs 2298.584 million has been allocated to Sehat Sahulat Program indicating a downward trend in healthcare investment.

A recent report by the IMF clearly mentioned that the country's Public Sector Development Program (PSDP) had become unaffordable due to the already approved project and their high cost. This explains the lack of policy continuity for projects like Sehat Sahulat Programme that demands a high surge in cost for its completion.

Social Protection Remains Top Priority

The largest share of Federal social sector spending in FY2023-24 went to social protection, with Rs. 478.7 billion disbursed. The Benazir Income Support Programme (BISP) received the lion's share—Rs. 471 billion—matching its budget exactly.

Under BISP, the Kafalat unconditional cash transfer program disbursed Rs. 358 billion to beneficiaries across Pakistan, with Punjab receiving the highest share at Rs. 169 billion, followed by Sindh (Rs. 95.7 billion), KP (Rs. 67 billion), and Balochistan (Rs. 17.8 billion).

Other social protection initiatives included the Taleemi Wazaif (Rs. 59.7 billion), Nashonuma Nutrition Program (Rs. 34.6 billion), and scholarships for undergraduates (Rs. 4.1 billion). Relief packages for daily wage workers and Ramzan subsidies were also provided.

Pakistan Bait-ul-Mal (PBM), another vital safety net program, received Rs. 4.2 billion for its poverty alleviation services, with additional Rs. 3.4 billion spent on operational expenses.

A Commitment to Inclusive Growth

The Federal Government's expanded role in social sectors reflects its continued commitment to inclusive development, especially in underserved regions and vulnerable populations. While the 18th Amendment devolved health and education to the provinces, federal spending continues to bridge resource gaps, strengthen national programs, and promote equity. With sustained allocations and rising actual expenditures, Pakistan's social sector investment during FY2023-24 marks a significant step toward achieving long-term human development goals.

Best Practices on Taxation

Most developing countries are increasingly focusing on domestic resource mobilization toward economic development. In this context, tax performance is of crucial importance, especially for a developing country, since it is the prime source for domestic resource mobilization. Many developing countries often face difficulty in augmenting tax revenue to the desired level and considerable attention is being devoted to formulating fiscal policy best suited for increasing revenue.

In this section we will analyze the tax performance of neighboring countries like India and Vietnam, since ground realities in all three countries are almost alike. More interestingly India and Pakistan have come a long way since British left them. Of the two nations India has seen by far most dramatic growth. Pakistan and India are clustered together at numbers 138 and 139 respectively in the UNDP's 174-country ranking of human development, which takes into account such components of well-being as life expectancy, education and gender equality.

In both countries tax revenues are below 15% of GDP and come largely from Indirect taxes like sales tax and customs, which discourages imports. India had a far slower growth rate than Pakistan's from about 1947 to the 1980, has not only improved its performance fundamentally over the last twenty years, but has also grown consistently for the past two decades leaving Pakistan far behind. Even Bangladesh, once considered as a "basket case "by some Pakistani economists and planners, has recently had several years of stable growth despite political uncertainty. With almost similar circumstances, India and Vietnam have achieved reasonable tax–to GDP ratio which in case of Pakistan is non-existent. So a comparative analysis of these countries will be helpful in coming up with analysis which contribute to broadening of our tax-to-GDP ratio.

Two International Best Practices and Key Lessons

India and Vietnam have undertaken transformative tax reforms to drive economic growth, enhance revenue collection, and align with global standards. In India, reforms included rationalizing corporate taxes, introducing levies for digital businesses, and aligning with the OECD's BEPS project. Modernization efforts, such as faceless assessments, data analytics, and digital tools, have improved transparency and efficiency, while initiatives like Vivad se Vishwas and repealing retrospective taxation fostered taxpayer trust, leading to record direct tax collections of over INR 14 trillion in FY 2021-22. The Goods and Services Tax (GST) unified multiple indirect taxes, streamlined compliance, and boosted collections beyond INR 1 trillion monthly. Vietnam's phased reforms focused initially on turnover, profit, and export-import taxes before introducing modern taxes like VAT and corporate income tax, reflecting its market-oriented shift and doubling revenues across phases. Expanding the tax base through personal income tax, natural resources tax, and land tax adjustments, Vietnam balanced urban and rural taxation and introduced an Environment Protection Tax to influence behavior and generate revenue. Both nations have leveraged these reforms to simplify processes, boost revenue, and achieve socio-economic goals, with India focusing on technology-driven modernization and Vietnam emphasizing sustainability and market alignment. Following is the comparative analysis of the tax systems of Pakistan, India and Vietnam in tabular form.

Pakistan Viz-a-Viz India

The Indian economy is the 12th largest in USD exchange rate terms and second fastest growing economy in the world. In terms of purchasing power parity, the Indian economy ranks the fourth largest in the world. India's GDP has touched US$1.25 trillion. The crossing of Indian GDP over a trillion-dollar mark in 2007 puts India in the elite group of 12 countries with trillion-dollar economy. The Central Board of Direct Taxes (CBDT) is a part of the Department of Revenue in the Ministry of Finance, Government of India.

The CBDT provides essential inputs for policy and planning of Direct taxes in India and is also responsible for administration of the direct tax laws through Income Tax Department. The CBDT is a statutory authority functioning under the Central Board of Revenue Act, 1963. The growth of revenue in India is not quite impressive, rising from a meager of 6.7%of GDP in 1950-51 to 10.2% in late 1990s and peak of 12.9% in 2008-09. Important point to note is that tax-to-GDP ratio has started increasing constantly from 2004 and has reached at 12.9% in 2009.while tax-to-GDP ratio in Pakistan has started declining from peak 13.2% in the last decade of millennium and has constantly declined since 2000 to 2009 reaching at 8.9 in 2009. By international standards the average level of taxation in India is below the average of high income developed countries and much lower than the industrial nations but can be compared well with the tax share exhibited by the low income developing countries like Pakistan. In case of India constant increase from 2004 onward reflects partly the increase in the role of the government and increasing revenue potential of the states.

In India, like many developing countries bulk of revenue is being collected from domestic indirect taxes mainly from excise and sales tax. Constitutional arrangements assign exclusive power to states to levy sales tax while the central government has to rely on excises, as consequence excise become major central tax instrument with more extensive tax coverage than other countries including Pakistan. Taken together sales tax &excise account for more than half of the total tax revenue in India. India has seen a rising dependence on foreign trade taxes in short. It is indeed administrative difficulties with direct taxes that lead to the major role for indirect taxes and corporate taxation in developing countries including Pakistan. Aside from the increased governmental efforts, the increase in non-agriculture sector has contributed to rise in tax collection as this sector is easier to tax. Secondly growing share of imports facilitated overall tax ratio as imports provide a significant base for imports duties as well as excise and sales tax.

There has been a steady decline in the share of direct taxes from 21 per cent in 1970-71 to about 14 per cent in 1990-91.

But after the introduction of tax reforms in 1992, as part of the shift in country's tax structure direct taxes paid by individuals and companies continued to account for the majority of tax receipts and revenue from direct taxes has grown faster than revenue from other taxes. So the distinguishing feature of Indian Tax system is that share of direct tax revenues has increased to 56% in 2008-09 because of strong enforcement mechanism.

The second most important feature of the Indian tax system is the contribution of the states in the country's overall ratio. In the Indian federal polity, both central and state governments exercise revenue powers and the latter raise about 37 per cent of total revenues. Tax assignment between different levels of government follows the principle of separation, as these separate taxes levied by the centre (excise duties, income tax, corporate tax), states (sales taxes, state excise duties, taxes on motor vehicles, goods and passengers), and local governments fall on the same tax base. It is baffling that provincial tax receipt in Pakistan is totals to an abysmal 0.7 percent of GDP.

Comparative Analysis

Aspect	Pakistan	India	Vietnam
Tax-to-GDP Ratio	**9-10%** (FBR, 2024). One of the lowest globally, with significant reliance on indirect taxes.	**16-17%** (World Bank, 2023). A robust tax base supported by progressive reforms and GST.	**19-20%** (IMF, 2023). High tax-to-GDP due to an efficient VAT system and streamlined tax policies.
Tax Base	**Narrow**: Only 2% of the population files income tax returns.	**Broader**: 5% of the population files returns, with significant tax base expansion.	**Broader**: Effective documentation of businesses and individuals through digitization initiatives.
Tax Structure	**Complex**: Overlapping federal-provincial taxes and frequent changes deter compliance.	**Simplified**: GST unifies indirect taxes, and Income Tax laws are consistent across states.	**Simplified**: Centralized VAT and corporate tax structures encourage compliance and investment.

Informal Economy	**35% of GDP**: Cash-based economy and undocumented sectors evade taxes.	**20-25% of GDP**: Substantial formalization efforts have reduced the informal economy.	**15% of GDP**: Rapid formalization through digital payment systems and tax incentives.
Technology and IT	**Outdated**: Limited use of AI and integration with databases (e.g., NADRA, SECP).	**Advanced**: GST Network (GSTN) integrates real-time transactions for compliance.	**Advanced**: E-tax portals and e-invoicing systems are fully operational.
Enforcement Capacity	**Weak**: Only 18,000 staff; low audit coverage and litigation backlog of PKR 4,357 billion.	**Stronger**: Better trained workforce and integration of tax offices with digital systems.	**Strong**: Risk-based audits and proactive enforcement using AI and data analytics.
Cost of Collection (CoC)	**0.43%** of revenue, insufficient for effective enforcement and technology upgrades.	**0.7-1%**: Higher CoC allows investment in enforcement and IT infrastructure.	**1.2%**: Higher CoC ensures robust enforcement and technological advancements.
Exemptions	Extensive: Widespread exemptions in agriculture, real estate, and economic zones.	Limited: Focused exemptions for priority sectors (e.g., renewable energy).	Limited: Rationalized exemptions targeting socio-economic development.

Key Lessons

1. **Expand the Tax Base**: Pakistan must formalize its informal economy and enforce mandatory registration of businesses and individuals. Lessons from Vietnam's digitization and India's tax registration campaigns can guide these efforts.
2. **Simplify Tax Structure**: Align federal and provincial tax systems, adopting a unified framework like India's Goods and Services Tax (GST) to reduce compliance costs and complexity.
3. **Leverage Technology**: Upgrade Pakistan's tax systems by adopting e-invoicing, AI-driven audits, and real-time data integration, modeled on Vietnam's and India's technological advancements.
4. **Increase Cost of Collection (CoC)**: Raising CoC to **1%** of revenue will enable better IT investments, training, and enforcement.
5. **Rationalize Tax Exemptions**: Limit exemptions to essential socio-economic sectors, as seen in India and Vietnam, to reduce revenue leakage.

Institutional Landscape

The institutional landscape in Pakistan, as it pertains to tax evasion, the informal economy, fiscal constraints, and social spending, is characterized by a complex interplay of federal and provincial entities, regulatory bodies, and informal networks. This section outlines the key institutions involved, their roles, mandates, and the structural fault lines that hinder effective policy implementation, contributing to persistent fiscal challenges and limited social spending as of May 17, 2025.

Federal Board of Revenue (FBR)

The Federal Board of Revenue (FBR) is Pakistan's primary tax administration authority, responsible for collecting direct and indirect taxes, including income tax, sales tax, and customs duties. Established in 2001 as a successor to the Central Board of Revenue, the FBR operates under the Ministry of Finance and is tasked with achieving revenue targets, enforcing tax compliance, and combating tax evasion. In FY2024-25, the FBR aimed to collect PKR 12.97 trillion, approximately 10% of GDP, but its performance has consistently fallen short due to structural inefficiencies (World Bank, 2025).

Key Challenges:

- **Weak Enforcement**: With only 2.5 million registered taxpayers out of a 240 million populations, the FBR struggles to broaden the tax base, particularly in the informal sector (Express Tribune, 2024). Audit rates are low, with less than 1% of returns scrutinized annually, enabling widespread tax evasion.
- **Corruption**: Reports of bribery and collusion between FBR officials and taxpayers undermine enforcement. The 2010 tax refund scam highlighted systemic issues, eroding public trust (Express Tribune, 2010).
- **Capacity Constraints**: Understaffing (approximately 21,000 employees for a complex tax system) and outdated technology limit the FBR's ability to monitor transactions or detect evasion (PIDE, 2023).
- **Policy Implementation Gaps**: Recent reforms, such as Budget 2025's removal of withholding taxes, have been poorly executed due to lack of awareness campaigns and coordination with taxpayers.

Ministry of Finance

The Ministry of Finance oversees fiscal policy, budget allocation, and economic planning, playing a central role in addressing fiscal constraints and funding social spending. It coordinates with the FBR to set revenue targets and negotiates with international lenders like the IMF to secure fiscal support.

The Ministry is responsible for allocating funds to social sectors, with education and healthcare receiving 2.3% and 1.1% of GDP, respectively, in FY2024-25 (World Bank, 2025).

Key Challenges:

- **Fiscal Deficit Management**: A persistent fiscal deficit (6.7% of GDP in FY2025) and high debt servicing (40% of the budget) limit resources for social spending (World Bank, 2025).
- **Policy Misalignment**: The Ministry's reliance on indirect taxes (60% of revenue) and exemptions for agriculture and real estate creates inequities and fuels evasion (LUMS MHRC, 2023).
- **Coordination Failures**: Overlapping mandates with provincial finance departments and the FBR lead to inconsistent policy implementation, particularly in tax collection and expenditure allocation.

Provincial Revenue Authorities

Following the 18th Amendment in 2010, provinces gained authority over certain taxes, including agricultural income tax and sales tax on services. Provincial revenue authorities, such as the Punjab Revenue Authority and Sindh Revenue Board, collect these taxes to fund local services, including education and healthcare.

Key Challenges:

- **Weak Capacity**: Provinces lack the expertise and infrastructure to enforce taxes effectively, with agricultural income tax collection negligible due to resistance from feudal landowners (LUMS MHRC, 2023).
- **Intergovernmental Tensions**: Disputes over revenue-sharing under the National Finance Commission (NFC) Award hamper coordination, with provinces often prioritizing local interests over national fiscal goals.
- **Informal Economy Oversight**: Provinces struggle to regulate informal economic activities, such as small retail and informal labor, which dominate rural economies (PIDE, 2023).

State Bank of Pakistan (SBP)

The State Bank of Pakistan regulates monetary policy and supports fiscal stability by managing inflation (6.0% in FY2025) and foreign exchange reserves. It indirectly influences the informal economy by overseeing financial transactions and anti-money laundering measures, which can detect tax evasion.

Key Challenges:

- **Limited Reach**: The SBP's financial inclusion initiatives, such as digital banking, cover only 30% of the population, leaving cash-based informal transactions largely unregulated (World Bank, 2025).
- **Policy Constraints**: Monetary tightening to control inflation increases borrowing costs, pushing small businesses into the informal sector to evade taxes.

Anti-Corruption and Judicial Institutions

The National Accountability Bureau (NAB) and judiciary play roles in addressing tax evasion and corruption within tax administration. The NAB investigates financial crimes, while courts adjudicate tax evasion cases.

Key Challenges:

- **Judicial Delays**: Tax evasion cases often face years-long delays, reducing deterrence (PIDE, 2023).
- **NAB's Limited Scope**: The NAB focuses on high-profile corruption but lacks resources to tackle systemic tax evasion in the informal economy.
- **Corruption**: Allegations of judicial and NAB complicity with influential taxpayers undermine accountability.

Institutional Fault Lines

Pakistan's institutional landscape is marked by structural weaknesses that exacerbate policy implementation gaps:

- **Corruption and Lack of Accountability**: Transparency International's 2024 Corruption Perceptions Index ranks Pakistan 133 out of 180, with tax administration cited as a key area of concern.
- **Fragmented Governance**: Overlapping federal and provincial mandates, post-18th Amendment, create confusion and inefficiencies in tax collection and enforcement.
- **Capacity Gaps**: Understaffed and undertrained institutions, like the FBR and provincial authorities, struggle with modern tax administration needs, such as digital tracking.
- **Elite Capture**: Powerful groups, including landowners and industrialists, secure tax exemptions, narrowing the tax base and fueling evasion (LUMS MHRC, 2023).
- **Low Public Trust**: Only 40% of Pakistanis trust government institutions to use tax revenue effectively, reducing compliance (PIDE, 2023).

Stakeholders Analysis

This section identifies key stakeholders involved in or affected by tax evasion, the informal economy, fiscal constraints, and social spending in Pakistan. It analyzes their roles, interests, influence, and potential contributions to addressing policy implementation gaps, using a stakeholder mapping approach.

Government Institutions

- **Federal Board of Revenue (FBR)**:
  - **Role**: Collects taxes, enforces compliance, and combats evasion.
  - **Interest**: Achieving revenue targets, improving efficiency, and gaining public trust.
  - **Influence**: High, as the primary tax authority, but limited by corruption and capacity issues.
  - **Contribution**: Can lead digitization efforts (e.g., Track and Trace system) and anti-evasion campaigns.
- **Ministry of Finance**:
  - **Role**: Designs fiscal policy and allocates budgets for social spending.
  - **Interest**: Fiscal stability, IMF compliance, and equitable taxation.
  - **Influence**: High, with authority over budget and policy, but constrained by political pressures.
  - **Contribution**: Can prioritize social spending and advocate for tax base expansion.
- **Provincial Revenue Authorities**:
  - **Role**: Collect provincial taxes and fund local services.
  - **Interest**: Increased revenue and autonomy in resource allocation.
  - **Influence**: Moderate, limited by capacity and political resistance.
  - **Contribution**: Can enforce agricultural income tax and regulate informal sectors locally.

Private Sector

- **Formal Businesses**:
  - **Role**: Pay taxes and compete with informal enterprises.
  - **Interest**: Fair tax policies and a level playing field.
  - **Influence**: Moderate, through chambers of commerce and lobbying.
  - **Contribution**: Can support digitization and compliance initiatives, advocating for simplified tax laws.

- **Informal Sector Operators**:
  - **Role**: Engage in unregistered activities, contributing to the informal economy (30–40% of GDP).
  - **Interest**: Low compliance costs and economic survival.
  - **Influence**: Low individually, but significant collectively due to scale (e.g., 2.4 million in Balochistan).
  - **Contribution**: Can transition to formal economy with incentives like low-cost registration.

Civil Society and Citizens

- **Taxpayers (Salaried and Self-Employed)**:
  - **Role**: Contribute to tax revenue, with only 1% filing returns.
  - **Interest**: Fair taxation and quality public services.
  - **Influence**: Low individually, but high through collective action (e.g., protests).
  - **Contribution**: Can increase compliance with transparent governance and simplified processes.
- **Non-Governmental Organizations (NGOs)**:
  - **Role**: Advocate for equitable policies and social spending.
  - **Interest**: Poverty reduction and improved public services.
  - **Influence**: Moderate, through policy advocacy and public campaigns.
  - **Contribution**: Can monitor tax revenue use and promote tax awareness.
- **Media**:
  - **Role**: Shapes public opinion on tax policies and governance.
  - **Interest**: Transparency and accountability in fiscal management.
  - **Influence**: High, through investigative reporting and public discourse.
  - **Contribution**: Can expose tax evasion and institutional failures, pressuring reforms.

International Actors

- **International Monetary Fund (IMF) and World Bank**:
  - **Role**: Provide financial support and policy guidance.
  - **Interest**: Fiscal sustainability and structural reforms in Pakistan.
  - **Influence**: High, through loan conditions (e.g., 2019 EFF targeting 15% tax-to-GDP ratio).
  - **Contribution**: Can fund capacity-building for FBR and support social spending programs.

- **Donor Agencies (e.g., ADB, USAID)**:
  - **Role**: Fund development projects, including tax administration reforms.
  - **Interest**: Economic stability and poverty alleviation.
  - **Influence**: Moderate, through targeted funding.
  - **Contribution**: Can support digitization and institutional strengthening.

Political and Elite Groups

- **Political Parties**:
  - **Role**: Shape tax policy and budget priorities through legislation.
  - **Interest**: Political support and economic stability.
  - **Influence**: High, but often prioritize short-term gains over reforms.
  - **Contribution**: Can legislate progressive tax policies and anti-evasion measures.
- **Feudal Landowners and Industrialists**:
  - **Role**: Benefit from tax exemptions and influence policy.
  - **Interest**: Maintaining low tax liabilities and economic power.
  - **Influence**: High, through lobbying and political connections.
  - **Contribution**: Resistance to reforms; potential to comply if incentives align.

Stakeholder Mapping

Stakeholder	Interest	Influence	Role in Solution
FBR	Revenue targets, efficiency	High	Lead enforcement and digitization
Ministry of Finance	Fiscal stability	High	Prioritize social spending
Informal Sector	Economic survival	Low (collective high)	Transition to formal economy
Taxpayers	Fair taxes, services	Low (collective high)	Increase compliance
IMF/World Bank	Fiscal reforms	High	Fund capacity-building
Landowners	Low taxes	High	Resist or comply with reforms

Analysis of Stakeholder Dynamics

- **Power Dynamics**: The FBR and Ministry of Finance hold significant authority but face resistance from feudal elites and informal sector operators, who benefit from the status quo. Political parties, influenced by elites, often prioritize short-term populist measures over long-term reforms.
- **Conflict Areas**: Tensions exist between federal and provincial authorities over revenue-sharing, and between formal businesses and informal operators over unfair competition. Public distrust in institutions fuels tax evasion.
- **Collaboration Opportunities**: NGOs and media can partner with the FBR to raise tax awareness. International donors can support FBR digitization and provincial capacity-building, aligning with IMF goals.

Pakistan's institutional landscape is marked by fragmented governance, capacity constraints, and corruption, which exacerbate policy implementation gaps in addressing tax evasion and the informal economy. Stakeholders, from government bodies to informal workers, have diverse interests and varying influence, necessitating a coordinated approach. Strengthening institutions like the FBR, aligning federal-provincial mandates, and engaging stakeholders through incentives and transparency are critical to enhancing fiscal space and social spending.

Institutional Landscape

Tax Evasion at Federal, Provincial, and Local Levels of Governance

Tax evasion, the deliberate act of avoiding tax obligations, is a pervasive issue in Pakistan, undermining fiscal capacity and restricting social spending critical for addressing poverty, education, and healthcare. With a tax-to-GDP ratio of approximately 10%, one of the lowest in the Asia Pacific region, Pakistan loses over $1 billion annually to tax evasion, exacerbating fiscal constraints (PIDE, 2023). This section examines tax evasion across federal, provincial, and local levels of governance, analyzing its forms, drivers, institutional fault lines, and impacts on fiscal space and social spending as of May 17, 2025. Drawing on secondary sources, including academic studies, news reports, and institutional data, it highlights policy implementation gaps and proposes pathways for reform.

Federal Level: Tax Evasion and Institutional Challenges

At the federal level, the Federal Board of Revenue (FBR) is the primary authority responsible for collecting direct taxes (income tax, corporate tax) and indirect taxes (sales tax, customs duties). Tax evasion at this level is

widespread, with only 2.5 million registered taxpayers out of a 240 million populations, and less than 1% of the workforce filing income tax returns.
The informal economy, estimated at 30–40% of GDP, significantly contributes to evasion by operating outside FBR oversight.

Forms of Tax Evasion

- **Underreporting Income**: Businesses and individuals, particularly in retail, real estate, and professional services, underreport earnings to minimize income tax liability. For example, small retailers often use cash transactions to evade sales tax, costing an estimated PKR 300 billion annually (PIDE, 2023).
- **Non-Filing of Returns**: Over 70% of potential taxpayers, including high-income professionals like doctors and lawyers, fail to file returns, exploiting weak FBR enforcement (World Bank, 2025).
- **Tax Fraud and Refund Scams**: Fraudulent claims for input tax credits and refunds, as seen in the 2010 FBR scam, divert significant revenue, with losses estimated at PKR 50 billion in that case alone (Express Tribune, 2010).
- **Exploitation of Exemptions**: Sectors like real estate benefit from tax breaks, with underreported property valuations reducing capital gains tax. The FBR's failure to standardize valuations enables evasion (LUMS MHRC, 2023).

Drivers of Tax Evasion

- **High Tax Rates**: Individual income tax rates up to 35% and corporate rates at 29% incentivize evasion, particularly among small businesses facing thin profit margins (World Bank, 2025).
- **Weak Enforcement**: The FBR conducts audits on less than 1% of returns due to understaffing (21,000 employees) and outdated technology, allowing evasion to go unchecked (PIDE, 2023).
- **Corruption**: Collusion between FBR officials and taxpayers, including bribes to avoid audits, undermines enforcement. Transparency International (2024) ranks Pakistan 133 out of 180 on the Corruption Perceptions Index, with tax administration a key concern.
- **Low Public Trust**: Only 40% of Pakistanis believe tax revenue is used effectively, reducing compliance. Perceptions of elite capture, such as exemptions for industrialists, further erode trust (PIDE, 2023).

Institutional Fault Lines

- **Capacity Constraints**: The FBR lacks resources for comprehensive audits or digital tracking, with the Track and Trace system covering only 10% of taxable transactions
- **Policy Implementation Gaps**: Reforms like Budget 2025's withholding tax removal aimed to simplify compliance, but poor awareness and coordination with taxpayers limited impact.

- **Judicial Delays**: Tax evasion cases face delays of 3–5 years in courts, reducing deterrence. For instance, only 5% of evasion cases result in convictions.

Impact on Federal Fiscal Space and Social Spending

Federal tax evasion contributes to a fiscal deficit of 6.7% of GDP in FY2025, with debt servicing consuming 58% of the budget (World Bank, 2025). This crowds out social spending, with education and healthcare allocated only 1.8% and 1.1% of GDP, respectively. The resulting underfunding leaves 20 million people without clean water and 44 million children out of school, exacerbating poverty (World Bank, 2025).

Provincial Level: Tax Evasion and Governance Challenges

Following the 18th Amendment in 2010, provinces gained authority over taxes like agricultural income tax, sales tax on services, and property tax, managed by entities such as the Punjab Revenue Authority and Sindh Revenue Board. However, provincial tax collection remains negligible, contributing less than 10% of total tax revenue, with evasion rampant due to weak enforcement and political resistance (LUMS MHRC, 2023).

Provincial Level Forms of Tax Evasion

- **Agricultural Income Tax Evasion**: Agriculture, contributing 22% to GDP, is minimally taxed due to exemptions and underreporting. Only 0.1% of agricultural income is taxed, with feudal landowners exploiting loopholes (LUMS MHRC, 2023).
- **Sales Tax on Services**: Service sectors, including hospitality and consulting, underreport transactions to evade sales tax. For example, Sindh collects only 60% of potential service tax due to cash-based transactions (PIDE, 2023).
- **Property Tax Evasion**: Urban property taxes are evaded through undervaluation, with local elites colluding with assessors to report lower values, costing provinces PKR 100 billion annually (World Bank, 2025).

Provincial Level Drivers of Tax Evasion

- **Political Resistance**: Powerful landowners and urban elites lobby against agricultural and property taxes, leveraging political influence to maintain exemptions (LUMS MHRC, 2023).
- **Weak Capacity**: Provincial revenue authorities lack trained staff and digital systems, with Punjab's authority employing only 1,500 staff for a 120 million populations (PIDE, 2023).
- **Cultural Norms**: In rural areas, tax payment is viewed as unnecessary, with barter trade and informal labor dominating economic activity.

- **Coordination Failures**: Lack of data-sharing between FBR and provincial authorities hinders tracking of taxable entities, enabling evasion (World Bank, 2025).

Provincial Level Institutional Fault Lines

- **Fragmented Governance**: The 18th Amendment created overlapping mandates, with provinces and the FBR disputing tax jurisdictions, leading to enforcement gaps (LUMS MHRC, 2023).
- **Corruption**: Provincial tax officials are susceptible to bribes, particularly in property tax assessments, undermining revenue collection (Transparency International, 2024).
- **Policy Gaps**: Provinces lack standardized tax policies, with varying rates and exemptions across regions, complicating compliance and enforcement.

Impact on Provincial Fiscal Space and Social Spending

Provincial tax evasion limits resources for devolved sectors like education and healthcare, which rely heavily on provincial budgets. For instance, Punjab's education budget, at 15% of provincial expenditure, is insufficient to address 10 million out-of-school children (World Bank, 2025). Low revenue collection forces provinces to depend on federal transfers via the National Finance Commission (NFC) Award, straining national fiscal space.

Local Level: Tax Evasion and Administrative Weaknesses

Local governments, including municipal corporations and district councils, collect taxes such as property tax, professional tax, and local fees, but their contribution to revenue is minimal, less than 2% of total tax collection (World Bank, 2025). Tax evasion at this level is driven by weak administrative capacity and informal economic dominance, particularly in rural and peri-urban areas.

Local Level Forms of Tax Evasion

- **Property Tax Evasion**: Small property owners and businesses underreport property values or fail to register, with only 30% of taxable properties in Karachi assessed (PIDE, 2023).
- **Professional Tax Evasion**: Small-scale professionals, such as shopkeepers and artisans, evade local taxes by operating informally, contributing to the 30–40% informal economy.
- **Non-Payment of Fees**: Local fees for services like waste management are often unpaid, with compliance rates below 20% in rural districts (World Bank, 2025).

Local Level Drivers of Tax Evasion

- **Administrative Weakness**: Local governments lack trained staff and digital tools, relying on manual records prone to manipulation (PIDE, 2023).
- **Informal Economy Dominance**: There is a predominant informal economy operated at local levels, such as 2.4 million people rely on informal livelihoods through smuggled activities in border towns of Balochistan, moreover, cash-based transactions provide enough support to evade local taxes (VOA News, 2024).
- **Low Awareness**: Citizens, particularly in rural areas with a 59% literacy rate, are unaware of tax obligations or perceive no direct benefits (World Bank, 2025).
- **Corruption**: Local officials often accept bribes to waive taxes or fees, especially in property assessments (Transparency International, 2024).

Local Level Institutional Fault Lines

- **Capacity Gaps**: Local governments have limited resources, with budgets often below PKR 1 billion for districts serving millions (PIDE, 2023).
- **Lack of Autonomy**: Dependence on provincial transfers reduces local governments' incentive to enforce taxes, perpetuating evasion.
- **Policy Gaps**: Inconsistent local tax policies, varying by district, create confusion and opportunities for evasion.

Local Level Impact on Fiscal Space and Social Spending

Local tax evasion restricts funding for community services like water supply and sanitation, with 20 million people lacking clean water (World Bank, 2025). Underfunded local governments struggle to maintain infrastructure, exacerbating urban-rural disparities and limiting social development outcomes.

Comparative Analysis Across Federal, Provincial and Local Levels of Governance

- **Scale and Impact**: Federal evasion has the largest fiscal impact, costing $1 billion annually, due to the FBR's broad mandate. After 18th amendment, provinces are responsible for collection of sales tax on service, keeping in view, Pakistan's economy, wherein services sector is contributing 57.7% to the national GDP, this becomes imperative, to improve provincial taxation system. Whereas, provincial and local evasion may be smaller in absolute terms, however it significantly affects devolved sectors like education and healthcare.
- **Common Drivers**: Corruption, weak enforcement, and low public trust permeate all levels, with the informal economy enabling evasion across jurisdictions.

- **Unique Challenges**: Federal evasion is driven by complex tax systems and elite capture, provincial evasion by political resistance, and local evasion by administrative weaknesses and low awareness.
- **Policy Gaps**: Federal reforms lack implementation rigor, provincial policies face elite resistance, and local policies are inconsistent and under-resourced.

Impacts on Fiscal Constraints and Social Spending at All Levels

Tax evasion across governance levels perpetuates a vicious cycle of fiscal constraints and underfunded social spending:

- **Fiscal Deficit**: Combined evasion losses contribute to a 6.7% fiscal deficit, limiting government borrowing capacity (World Bank, 2025).
- **Crowding Out Social Spending**: Debt servicing (40% of budget) and low revenue reduce allocations for education (2.3% of GDP) and healthcare (1.1% of GDP), compared to regional averages of 4% and 3% (World Bank, 2025).
- **Socioeconomic Consequences**: Underfunding results in 44 million out-of-school children, 40% child stunting, and 20 million without clean water, deepening poverty and inequality (World Bank, 2025).
- **Informal Economy Feedback Loop**: Evasion fuels the informal economy, which further reduces the tax base, perpetuating fiscal constraints.

Policy Implementation Gaps and Institutional Fault Lines at All Levels

- **Federal Level**: The FBR's failure to implement digital tracking systems fully, despite Budget 2025 mandates, reflects resource and coordination gaps. Corruption and judicial delays further weaken enforcement.
- **Provincial Level**: Resistance from elites and lack of provincial FBR coordination hinder agricultural tax enforcement, with policy gaps in standardizing tax rates.
- **Local Level**: Inconsistent policies and reliance on manual processes limit tax collection, with corruption undermining local governance.

Pathways for Reform

- **Federal**: Strengthen FBR capacity through digitization (e.g., expand Track and Trace), increase audit rates to 5%, and expedite judicial processes for evasion cases.
- **Provincial**: Standardize agricultural income tax rates, train revenue staff, and integrate data with FBR to track taxable entities.
- **Local**: Digitize property tax assessments, launch awareness campaigns, and provide incentives for compliance, such as service discounts.
- **Cross-Level**: Enhance federal-provincial-local coordination via a unified tax database and joint anti-evasion task force.

Tax evasion at federal, provincial, and local levels in Pakistan is a multifaceted challenge driven by institutional weaknesses, policy gaps, and socioeconomic factors. Its impact on fiscal space restricts social spending, perpetuating poverty and underdevelopment. Addressing evasion requires targeted reforms to strengthen enforcement, close policy loopholes, and build public trust, ensuring equitable revenue mobilization for social investments.

Ballooning Debt Servicing in Pakistan

Pakistan's escalating public debt is a critical factor exacerbating fiscal constraints, limiting social spending, and amplifying the challenges posed by tax evasion and the informal economy. As of May 17, 2025, Pakistan's total public debt stands at approximately PKR 81 trillion (USD 290 billion), equivalent to 81.2% of GDP, with external debt accounting for USD 130.7 billion (World Bank, 2025). This ballooning debt, driven by persistent fiscal deficits, low revenue mobilization, and reliance on external borrowing, crowds out resources for social sectors like education and healthcare, which receive only 2.3% and 1.1% of GDP, respectively (World Bank, 2025). Tax evasion, costing over USD 1 billion annually, and the informal economy, encompassing 30–40% of GDP, further erode the tax base, perpetuating a cycle of borrowing and fiscal strain (PIDE, 2023). This section examines the causes, dynamics, and consequences of Pakistan's debt crisis, highlighting policy implementation gaps and institutional fault lines, and their interplay with tax evasion, the informal economy, and social spending.

Causes of Ballooning Debt

Pakistan's debt accumulation is rooted in structural economic weaknesses, policy missteps, and institutional inefficiencies, compounded by external pressures and domestic governance challenges.

Persistent Fiscal Deficits

Pakistan has maintained fiscal deficits averaging 6–8% of GDP over the past four decades, with FY2025 recording a deficit of 6.7% (World Bank, 2025). Low revenue collection, driven by a tax-to-GDP ratio of 10%—compared to the Asia Pacific average of 19.3%—forces the government to borrow to finance expenditures (LUMS MHRC, 2023). Tax evasion, with only 2.5 million registered taxpayers out of a 240 million populations, and the informal economy's dominance reduce revenue potential, necessitating domestic and external borrowing (Express Tribune, 2024).

Low Revenue Mobilization

The Federal Board of Revenue (FBR) struggles to meet revenue targets, collecting PKR 12.97 trillion in FY2024-25, short of the IMF-mandated PKR 13.3 trillion. Overreliance on indirect taxes (60% of revenue) and exemptions for agriculture (22% of GDP) and real estate narrow the tax base (LUMS MHRC, 2023). Policy implementation gaps, such as the incomplete rollout of the FBR's Track and Trace system, limit efforts to curb evasion, forcing reliance on loans to bridge fiscal gaps.

High Debt Servicing Costs

Debt servicing consumes 40% of the federal budget, approximately PKR 7.3 trillion in FY2025, driven by high interest rates and short-term domestic borrowing (World Bank, 2025). External debt repayments, particularly to China (USD 26 billion outstanding) and multilateral lenders like the IMF, strain foreign exchange reserves, which stood at USD 10.7 billion in April 2025 (State Bank of Pakistan, 2025). These costs divert resources from social spending, exacerbating poverty and inequality.

External Shocks and Borrowing

Global commodity price spikes, such as oil and food in 2022–23, and climate-related disasters like the 2022 floods (USD 30 billion in damages) increased borrowing needs (World Bank, 2025). Pakistan's reliance on IMF programs, including the 2019 Extended Fund Facility and 2024 USD 7 billion loan, reflects external pressures to stabilize the economy, but strict conditions, like tax hikes, often fuel evasion and informality (IMF, 2024).

Institutional Fault Lines

Corruption and inefficiencies within the FBR and Ministry of Finance undermine revenue collection, with Transparency International (2024) ranking Pakistan 133 out of 180 on the Corruption Perceptions Index. Political interference and elite capture, such as tax exemptions for influential landowners, perpetuate low revenue, driving debt accumulation (LUMS MHRC, 2023).

Dynamics of Debt Accumulation

Pakistan's debt crisis is characterized by a vicious cycle where tax evasion and the informal economy reduce revenue, necessitating borrowing, which increases debt servicing costs and further constrains fiscal space.

Tax Evasion and Revenue Shortfalls

Tax evasion, particularly through underreporting income and non-filing of returns, costs Pakistan USD 1 billion annually (PIDE, 2023). The informal economy, including unregistered businesses and cash-based transactions, evades FBR oversight, with only 30% of taxable transactions captured.

This revenue shortfall forces the government to borrow domestically (PKR 54 trillion) and externally (USD 130.7 billion), increasing debt stock (World Bank, 2025).

Informal Economy and Debt Feedback Loop

The informal economy, estimated at 30–40% of GDP, employs 70% of the workforce, particularly in retail, agriculture, and services. Its tax-exempt status reduces fiscal capacity, compelling borrowing to fund public expenditure. High borrowing costs, with domestic interest rates at 15% in FY2025, further entrench the informal economy, as businesses avoid formalization to evade taxes (State Bank of Pakistan, 2025).

Policy Implementation Gaps

Recent reforms, such as Budget 2025's withholding tax removal and income tax cuts, aimed to broaden the tax base but faced implementation challenges due to poor FBR coordination and taxpayer awareness. The FBR's digital initiatives, like the Track and Trace system, cover only 10% of taxable entities, limiting their impact on evasion and revenue (PIDE, 2023). These gaps perpetuate reliance on borrowing, inflating debt.

External Debt and Currency Pressures

External debt, dominated by loans from China, Saudi Arabia, and multilateral institutions, creates repayment pressures, with USD 28 billion due by 2026 (World Bank, 2025). Currency depreciation (PKR 280 to USD in 2025) increases debt servicing costs, reducing fiscal space for social programs. The informal economy's reliance on cash transactions exacerbates foreign exchange shortages, as unreported earnings bypass banking systems (State Bank of Pakistan, 2025).

Consequences of Ballooning Debt

The escalating debt burden has profound implications for fiscal constraints, social spending, and socioeconomic outcomes, amplifying the challenges of tax evasion and the informal economy.

Fiscal Constraints

High debt servicing (40% of the budget) limits discretionary spending, with the fiscal deficit projected at 6.7% of GDP in FY2025 (World Bank, 2025). Revenue shortfalls from evasion and informality force reliance on short-term, high-cost domestic borrowing, with domestic debt interest payments at PKR 5 trillion annually (State Bank of Pakistan, 2025). This restricts fiscal flexibility, hindering investments in infrastructure and social services.

Impact on Social Spending

Social spending remains critically underfunded, with education (2.3% of GDP) and healthcare (1.1% of GDP) far below regional averages of 4% and 3% (World Bank, 2025).

The debt burden diverts resources, leaving 44 million children out of school, 40% of children under five stunted, and 20 million people without clean water (World Bank, 2025). Provinces, reliant on federal transfers via the National Finance Commission (NFC) Award, face budget cuts, further limiting local social programs.

Socioeconomic Impacts

The debt crisis exacerbates poverty (24% below the poverty line) and inequality, as regressive indirect taxes (60% of revenue) burden low-income households (LUMS MHRC, 2023). Reduced social spending perpetuates low human development, with Pakistan ranking 161 out of 191 on the Human Development Index (UNDP, 2024). The informal economy, while providing livelihoods for 2.4 million in regions like Balochistan, creates unfair competition for formal businesses, stifling economic growth (VOA News, 2024).

Institutional and Governance Challenges

Debt reliance highlights institutional fault lines, such as FBR corruption and Ministry of Finance inefficiencies in budget planning. Political pressures to maintain exemptions for elites, like agricultural landowners, undermine debt reduction efforts (LUMS MHRC, 2023). Low public trust, with only 40% of Pakistanis believing tax revenue is used effectively, fuels tax evasion, perpetuating the debt cycle (PIDE, 2023).

Policy Implementation Gaps and Institutional Fault Lines

Federal Level Gaps

- **FBR Inefficiencies**: The FBR's failure to expand the tax base, with only 1% of the population filing returns, reflects poor policy execution. Digital tools like Track and Trace are underutilized due to resource constraints and resistance from informal sectors.
- **Corruption**: Collusion between FBR officials and taxpayers, as seen in past refund scams, diverts revenue, necessitating borrowing (Express Tribune, 2010).
- **Coordination Failures**: Lack of alignment between the Ministry of Finance and FBR on revenue targets leads to unrealistic budgets, increasing deficit financing.

Provincial and Local Gaps

- **Weak Provincial Enforcement**: Provincial revenue authorities, tasked with agricultural and property taxes, collect less than 10% of potential revenue due to capacity gaps and elite resistance (LUMS MHRC, 2023). This forces reliance on federal loans, increasing debt.
- **Local Administrative Weaknesses**: Local governments' manual tax collection systems enable evasion, limiting resources and necessitating provincial borrowing (PIDE, 2023).

Institutional Fault Lines

- **Fragmented Governance**: Post-18th Amendment, overlapping federal-provincial mandates create confusion, with disputes over NFC transfers exacerbating fiscal strain (World Bank, 2025).
- **Elite Capture**: Exemptions for agriculture and real estate, driven by political lobbying, narrow the tax base, increasing borrowing needs (LUMS MHRC, 2023).
- **Judicial Delays**: Slow adjudication of tax evasion and debt-related cases reduces deterrence, perpetuating revenue losses (PIDE, 2023).

Interplay with Tax Evasion and Informal Economy

Tax evasion and the informal economy are both causes and consequences of ballooning debt:

- **Revenue Losses**: Evasion and informality reduce the tax base, forcing borrowing to cover deficits. For example, agricultural tax evasion costs PKR 100 billion annually, directly contributing to debt (LUMS MHRC, 2023).
- **Debt-Driven Informality**: High debt servicing costs lead to tax hikes, pushing businesses into the informal economy to avoid compliance costs, as seen with small retailers evading sales tax (PIDE, 2023).
- **Fiscal Feedback Loop**: Borrowing to fund deficits increases interest rates, squeezing formal businesses and encouraging informality, which further reduces revenue and necessitates more borrowing.

Impacts on Social Spending

The debt burden directly undermines social spending, with cascading effects on human development:

- **Education**: Underfunding (2.3% of GDP) results in 44 million out-of-school children, with rural areas worst affected due to provincial budget constraints (World Bank, 2025).
- **Healthcare**: Low allocation (1.1% of GDP) contributes to 40% child stunting and inadequate facilities, with only 0.8 doctors per 1,000 people (World Bank, 2025).
- **Poverty Alleviation**: Limited social safety nets, like the Benazir Income Support Programme, cover only 9 million households, leaving 24% of the population below the poverty line (World Bank, 2025).

Pathways for Reform

- **Enhance Revenue Mobilization**: Expand the tax base by taxing agriculture and real estate, targeting 15% tax-to-GDP by 2030, as per IMF goals (IMF, 2024). Fully implement FBR's Track and Trace system to capture 50% of taxable transactions.
- **Strengthen FBR Capacity**: Increase staffing to 30,000 and invest in digital tools to improve audit rates to 5% (PIDE, 2023).

- **Reduce Debt Servicing Costs**: Negotiate debt restructuring with creditors like China and extend IMF loan terms to lower annual repayments.
- **Formalize Informal Economy**: Offer low-cost registration and tax amnesty for small businesses, targeting 1 million new taxpayers by 2027 (LUMS MHRC, 2023).
- **Improve Governance**: Establish a joint federal-provincial task force to align tax policies and reduce elite capture, ensuring equitable taxation.
- **Prioritize Social Spending**: Allocate 20% of debt relief savings to education and healthcare, aiming for 4% and 3% of GDP, respectively, by 2030.

Pakistan's ballooning debt, driven by tax evasion, the informal economy, and institutional fault lines, severely constrains fiscal space and social spending. Policy implementation gaps, such as incomplete FBR reforms, and structural weaknesses, including corruption and elite capture, perpetuate a cycle of borrowing and revenue shortfalls. Addressing this crisis requires comprehensive reforms to boost revenue, formalize the economy, and prioritize social investments, breaking the debt-driven fiscal trap to foster equitable development.

Informal Economy

The informal economy in Pakistan, encompassing unregistered businesses, informal labor, and undocumented transactions, is a significant driver of limited fiscal space, tax evasion, and constrained social spending. Estimated to account for 30–40% of GDP and employing approximately 70% of the workforce, the informal economy operates outside regulatory and tax frameworks, costing the government over USD 1 billion annually in lost revenue (PIDE, 2023). This section examines the structure, drivers, and impacts of the informal economy in Pakistan, focusing on its role in perpetuating fiscal constraints and undermining social spending as of May 17, 2025. It highlights policy implementation gaps and institutional fault lines, drawing on secondary sources such as academic studies, news reports, and institutional data, and proposes strategies to formalize the informal sector for enhanced fiscal sustainability.

Structure and Scope of the Informal Economy

The informal economy in Pakistan is diverse, spanning urban and rural areas and involving a range of activities that evade formal regulation and taxation. It includes small-scale retail, street vending, informal labor in agriculture and construction, barter trade, and smuggling, particularly in border regions like Balochistan (VOA News, 2024).

Key Components

Unregistered Businesses: Small shops, workshops, and service providers, such as tailors and mechanics, often operate without registration, avoiding taxes like sales tax and income tax. These businesses account for an estimated 50% of retail activity in urban areas (PIDE, 2023).

Informal Labor: Approximately 70% of Pakistan's workforce, or 40 million workers, is engaged in informal employment, including daily wage laborers, domestic workers, and agricultural workers (World Bank, 2025). These workers typically receive cash payments, escaping income tax and social security contributions. Barter and Cash Transactions: In rural areas, barter systems and cash-based transactions dominate, particularly in agriculture (22% of GDP), reducing traceability and tax collection. Smuggling and Illicit Trade: In Balochistan, smuggling of goods, including petroleum (5–6 million liters daily from Iran), supports livelihoods for up to 2.4 million people but evades customs duties and taxes (VOA News, 2024).

Scale and Distribution

The informal economy is estimated at 30–40% of GDP, or USD 100–140 billion, based on studies from 2003 to 2023 (PIDE, 2023). It is most prevalent in:

Urban Areas: Informal retail and services dominate in cities like Karachi and Lahore, with 60% of small businesses unregistered (PIDE, 2023).

Rural Areas: Agriculture and barter trade, particularly in Punjab and Sindh, contribute to informality, with only 0.1% of agricultural income taxed (LUMS MHRC, 2023).

Border Regions: Balochistan and Khyber Pakhtunkhwa, with weak state presence, are hubs for smuggling and informal trade, driven by proximity to Iran and Afghanistan (VOA News, 2024).

Drivers of the Informal Economy

The informal economy thrives due to a combination of economic, institutional, social, and policy-related factors, reinforced by structural challenges in Pakistan's governance framework.

Economic Factors

Poverty and Unemployment: With 24% of the population below the poverty line and unemployment at 6.5% in 2025, informal activities provide a lifeline for millions unable to access formal jobs (World Bank, 2025). In Balochistan, 2.4 million people rely on smuggling due to limited economic opportunities (VOA News, 2024).

High Compliance Costs: Formalization requires costly registration, tax payments, and compliance with labor laws, deterring small businesses with thin margins.

For example, sales tax registration costs PKR 50,000–100,000 annually for small retailers (PIDE, 2023). Economic Instability: Inflation (6.0% in FY2025) and currency depreciation (PKR 280 to USD) increase operating costs, pushing businesses to operate informally to survive (State Bank of Pakistan, 2025).

Institutional Factors

Weak Enforcement: The Federal Board of Revenue (FBR) and provincial authorities lack capacity to monitor informal activities, with only 10% of taxable transactions tracked digitally (Photonews, 2025). Local governments, responsible for property and professional taxes, rely on manual records, enabling evasion (PIDE, 2023).

Corruption: Collusion between officials and informal operators, such as bribes to avoid registration, is widespread. Transparency International (2024) notes tax administration as a key corruption hotspot.

Fragmented Governance: Post-18th Amendment (2010), overlapping federal and provincial mandates create regulatory gaps, with provinces failing to enforce taxes like agricultural income tax (LUMS MHRC, 2023).

Social Factors

Low Tax Morale: Only 40% of Pakistanis trust the government to use tax revenue effectively, reducing incentives for formalization (PIDE, 2023). Cultural acceptance of cash transactions and informality further entrenches the informal economy.

Low Literacy and Awareness: With a 59% literacy rate, many informal workers and business owners are unaware of tax obligations or formalization benefits (World Bank, 2025).

Socioeconomic Dependence: In border regions, smuggling and informal trade are seen as legitimate livelihoods, supported by community networks and local power structures (VOA News, 2024).

Policy Factors

Complex Tax System: High tax rates (up to 35% for individuals) and complex compliance procedures discourage formalization. For instance, sales tax filing requires monthly submissions, overwhelming small businesses (PIDE, 2023).

Sectoral Exemptions: Agriculture and real estate, key informal economy components, benefit from tax exemptions, reducing incentives to formalize (LUMS MHRC, 2023).

Outdated Regulations: The 1977 Smuggling Act and 1969 Customs Act are misaligned with modern economic realities, failing to address informal trade effectively (Express Tribune, 2024).

Impacts of the Informal Economy

The informal economy has far-reaching consequences for Pakistan's fiscal capacity, social spending, and socioeconomic development, amplifying the challenges of tax evasion and fiscal constraints.

Fiscal Constraints of Informal Economy

Revenue Losses: The informal economy's tax-exempt status costs over USD 1 billion annually, contributing to a fiscal deficit of 6.7% of GDP in FY2025 (PIDE, 2023; World Bank, 2025). This limits government borrowing capacity and increases reliance on external debt (USD 130.7 billion).

Narrow Tax Base: With only 2.5 million registered taxpayers, the informal economy restricts the tax-to-GDP ratio to 10%, compared to the regional average of 19.3% (LUMS MHRC, 2023). Untaxed sectors like agriculture and informal retail exacerbate this issue.

Impact on Social Spending

Underfunded Public Services: Low revenue restricts social spending, with education (2.3% of GDP) and healthcare (1.1% of GDP) underfunded compared to regional averages of 4% and 3% (World Bank, 2025). This results in 44 million children out of school, 40% child stunting, and 20 million people without clean water.

Provincial Budget Constraints: Provinces, reliant on federal transfers via the NFC Award, face budget cuts due to low local revenue from informal sectors, limiting investments in devolved sectors like education and healthcare (World Bank, 2025).

Economic and Social Impacts

Unfair Competition: Informal businesses, free from taxes and regulations, undercut formal enterprises, discouraging investment. For example, formal retailers face 20% higher costs than informal competitors (PIDE, 2023).

Inequality and Poverty: The informal economy sustains low-wage, unstable jobs, perpetuating poverty (24% below the poverty line) and inequality, with limited access to social protections (World Bank, 2025).

Environmental and Health Risks: Informal activities, such as smuggled petroleum with high sulfur content, contribute to air pollution and health issues, particularly in Balochistan (VOA News, 2024).

Feedback Loop with Tax Evasion

The informal economy facilitates tax evasion by enabling cash transactions and unreported income, reducing traceability. In turn, tax evasion incentivizes informality, as businesses avoid formalization to escape high taxes, perpetuating a cycle of revenue loss and fiscal strain.

Policy Implementation Gaps and Institutional Fault Lines

The persistence of the informal economy reflects significant policy and institutional shortcomings that hinder formalization and revenue mobilization.

Federal Level Gaps

Incomplete Reforms: Budget 2025's tax relief measures, such as withholding tax removal, aimed to encourage formalization but lack implementation rigor due to poor FBR outreach and awareness campaigns.

Weak Digital Infrastructure: The FBR's Track and Trace system, intended to monitor transactions, covers only 10% of taxable entities, failing to capture informal activities (PIDE, 2023).

Corruption: Collusion between FBR officials and informal businesses undermines enforcement, with bribery reported in 30% of tax inspections (Transparency International, 2024).

Provincial Level Gaps

Failure to Tax Agriculture: Provincial authorities, responsible for agricultural income tax, collect only 0.1% of potential revenue due to elite resistance and capacity gaps (LUMS MHRC, 2023).

Lack of Coordination: Poor data-sharing between FBR and provincial revenue authorities hinders tracking of informal businesses, enabling tax evasion (World Bank, 2025).

Understaffing: Provincial revenue bodies, such as the Punjab Revenue Authority, employ only 1,500 staff for a 120 million populations, limiting oversight of informal sectors (PIDE, 2023).

Local Level Gaps

Manual Systems: Local governments rely on outdated manual records for property and professional taxes, facilitating evasion by informal businesses (PIDE, 2023).

Low Enforcement Capacity: District councils lack resources to monitor informal activities, with budgets often below PKR 1 billion (World Bank, 2025).

Corruption: Local officials accept bribes to overlook unregistered businesses, particularly in rural areas (Transparency International, 2024).

Institutional Fault Lines

Fragmented Governance: Post-18th Amendment, unclear federal-provincial roles create regulatory gaps, with provinces failing to enforce taxes on informal sectors (LUMS MHRC, 2023).

Elite Capture: Exemptions for agriculture and real estate, driven by lobbying from powerful groups, sustain informality (LUMS MHRC, 2023).

Low Public Trust: Perceptions of government inefficiency and corruption reduce willingness to formalize, with only 40% trusting tax revenue use (PIDE, 2023).

Interplay with Tax Evasion, Fiscal Constraints, and Social Spending

The informal economy is intricately linked to tax evasion, fiscal constraints, and reduced social spending, forming a self-reinforcing cycle:

Tax Evasion: Informal businesses and workers evade taxes through cash transactions and non-registration, costing USD 1 billion annually (PIDE, 2023). This fuels the informal economy's growth, as formalization becomes less attractive.

Fiscal Constraints: Revenue losses from informality contribute to a 6.7% fiscal deficit, increasing reliance on debt (USD 130.7 billion) and limiting fiscal space (World Bank, 2025).

Social Spending: Constrained budgets reduce allocations for education and healthcare, perpetuating poverty and low human development (HDI rank 161/191) (UNDP, 2024). In turn, poverty drives reliance on informal livelihoods, sustaining the cycle.

Case Study: Informal Economy in Balochistan

Balochistan exemplifies the informal economy's complexity, with 2.4 million people dependent on smuggling and informal trade due to limited economic opportunities (VOA News, 2024). Petroleum smuggling (5–6 million liters daily) evades customs duties, costing PKR 227 billion annually, while supporting local livelihoods in a region with 40% poverty (World Bank, 2025). Weak provincial enforcement and federal-provincial coordination gaps exacerbate the issue, highlighting the need for targeted interventions like job creation and border security.

Pathways for Reforms

Addressing the informal economy requires a balanced approach that encourages formalization, strengthens enforcement, and addresses socioeconomic drivers, while mitigating impacts on vulnerable populations.

Reforms at Federal Level

Simplify Tax Compliance: Reduce registration costs and streamline tax filing, targeting 1 million new taxpayers by 2027. For example, introduce a flat 5% tax rate for small businesses (PIDE, 2023).

Expand Digital Tracking: Fully implement the FBR's Track and Trace system to cover 50% of taxable transactions, capturing informal retail and services.

Anti-Corruption Measures: Increase FBR oversight and impose stricter penalties for collusion, aiming for a 50% reduction in reported bribery cases (Transparency International, 2024).

Reforms at Provincial Level

Tax Agriculture: Standardize agricultural income tax rates at 5–10%, targeting PKR 100 billion in annual revenue, with incentives for compliance (LUMS MHRC, 2023).

Build Capacity: Train 5,000 provincial revenue staff and adopt digital tax systems to monitor informal businesses (PIDE, 2023).
Data Integration: Establish a unified tax database with FBR to track informal activities, improving enforcement (World Bank, 2025).

Reforms at Local Level

Digitize Tax Collection: Implement digital property and professional tax systems in 50% of districts by 2027, reducing evasion (PIDE, 2023).
Community Engagement: Launch awareness campaigns on formalization benefits, targeting 1 million rural households (World Bank, 2025).
Incentives for Formalization: Offer tax holidays and low-cost loans for registering informal businesses, aiming for 500,000 new registrations (PIDE, 2023).

Reforms at Cross-Level Strategies

Alternative Livelihoods: Invest PKR 50 billion in Balochistan for vocational training and small-scale industries, creating 500,000 jobs to reduce smuggling reliance (VOA News, 2024)
Public Trust Building: Publish annual reports on tax revenue use, targeting a 20% increase in public trust by 2027 (PIDE, 2023).
Policy Alignment: Revise the 1977 Smuggling Act and 1969 Customs Act to address informal trade, ensuring federal-provincial coordination (Express Tribune, 2024).
Pathway to Reform: Pakistan's informal economy, a critical component of its economic landscape, significantly contributes to tax evasion, fiscal constraints, and limited social spending. Driven by poverty, weak enforcement, and policy gaps, it sustains a cycle of revenue loss and underdevelopment. Institutional fault lines, including corruption, fragmented governance, and elite capture, exacerbate the challenge. Addressing the informal economy requires comprehensive reforms to simplify compliance, strengthen enforcement, and promote alternative livelihoods, while ensuring equitable taxation and enhanced social investments. By formalizing the informal sector, Pakistan can expand its fiscal space, improve public services, and foster sustainable development.

Conclusion

Pakistan's tax system and institutional framework have evolved amidst structural challenges, from colonial legacies to modern reform efforts. Historical policy gaps, such as exemptions for agriculture and weak enforcement, have entrenched tax evasion and informality, constraining fiscal space and social spending. Understanding this historical context is crucial for analyzing current challenges and designing effective reforms to strengthen Pakistan's fiscal and institutional capacity.

Since 2015, Pakistan has pursued tax reforms under IMF programs, including the 2019 Extended Fund Facility, which mandated increasing the tax-to-GDP ratio to 15% by 2024. Measures like the 2025 Budget's removal of withholding taxes and income tax reductions aimed to simplify compliance, but their impact remains limited, with only 12.5 million taxpayers registered out of a 241 million populations. The informal economy is estimated at around 30–40% of GDP, continues to thrive, driven by high compliance costs and low enforcement (PIDE, 2023). Institutional fault lines, including FBR inefficiencies, lack of political will, pervasive tax-evasion culture and judicial delays in tax evasion cases, persist, while fiscal constraints limit social spending, with 20 million people lacking clean water and 44 million children out of school (World Bank, 2025). The growing fiscal deficit as a result of excess debt servicing further exacerbates the limited fiscal space available for social spending.

Tax evasion at federal, provincial, and local levels in Pakistan is a multifaceted challenge driven by institutional weaknesses, policy gaps, and socioeconomic factors. Its impact on fiscal space restricts social spending, perpetuating poverty and underdevelopment. Addressing evasion requires targeted reforms to strengthen enforcement, close policy loopholes, and build public trust, ensuring equitable revenue mobilization for social investments.

Pakistan's ballooning debt, driven by tax evasion, the informal economy, and institutional fault lines, severely constrains fiscal space and social spending. Policy implementation gaps, such as incomplete FBR reforms, and structural weaknesses, including corruption and elite capture, perpetuate a cycle of borrowing and revenue shortfalls. Addressing this crisis requires comprehensive reforms to boost revenue, formalize the economy, and prioritize social investments, breaking the debt-driven fiscal trap to foster equitable development.

Pakistan's institutional landscape is marked by fragmented governance, capacity constraints, and corruption, which exacerbate policy implementation gaps in addressing tax evasion and the informal economy. Stakeholders, from government bodies to informal workers, have diverse interests and varying influence, necessitating a coordinated approach.

Strengthening institutions like the FBR, aligning federal-provincial mandates, and engaging stakeholders through incentives and transparency are critical to enhancing fiscal space and social spending.

In India the tax culture is quite strong because there is less political interference in tax collection, no exemptions for agricultural income and better enforcement which has led to the progress of revenue collection through direct taxation. While in Vietnam the main factor which is responsible for their better tax to GDP ratio stems in the incentives to the compliant and regular tax payers.

Pakistan has a greater potential for improvement, we have many untapped sectors which can contribute a lot in Pakistan's total revenue collection. Ours may be a low tax effort country but does have a high buoyancy ratio, implying that the policymakers of Pakistan should tap the potential to opt for greater revenue mobilization through internal resources in order to meet the budgetary deficit by overcoming unlimited tax exemptions, poor tax base, inequality of taxing, undocumented economy, repeated tax amnesty etc. Therefore, it is important to place greater emphasis on administrative reinvention and policy reform in order to identify and remove the loopholes in the revenue generation process.

In a nutshell, with all prevailing loopholes and deficiencies we have a greater potential for advancement and betterment of taxation system of Pakistan. The need of the hour is to deal with the main causes responsible for low tax to GDP ratio i.e. uncalled for exemptions, sectoral discrepancy, low tax base and weak audit etc., with iron hand and political will.

Issues and Challenges: Mitigation and Concrete Action Plan

Major Issues in Revenue Mobilization from Taxation

Pakistan's tax regime faces several challenges within its federal tax regime, resulting in a significant revenue shortfall. A narrow tax base, widespread exemptions, and a notable informal economy, coupled with complex structures further undermine tax compliance. Limited coverage, tax evasion, and monitoring challenges restrict indirect tax collection. Addressing these systemic issues through targeted measures may enhance revenue generation and promote fiscal stability.

Weak Enforcement

Weak enforcement across various tax categories results in an annual revenue loss of approximately PKR 5,700-6,000 billion. Income tax evasion and weak audits contribute to losses of PKR 300-400 billion annually. Sales Tax fraud, including underreporting and fake invoicing, lead to additional losses for PKR 400-500 billion. Customs duties are also detrimentally impacted by smuggling and under-invoicing, causing PKR 150-200 billion to the national exchequer. Non-compliance in withholding tax and challenges in the informal economy further result in PKR 400-550 billion in revenue loss. Additionally, PKR 4,357 billion assessed tax revenue under different statutes are pending adjudication at High Courts and Supreme Court of Pakistan (FBR Annual Report, 2024).

Narrow Tax Base

As per FBR, only 5.3 million Pakistanis file income tax returns out of a total population of 250 million (2%) (FBR, 2024). Pakistan's informal economy, estimated at 35% of the total GDP, remains largely untaxed and includes sectors such as agriculture and the real estate (World Bank, 2023). Resultantly, there is a heavy reliance on indirect taxation and an elaborate withholding tax regime accounting for over 60% of revenue collected. This arrangement shifts the burden of taxation to the lower income groups, creating inequity, reducing consumption patterns resulting in weak economic growth. Therefore, expanding the tax base through documentation of the informal economy through digitization processes is of paramount important for sustainable revenue growth.

Complex Tax Structure

Pakistan has a fragmented taxation system with various revenue authorities operating at the national and provincial levels. The structure of federal tax laws is complex and complicated. Overlapping laws, frequent policy changes, and procedural complexities further discourage tax compliance. The Income Tax Ordinance, 2001, contains numerous schedules and exemptions, leading to enforcement challenges and annual revenue losses of PKR 50-100 billion (FBR, 2024).

Similarly, the Sales Tax Act, 1990, with varied rates and zero-rating provisions, encourages exploitation through under-invoicing and fraud (IMF, 2023). Harmonizing federal and provincial taxes and streamlining procedures are critical for improving compliance.

Systemic and Operational Capacity Issues

FBR faces critical capacity challenges with only 18,000 employees serving 250 million people, compared to advance economies Japan (56,315 employees for 123 million) and the UK (80,000 for 69 million). This shortage, results in low morale and substandard tax assessments, undermining compliance (FBR, 2024). In appellate forums, untrained staff and inadequate legal resources have left 104,478 cases unresolved, involving PKR 4,357 billion (FBR Legal Wing, 2024). Pakistan's Cost of Collection (CoC) at 0.43% in 2023-24 is among the lowest globally, limiting enforcement capabilities, while countries like the USA achieve $5–$9 returns per dollar spent on enforcement (CBO, 2022; FBR Admin Wing, 2024). Limited District Tax Offices (DTOs) and successive amnesty schemes, such as the 2020 Asset Declaration Rules, have further weakened enforcement, incentivized evasion, and undermined compliance efforts (IMF, 2023; World Bank, 2023).

Informal Economy

The informal economy, comprising ~35% of GDP, significantly limits tax collection. Cash-based transactions and undocumented businesses evade taxation, resulting in annual revenue losses of PKR 300-400 billion (IMF, 2023). The lack of real-time integration with NADRA, SECP, and banking systems hampers FBR's ability to track high-risk entities. Expanding taxpayer registration and digitizing transactions are essential to integrate the informal sector into the tax net.

Underreporting and Fraud

Underreporting and fraud in income and sales tax contribute significantly to revenue losses. Practices like under-invoicing, fake invoicing, and misdeclaration result in losses of PKR 400-500 billion in sales tax and PKR 300-400 billion in income tax annually (FBR, 2024). Strengthening risk-based audits and deploying digital tracking tools are necessary to curb these practices.

Smuggling and Grey Market

Smuggling and grey market activities lead to annual revenue losses of PKR 150-200 billion. Weak border controls and inadequate enforcement mechanisms exacerbate the problem, particularly in high-value goods like petroleum and electronics (World Bank, 2023). Strengthening border security and implementing tracking systems are critical for addressing this issue.

Technological Limitations

The FBR's inefficient IT systems, such as IRIS, and lack of real-time database integration with other governmental agencies (organizations) hinder tax administration. Revenue losses due to technological inefficiencies are estimated at PKR 200-300 billion annually (FBR, 2024). Upgrading IT infrastructure and deploying advanced analytics tools are critical.

Tax Evasion

Tax evasion across all federal taxes results in an annual revenue loss of PKR 1,200-1,500 billion (FBR, 2024). Common practices include underreporting of income, fake and under-invoicing in sales tax, and smuggling of high-value goods such as petroleum and electronics. Weak enforcement, inadequate audits, and limited integration of data systems further exacerbate these issues, enabling individuals and businesses to exploit loopholes and evade taxes. Strengthening audits, deploying advanced technology, and enforcing penalties are essential to address this pervasive issue.

Elite Capture of Pakistan's Economy

The elite capture of Pakistan's economy is driven by the dominance of interconnected groups including military, industrial, feudal, religious, and business, who manipulate state resources to sustain and enhance their economic power. These elites exploit policymaking and enforcement mechanisms to secure benefits such as tax exemptions and subsidies, marginalizing the general population. This entrenched structure has turned Pakistan into a "captured state," prioritizing elite interests over sustainable economic reforms. It weakens state autonomy, impedes equitable development, and perpetuates inefficiencies, reflecting a nexus between power and privilege (Ahmed, n.d.).

Psychodynamics of tax morale in Pakistan

Tax morale in Pakistan is shaped by distrust in government institutions, perceived corruption, and inefficient governance, discouraging tax compliance (IMF, 2023; World Bank, 2023). Enhancing tax morale requires transparent governance, equitable policies, and visible public service benefits. Simplifying tax systems, educating taxpayers, and enforcing laws consistently are critical to fostering compliance and trust (FBR, 2024). A survey was conducted to solicit psychodynamics of tax culture in Pakistan, and it transpired that tax awareness, inclination and understanding of penalties etc., is quite low.

Fragmented Tax System

The fragmentation of taxation authority resulting from the 18th Amendment has significantly altered the landscape of tax collection in the country. By granting provinces the power to collect taxes on services and other sectors that were once under federal control, the system has become more complex.

Businesses are now compelled to navigate interactions with multiple tax authorities, both federal and provincial, leading to increased administrative burdens and challenges regarding compliance. Furthermore, the unclear delineation between federal and provincial tax jurisdictions has resulted in overlapping responsibilities, sparking disputes, especially related to the sales tax on services. This fragmentation underscores the need for clearer regulatory frameworks to streamline tax collection processes. Constitutions provisions limiting the Federal Government's tax collecting powers may need to be reviewed.

Deterrence

Pakistan's taxation regime faces significant challenges in establishing deterrence due to elite capture, institutional weaknesses, and governance issues. Influential interest groups resist reforms, while tax authorities lack independence and efficiency, compounded by corruption and political interference. Public trust in the system is eroded by perceptions of unfairness and misuse of tax revenues, discouraging voluntary compliance. Populist politics have avoided implementing structural reforms like broadening the tax base or imposing penalties to maintain voter appeal, while short-term policy focus undermines sustainable reforms. The system is further strained by insufficient use of technology and poor coordination among tax authorities, particularly following the 18th Amendment, which decentralized tax powers but led to fragmented and inefficient tax administration. To address these issues, Pakistan must strengthen political will, depoliticize and modernize institutions, promote public engagement, and implement equitable tax measures such as wealth and inheritance taxes, alongside strategies to effectively tax real estate wealth. These measures require robust policy frameworks, intergovernmental coordination, and transparency to build public trust and achieve sustainable revenue generation.

Wealth stuck in Real State

Taxing wealth in real estate in Pakistan has become increasingly important as the sector serves as a primary destination for wealth parking, largely due to inadequate documentation, under-valuation, and minimal taxation. To effectively tax real estate wealth, several strategies can be employed. First, property valuation reforms are crucial, which include updating valuation tables to reflect true market rates rather than the artificially low figures recorded in government registries, and collaborating with private sector experts using satellite and geographic data for accurate assessments. Additionally, implementing a progressive capital gains tax with higher rates for short-term holdings can discourage speculative investments, while also closing loopholes that exempt luxury properties. Furthermore, establishing a centralized property ownership database will enhance compliance and prevent tax evasion, bolstered by public disclosure practices to create social pressure against tax evasion.

Lastly, introducing a vacancy tax can incentivize the productive use of underutilized properties, contributing to a more equitable and efficient taxation system in the real estate sector.

Potential Sectors (Undertaxed/Tax Evading Sectors)

Key sectors in Pakistan, including retail, wholesale, real estate, and transport, contribute significantly to the country's tax gap, which could be addressed through targeted strategies to unlock substantial revenue opportunities.

The retail sector, a major player in the informal economy, leads to an estimated annual revenue loss of PKR 300-400 billion due to tax evasion and non-compliance (FBR, 2024). Issues such as underreporting of income, resistance to POS adoption, reliance on cash transactions, and exploitation of tax exemptions have hindered tax collection. To address these challenges, proposed strategies include mandatory POS integration for Tier-1 retailers, with subsidies to offset costs, which is expected to increase revenue by PKR 100 billion. Risk-based audits in sectors like apparel and electronics could recover PKR 80 billion, while tax credits for adopting formal payment systems may generate PKR 60 billion. Expanding enforcement teams and monitoring capabilities is projected to add PKR 50 billion, and public awareness campaigns, digital platforms, and simplified tax procedures could contribute PKR 140 billion. Collectively, these measures are expected to unlock an additional PKR 430 billion in revenue for the retail sector.

The wholesale sector plays a critical economic role but remains under-taxed due to widespread tax evasion. Key issues include underreporting of sales, cash-based transactions, fake invoicing, and misclassification of goods to reduce tax liabilities. Weak enforcement mechanisms and low compliance with Withholding Tax (WHT) contribute to the problem. Many wholesalers operate informally, further complicating revenue collection. Proposed interventions for the wholesale sector aim to generate PKR 650-930 billion in additional revenue. Enforcing mandatory registration for wholesalers could contribute PKR 100-150 billion. E-invoicing and enhanced sales monitoring are expected to improve transparency and reduce fake invoicing, generating PKR 200-250 billion. Expanding POS integration for wholesalers could improve VAT compliance and yield PKR 150-200 billion. Strengthening enforcement with AI-driven risk audits and stricter WHT enforcement could add PKR 150-250 billion. Awareness campaigns and formalization incentives are projected to contribute PKR 50-80 billion. These strategies aim to formalize the sector, boost compliance, and improve tax system efficiency.

The real estate sector, a major contributor to Pakistan's economy, is under-taxed due to enforcement loopholes and regulatory gaps, leading to significant revenue losses. The primary issues in this sector include underreporting of property values, the prevalence of benami (concealed ownership) properties, weak enforcement of Capital Gains Tax (CGT) regulations, and cash-based property transactions, all of which enable tax evasion. To address these issues, proposed interventions aim to enhance transparency, enforce compliance, and increase revenue. Market-based property valuation using AI and updated Deputy Commissioner (DC) rates is projected to generate PKR 150-200 billion. A dedicated crackdown on benami properties, leveraging NADRA and SECP data, could yield PKR 100-150 billion. Strengthening CGT compliance, mandating electronic registration of property transactions, and penalizing undocumented transactions could contribute an additional PKR 150-250 billion. Establishing a centralized property database to link NADRA, banks, and provincial revenue boards would improve accountability, adding PKR 50-100 billion. Stricter enforcement of WHT mechanisms and rationalizing tax exemptions, particularly for agricultural land and luxury properties, are expected to generate PKR 200-300 billion. These combined measures could transform the real estate sector into a transparent and substantial revenue source, with an estimated impact of PKR 650-1,000 billion.

The transport sector is also a key component of Pakistan's economy but remains under-taxed due to enforcement gaps and informal operations. Issues include widespread underreporting of income, non-registration of transport businesses, and weak enforcement of Withholding Tax (WHT) mechanisms. Many operators in both passenger and goods transport services evade taxes by underreporting earnings and conducting non-documented cash transactions, reducing transparency and accountability. Tax exemptions for public transport and specific vehicle categories further shrink the tax base. The absence of digital tools for monitoring freight and passenger activities, coupled with vehicle misclassification by large fleet operators, exacerbates tax evasion. Proposed interventions to formalize the transport sector include mandatory registration of all transport businesses and database integration with NADRA, which could generate PKR 50-100 billion in revenue. Implementing GPS-based tracking systems linked to the FBR for monitoring freight and passenger services is expected to add PKR 100-150 billion. Strengthening WHT compliance, mandating electronic invoicing, and penalizing non-compliance could collectively contribute PKR 150-250 billion. Rationalizing tax exemptions and targeting large fleet operators and logistics firms would further broaden the tax base, generating an additional PKR 150-250 billion. These strategies aim to formalize the sector, enhance transparency, and transform it into a substantial revenue contributor, with an estimated impact of PKR 450-750 billion.

In conclusion, addressing these key sectors with targeted reforms, such as formalization, digitalization, and enhanced enforcement, offers a substantial opportunity to reduce Pakistan's tax gap and significantly increase revenue generation across multiple sectors.

Key Question

How can FBR field formations effectively broaden the tax base, reduce revenue leakages, and enhance compliance by leveraging targeted audits, horizontal integration across key databases, advanced analytics, real-time monitoring systems, and robust enforcement of laws, while addressing challenges posed by the informal economy, and under-invoicing to achieve sustainable revenue growth.

ACTION PLAN AND KPI's

Short-Term (0-1 Year)

Goal 01 Increase in Tax base and compliance				
INTERVENTION	ACTION PLAN	EXPECTED BENEFITS	OPERATIONAL ACTIONS	KPIS
Identification and Registration of Unique Bank Account Holders	Link NTN to all Bank Accounts of citizens 18+ and a minimum annual transaction of 0.6 million PKR (taxable income)	5 – 10% of total revenue	Existing 5.3 million *tax-filers* data available with FBR. Unique bank accounts *83* million	a. Bring 500,000 new taxpayers per annum b. Taxpayer growth rate (10%) for field formations
Maintain uptime of IRIS System	Ensure system uptime and implement real-time anomaly detection & public awareness mechanism	Increased Tax payer compliance and reduce processing time	Develop and deploy system upgrades in line with the increase in tax base; Timely communication of information about planned outages	System uptime (target: 99.9%) Planned downtime reduced to 8 hours per annum
Expand Field Operations	Establish 50 new Field Tax Offices in less monitored areas	10-15% increase in tax revenue, compliance, broadening of tax base	Allocate Budget and recruit staff, identify under monitoring areas based on the criteria; Contribution to GDP/Tax	Revenue Growth in New DTO Areas, & New Taxpayer
Goal 02: IT integration and formalization of economy				
Increase in Real Time Integration of Transactions	Mandatory POS integration for Tier-1 retailers and enforcing e-invoicing in key sectors	10-15% increase in revenue and compliance	Deploy POS Systems across outlets, monitor compliance through audits	i. 10% per month as per initial survey PS Integration Compliance Rates ii. 100% E-Invoicing Adoption Rates

				iii. 100% of Digitized Transactions

MEDIUM-TERM (1-3 YEARS)

INTERVENTION	ACTION PLAN	EXPECTED BENEFITS	OPERATIONAL ACTIONS	KPIS
Goal 01: IT integration and formalization of economy				
Strengthen Risk-Based Audits	Develop AI-powered audit systems to identify high-risk taxpayers and sectors.	30% Audit Time Reduction, 30% Audit Success Rate, 30% reduction in number of Random Audits 10% increase in revenue	Start a pilot program target one high-risk sector; Train staff to interpret AI generated audit reports; Awareness programs to increase deterrence	i. 50% AI System Accuracy ii. 25% Audit Coverage Expansion, iii. 10% increase in revenue collected from AI-identified Taxpayers iv. Voluntary assessment
Horizontal Integration of National and Provincial Databases	Integrate data from national and provincial databases such as NADRA, SECP, Banking Sectors, and Excise, etc.)	increase in compliance – 20%, 30% in audit success	Develop a centralized data hub that facilitates seamless real-time integration between different governmental and non-governmental agencies	i. Data Sources Integrated with IRIS – up to 80% ii. Reduction in Tax Evasion through definite information-up to 60% iii. Transparency in tax audits up to 70%
Goal 02: Streamline Tax Revenue				
Litigation Reforms	Establish specialized tax benches and improve legal capacity of FBR.	Reduce case backlog 30-40%, case resolution time by 30%	Propose to setup specialized tax benches in each High Court and Supreme Court for quick and efficient disposal Invest in training of the legal `staff in advanced tax laws etc.	i. Establishment of Specialized Tax Benches ii. Reduction in case backlog iii. Reduce case resolution time

LONG-TERM (3-5 YEARS)

INTERVENTION	ACTION PLAN	EXPECTED BENEFITS	OPERATIONAL ACTIONS REQUIRED	KPIS
Goal 01: Increase Tax Base and Revenue Generation				
Expand Track and Trace Systems	To extend the existing Track and Trace Systems (TTS) to additional sectors –petroleum, textiles, and electronics, food industry etc., to enhance tax compliance, monitor production, curb smuggling, and	10-15% increase tax revenue 25% reduction in smuggling	Begin with a phased integration of these sectors into the existing TTS framework; Mandatory for all manufacturers, distributors and retailers within these sectors;	10% increase Number of Registered units in TTS

	reduce counterfeit goods		Once TTS is fully implemented, monitor the sectors closely to identify trends in tax revenue. Adjust tax rates or enforcement efforts where necessary to further reduce tax evasion	
Goal 02: Investment in Human Resource, Logistics and documentation of Economy				
Increase Cost of Collection (CoC)	Raise CoC to 1% of revenue to fund IT upgrades, enforcement tools, and workforce expansion.	15-20% increase in Tax Revenue	Invest in the FBR's existing IRIS system, ensuring real-time data integration and enhanced user experience; Acquire state of the art equipment like forensic audit software, etc.	20% increase in CoC per annum
Increase Cashless transactions in targeted sectors of Economy	Incentivize digital payments and mandate documentation for cash-intensive sectors like retail.	15-20% increased revenue collection, Taxpayers in retail & hospitality sectors 25%	Provide tax rebates or subsidies for businesses adopting digital payment systems like POS terminals Require businesses in cash-intensive sectors to issue invoices and maintain transaction records as a prerequisite for operating licenses. Encourage consumers to demand digital payments or invoices by offering rewards like cashback, tax credits, or discounts Partner with fintech companies to provide affordable POS devices and ensure reliable digital payment networks.	i.20% Increase in Documented Transactions ii. 20% Digital Payment Incentive Utilization
Goal 3: Capacity Building				
Workforce Expansion and Training	Recruit additional 5,000 staff annually and provide specialized training in IT and enforcement.	200-300 PKR billion Improved tax compliance by 30% Registration of new tax payers-500,000 per annum	Conduct yearly hiring drives. Develop training modules for specific roles.	i. Number of new recruits (target: 15,000 over 3 years) ii.Training hours per staff.

Potential International and National Events or Developments That Could Destabilize the Proposed Action Plan

The proposed action plan for enhancing Pakistan's tax system through expanding the tax base, leveraging technology and increasing enforcement capacities is highly contingent on stable national and international conditions. However, several potential events or developments could disrupt its implementation:

Foreseeable Events and Their Potential Impacts

Climate Change and Natural Disasters

Pakistan is highly vulnerable to climate change, with frequent floods, droughts, and other natural disasters causing widespread damage to infrastructure and economic activity. For instance, floods like those in 2022 could disrupt operations. The resources at the disposal of field formations may be directed towards unmonitored areas of the revenue generation hubs. Quick decision making through IT interventions can speed up the registration, imposition of taxes and penalties

Political Instability and Security Concerns

A change in government priorities or policy direction could lead to delays or alterations in implementing key actions like rationalizing tax exemptions, integrating databases, and expanding tax office networks. Political instability might also undermine public trust in the tax system, negatively impacting taxpayer registration and compliance.

Likewise, resurgence in terrorism, particularly in conflict-prone provinces like Khyber Pakhtunkhwa and Balochistan, could disrupt the establishment of new field offices and enforcement activities. Security concerns may also deter businesses in affected areas from adopting formal documentation or POS systems, further impeding revenue growth and compliance.

Recommendations

There is an urgent need for the government to broaden the tax base on an emergent basis; given the fact that country is at present heavily relying on foreign injections to meet its annual expenditures. This paper gives following recommendations in this regard:

- “Political will” is the sine qua non to increase the tax to GDP ratio in Pakistan. Unfortunately, in Pakistan political will has been a desire unfulfilled in relation to administrative matters and fiscal reforms. Frequent administrative changes and reforms have been proposed by the bureaucrats and the technocrats in the past but have suffered staled progress because of lack of political will.

- Political Government must ensure that the taxation system is equitable by doing away with all kinds of exemptions allowed to certain powerful lobbies, pressure groups and cartels and help reduce the burden on common tax payers.
- There is a need to define and clearly communicate the vision of our tax policy and exercise strict adherence to it. The principle of equity — both horizontal and vertical — should supersede all other tax objectives.
- There needs to be a strong and effective audit mechanism in place. Voluntary compliance is important. However, results from over-reliance on half-hearted administrative measures to minimise evasion have been elusive. Therefore, voluntary compliance must be backed by robust audits along with stern enforcement against tax dodgers and delinquents. Heightened risk of being caught and associated penalties can be a strong deterrent to concealment and under-reporting of income.
- A serious institutional reform of the FBR is crucially needed. This institution needs to be restructured into a professional, autonomous organisation with an independent board consisting of eminent personalities qualified in the fields of economics, public policy, law, chartered accountancy, finance, business administration, and IT. A change in the incentive structure in FBR will promote a culture of transparency and integrity. Such a restructuring plan is also needed in provincial revenue authorities.
- The following needs consideration on a macro level:
- Corporate tax rate should not be more than 20% including super tax etc.
- Income tax rate should be lowered to a maximum of 10% with an alternate tax of 2% on net wealth exceeding Rs. 100 million, whichever is higher.
- All individuals should be facilitated to file simple income tax returns [no wealth statement]—those earning below taxable limit should be paid income support [negative tax].
- The State must end the culture of appeasement—no more amnesties/immunities giving incentives to the dishonest and penalising the honest. Those who filed but underpaid be offered to make up the deficiency by paying due tax with no penal action/audit. It will yield much more than the target fixed for FBR at Rs. 12.970 trillion.

- For reducing the fiscal deficit to the level of 4% of GDP, it is imperative to (i) curtail unproductive and wasteful expenses by 30%, (ii) increase non-tax revenues by leasing out valuable state lands and assets e.g. palatial government houses, etc. through public auction and for specific activities to generate employment and boost economic activity and (iii) taxes at all levels—federal, provincial and local—should be made simple, low rate, broad-based and payable with ease.
- Instead of being overburdened with advance/heavy taxes/duties/other charges businesses should be facilitated by improving all indexes of 'Ease of Doing Business' and reducing 'Cost of Doing Business'. Tax credits/incentives for investing in human resource development (HDR) and research & development (R&D) to have a qualified workforce in all areas—providing employment to all and paying them as ordained in Article 3 of the Constitution.
- All possible facilities and incentives to all kinds of entrepreneurs/innovators, especially Small & Medium Enterprises (SMEs) to concentrate on innovations, growth, and productivity. The banking sector must be proactive in lending to SMEs and big businesses. Banks are overwhelmingly extending loans to the government considering it as a safe bet. Banking laws need to be amended for quick disposal of disputes as done in many countries.
- Facilities to foreign investors including grant of long-term visas and/or nationality. Many Afghans and Iranians are keen to invest.
- Central data creation/management of all citizens to determine their economic status. There should be universal pensions, and social security/food stamps for the needy, at the same time empowering them to unshackle themselves from the trap of poverty.
- National/provincial legislators should impose simple, predictable, and low-rate taxes—income tax on all incomes including agricultural income should be under the exclusive domain of the federal government, and harmonised sales tax on goods/ services exclusively to the provinces on the basis of goods produced/supplied and services rendered/performed within their territories—it would ensure fiscal consolidation making the country self-reliant.
- We must abolish multiple taxes and collect local taxes e.g. property, vehicle taxes, etc. to meet the needs of local residents by allocating funds to local governments to provide services of health, education, civic amenities of all kinds, recreation, etc.
- Taxation Authorities need technical staff, technological innovation and logistics for working in the field, therefore, Cost of Collection may be increased to cater the issues taxation authorities.

- Currently, Taxation Authorities are understaffing, therefore, more technical staff may be recruited to enhance tax base, strengthen monitoring and increase tax collection.
- Public awareness campaigns be launched on regular basis in order to facilitate the public in understanding the complex tax laws besides emphasizing the positive effects of tax compliance and inculcation of tax culture.

Bibliography

1. Pakistan Economic Survey 2023-24.
2. Ministry of Finance Year Book 2023-24
3. FBR Performance Report 2023-24
4. Ahmed, Khalid, "undocumented economy". Express Tribune, 16 August 2010.
5. Abid Ali Barki, "Budget and Strategy Paper", Journal name (February 2010) p-p
6. Bukhari, Huzaima & Haq, Akram. Income Tax Ordinance 2001, 12th ed. Lahore Law Publications, 2010
7. FBR Quarterly Reports, http://www.fbr.gov.pk/frs/
8. History of Taxation, http://www.incometaxindia.gov.in/HISTORY/PRE-1922.ASP (accessed January 2011)
9. Khatun, Fahmida. "Meeting the Major Targets". Daily Star, July 2010 Khan, Mubarak Zaib, "Low Tax Compliance". Daily Dawn, 17 March 2010
10. Pasha, Aisha Gaus. "Can Pakistan Get Out of the Low Tax-to-GDP Trap?" The Lahore Journal of Economics 15, (September 2010):171-185
11. Tapan K. Sarker, "Incidence of Income Tax in Bangladesh". http:// unpans 1.UN.Org/intradoc/groups/public/documents/UNPAN/UNPAN014405.pdf

Health Services and Epidemics in The Context of Recent Floods

Naimatullah[1], Aftab Haider[2], Raja Israr Ahmad Khan[3], Mr. Jehanzeb Khan[4], Dr. Muqeem ul Islam[5]

KJPP

Citation:
Naimatullah, Haider, A., Khan, R. I. A., Khan, J., & Islam, M. U. (2025). Health Services and Epidemics in the Context of Recent Floods. Khyber Journal of Public Policy, 4(2), Summer 2025, PP-262-299

Article Info:
Received: 15/05/2025
Revised: 20/05/2025
Accepted: 25/05/2025
*Published:*31/05/2025

Disclaimer:
The opinions expressed in this publication do not implicitly or explicitly reflect the opinions or views of the editors, members, employees, or the organization. The mention of individuals or entities and the materials presented in this publication do not imply any opinion by the editors or employees regarding the legal status of any opinion, area, territory, institution, or individual, nor do they guarantee the accuracy, completeness, or suitability of any content or references.

Copy Right Statement:
© 2022 Khyber Journal of Public Policy

This work is licensed under a Creative Commons Attribution 4.0 International License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Abstract:

This report, prepared by the Minister for Food and Agriculture Security's Task Force, critically examines the persistent challenges of agricultural productivity, food inflation, and malnutrition among women and children in Pakistan. Although agriculture contributes 24% to GDP and employs over a third of the workforce, the sector suffers from stagnating productivity, supply chain inefficiencies, and climate vulnerability. These issues have led to recurring food inflation and widespread malnutrition, with 40% of children stunted and 41% of women anemic. Using a mixed-methods approach, the report analyzes gaps in policy implementation and institutional weaknesses by reviewing national and provincial frameworks, programs, and budget allocations from 2018 to 2025. Findings highlight fragmented, outdated policies, poor enforcement, and weak intersect oral coordination as key barriers. The report offers evidence-based recommendations to enhance institutional capacity, improve policy coherence, and promote sustainable, nutrition-sensitive agricultural development to ensure food security and better health outcomes for Pakistan's most vulnerable populations.

Key words:
food security, agricultural productivity, malnutrition, policy implementation, Pakistan

[1] *Provincial Management Service – Khyber Pakhtunkhwa (PMS-KP), Email: niamatkhanrta@gmail.com*
[2] *Provincial Planning Service (PPS-Khyber Pakhtunkhwa), Email; dmo.hazara.division@gmail.com*
[3] *Secretariat Service, Government of Azad Jammu & Kashmir (AJ&K), Email; rajaisrar26@gmail.com*
[4] *Faculty Member of National Institute of Public Administration, Peshawar, Email; janzeb@gmail.com*
[5] *Chief Instructor, National Institute of Public Administration, Peshawar, Email; muqeemz@gmail.com*

Introduction

Agriculture is a sector in Pakistan's economy having utmost significance, contributing approximately 24% to the country's Gross Domestic Product (GDP) and employing about 37.4% of the labor force, predominantly in rural areas (Pakistan Economic Survey, 2024). The sector not only ensures food security but also supports rural livelihoods and generates export revenues. Pakistan is among the world's leading producers of key crops such as wheat, rice, cotton, and sugarcane. Despite this, agricultural productivity has stagnated over the past decades, constrained by systemic challenges including poor input quality, inefficient water management, weak extension services, and climate change impacts (Aslam, 2016; PIDE, 2024). It goes without saying that due to low agricultural productivity viz-a-viz population growth, Pakistan faces a crisis of food inflation that threatens the affordability and accessibility of staple foods, particularly for low-income households. Rising input costs, supply chain inefficiencies, and policy inconsistencies have driven food prices upward, aggravating food insecurity (FAO, 2025; IPC, 2024). Compounding these challenges is the persistent malnutrition crisis, especially among women and children. High rates of stunting, wasting, and anemia reflect the deep-rooted socio-economic and health issues that undermine human capital development and national progress (Nutrition International, 2024; Business Recorder, 2024).

This report, prepared by the Minister for Food and Agriculture Security's Task Force (Group# 7), aims to analyze the policy implementation gaps and institutional fault-lines that hinder agricultural productivity and contribute to food inflation and malnutrition in Pakistan. It seeks to provide evidence-based recommendations to strengthen institutional capacities, improve policy coherence, and foster sustainable agricultural and nutrition outcomes.

Conceptual and Theoretical Framework

Agricultural Productivity

Agricultural productivity refers to the efficiency with which agricultural inputs (land, labor, capital, and technology) are converted into outputs (crops, livestock, and related products). It is commonly measured as output per unit of input, such as yield per hectare or output per worker (FAO, 2025). In Pakistan, despite agriculture's central role-contributing about 24% to GDP and employing 37.4% of the labor force (Pakistan Economic Survey, 2024)-productivity has stagnated due to systemic challenges.

Mechanization is a critical component of productivity. It involves the adoption of machinery and modern technology (tractors, harvesters, irrigation systems) to replace or supplement manual labor, thereby increasing efficiency, reducing drudgery, and improving timeliness of operations. In Pakistan, mechanization remains limited, with even tractor density of only 0.9 per 100 hectares, far below regional peers (FAO, 2025).

Barriers include high costs, limited credit, lack of technical support, and fragmented land holdings (PIDE, 2024). Without widespread mechanization, productivity gains are constrained, especially as population growth increases food demand.

Crisis and Food Inflation

The crisis in Pakistan's agriculture sector is marked by stagnating productivity, recurrent food inflation, and growing import dependence. Food inflation, defined as the sustained increase in prices of food items, is driven by both supply-side and demand-side factors. On the supply side, poor yields, post-harvest losses (15–40%), and climate shocks reduce availability (Standing Committee on National Food Security and Research, 2025). On the demand side, rapid population growth and urbanization increase pressure on food systems.

Imports are also a reason for food inflation. Pakistan increasingly relies on imports for staples such as wheat, pulses, and edible oil. For example, pulses are not produced in sufficient quantities domestically, making Pakistan one of the world's largest importers (FAO, 2025). Import dependence exposes the country to global price volatility and exchange rate fluctuations, which are passed on to consumers as higher prices (World Bank, 2024).

Demand vs. Supply of Food Items

The mismatch between demand and supply is evident in key food commodities. Wheat and rice production has grown, but not fast enough to match consumption needs, especially during years of poor harvests. Pulses are a notable gap-domestic production meets less than 30% of demand, with the rest covered by imports (FAO, 2025). This supply shortfall, coupled with rising demand, fuels food inflation and jeopardizes food security.

Food Inflation Trends

Food inflation in Pakistan peaked at 28.8% in FY2023 before declining to 7.2% in FY2025 due to global price easing and policy interventions (Finance Division, 2025). However, recent contractions in crop production have renewed upward pressure on prices, particularly for wheat and pulses. The effects of food inflation are felt most acutely by vulnerable groups, as food accounts for a large share of household expenditure among the poor (PIDE, 2024).

Milk: Milk is a staple in the Pakistani diet and a primary source of animal protein and micronutrients, especially for children. Despite being the fourth largest milk producer globally, per capita milk availability in Pakistan remains below recommended levels, at approximately 220 liters per year compared to the global average of 300 liters (FAO, 2025).

The gap between production and demand is due to several factors:

Low Productivity: Average milk yield per animal is significantly lower than in developed countries, primarily due to poor genetics, inadequate feed, and limited veterinary care.

Seasonal Fluctuations: Milk production varies seasonally, with shortages during lean periods leading to price spikes.

Supply Chain Inefficiencies: Lack of cold chain infrastructure and efficient transportation results in significant post-production losses.

Electronic milking, or automated milking systems, represent a technological advancement that can revolutionize Pakistan's dairy sector. These systems use sensors and robotics to automate the milking process, ensuring consistent milk quality, reducing labor costs, and improving animal health monitoring (Concave Agri, 2025). Adoption of electronic milking is currently limited to large commercial farms due to high initial investment costs. However, with appropriate policy support, credit facilities, and training, small and medium-sized dairy farmers can also benefit from this technology, leading to increased milk yields and improved livelihoods.

Commercial-scale milk production is essential for addressing malnutrition in Pakistan. Large-scale dairy farms with modern infrastructure can produce higher-quality milk at lower costs, making it more accessible to poor and vulnerable populations. Additionally, commercial dairies can supply fortified milk products, such as vitamin A- and D-enriched milk, which are critical for child growth and development.

Integration of smallholder farmers into commercial value chains through cooperatives or contract farming arrangements can further enhance milk availability and rural incomes. Government support for commercial dairy development, including subsidies for equipment, training, and cold chain infrastructure, is vital for scaling up milk production and improving nutrition outcomes (FAO, 2025).

Vulnerable Populations

Food inflation and agricultural crises disproportionately impact Pakistan's most vulnerable populations, stratified into the lower middle class, poor, and extreme poor. Each group experiences unique challenges and consequences due to their socio-economic positions, income levels, and access to resources.

The **lower middle class** in Pakistan, often comprising salaried workers, small business owners, and skilled laborers, is particularly sensitive to fluctuations in food prices. This group typically allocates 40-50% of household income to food expenditure (World Bank, 2024). When food inflation rises, these households are forced to make difficult choices, such as reducing consumption of protein-rich and nutrient-dense foods like meat, milk, and pulses. This dietary shift often leads to "hidden hunger," where caloric intake may be sufficient, but micronutrient deficiencies develop (Nutrition International, 2024).

The lower middle class is also vulnerable to economic shocks, such as job losses or medical emergencies, which can quickly erode their limited savings. As a result, even moderate food price increases can push these households closer to the poverty line, increasing their dependence on informal credit or social support networks (Pakistan Bureau of Statistics, 2025).

The **poor**, defined as individuals or households living below the national poverty line, are even more severely affected by food inflation and low agricultural productivity. This group often spends up to 60% of their income on basic food items, leaving little room for dietary diversity or healthcare (UNICEF, 2024). Poor households are frequently forced to adopt negative coping strategies, such as skipping meals, reducing portion sizes, or substituting less expensive but less nutritious foods.

Children in poor households are at heightened risk of malnutrition, as families prioritize filling foods (such as wheat or rice) over fruits, vegetables, and animal-source foods. **Women**, especially pregnant and lactating mothers, are also disproportionately affected due to intra-household food allocation biases and increased nutritional needs (Nutrition International, 2024).

The **extreme poor**, often living in rural, remote, or marginalized urban areas, face chronic food insecurity and are most exposed to the consequences of agricultural crises. These households have little or no access to land, stable employment, or social protection programs. They are often dependent on daily wage labor or seasonal agricultural work, making their incomes highly volatile and insufficient to meet even basic needs (FAO, 2025).

For the extreme poor, food inflation can mean the difference between subsistence and starvation. Chronic under nutrition, frequent illness, and limited access to health and education services perpetuate a cycle of poverty and vulnerability. This group is also the least likely to benefit from government interventions due to barriers such as lack of documentation, geographic isolation, or social exclusion (WFP, 2024).

Malnutrition: Stunting, Wasting, and Anemia

Malnutrition in Pakistan is a multifaceted crisis, with high rates of stunting, wasting, and anemia among women and children. These forms of malnutrition are both a cause and consequence of poverty, food insecurity, and inadequate healthcare.

Stunting: Stunting, defined as low height-for-age, is a marker of chronic under nutrition. According to Nutrition International (2024), approximately 40% of Pakistani children under five are stunted, a figure that has remained stubbornly high for over a decade. Stunting results from long-term insufficient nutrient intake and frequent infections, often beginning in utero and continuing through early childhood.

The consequences of stunting are severe and long-lasting. Stunted children are more likely to experience delayed cognitive and physical development, perform poorly in school, and have lower earning potential as adults. At the population level, high stunting rates translate into lost human capital and reduced economic growth (UNICEF, 2024).

Wasting: Wasting, or low weight-for-height, reflects acute under nutrition and is often associated with recent food shortages or illness. In Pakistan, the prevalence of wasting among children under five is estimated at 17%, which is above the World Health Organization's emergency threshold (UNICEF, 2024). Wasted children are at significantly increased risk of mortality, particularly from common infections such as diarrhea and pneumonia.

Anemia: Anemia, primarily caused by iron deficiency, affects 41% of women of reproductive age in Pakistan (Nutrition International, 2024). Anemia in women leads to fatigue, reduced work capacity, and increased risk of complications during pregnancy and childbirth. Children born to anemic mothers are more likely to have low birth weight and impaired cognitive development.

Consequences of Food Inflation and Malnutrition

At the **local level**, the consequences are felt most acutely by rural and urban poor communities:

Household Food Security: Rural households face reduced food availability due to poor harvests and limited market access, while urban poor struggle with high prices and limited income-earning opportunities (Khurshid, 2024).

Health Outcomes: Malnutrition increases the incidence of illness, impairs child development, and perpetuates intergenerational cycles of poverty (Nutrition International, 2024).

Migration: Food insecurity can drive rural-to-urban migration, increasing pressure on urban infrastructure and services (World Bank, 2024).

At the **national level**, persistent food inflation and malnutrition have far-reaching socio-economic consequences:

Economic Impact: Food inflation erodes real incomes, increases poverty rates, and undermines economic growth. Malnutrition reduces workforce productivity and increases healthcare costs, constraining national development (PIDE, 2024).

Human Capital: High rates of stunting and anemia limit educational attainment and cognitive development, resulting in a less skilled and less competitive workforce (Nutrition International, 2024).

Social Stability: Food insecurity and rising prices can lead to social unrest, protests, and increased crime rates, threatening national stability (World Bank, 2024).

Internationally, Pakistan's food security and nutrition challenges have implications for trade, aid, and global development goals:

Trade Balance: Increased food imports to meet domestic demand worsen the trade deficit and expose Pakistan to global price volatility (FAO, 2025).

Global Commitments: Persistent malnutrition and food insecurity hinder Pakistan's progress towards Sustainable Development Goal 2 (Zero Hunger) and other international development commitments (UN, 2023).

Reputation and Aid: High malnutrition rates attract global concern and may affect eligibility for international aid and investment (UNICEF, 2024).

Statement of the Problem

Agricultural productivity, food inflation, and malnutrition remain among the most persistent challenges undermining Pakistan's food security and socio-economic development. Despite the sector's centrality to the national economy, low crop yields, escalating food prices, and high rates of malnutrition among women and children reflect systemic policy implementation gaps and institutional weaknesses. This situation calls for a comprehensive study to identify these gaps and fault-lines, enabling the formulation of effective strategies to enhance agricultural productivity, control food inflation, and improve nutrition outcomes.

Scope and Significance

This report focuses on the nexus of agricultural productivity, food inflation, and malnutrition in Pakistan, with a specific emphasis on policy implementation gaps and institutional weaknesses. The analysis includes current agricultural productivity trends and challenges, food inflation dynamics and their drivers, malnutrition prevalence and its determinants, policy and institutional analysis, including mapping of key stakeholders. It covers all provinces, with particular attention to vulnerable rural areas, using data and developments primarily from 2018 to 2025. The study, hence aims to provide actionable recommendations to bridge policy and institutional gaps, promote sustainable agricultural growth, stabilize food prices, and improve nutrition outcomes, especially for marginalized groups such as smallholder farmers, women, and children.

Methodology

This study employs a mixed-methods approach, integrating both qualitative and quantitative data to comprehensively analyze the policy implementation gaps and institutional fault-lines impacting agricultural productivity, food inflation, and malnutrition among women and children in Pakistan.

The methodology includes literature review of secondary data from government reports, academic publications, and international organizations (e.g., FAO, World Bank, UNICEF), analysis of official statistics from the Pakistan Bureau of Statistics, Ministry of Finance, and provincial agriculture departments, key informant's interviews with policymakers, agricultural experts, and representatives from development agencies.

Policy, Program and Project Review

Pakistan's agricultural sector, crucial for national food security and economic stability, is supported by a range of policies, programs, and projects aimed at enhancing productivity, controlling food inflation, and reducing malnutrition. This review synthesizes the current landscape of government-led initiatives and development partner interventions, highlighting their scope, objectives, and implementation status.

Policy Frameworks

1. National Food Security Act (2018) and National Food Security Policy (2018)

These landmark policies establish the legal basis for ensuring food availability, affordability, and nutritional security. They mandate strategic food reserves, regulate food prices, and promote targeted subsidies for vulnerable populations. However, post-18th Amendment devolution has created challenges in uniform policy enforcement across provinces.

2. Prime Minister's Agricultural Transformation Plan (2021 – ongoing)

This flagship policy initiative focuses on modernizing agriculture through subsidized high-efficiency irrigation systems (drip and sprinkler), promotion of high-yield seed varieties, mechanization, and climate-resilient farming techniques. It also emphasizes biotechnology and genetically modified crops to enhance pest and weather tolerance.

3. Provincial Agriculture Policies

Provinces like Punjab, Khyber Pakhtunkhwa, and Sindh have developed their own agriculture policies targeting regional priorities such as cash crops, water management, and land reforms. However, disparities in capacity and resource allocation affect consistent implementation.

4. Climate Change and Water Policies

The Climate Change Act (2017) and National Water Policy prioritize climate adaptation and water conservation, including canal lining and smart water meters. Large dam projects like Diamer-Bhasha and Mohmand are planned to augment irrigation supply.

Major Programs and Projects

1. Public Sector Development Program (PSDP) 2023-24 Allocations

The federal government allocated Rs. 8.85 billion for the Ministry of National Food Security & Research (NFS&R) to fund 21 agriculture and livestock projects. Key allocations include:

- Rs. 2.8 billion for National Program for Improvement of Watercourses (Phase-II)
- Rs. 900 million for enhancing command areas in Barani regions
- Rs. 700 million for commercial olive cultivation
- Rs. 500 million for locust emergency and food security
- Rs. 440 million for pilot shrimp farming cluster development
- Rs. 300 million for pulses productivity research
- Rs. 235 million for rice productivity enhancement
- Rs. 130 million for sugarcane productivity
- Rs. 147 million for better cotton initiative
- Rs. 100 million for Pakistan-Korea joint certified seed potato production
- Rs. 50 million for horticulture support
- Rs. 377 million for solarization of agricultural tube wells (targeting 100,000 tube wells)

These projects collectively aim to improve water efficiency, diversify crop production, enhance livestock and fisheries, and introduce renewable energy in agriculture.

2. Kissan Package

A large-scale initiative providing interest-free loans, subsidized inputs, and insurance to small and medium farmers. Over Rs 1567.9 billion disbursed by mid-2023, with particular focus on flood-affected farmers. The package enhances access to credit and inputs, boosting farm incomes and productivity.

3. Ehsaas Rashan Program (ERP)

A food subsidy scheme delivering Rs 1,000 monthly to 20 million low-income families for essential commodities like pulses, flour, and oil/ghee. ERP aims to stabilize food consumption among vulnerable groups, mitigating the impact of food inflation.

4. National Multi-Sectorial Nutrition Programme (PANI)

With an Rs 8.5 billion budget, PANI targets 36 high-burden districts to reduce stunting and wasting through micronutrient supplementation, nutrition education, and therapeutic foods. The program integrates health, agriculture, and social protection sectors.

5. Ehsaas Nashonuma
A conditional cash transfer program supporting pregnant and lactating women and children under two, promoting improved nutrition and health service utilization. It leverages the Ehsaas Kafaalat database for beneficiary targeting.

6. Horticulture Support Program
A Rs 1 billion initiative to reduce on-field and post-harvest losses of fruits and vegetables through value addition and public-private partnerships, strengthening horticultural value chains.

7. Prime Minister's National Programme for Solarization of Agricultural Tube wells
This Rs 377 million project aims to convert 100,000 diesel and electric tube wells to solar power over three years, reducing energy costs and promoting sustainable irrigation.

Provincial and Regional Projects

Punjab:

- National Program for Improvement of Watercourses (Phase-II) with a Rs 46 billion budget, focusing on canal lining and water-use efficiency.
- Punjab Resilient and Inclusive Agriculture Transformation (PRIAT) project promoting climate-smart agriculture.
- Command Area Development of Jalalpur Irrigation Project and Barani command area enhancement projects.

Khyber Pakhtunkhwa:

- Water conservation initiatives in Barani areas with Rs 400 million funding.
- Promotion of climate-smart gram cultivation in Thal areas.

Gilgit-Baltistan:

Mainstreaming of high-value agriculture through MARC (Mountain Agricultural Research Centre) initiatives.

Development Partner and Coalition Support

- FAO supports technical capacity building, food safety reviews, and resilience-building projects targeting women and vulnerable groups.
- Pakistan Agricultural Coalition advocates for farmer-friendly policies and sustainable agricultural growth.
- World Bank and ADB provide financial and technical assistance for modernization and social protection.

Implementation Status and Challenges

While these policies and projects represent a comprehensive effort to address Pakistan's food security and nutrition challenges, several issues persist:

- Delays in fund disbursement and project execution, especially at provincial and district levels.
- Capacity constraints in extension services and monitoring systems.
- Coordination challenges between federal and provincial governments post-devolution.
- Limited coverage and integration of nutrition-sensitive social protection programs.
- Vulnerabilities to climate shocks and market volatility impacting project sustainability.

Pakistan's policy, program, and project ecosystem is robust and multifaceted, targeting key constraints in agriculture and nutrition. The government's focus on modernization, water management, social protection, and climate resilience is evident in the scale and diversity of initiatives. However, strengthening implementation capacity, enhancing intergovernmental coordination, and ensuring inclusive coverage remain critical to realizing the full potential of these efforts.

Institutional Mapping and Fault Lines

A thorough institutional mapping is essential for diagnosing the root causes of policy implementation gaps in Pakistan's agri-food and nutrition sectors. This mapping identifies all key institutions, their mandates, operational overlaps, and the "fault lines" or systemic weaknesses that impede effective delivery of services and policies. The analysis spans federal, provincial, district, and local levels, as well as cross-sectorial linkages.

Ministry of National Food Security & Research (MNFSR)

Mandate

Federal lead for national food security, agricultural policy, strategic food reserves, and coordination with provinces. It also oversees national crop reporting, price stabilization, and import/export policy.

Fault lines:

Post-18th Amendment Weakness: Devolution of agriculture to provinces has reduced MNFSR's authority, leading to inconsistent national standards and poor inter-provincial coordination (FAO, 2023).

Data Gaps: Inadequate real-time data sharing with provinces and districts hampers timely decision-making.

Regulatory Overlap: Conflicts with Ministry of Commerce on import/export decisions; limited enforcement of food reserve mandates.

Provincial Agriculture and Livestock Departments

Mandate

Provincial departments are responsible for crop and livestock development, extension services, mechanization, and local food security and implement provincial agriculture policies and programs.

Fault lines

Capacity Disparities: Wide variation in technical, financial, and human resource capacity across provinces (Punjab Board of Investment and Trade, 2018).

Fragmented Priorities: Provinces often pursue divergent goals (e.g., Punjab focuses on cash crops, Sindh on rice), undermining national coherence.

Weak Extension Services: Insufficient staff, outdated training, and lack of digital tools limit farmer outreach and technology adoption.

Poor Monitoring: Limited ability to track input quality, subsidy use, and program impact at district and tehsil levels.

Pakistan Agricultural Research Council (PARC)

Mandate

National apex body for agricultural R&D, seed and breed improvement, and technology transfer.

Fault lines

Underfunded Research: Chronic budget shortfalls reduce research output and innovation (PIDE, 2024).

Slow Technology Transfer: Weak linkages with provincial extension departments and private sector.

Outdated Agendas: Research priorities often misaligned with climate change and nutrition needs.

Seed Certification & Registration Department

Mandate

Certifies and regulates seed quality, ensures compliance with Seed Act.

Fault lines

Enforcement Gaps: Rampant sale of adulterated and counterfeit seeds due to limited inspection and enforcement (Standing Committee on National Food Security, 2025).

Farmer Awareness: Low awareness among farmers about certified seeds and their benefits.

Pakistan Standards and Quality Control Authority (PSQCA)

Mandate

Sets and enforces standards for fertilizers, pesticides, and food products.

Fault lines

Regulatory Overlap: Multiple agencies set overlapping standards, causing confusion and weak enforcement.

Market Surveillance: Limited capacity for field inspections and rapid response to violations.

Benazir Income Support Programme (BISP) & Ehsaas Programme

Mandate

Deliver cash transfers and targeted social protection to poor and vulnerable households.

Fault lines

Coverage Gaps: Many malnourished women and children remain uncovered due to restrictive eligibility and weak outreach (Nutrition International, 2024).

Integration Issues: Poor coordination with health and nutrition services; lack of a unified beneficiary registry.

Funding Instability: Political changes and fiscal pressures lead to inconsistent funding and program scale.

Planning Commission / National Nutrition Forum

Mandate

Coordinate national nutrition strategy, multi-sectorial planning, and resource mobilization.

Fault lines

Siloed Operations: Weak cross-ministry collaboration, especially with health and agriculture.

Monitoring Gaps: Absence of a real-time national nutrition dashboard and robust evaluation systems.

Ministry of Climate Change

Mandate

Develop and implement climate adaptation policies for agriculture, water, and land use.

Fault lines

Sector Disconnect: Limited integration of climate adaptation with agricultural planning.

Enforcement Weakness: Climate policies exist on paper but lack actionable, sector-specific regulations (APN-GCR, 2022).

Ministry of Commerce & Trade

Mandate

Regulate agricultural imports/exports, negotiate trade agreements, and align with WTO standards.

Fault lines

Coordination Issues: Policy misalignments with MNFSR and provincial departments on export bans and import tariffs.

Compliance Gaps: Poor adherence to international sanitary and phytosanitary standards, limiting export potential (PIDE, 2024).

Provincial and Local Governments

Mandate

Oversee on-ground implementation of agriculture, health, and nutrition policies.

Fault lines

Resource Constraints: Many districts lack adequate staff, funding, and infrastructure.

Decentralization Challenges: Devolution has not been matched by capacity building, leading to uneven service delivery.

Regulatory and Legal Bodies

Mandate

Enforce land, seed, fertilizer, and food safety laws.

Fault lines

Outdated Legislation: Key laws (e.g., Land Revenue Act 1967, Fertilizer Control Act 1959) are obsolete and poorly enforced.

Weak Zoning/Urban Planning: Ineffective prevention of farmland loss to urban encroachment (PIDE, 2024).

Private Sector and Dairy Industry

Mandate

Invest in agri-inputs, mechanization, commercial dairy, and food processing.

Fault lines

Fragmented Supply Chains: Poor integration between smallholders and commercial processors.

Technology Barriers: Limited adoption of electronic milking and cold chain infrastructure (Concave Agri, 2025).

Market Access: Smallholders often lack access to finance, markets, and value-added opportunities.

Farmer Organizations and Cooperatives

Mandate

Advocate for farmer rights, access to subsidies, and fair market prices.

Fault lines

Representation Gaps: Many smallholders, women, and tenant farmers are underrepresented.

Capacity Issues: Limited organizational capacity for policy advocacy and service delivery.

NGOs, Civil Society, and Development Partners

Mandate

Implement nutrition, food security, and rural development projects; provide technical assistance.

Fault lines

Fragmented Efforts: Projects often operate in silos, with limited alignment to government priorities.

Sustainability Concerns: Many interventions are donor-driven and not institutionalized.

Academia and Research Institutions

Mandate

Conduct research, policy analysis, and professional training.

Fault lines

Limited Policy Uptake: Research findings are often not translated into policy or practice.

Funding Gaps: Chronic underfunding limits research scope and innovation.

Media

Mandate

Raise awareness, shape public opinion, and hold stakeholders accountable.

Fault lines

Superficial Coverage: Focus on crises rather than systemic issues; limited investigative journalism on agri-food policy.

Institutional Fault lines (Cross-Cutting Issues)

Coordination Deficits: Weak horizontal (across ministries) and vertical (federal-provincial-district) coordination.

Legal Lacunas: Outdated, fragmented, or poorly enforced laws and regulations.

Capacity Imbalances: Stark differences in institutional capacity across provinces and districts.

Data and Monitoring Gaps: Lack of integrated data systems for real-time monitoring and policy adjustment.

Political Interference: Frequent changes in leadership and policy direction disrupt continuity and effectiveness.

Resource Constraints: Chronic underfunding and delayed budget releases.

Accountability Deficits: Weak mechanisms for performance evaluation and public accountability.

Stakeholder Mapping

Stakeholder mapping is a critical analytical tool for understanding the landscape of actors who influence, implement, or are affected by policies and programs related to agricultural productivity, food inflation, and malnutrition in Pakistan. Effective stakeholder mapping enables policymakers and practitioners to identify key players, clarify roles and responsibilities, anticipate conflicts of interest, and foster collaboration for optimal outcomes. In the context of Pakistan's agri-food system, stakeholders operate at multiple levels-national, provincial, district, and community-and span the public, private, and civil society sectors.

Government Ministries and Departments

a. Ministry of National Food Security & Research (MNFSR)

Role: Lead federal agency for policy formulation, coordination, and oversight of food security, agricultural productivity, and nutrition.

Functions: Develops national strategies, maintains strategic food reserves, regulates food prices, and coordinates with provinces (post-18th Amendment).

Influence: High at national level, but limited at provincial level due to devolution of powers.

b. Provincial Agriculture and Livestock Departments

Role: Responsible for implementing agricultural policies, extension services, and farmer support at the provincial level.

Functions: Oversee crop and livestock development, mechanization programs, and farmer education.

Influence: Directly impact productivity and food availability at local level.

c. Ministry of Planning, Development & Special Initiatives

Role: Integrates agriculture and nutrition into national development plans and allocates development budgets.

Functions: Coordinates multi-sectoral initiatives, including nutrition programs and climate adaptation projects.

d. Ministry of Climate Change

Role: Develops and implements policies for climate adaptation in agriculture.

Functions: Oversees climate-resilient farming, water conservation, and disaster risk reduction.

e. Ministry of Commerce & Trade

Role: Regulates agricultural imports and exports, trade policy, and compliance with international standards.

Functions: Negotiates trade agreements, sets tariffs, and manages export promotion for agri-products.

f. Ministry of Finance

Role: Allocates budgets for agricultural development, subsidies, and social protection programs.

Functions: Manages fiscal policy, public sector development programs (PSDP), and emergency funding.

Regulatory and Research Bodies

a. Pakistan Agricultural Research Council (PARC)

Role: National apex research body for crop and livestock innovation.

Functions: Develops improved seed varieties, conducts research on mechanization, and supports technology transfer.

b. Seed Certification & Registration Department

Role: Regulates seed quality and certification.

Functions: Ensures availability of certified seeds, monitors seed companies, and combats counterfeit seeds.

c. Pakistan Standards and Quality Control Authority (PSQCA)

Role: Sets and enforces quality standards for agricultural inputs and food products.

Functions: Certifies fertilizers, pesticides, and food safety standards.

Social Protection and Nutrition Agencies

a. Benazir Income Support Programme (BISP)

Role: Provides unconditional and conditional cash transfers to poor and vulnerable households.

Functions: Targets women, supports nutrition, and links with health and education services.

b. Ehsaas Programme / Ehsaas Nashonuma

Role: Flagship social protection initiative with a focus on maternal and child nutrition.

Functions: Delivers cash transfers, nutrition education, and health services to pregnant and lactating women and children under two.

c. Planning Commission / National Nutrition Forum

Role: Coordinates national nutrition strategy and multi-sectoral interventions.

Functions: Monitors progress, mobilizes resources, and evaluates program effectiveness.

Provincial and Local Governments

Provincial Governments: Oversee agriculture, health, and nutrition policy implementation particularly after 18th Amendment.

District Administrations: Responsible for local service delivery, coordination, monitoring, and community mobilization.

Union Councils: Engage in grassroots outreach, beneficiary identification, and feedback collection.

Private Sector Stakeholders

a. Agri-Input Suppliers

Role: Provide seeds, fertilizers, pesticides, and machinery to farmers.

Influence: Directly impact productivity through input quality and pricing.

b. Commercial Dairy Producers and Milk Processors

Role: Invest in large-scale milk production, electronic milking systems, and value-added products.

Functions: Enhance milk availability, quality, and affordability.

c. Agri-Tech Startups and Service Providers

Role: Innovate in precision agriculture, digital advisory, and supply chain management.

Functions: Offer mobile-based extension, market information, and logistics solutions.

d. Food Retailers and Supermarkets

Role: Influence food prices, availability, and consumer access to diverse diets.

Farmer Organizations and Cooperatives

Kissan Ittehad and Other Farmer Associations: Advocate for farmer rights, access to subsidies, and fair market prices.

Women's Cooperatives: Empower women in agriculture, dairy, and nutrition-focused enterprises.

Smallholder and Tenant Farmer Groups: Represent the interests of marginalized and landless farmers.

Civil Society and Non-Governmental Organizations (NGOs)

Role: Implement grassroots projects on nutrition, food security, and women's empowerment.

Functions: Provide extension services, nutrition education, and monitor policy impact.

Examples: Rural Support Programmes Network (RSPN), Aurat Foundation, Action against Hunger.

Development Partners and International Organizations

Food and Agriculture Organization (FAO): Technical support on policy, research, and food security.

World Bank, Asian Development Bank (ADB): Financial and technical assistance for agri-sector reforms and social protection.

UNICEF, World Food Programme (WFP), and Nutrition International: Focus on child and maternal nutrition, emergency food aid, and capacity building.

Scaling up Nutrition (SUN) Movement: Multi-sectoral coordination for nutrition improvement.

Academia and Research Institutions

Universities (e.g., University of Agriculture Faisalabad, Sindh Agriculture University): Conduct research, train agri-professionals, and evaluate interventions.

Think Tanks (e.g., PIDE, SDPI): Policy analysis, advocacy, and dissemination of best practices.

Consumers and Community Stakeholders

Urban and Rural Households: End-users of food products, directly affected by inflation and malnutrition.

Community Leaders and Religious Institutions: Influence dietary practices, social norms, and mobilize community action.

Media

Role: Shape public opinion, raise awareness, and hold stakeholders accountable for policy outcomes.

Functions: Investigative journalism, reporting on food inflation, malnutrition, and government performance.

Interactions between Stakeholders and Power Dynamics

Stakeholder relationships in Pakistan's agri-food system are complex and often characterized by overlapping mandates, competition for resources, and varying degrees of influence:

Federal-Provincial Coordination: The 18th Constitutional Amendment devolved key agricultural and nutrition functions to provinces, requiring robust inter-governmental coordination, which is often lacking.

Public-Private Partnerships: Increasingly important for scaling up mechanization, commercial dairy, and supply chain modernization.

Civil Society Engagement: Essential for reaching marginalized groups, monitoring policy implementation, and ensuring accountability.

International Collaboration: Critical for aligning national policies with global standards and accessing technical and financial support.

Stakeholder Influence Matrix (Summary Table)

Stakeholder Category	Influence Level	Interest Level	Key Roles/Functions
Federal Ministries	High	High	Policy, funding, coordination
Provincial Departments	High	High	Implementation, extension, monitoring
Regulatory/Research Bodies	Medium	High	Standards, innovation, quality control
Social Protection Agencies	High	High	Targeting, cash transfers, nutrition
Private Sector	Medium-High	High	Inputs, dairy, mechanization, retail
Farmer Organizations	Medium	High	Advocacy, capacity building

Stakeholder Category	Influence Level	Interest Level	Key Roles/Functions
NGOs/Civil Society	Medium	High	Outreach, education, monitoring
Development Partners	Medium	High	Technical/financial support, best practices
Academia/Research	Medium	Medium	Research, training, evaluation
Consumers/Communities	Low-Medium	High	Demand, feedback, social norms
Media	Medium	Medium	Awareness, advocacy, accountability

Policy Implementation Gaps / Bottlenecks

Despite the existence of comprehensive policy frameworks, targeted programs, and significant budget allocations, Pakistan's progress in agricultural productivity, food inflation control, and malnutrition reduction remains disrupted by persistent implementation gaps. These gaps are rooted in both performance (execution and monitoring) and legal (regulatory and legislative) deficiencies, manifesting at national, international, and local levels.

National Level Gaps

1. Fragmented and Outdated Legal Frameworks

Multiple Overlapping Laws: Key laws such as the National Food Security Act (2018), Seed Act (2015), Fertilizer Control Act (1959), and Land Revenue Act (1967) are either outdated or poorly harmonized. This results in regulatory confusion and inconsistent enforcement (PIDE, 2024).

Provincial Autonomy vs. National Coordination: The 18th Amendment devolved agriculture and nutrition to provinces, but mechanisms for inter-provincial and federal-provincial coordination remain weak (FAO, 2023).

This leads to policy fragmentation, with provinces often pursuing divergent priorities.

Weak Enforcement: Even where laws exist, penalties for non-compliance (e.g., with price controls, food reserve targets, or seed certification) are rarely imposed, eroding the deterrent effect of regulation (PIDE, 2024).

Performance Gaps in Policy Execution

Resource Allocation Disparities: While national budgets for food security and agriculture have increased (e.g., MNFSR's development budget rose by Rs3.71 billion in FY2024-25), actual disbursement and utilization at provincial and district levels are inconsistent, often delayed, and subject to bureaucratic bottlenecks (Finance Division, 2025).

Monitoring and Evaluation Deficits: There is a lack of integrated, real-time monitoring systems for tracking program implementation and outcomes. For example, the National Multi-Sectoral Nutrition Programme is yet to establish a national dashboard for nutrition indicators (Scaling Up Nutrition, 2023).

Limited Extension Services: National and provincial extension services are under-resourced, lack modern training, and are unable to reach the majority of smallholder farmers with timely information and support (Punjab Board of Investment and Trade, 2018).

Inadequate Social Protection and Nutrition Program Coverage

Targeting and Integration Issues: Programs like BISP and Ehsaas Nashonuma, though impactful, do not cover all malnourished women and children due to restrictive eligibility criteria and lack of integration with health and agriculture services (Nutrition International, 2024).

Sustainability Concerns: Many nutrition programs lack legal backing and are vulnerable to funding cuts or political changes (ILO, 2021).

International Level Gaps

1. Non-Compliance with Global Standards

WTO Agreements: Pakistan's agricultural exports are hampered by poor compliance with WTO sanitary and phytosanitary (SPS) standards, resulting in lost export opportunities and costing the country an estimated $1.2 billion annually (PIDE, 2024).

SDG Reporting: Pakistan's Voluntary National Review (2023) highlights slow progress on SDG 2 (Zero Hunger) due to legal and institutional gaps in nutrition and food security frameworks (UN, 2023).

2. Weak Alignment with Donor and Development Partner Priorities

Fragmented Project Implementation: Donor-funded programs often run parallel to government initiatives, leading to duplication of efforts, inconsistent standards, and sustainability challenges (FAO, 2025).

Local Level Gaps

1. Inconsistent Policy Implementation

Provincial and District Disparities: Implementation capacity varies widely between provinces and districts. Some regions, such as Punjab, have more robust extension and monitoring systems, while others lag behind due to resource constraints and weak governance (Punjab Board of Investment and Trade, 2018).

Decentralization without Capacity Building: The devolution of agricultural and nutrition responsibilities has not been matched by adequate training, staffing, or infrastructure at the local level, resulting in service delivery gaps.

2. Poor Targeting and Outreach

Social Protection Exclusion: Many poor and vulnerable households, especially in remote or conflict-affected areas, are not reached by cash transfer or nutrition programs due to weak beneficiary identification systems and lack of community engagement (Nutrition International, 2024).

Gender and Social Barriers: Women, tenant farmers, and marginalized groups often face additional barriers in accessing support due to cultural norms, lack of documentation, or exclusion from local decision-making bodies.

3. Weak Monitoring, Evaluation, and Feedback Mechanisms

Lack of Real-Time Data: Most provinces and districts lack integrated data systems for monitoring agricultural productivity, food prices, and nutrition outcomes, making it difficult to identify problems and adjust interventions in a timely manner (Scaling Up Nutrition, 2023).

Limited Community Feedback: Mechanisms for community input, complaints, and feedback are either absent or ineffective, reducing accountability and responsiveness at the local level.

Cross-Cutting Legal and Performance Lacunas

Outdated Legislation: Many foundational laws governing land, seeds, fertilizers, and food safety are decades old and do not reflect current realities or international best practices.

Enforcement Weakness: Regulatory bodies lack the authority, resources, and political backing to enforce standards effectively.

Political Interference: Frequent changes in leadership, shifting priorities, and politicization of agricultural and nutrition programs disrupt continuity and undermine effectiveness.

Accountability Deficits: There are few independent mechanisms for evaluating institutional performance or holding officials accountable for failures in policy implementation.

SWOT and EETH Analysis of Relevant Institutions

Ministry of National Food Security & Research (MNFSR)

SWOT Analysis	**EETH Analysis**
Strength : Federal mandate for policy formulation	**Enhance**: Strengthen federal-provincial coordination council for agriculture and food security
Weakness: Weak post-18th Amendment coordination; outdated data systems	**Eliminate**: Invest in real-time data systems and inter-provincial policy harmonization
Opportunity : Partnerships with FAO/WFP; align with SDGs for global funding	**Exploit**: Formalize technical partnerships and pursue SDG-aligned funding streams
Threat: Political interference; provincial resistance to oversight	**Hedge**: Legally safeguard policy continuity and clarify federal/provincial roles in new legislation

Provincial Agriculture Departments

SWOT analysis	**EETH Strategy**
Strength: Localized implementation capacity; direct farmer engagement	Enhance: Standardize and upgrade extension worker training and digital outreach
Weakness: Capacity disparities; weak extension services	Eliminate: Allocate budget for staff training and modern extension tools
Opportunity : Tailor policies to regional needs; leverage PARC research	Exploit: Collaborate with PARC and agri-tech startups for region-specific innovation

SWOT analysis	EETH Strategy
Threat: Funding inconsistencies; climate shocks	Hedge: Establish climate-resilient crop insurance and ring-fenced provincial agri funds

Pakistan Agricultural Research Council (PARC)

SWOT analysis	EETH Strategy
Strength : Leading R&D institution; national research network	Enhance: Increase R&D funding and incentivize collaboration with universities and private sector
Weakness: Chronic underfunding; outdated research agendas	Eliminate: Align research with farmer needs and emerging climate/nutrition demands
Opportunity: Collaborate internationally (e.g., CAAS/China) for GMOs, climate crops	Exploit: Launch joint ventures for advanced seed and biotech development
Threat: Slow tech transfer; staff poaching	Hedge: Improve researcher retention through competitive salaries and career paths

Seed Certification & Registration Department

SWOT Analysis	EETH Strategy
Strength: Regulatory authority over seed quality	Enhance: Deploy mobile labs and digital certification for on-site quality assurance
Weakness: Weak enforcement; prevalence of counterfeit seeds	Eliminate: Strengthen penalties and increase field inspections

SWOT Analysis	EETH Strategy
Opportunity: Digitize certification; partner with social programs for outreach	Exploit: Integrate with BISP/Ehsaas to subsidize certified seed for smallholders
Threat: Farmer reliance on informal seed markets	Hedge: Run awareness campaigns and incentivize certified seed adoption

Benazir Income Support Programme (BISP) & Ehsaas Nashonuma

SWOT Analysis	EETH Strategy
Strength: Wide digital coverage; transparent payments	Enhance: Link cash transfers to nutrition and agri outcomes, not just poverty targeting
Weakness: Exclusion errors; limited integration with agri/nutrition	Eliminate: Use NSER data and local outreach to include all malnourished households
Opportunity: Integrate with health/agriculture for greater impact	Exploit: Partner with MNFSR and provincial health for bundled interventions
Threat : Funding cuts; political misuse	Hedge: Legally mandate minimum funding and insulate from political cycles

Pakistan Standards and Quality Control Authority (PSQCA)

SWOT Analysis	EETH Strategy
Strength: Authority to set food safety standards	Enhance: Mandate ISO/fortification standards for all dairy and processed foods
Weakness: Limited market surveillance; weak enforcement	Eliminate: Train more inspectors and digitize market surveillance
Opportunity: AI and digital tech for quality checks; e-commerce enforcement	Exploit: Collaborate with tech platforms for automated and remote compliance checks
Threat: Non-compliance by informal sector	Hedge: Impose fines, offer formalization incentives, and run compliance awareness campaigns

Best Practice Integration

Agriculture: Digital Soil Mapping and Precision Farming (Kenya – Purdue University Model)

Description:
Purdue University, in partnership with local agencies in Kenya, developed high-resolution digital soil maps for rural farming areas. This innovation provides farmers with precise information on soil fertility, texture, and nutrient status, enabling site-specific nutrient management and optimized input use.

Key Features:

- Use of satellite imagery, soil sampling, and GIS technology to create detailed digital soil maps accessible via mobile apps and extension services.
- Farmers receive tailored fertilizer and crop recommendations based on soil variability rather than uniform application.
- Integration with farm management software (e.g., AGRIVI) to track inputs, labor, and outputs for data-driven decisions.

Impact:

- Increased fertilizer efficiency and reduced input costs.
- Yield improvements of 15-30% reported in pilot areas.
- Environmental benefits through reduced nutrient runoff and soil degradation.

Malnutrition: Conditional Cash Transfers Linked with Nutrition Education (Mexico's Progresa/Oportunidades)

Description:
Mexico's Progresa/Oportunidades program pioneered conditional cash transfers (CCTs) that link financial support to health and nutrition behaviors, targeting poor households with pregnant women and young children.

Key Features:

Cash transfers conditional on regular health clinic visits, child growth monitoring, and participation in nutrition education sessions.

Provision of fortified foods and micronutrient supplements to vulnerable groups.

Comprehensive monitoring and evaluation system to track child growth and program adherence.

Impact:

- Significant reductions in child stunting and wasting (up to 10-15% decrease).
- Improved maternal knowledge of nutrition and child feeding practices.
- Enhanced school attendance and long-term human capital development.

Dairy Industry: Electronic Milking and Cooperative Dairy Development (India's Amul Model)

Description:
India's Amul cooperative dairy model revolutionized milk production through large-scale cooperative organization combined with modern dairy technologies, including electronic milking machines.

Key Features:

- Formation of village-level dairy cooperatives that aggregate milk from thousands of smallholder farmers.
- Use of electronic milking machines to improve hygiene, increase yield consistency, and reduce labor.
- Cold chain infrastructure and quality testing labs to ensure milk safety and value addition.
- Farmer education on animal health, breeding, and nutrition.

Impact:

- India became the world's largest milk producer, with per capita availability rising significantly.
- Smallholder incomes increased due to better prices and market access.
- Enhanced milk quality and export potential.

Conclusion

Pakistan's ongoing struggles with agricultural productivity, food inflation, and malnutrition are rooted not in a lack of strategic vision, but in persistent implementation failures, institutional weaknesses, and poor intergovernmental coordination. Despite the introduction of progressive frameworks such as the National Food Security Policy, the National Food Security Act, and the Prime Minister's Agricultural Transformation Plan, their impact has been limited. Fragmented legal systems, outdated regulations, and weak enforcement mechanisms continue to undermine progress. The devolution of agriculture and nutrition responsibilities to provinces under the 18th Constitutional Amendment, while intended to promote localized governance, has instead resulted in fragmented priorities and a lack of standardized implementation across provinces.

Provincial and local disparities further complicate the situation. Punjab, benefiting from stronger institutions and better fiscal capacity, has achieved relatively improved outcomes. In contrast, other provinces face significant challenges, including limited technical expertise, underfunded agricultural extension services, and bureaucratic issues. At the grassroots level, district and tehsil administrations remain chronically under-resourced and lack the authority and training necessary for effective service delivery. This uneven governance landscape disproportionately affects smallholder farmers, women, and marginalized communities, who are least equipped to navigate these systemic obstacles.

Food inflation continues to pose a serious threat to household food security. Inefficiencies in supply chains and 15–40% post-harvest losses (depending on crop type) contribute to market instability. Additionally, Pakistan's dependence on food imports particularly for essential items like pulses and edible oils, of which 80–90% are imported, exposes the country to global price volatility and foreign exchange risks. Government efforts to stabilize prices through subsidies and procurement are frequently undermined by corruption, mismanagement, and poor monitoring systems.

Meanwhile, malnutrition remains a severe public health crisis. Nearly 40.2% of children under five suffer from stunting, 17.7% from wasting, and 51.1% of women of reproductive age are anemic. Social protection programs such as the Benazir Income Support Programme (BISP) and Ehsaas Nashonuma have had positive impacts but are constrained by narrow eligibility criteria, unstable funding, and weak integration with health, food, and agricultural services. Deep-rooted gender disparities, cultural barriers, and inequitable food distribution within households further hinder improvements in nutrition, especially for women and children in rural areas.

Recommendations

Based on the comprehensive analysis of Pakistan's agricultural productivity, food inflation, and malnutrition landscape-including the mapping of institutional fault-lines, policy implementation gaps, and program/project reviews-the following recommendations are proposed. These are structured according to the key gaps identified at national, provincial, and local levels, and are intended to be practical, scalable, and sustainable.

Modernize and Strengthen Policy and Legal Frameworks

Update and Harmonize Laws: Revise and harmonize the National Food Security Act, Seed Act, Fertilizer Control Act, and Land Revenue Act to reflect current realities, international standards, and provincial autonomy. Ensure clear enforcement mechanisms and penalties for non-compliance.

Strengthen Provincial Legislation: Encourage provinces to update their agriculture and nutrition policies, with a focus on protecting tenant farmers, promoting land reforms, and supporting smallholder agriculture.

Improve Regulatory Coordination: Establish a federal-provincial coordination council for agriculture and nutrition to standardize implementation protocols and align priorities.

Enhance Institutional Capacity and Accountability

Capacity Building: Invest in training, digitalization, and resource allocation for provincial and district agriculture and nutrition departments. Prioritize recruitment and retention of skilled extension workers, nutritionists, and data analysts.

Integrated Monitoring Systems: Develop a national dashboard for real-time monitoring of agricultural productivity, food prices, and nutrition outcomes. Link this with provincial and district databases for transparency and timely decision-making.

Strengthen Accountability: Establish independent evaluation units within key ministries and departments to regularly assess program effectiveness, with results made public to foster transparency.

Improve Agricultural Productivity and Mechanization

Promote Mechanization: Provide targeted subsidies, credit facilities, and training for small and medium farmers to adopt modern machinery and precision agriculture technologies.

Support Research and Innovation: Increase funding for PARC and provincial research institutes to focus on climate-resilient crops, high-yield seeds, and water-efficient practices.

Public-Private Partnerships: Facilitate partnerships between government, private sector, and farmer organizations to scale up mechanization, improve input quality, and expand access to markets.

Address Food Inflation and Supply Chain Bottlenecks

Strengthen Storage and Transport: Invest in modern storage facilities, cold chains, and rural road infrastructure to reduce post-harvest losses and stabilize prices.

Improve Subsidy Targeting: Use digital beneficiary identification and direct cash transfers to ensure subsidies reach the most vulnerable without market distortions.

Enhance Market Information Systems: Expand digital platforms that provide real-time price and market information to farmers and consumers.

Expand and Integrate Social Protection and Nutrition Programs

Scale-up Coverage: Broaden the reach of BISP, Ehsaas Nashonuma, and other cash transfer programs, ensuring all malnourished women and children are eligible regardless of documentation or location.

Integrate Services: Link social protection programs with health, agriculture, and education services to provide comprehensive support for nutrition and livelihoods.

Legal Backing and Sustainable Funding: Enact laws to guarantee stable funding for nutrition interventions and embed them in provincial and federal budgets.

Promote Commercial Dairy and Milk Sector Modernization

Support Commercial Dairy Farms: Provide incentives, tax breaks, and access to finance for investment in commercial-scale dairy farms and electronic milking systems.

Integrate Smallholders: Develop cooperative models and contract farming arrangements to integrate smallholder dairy producers into formal supply chains.

Fortification and Quality Standards: Mandate fortification of milk and dairy products with essential micronutrients, and enforce strict quality standards through PSQCA.

Foster Inclusive Stakeholder Engagement and Gender Equity

Empower Farmer Organizations: Strengthen and expand farmer associations, especially those representing women, tenant farmers, and marginalized groups, to participate in policy dialogue and program design.

Community Feedback Mechanisms: Institutionalize community-based monitoring and feedback systems to improve accountability and responsiveness.

Address Social Barriers: Implement targeted outreach and education campaigns to overcome gender, cultural, and social barriers to program access.

Align with International Standards and Donor Coordination

WTO and SDG Compliance: Invest in capacity building and infrastructure to meet WTO sanitary and phytosanitary standards, and improve SDG reporting and implementation.

Donor-Government Alignment: Develop joint planning and monitoring frameworks with development partners to ensure donor-funded projects are aligned with national priorities and are sustainable.

Strengthen Climate Resilience and Environmental Sustainability

Climate-Smart Agriculture: Promote drought-resistant crops, water-saving irrigation techniques, and climate-resilient livestock breeds.

Enforce Environmental Laws: Strengthen enforcement of climate and water policies, and incentivize adoption of sustainable practices.

Disaster Preparedness: Integrate disaster risk reduction and early warning systems into agriculture and nutrition planning.

Improve Data, Research, and Evidence-Based Policy Making

Invest in Data Systems: Build integrated, interoperable data platforms for agriculture, food security, and nutrition at all administrative levels.

Support Operational Research: Fund applied research on the effectiveness of interventions, with a focus on local adaptation and scalability.

Policy Learning and Adaptation: Institutionalize mechanisms for policy review and adaptation based on new evidence and lessons learned.

Logical Framework

Goal/Objective	Key Activities / Recommendations	Indicators	Means of Verification	Time Frame	Assumptions/ Risks
1. **Modernize and harmonize policy/legal frameworks**	- Update Food Security, Seed, Fertilizer, and Land Acts - Harmonize provincial policies - Establish coordination council	- Number of revised/updated laws - Number of provinces aligned	Govt. notifications, policy docs	2025–2027	Legislative support; political stability
2. **Strengthen institutional capacity and accountability**	- Capacity building for staff - Digitalize monitoring - Establish evaluation units	- Number of trained staff - Existence of dashboards/evaluations	Training records, dashboard reports	2025–2028	Funding; staff retention; technical support
3. **Improve agricultural productivity and mechanization**	- Subsidies/credit for machinery - Research on climate-resilient crops - PPPs for tech transfer	- Yield per hectare (major crops) - Mechanization rate - Adoption of improved seeds	PBS, PARC, provincial agri data	2025–2030	Farmer adoption; timely input supply
4. **Address food inflation and supply chain bottlenecks**	- Invest in storage/cold chains - Digital subsidy targeting - Market information systems	- Food inflation rate (CPI) - Post-harvest loss percentage - Number of digital platforms	PBS, SBP, market audits, digital platform reports	2025–2028	Infrastructure investment; supply chain disruptions
5. **Expand and integrate social protection/nutrition programs**	- Scale up BISP/Ehsaas Nashonuma - Integrate with health/agri services - Legalize/sustain funding	- Percentage coverage of poor/women/children - Program integration index	BISP/Ehsaas MIS, nutrition program reports	2025–2029	Accurate targeting; stable funding
6. **Promote commercial dairy and milk sector modernization**	- Incentives for commercial farms - Support for smallholder integration - Mandate milk fortification	- Milk yield per animal - Percentage of milk processed/fortified - Number of electronic milking units	Livestock census, PSQCA, industry reports	2025–2030	Private sector investment; technology adoption

7. **Foster inclusive stakeholder engagement and gender equity**	- Strengthen farmer/women organizations - Community feedback systems - Gender-targeted outreach	- Number of organizations supported - Percentage of women in leadership - Number of feedback sessions	Farmer org records, project reports	2025–2028	Social/cultural barriers; community buy-in
8. **Align with international standards and donor coordination**	- Build SPS/SDG capacity - Joint planning with donors - Improve export compliance	- SPS compliance rate - SDG reporting score - Number of joint donor plans	WTO/SDG reports, trade stats, donor MOUs	2025–2029	Donor alignment; regulatory compliance
9. **Strengthen climate resilience and environmental sustainability**	- Promote climate-smart agriculture - Enforce water/environment laws - Disaster preparedness	- Area under climate-smart practices - Water use efficiency - Number of DRR plans	Agri/environment reports, water audits, DRR documents	2025–2030	Climate shocks; enforcement gaps
10. **Improve data, research, and evidence-based policymaking**	- Build integrated data systems - Fund operational research - Institutionalize policy review	- Number of integrated databases - Number of research projects - Number of policy reviews	Data platform logs, research publications, review reports	2025–2028	Data quality; research funding

References

1. APN-GCR. (2022). *Climate change act implementation review*. Asia-Pacific Network for Global Change Research.
2. APP. (2023). *Kissan package disbursement report*. Associated Press of Pakistan.
3. Aslam, M. (2016). Agricultural productivity in Pakistan: Issues and prospects. *Pakistan Journal of Agricultural Sciences, 53*(4), 123–135.
4. Business Recorder. (2024). *Malnutrition statistics in Pakistan*. https://www.brecorder.com/
5. Concave Agri. (2025). *Electronic milking and dairy modernization in Pakistan*. https://concaveagri.com/
6. FAO. (2023). *Food security frameworks in Pakistan*. Food and Agriculture Organization of the United Nations. https://www.fao.org/
7. FAO. (2025). *FAOSTAT country profile: Pakistan*. Food and Agriculture Organization of the United Nations. https://www.fao.org/faostat/en/#country/165
8. Finance Division. (2025). *Pakistan economic survey 2024-25*. Government of Pakistan, Ministry of Finance. https://www.finance.gov.pk/
9. Government of Pakistan. (2018). *National food security act*. Islamabad: Government of Pakistan.
10. ILO. (2021). *Social protection and nutrition in Pakistan*. International Labour Organization. https://www.ilo.org/
11. IPC. (2024). *Integrated food security phase classification: Pakistan*. https://www.ipcinfo.org/
12. Khurshid, M. (2024). Agricultural trends and challenges. *Pakistan Bureau of Statistics*. https://www.pbs.gov.pk/
13. Khyber Journal of Public Policy. (2025). Land reforms and tenancy laws in Pakistan. *Khyber Journal of Public Policy, 9*(1), 45–62.
14. LinkedIn. (2025). *Urban encroachment and land use in Pakistan*. https://www.linkedin.com/
15. Ministry of Finance. (2024). *Water policy and irrigation efficiency*. Government of Pakistan, Ministry of Finance.
16. Nutrition International. (2024). *Nutrition status of women and children in Pakistan*. https://www.nutritionintl.org/
17. Pakistan Bureau of Statistics. (2025). *Labour force and poverty data*. https://www.pbs.gov.pk/
18. PIDE. (2024). *Policy implementation gaps in agriculture*. Pakistan Institute of Development Economics. https://www.pide.org.pk/
19. Policy Wire. (2025). *Agricultural transformation plan updates*. https://policywire.pk/
20. Punjab Board of Investment and Trade. (2018). *Provincial agriculture policy review*. Lahore: Punjab Board of Investment and Trade.

21. Scaling Up Nutrition. (2023). *National multi-sectoral nutrition programme*. https://scalingupnutrition.org/
22. Standing Committee on National Food Security and Research. (2025). *Seed and fertilizer market analysis*. National Assembly of Pakistan.
23. UN. (2023). *Pakistan voluntary national review on SDGs*. United Nations.

https://sdgs.un.org/
24. UNICEF. (2024). *Child nutrition in Pakistan*. United Nations Children's Fund. https://www.unicef.org/
25. WFP. (2024). *Food security and vulnerability analysis*. World Food Programme. https://www.wfp.org/
26. World Bank. (2024). *Food inflation and poverty in Pakistan*. https://www.worldbank.org/

Regional Educational and Economic Disparities and Their Impact on Poverty, Unemployment, and Political Instability in Pakistan

Sami Ullah Khan[1], Hassan Sarfraz[2], Zia-ur-Rehman[3], Dr. Muhammad Riaz Khan[4], Dr. Muqeem ul Islam[5]

Citation:
Naimatullah, Haider, A., Khan, R. I. A., Khan, J., & Islam, M. U. (2025). Health services and epidemics in the context of recent floods. Khyber Journal of Public Policy, 4(2), Summer 2025, PP,298-347

Article Info:
Received: 15/05/2025
Revised: 20/05/2025
Accepted: 25/05/2025
*Published:*31/05/2025

Disclaimer:
The opinions expressed in this publication do not implicitly or explicitly reflect the opinions or views of the editors, members, employees, or the organization. The mention of individuals or entities and the materials presented in this publication do not imply any opinion by the editors or employees regarding the legal status of any opinion, area, territory, institution, or individual, nor do they guarantee the accuracy, completeness, or suitability of any content or references.

Copy Right Statement:
© 2022 Khyber Journal of Public Policy
This work is licensed under a Creative Commons Attribution 4.0 International License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Abstract:

This research investigates regional disparities in education and economic opportunities across Pakistan, focusing on underserved districts in Balochistan, Khyber Pakhtunkhwa, Sindh, and Southern Punjab. Grounded in Human Capital and Social Exclusion theories, it explores how institutional weaknesses and policy implementation failures intensify poverty, unemployment, and political instability. A mixed-methods approach—including policy reviews, situational analysis, stakeholder mapping, and SWOT/EETH evaluations—highlights governance gaps, limited fiscal autonomy, and socio-political exclusion as key barriers. Using national and international data, the study presents district-level profiles of low-HDI areas, revealing structural inequities fueling underdevelopment. It critically assesses existing policies such as BISP, provincial education reforms, and rural development initiatives, identifying both strengths and persistent gaps. Drawing on global models like AKDN and BRAC, the research proposes actionable, context-sensitive reforms to strengthen inclusive, accountable, and resilient institutions. These strategies aim to reduce disparities, uplift marginalized communities, and enhance national cohesion and stability.

Key words:

Regional Disparities, Education Inequality, Economic Opportunity, Institutional Reform, Social Exclusion

[1] *Pakistan Audit & Accounts Service (PA&AS), Email; sami.bahrian@gmail.com*
[2] *Postal Group, Email; townofabbott@gmail.com*
[3] *Provincial Management Service (PMS-Khyber Pakhtunkhwa), Email; ziaktk229@gmail.com*
[4] *Faculty Advisor, National Institute of Public Administration, Peshawar, Email: mkriaz83@gmail.com*
[5] *Chief Instructor, National Institute of Public Administration, Peshawar, Email; muqeemz@gmail.com*

Introduction

Pakistan exhibits stark regional disparities in human development outcomes, reflecting deep-seated educational and economic inequalities. These disparities are especially pronounced in most districts of Balochistan, the newly merged districts of Khyber Pakhtunkhwa, and underdeveloped pockets of Sindh and Punjab. As of 2023, Pakistan's adult literacy rate stands at 60.7%, a modest increase from previous years. However, this national average conceals significant urban-rural divides, with urban literacy at 74.09% compared to 51.56% in rural areas (PBS, 2023). Moreover, approximately 25.3 million children aged 5 to 16 are out of school, representing 36% of the country's school-age population, with the majority residing in rural regions (Pak Alliance for Math's and Science, as cited in The Express Tribune, 2024). These educational disparities disproportionately affect girls and children in conflict-affected or remote districts, further compounding intergenerational poverty.

Multidimensional poverty remains a pressing issue, affecting 39.5% of the population. Provincial disparities are stark, for instance, 70% of Balochistan's population is identified as multidimensional poor, followed by 48% in Khyber Pakhtunkhwa and 45% in Sindh (PIDE, 2024). These figures reflect deep-rooted inequalities in access to education, healthcare, and living standards across provinces, perpetuating cycles of deprivation and underdevelopment. Inadequate infrastructure, governance deficits, and limited livelihood opportunities continue to entrench these disparities, especially in regions long excluded from mainstream development.

This report delves into the educational and economic disparities across Pakistan, focusing on the most marginalized districts. It examines the underlying causes of these inequalities, including policy shortcomings and institutional weaknesses, and offers practical recommendations for reform. Addressing these disparities is not only a matter of social justice but also essential for the nation's cohesive development and stability.

To understand the interplay between these challenges and their broader consequences, this study employs a conceptual and theoretical framework that analyzes how policy implementation gaps and institutional fault-lines drive regional educational and economic disparities, fueling poverty, unemployment, and political instability in a self-reinforcing cycle.

Conceptual and Theoretical Framework

This framework analyzes policy implementation gaps and institutional fault-lines contributing to regional educational and economic disparities in Pakistan, and their effects on poverty, unemployment, and political instability. Grounded in the provided document, it integrates key theories and concepts to explain causal relationships, tailored to Pakistan's context as of May 16, 2025.

Conceptual Framework

The conceptual framework outlines the interplay between policy implementation gaps, institutional fault-lines, disparities, and their socio-economic and political consequences.

Key Concepts

i. **Policy Implementation Gaps**: Discrepancies between policy design and execution, marked by delayed funds weak coordination, and poor monitoring.

ii. **Institutional Fault-Lines**: Structural weaknesses like corruption, lack of transparency, and overcentralized bureaucracy

iii. **Regional Educational Disparities**: Uneven literacy amongst different regions and huge number of out-of-school children.

iv. **Regional Economic Disparities**: High poverty and rural-urban divides at provincial and regional level.

v. **Poverty**: Multidimensional deprivation affecting huge number of people.

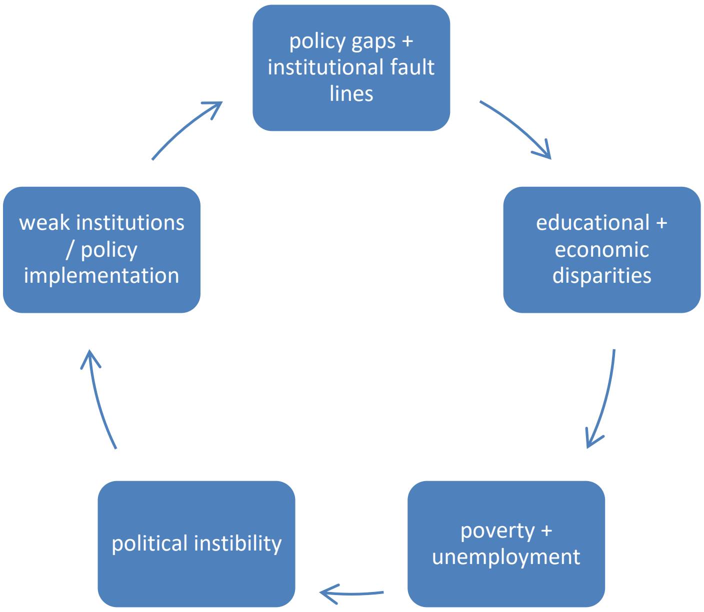
vi. **Unemployment**: Lack of livelihoods and opportunities.

vii. **Political Instability**: Conflict and distrust fueled by disparities and weak governance.

Interrelationships

- Policy Gaps and Fault-Lines hinder educational and economic interventions, deepening disparities.
- Disparities restrict human capital and livelihoods, perpetuating poverty and unemployment.
- Poverty and Unemployment fuel political instability via resentment and conflict.
- Feedback Loop exists as instability weakens institutions and policy execution, entrenching disparities.

Visual Representation



Theoretical Framework

The framework draws on following theories to explain dynamics and guide interventions.

i. **Human Capital Theory** (Becker, 1964):
   - **Premise**: Education and skills reduce poverty and unemployment.
   - **Application**: Low literacy (e.g., 40% in Balochistan) and 25.3 million OOSC limit human capital, trapping regions in poverty (e.g., former FATA, 73% poverty).

ii. **Social Exclusion Theory** (Sen, 2000):
   - **Premise**: Marginalized groups' exclusion drives inequality and unrest.
   - **Application**: Rural populations and women (e.g., 7.8% female literacy in FATA) face exclusion, fueling instability (e.g., militancy in Balochistan).

Application to Pakistan

- **Educational Disparities**: Low literacy and OOSC reflect human capital deficits, worsened by weak institutions (e.g., ghost schools) and policy gaps (e.g., delayed school upgrades).
- **Economic Disparities**: High poverty and subsistence economies in low-HDI districts result from exclusion and elite capture, with programs like BISP lacking graduation pathways.
- **Poverty and Unemployment**: Driven by disparities, these fuel unrest in marginalized regions.
- **Political Instability**: Conflict (e.g., Balochistan) and distrust stem from exclusion and weak governance.

Statement of the Problem

Pakistan exhibits stark educational and economic disparities across and within its provinces, with certain regions facing severe deprivation, exacerbating poverty, unemployment, and political instability. It is said that these challenges stem from significant gaps in policy implementation and institutional weaknesses. A comprehensive study is urgently needed to identify and address these systemic barriers to foster equitable development and stability.

Scope and Significance of the Study

This study focuses on regional disparities in education and economic development across Pakistan's provinces and districts. It examines key indicators such as literacy, school enrollment, gender gaps, poverty, and unemployment, with a particular focus on low-HDI districts like Dera Bugti, Kohistan, Torghar, Tharparkar, and the ex-FATA region. Comparisons with better-performing areas (e.g., urban Punjab) highlight internal inequalities. The scope includes both national and provincial perspectives, acknowledging the post-18th Amendment context where provinces hold primary responsibility for education and social welfare.

The study is significant as it links disparities not only to underdevelopment but also to political instability, conflict, and social fragmentation. Marginalized regions often witness higher unrest, as seen in Balochistan and ex-FATA, where perceived state neglect has fueled alienation. The findings also support Pakistan's commitments to SDG 4 (quality education) and SDG 1 (poverty reduction), underlining the need for stronger provincial governance, effective policy execution, and targeted development strategies. By addressing these structural gaps, the study contributes to building a more inclusive and stable Pakistan.

Methodology

The study adopts a mixed-methods approach, integrating both quantitative and qualitative techniques:

- **Data Sources**: Statistical data were drawn from national sources like PSLM, PBS, PIDE, and international datasets from UNDP, UNESCO, UNICEF, and ASER. These datasets provided insights on poverty levels, literacy rates, enrollment figures, gender gaps, and basic infrastructure availability.
- **Situational and Comparative Analysis**: Regional disparities were mapped across provinces and districts. Trends were analyzed over time, with cross-province comparisons and global benchmarks (e.g., BRAC in Bangladesh, 4Ps in the Philippines) to identify successful models for narrowing regional gaps.
- **Policy Review**: The research reviewed key federal and provincial policies such as BISP and provincial education sector plans. Special focus was placed on implementation challenges, governance bottlenecks, and budget execution gaps.
- **Stakeholder Mapping**: A mapping exercise identified key actors involved in education] and economic policy, federal & provincial departments, NGOs, and donor agencies. Coordination failures and mandate overlaps were analyzed to understand institutional fault-lines.
- **SWOT and EETH Analyses**: SWOT assessments were conducted on provincial education departments and BISP to evaluate strengths, weaknesses, opportunities, and threats. The EETH framework helped to develop actionable reform strategies such as leveraging digital tools, addressing ghost schools, and insulating programs from political interference.
- **Model Benchmarking**: Global and local best practices were reviewed to derive actionable lessons. These included BRAC's non-formal education model, the Philippines' conditional cash transfers, and AKDN's integrated rural development efforts in Gilgit-Baltistan, which offer scalable solutions for Pakistan's lagging regions.

Situational Analysis

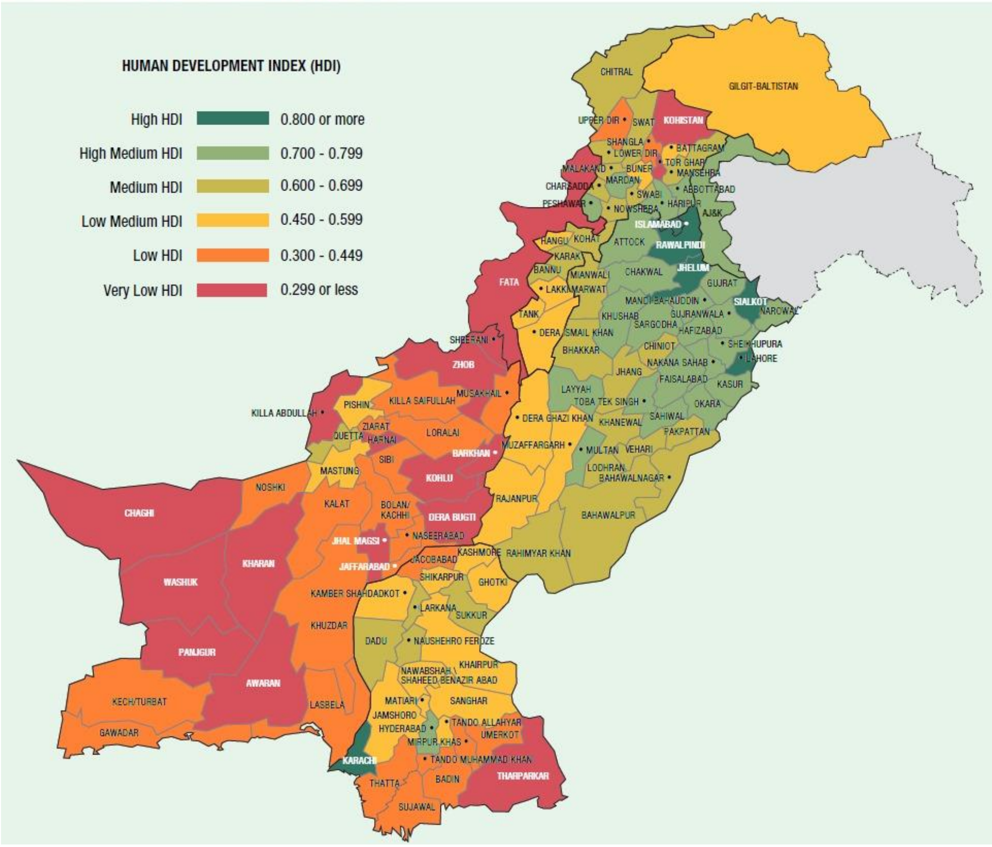
Pakistan's human development is characterized by significant disparities across regions and demographics. This section examines these inequities, focusing on low-HDI districts across the country. It also analyzes the socio-economic, educational, gender, and cultural factors that exacerbate deprivation, integrating recent data.

Regional Disparities in Pakistan: Low-HDI Districts and Underserved Regions

National Overview of Human Development

Pakistan's overall Human Development Indicators remain low, with the country ranked 164th out of 193 countries on the UN Human Development Index (HDI) (Anwar, 2024). In 2022, Pakistan's HDI value stood around 0.54, placing it in the low human development category (Anwar, 2024). Over the past two decades, there have been gradual improvements—for instance, the national HDI rose from "low-medium" to a solid medium level by mid-2010s (UNDP, 2018)—but progress has been uneven. Stark regional disparities persist across provinces and districts, reflecting deep-rooted inequalities in education, health, and income. These gaps are not just statistics; they have tangible implications for poverty and stability. Highly developed pockets (e.g., urban Punjab and Karachi) exist alongside severely underdeveloped areas (rural Balochistan, interior Sindh, and the former tribal areas), painting a picture of "two Pakistans." Nationally, around 39% of Pakistanis live in multidimensional poverty (Planning Commission & UNDP, 2016), but this average conceals a much higher burden in certain regions (Express Tribune Staff, 2016). Likewise, the national literacy rate (about 58% of adults) and unemployment rate (~5–6%) (Bureau of Statistics, 2018) mask extreme deficits in lagging districts. The following sections break down these disparities by province and then zoom in on the lowest-HDI districts, including all districts of the former FATA (Federally Administered Tribal Areas, now merged into Khyber Pakhtunkhwa), Kohistan, Torghar, Tank, and Tharparkar.

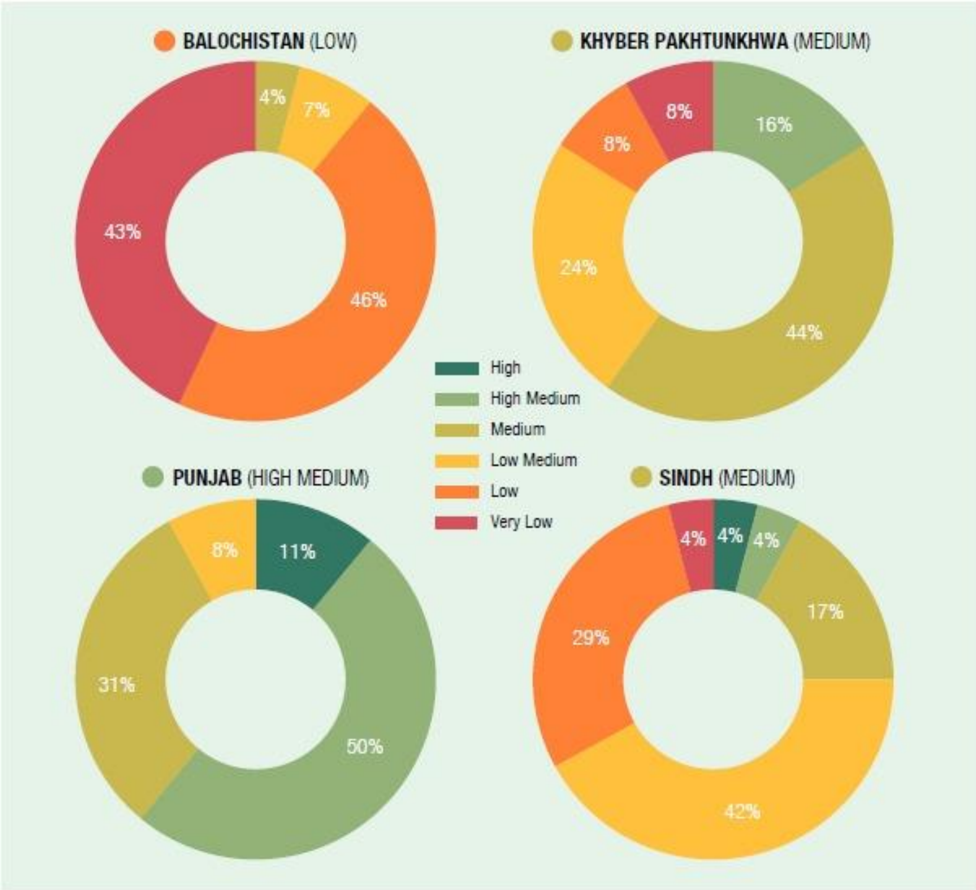
Pakistan Human Development Index (2015 data)



Provincial Disparities in Development

Punjab: Punjab, Pakistan's most populous province, generally enjoys higher human development (HDI ~0.72 in 2015) (UNDP, 2018) with strong infrastructure and economic activity concentrated in central and northern regions such as Lahore, Rawalpindi, and Sialkot. These areas benefit from historical public and private investment, resulting in better literacy, healthcare, and economic opportunities (UNDP, 2018). In contrast, southern Punjab—notably Rajanpur, Dera Ghazi Khan, and Muzaffargarh—remains underdeveloped with HDI in the low-medium range and poverty rates as high as 63–65% (Planning Commission & UNDP, 2016). The disparity stems from historical neglect and uneven resource allocation (Planning Commission & UNDP, 2016). While even the poorest districts in Punjab perform better than many in other provinces, regional inequality within Punjab fuels political discontent, including calls for a separate South Punjab province (UNDP, 2018).

Development level of districts making up the provincial HDIs, 2015 (in percentages)



Source: UNDP calculations based on micro data of PSLM survey for the year 2014/15.

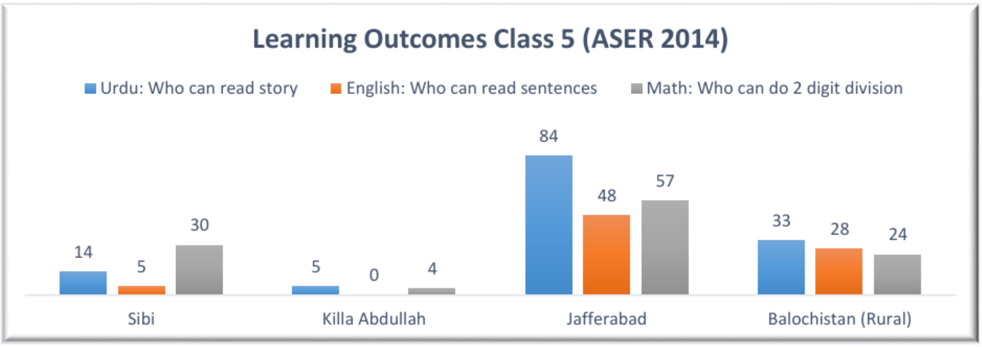
Sindh: Sindh reflects a striking example of regional disparities exacerbated by policy implementation gaps and institutional weaknesses. With a provincial HDI of ~0.64 (UNDP, 2018), the province hides stark contrasts between its urban centers and rural hinterlands (UNDP, 2018). Karachi and Hyderabad benefit from relatively high human development, with Karachi's HDI (~0.72) and literacy exceeding 80% (Bureau of Statistics, 2018). However, these gains are confined to urban pockets (UNDP, 2018). In stark contrast, rural Sindh—especially Tharparkar, Umerkot, and Sujawal—suffers from very low HDI levels, with Tharparkar recording an HDI of just 0.227 (UNDP, 2018) and female literacy below 7% (Bureau of Statistics, 2018). These areas also show extreme poverty rates (~87%) (Planning Commission & UNDP, 2016) and recurring humanitarian crises, including malnutrition-related child deaths (UNICEF Pakistan, 2014), exposing the failure of governance mechanisms (National Commission on Human Rights, 2019).

These disparities highlight entrenched institutional fault lines, marked by chronic governance failures in rural health, education, and social protection, symptomatic of weak administrative capacity and poor service delivery (National Commission on Human Rights, 2019). Despite generating substantial provincial revenue, ineffective policy execution and lack of equitable resource allocation continue to marginalize underdeveloped districts (National Commission on Human Rights, 2019).

Khyber Pakhtunkhwa (KP): KP has a provincial HDI of ~0.59 (UNDP, 2018), with stark internal disparities between developed and underdeveloped districts. While northern areas like Abbottabad have literacy rates above 70% (Bureau of Statistics, 2018), districts such as Torghar and Kohistan remain among the worst in Pakistan, with HDI below 0.25 (UNDP, 2018) and literacy around 22% (Bureau of Statistics, 2018). The merged FATA districts, added in 2018 with an HDI of just 0.216 (UNDP & Government of KP, 2020), further strained KP's development indicators. The province's multidimensional poverty rate is around 49% (Planning Commission & UNDP, 2016), but varies widely across regions. Southern KP districts like D.I. Khan, Tank, and Hangu have been severely affected by militancy and military operations, disrupting education, health, and employment (UNDP, 2018). These regional imbalances, compounded by weak governance and inadequate integration of the tribal areas, reflect serious policy implementation gaps and institutional fault-lines, which in turn fuel poverty, unemployment, and long-term political instability.

Balochistan: Balochistan remains Pakistan's most underdeveloped province, with a provincial HDI of 0.421 and 71% of the population living in poverty—the highest among all provinces (Planning Commission & UNDP, 2016). In 2015, 12 out of 32 districts fell into the "very low" HDI category (below 0.300), with Awaran ranking lowest nationwide at HDI ~0.17 (UNDP, 2018). Districts like Killa Abdullah recorded a 97% multidimensional poverty rate, and female literacy rates in areas such as Dera Bugti and Kohlu were often in single digits, compared to a provincial average of 24% (Bureau of Statistics, 2018). These disparities stem from geographic isolation, weak governance, prolonged neglect, and ongoing insurgency (UNDP, 2018). Despite vast natural resources, local development has stagnated, fueling alienation, unrest, and attacks on state infrastructure, further impeding service delivery (UNDP, 2018). The absence of local governments, lack of inclusive policy-making, and institutional failures exemplify how policy implementation gaps and governance breakdowns drive poverty, unemployment, and political instability in Balochistan (World Bank, 2023).

Figure 7.9: Learning Outcomes Class 5 (ASER 2014)



Low-HDI Districts and Underserved Regions: District-wise Analysis

Former FATA (Merged Districts of Khyber Pakhtunkhwa): The former FATA districts, now part of Khyber Pakhtunkhwa, represent Pakistan's most acute case of regional disparity and institutional neglect. With an average HDI of just 0.216 (UNDP & Government of KP, 2020), these districts—such as Bajaur, Khyber, Orakzai, and North/South Waziristan—lag behind even the poorest international benchmarks. Literacy rates remain around 22–25%, with female literacy as low as 10.5% (Bureau Report, 2014), and in some areas like North Waziristan, female enrollment dropped below 5% (Bureau Report, 2014). Health indicators paint an equally dire picture: infant mortality stood at 87 per 1,000 live births, and maternal mortality at 380 per 100,000, far above national averages (UNDP, 2017). Multidimensional poverty affects 73.7% of the population (Planning Commission & UNDP, 2016), while unemployment or underemployment is estimated between 60–80% (Islamabad Policy Research Institute, 2017), as formal economic opportunities are nearly non-existent. These outcomes stem from decades of policy exclusion, where FATA was governed by the outdated Frontier Crimes Regulation (FCR), lacked regular courts and police, and had minimal state investment in education, health, or infrastructure (World Bank, 2023). This prolonged neglect created a governance vacuum exploited by militant groups, particularly after 2001, turning parts of FATA into war zones (World Bank, 2023). With little state presence, communities experienced violent conflict, mass displacements, and loss of life, while schools and markets were frequently targeted by insurgents (World Bank, 2023). The absence of local governments, judicial institutions, and representation in mainstream politics further alienated the population (Islamabad Policy Research Institute, 2017). Consequently, FATA became a textbook example of how policy implementation gaps and institutional fault-lines fuel poverty, unemployment, and lawlessness, creating a vicious cycle of instability. The post-merger period has seen some reform efforts, such as the 10-year Tribal Decade Strategy and FATA Economic Package (UNDP & Government of KP, 2020), but these face major hurdles—especially corruption, weak administrative outreach, and local mistrust (World Bank, 2023).

Without simultaneous institutional reform and credible service delivery, this deeply marginalized region risks further unrest, undermining both development and national security.

Kohistan (Khyber Pakhtunkhwa): Kohistan, one of the most deprived districts in Pakistan, exhibits alarming indicators of underdevelopment, with a Human Development Index of 0.229 (UNDP, 2018), literacy rate of just 22% (male: 32.8%, female: 8.6%) (Bureau of Statistics, 2018), and 95.8% of its population living in multidimensional poverty (Planning Commission & UNDP, 2016). The lack of education has entrenched misogynistic practices, severely limiting women's participation in education, employment, and community life (UNDP, 2018). Despite being located along the Karakoram Highway, the region remains economically isolated and institutionally neglected, lacking infrastructure, healthcare, and effective governance (UNDP, 2018). These systemic injustices have eroded state authority and contributed to localized unrest, including tribal clashes, sectarian violence, and protests over exclusion from development benefits (UNDP, 2018). The resulting frustration, combined with poverty, illiteracy, and youth unemployment, heightens the risk of radicalization and internal instability (UNDP, 2018). Kohistan's case underscores how chronic deprivation—especially when coupled with gender inequality and weak governance—can threaten long-term peace and security.

Torghar (Khyber Pakhtunkhwa): Torghar, a remote and impoverished district in Khyber Pakhtunkhwa carved out of tribal territory in 2011, remains severely underdeveloped, with an HDI of 0.240 (UNDP, 2018) and over 80% estimated to live in multidimensional poverty (Planning Commission & UNDP, 2016). The literacy rate is 23.9%, with female literacy at 9.06% (Bureau of Statistics, 2018), reflecting extreme educational deprivation and reinforcing entrenched misogyny, where women are denied basic rights and opportunities (UNDP, 2018). Health infrastructure is nearly nonexistent: only 3% of children were immunized in 2015, and 15% of the population had access to improved sanitation (UNDP, 2018), leading to widespread disease and maternal health crises. Historically governed through tribal customs, Torghar has seen slow integration into the formal state system, with continued resistance to law enforcement and modern institutions (UNDP, 2018). Though not a hotbed of terrorism, this institutional neglect has bred alienation, social stagnation, and vulnerability to future unrest (UNDP, 2018). The district's example highlights how decades of state inaction, especially in education and healthcare, can create structural injustice that threatens long-term social cohesion and internal security.

Tank (Khyber Pakhtunkhwa): Tank, a strategically located district in southern Khyber Pakhtunkhwa bordering South Waziristan, presents a case of moderate development undermined by prolonged conflict and weak governance.

With an HDI of 0.459 in 2015 (UNDP, 2018) and a literacy rate of 41% (male: 60.5%, female: 21.6%) (Bureau of Statistics, 2018), the district shows some progress, but persistent gender disparities and educational deficits remain. Poverty is estimated between 50–60% (Planning Commission & UNDP, 2016), and employment opportunities are limited, especially for youth and women (UNDP, 2018). Tank was severely affected by militancy during the 2000s, with attacks, school closures, and displacement disrupting daily life and social services (UNDP, 2018). Security operations stabilized the region, but heavy military presence and administrative challenges continue (UNDP, 2018). The long-term neglect and conflict have fostered feelings of alienation, with youth at risk of being drawn into extremist networks due to joblessness and lack of opportunity (UNDP, 2018). The district illustrates how underdevelopment, conflict, and exclusion can converge to fuel instability. While signs of recovery have emerged, including improved infrastructure and a modest HDI rise, sustained investment in education, agriculture, connectivity, and inclusive governance is critical to prevent backsliding and ensure lasting peace and development (UNDP, 2018).

Tharparkar (Sindh): Tharparkar, the poorest district in Sindh, embodies extreme human deprivation with an HDI of 0.227 (UNDP, 2018) and around 87% of its population living in multidimensional poverty (Planning Commission & UNDP, 2016). The district suffers from one of the lowest literacy rates in Pakistan—18.3% overall, with female literacy below 10% (Bureau of Statistics, 2018)—which perpetuates generational illiteracy, entrenched misogyny, and limits access to health, employment, and empowerment (UNDP, 2018). Chronic malnutrition, child mortality, and lack of clean water dominate Tharparkar's public health crisis, worsened by frequent droughts and an almost nonexistent healthcare infrastructure (UN OCHA/UNICEF Pakistan, 2014). Despite some recent development linked to the Thar Coal Project, the local economy remains fragile, dependent on rain-fed agriculture and livestock, with rampant unemployment and distress migration (UNDP, 2018). Governance failures—marked by delayed drought responses, mismanaged aid, and political neglect—have led to preventable deaths and sustained human insecurity (National Commission on Human Rights, 2019). The lack of institutional capacity and accountability has turned Tharparkar into a humanitarian tragedy that repeats every few years (The News Editorial, 2019). This persistent injustice, while not provoking armed conflict, creates deep social instability and disillusionment. Addressing it through inclusive governance, targeted investments in education, health, and water infrastructure, and community empowerment is critical to bridging the center-periphery divide and restoring state credibility (National Commission on Human Rights, 2019).

Kashmore (Sindh): Kashmore (Kashmor-Kandhkot) is a stark example of how poverty and illiteracy contribute to lawlessness. The district's literacy rate is only 30.6% and female literacy around 18-19% (PBS, 2017), among the lowest in Sindh. Economic poverty is persistent - roughly a quarter of the population lives below the poverty line (World Bank, 2023), and many others hover just above it. Most people rely on agriculture or livestock, typically under feudal landlords, and formal employment opportunities are minimal. The result is high unemployment and an almost entirely informal economy. Low education, especially for women, reinforces this trap: half of Kashmore's adult population has no basic skills, limiting any prospects for better-paying jobs. These structural issues have led to a collapse of order in parts of the district. For decades, misgovernance and chronic socio-economic marginalisation have allowed criminal gangs to flourish (The Express Tribune, 2023). The Indus River "Kacha" area in Kashmore has become notorious for banditry - kidnappings for ransom, extortion, and tribal feuds occur with impunity, as tribal warlords and criminal patrons exploit the state's weakness. In 2023-24, a string of abductions and violent attacks underscored the reign of bandits and the exodus of frightened locals (The Express Tribune, 2023). In summary, Kashmore's failing indicators in literacy and income are directly linked to its descent into a "crime economy," where poverty fuels crime, and rampant insecurity in turn stifles investment and education, locking the district in a tragic loop of instability.

Shikarpur (Sindh): Shikarpur, once a historical trade center, now struggles with low human development and the fallout of poverty-driven violence. The district's literacy rate is about 43.7% (male 52.6%, female only 34.7% (PBS, 2017)), indicating that two-thirds of women are not literate. Economic deprivation remains serious, with roughly 30% of Shikarpur's population living in poverty (World Bank, 2023) and much of the rest only slightly above subsistence. Agriculture and small trade are the mainstay for livelihoods, but land and wealth are concentrated in the hands of a few feudal families. Unemployment and underemployment among youth are high - those with some education often cannot find jobs in the stagnant local economy. The link between poor education and poverty is evident as illiteracy keeps the workforce low-skilled, and a lack of industries keeps even educated individuals idle. These factors have fed into Shikarpur's notable problems with crime and militancy. The district has seen a resurgence of bandit gangs and tribal conflicts spilling over from neighboring Kashmore; police have struggled to curtail kidnappings and highway robberies in the area. Shikarpur has also suffered terrorist violence - notably a 2015 bombing of an imambargah that killed dozens, exemplifying how extremists exploit the state's weak writ in deprived regions. Enduring poverty and weak governance thus create fertile ground for both criminal networks and sectarian militants.

Shikarpur's structural inequalities - low female education, feudal power dynamics, and widespread poverty - continue to fuel lawlessness and periodic outbreaks of violence, undermining stability in the district and its surroundings.

Dera Ghazi Khan (Punjab): Dera Ghazi Khan suffers from chronic educational and economic deprivation. The overall literacy rate is only 46.7% - with female literacy merely 34.3% (Pakistan Bureau of Statistics [PBS], 2017) - reflecting deep gender disparities. Nearly 39% of the population lives below the poverty line (World Bank, 2023), making it one of the poorest pockets of Punjab (over 20 percentage points higher than the provincial average (World Bank, 2023)). Formal employment opportunities are scarce, so most households rely on subsistence agriculture or informal labor. Low education attainment traps families in low-productivity livelihoods, reinforcing the cycle of poverty. These structural miseries contribute to social instability: the region's socio-economic marginalization has made it vulnerable to crime and extremist recruitment, as disenfranchised youth with limited options are more susceptible to being drawn into illicit activities or militant networks. The persistent underdevelopment of Dera Ghazi Khan thus feeds a vicious cycle of poverty and instability.

Rajanpur (Punjab): Rajanpur is among Pakistan's most deprived districts, with stark deficits in literacy and income. Only about 33.8% of adults are literate (female literacy just 23.5% (PBS, 2017)), and over 45% of the population is in poverty (World Bank, 2023). Educational deprivation is acute - over half of school-aged children are out of school in Rajanpur (State of Children, 2023) - which perpetuates unemployment and an overwhelmingly informal economy. Lacking skills and jobs, many residents subsist as landless farm laborers or casual workers. The link between education and economic hardship is evident: low human capital leaves the workforce stuck in low-wage agrarian work, feeding endemic poverty. This impoverishment has bred lawlessness - the district's remote riverine "kacha" areas long harbored bandit gangs that exploited the void of state services. A notorious gang was only subdued after a major 2016 operation, highlighting how neglect and poverty enabled organized crime. Rajanpur's structural deprivation continues to fuel petty crime and makes the area vulnerable to militancy, undermining stability and governance.

Muzaffargarh (Punjab): Muzaffargarh faces entrenched poverty and educational gaps despite being a populous district. Literacy stands around 47.1% overall and 35.7% for females (PBS, 2017), indicating that two-thirds of women cannot read or write. Poverty is widespread - roughly 35% of residents live below the poverty line (World Bank, 2023) - and the district often ranks low on human development indices. The economy is dominated by agriculture and informal work; few formal jobs exist, contributing to high underemployment.

Low schooling attainment and especially low female education mean the workforce has limited skills, which constrains income opportunities and reinforces deprivation. This nexus of poor education and poverty has serious social consequences. Muzaffargarh has been prone to crises like floods (e.g., the 2010 disaster) that hit the poor hardest, and extremist organizations have reportedly found recruitment ground among disaffected youth in such marginal areas. The combination of poverty, joblessness, and low education thus feeds a cycle of economic hardship and social vulnerability, undermining development and social cohesion in Muzaffargarh.

Dera Bugti (Balochistan): Dera Bugti exemplifies Balochistan's resource paradox - sitting atop large natural gas fields yet mired in poverty and illiteracy. The district's literacy rate is only 26.5%, and female literacy is an abysmal 9.3% (PBS, 2017), among the lowest in the country. Most of the population endures multidimensional poverty; Balochistan's official MPI report found over 71% of people in the province were poor, with Dera Bugti among the worst-off areas (Balochistan Voices, 2016). Economic opportunities for locals are scant - outside of the gas industry (which employs few locals), livelihoods depend on livestock herding or informal trades that yield meager incomes. The lack of education and jobs has created a vicious circle of deprivation: uneducated youth have little prospect in the formal economy, perpetuating extreme poverty. These harsh conditions have fueled insurgency and insecurity. Grievances over resource extraction without local benefit, combined with state neglect in health, education, and infrastructure, have driven many into the ranks of Baloch separatist groups. For years, Dera Bugti was a conflict zone - insurgent attacks and military operations uprooted thousands.

In essence, severe underdevelopment and exclusion in Dera Bugti have directly fed unrest, making it a flashpoint of violence and political instability in Balochistan.

Awaran (Balochistan): Awaran is one of Pakistan's most marginalized districts, with development indicators at rock bottom. Overall literacy is about 25.5%, and female literacy only 15.9% (PBS, 2017), reflecting the near absence of girls' education. Poverty is endemic - over 51% of Awaran's people were below the poverty line as of 2019 (World Bank, 2023), and previously the majority of households suffered severe deprivations in health, education, and living standards. The local economy is extremely underdeveloped: subsistence farming and livestock rearing are primary livelihoods, but recurring drought and poor infrastructure keep incomes very low. With virtually no industry or formal jobs, unemployment and underemployment are rampant, especially among youth. The link between education and economic fate is stark - illiteracy and lack of skills lock Awaran's population into poverty. These structural miseries have had deadly implications. Awaran has been a hub of the Baloch insurgency; the district's deprivation and remoteness allowed militant leaders (like those of the Baloch Liberation Front) to operate from here. The desperation born of poverty and neglect has made Awaran fertile ground for rebellion. It endures a heavy military presence and frequent security operations, as insurgents exploit local grievances. Thus, Awaran's extreme poverty and educational collapse directly feed into unrest, making it a center of both human suffering and instability.

Kohlu (Balochistan): Kohlu district remains trapped in a cycle of poverty, illiteracy, and insurgency. The literacy rate is only 18.8% (male 25.9%, female just 10.5% (PBS, 2017)), indicating that nine in ten women here are illiterate. Virtually the entire population is multidimensionally poor - earlier surveys placed Kohlu among Balochistan's most deprived districts, with around 70-80% of residents facing poverty in multiple domains (Balochistan Voices, 2016). The economy is rudimentary, based on rain-fed agriculture and livestock, and there are almost no formal employment opportunities. Unemployment is high, and most work is informal and precarious, which keeps incomes extremely low. Education deprivation perpetuates this: with so few educated adults, communities lack the human capital for any skilled professions or local enterprise, reinforcing chronic poverty. These hardships are tightly interwoven with Kohlu's history of conflict. As a stronghold of the Marri tribe, the area was a hotbed of the Baloch insurgency; long-standing grievances over neglect and deprivation have fueled militant activity here. The absence of economic prospects for uneducated youth has made insurgency and illicit trades (like smuggling or illegal mining) alternatives for some. In sum, Kohlu's severe underdevelopment - reflected in its tiny educated population and impoverished majority - has sustained a climate of unrest and lawlessness, undermining stability in the district.

Chaghi (Balochistan): Chagai, despite its mineral wealth and strategic significance, remains underdeveloped and poor. The district's literacy rate is about 36.9% overall (female literacy 25.2% (PBS, 2017)), meaning three out of four women and a majority of men have no education beyond basic levels. Poverty is widespread - while recent surveys could not fully sample Chagai, Balochistan's poverty incidence has been over 70% and Chagai has long been noted for extreme deprivation (Balochistan Voices, 2016). The disconnect is striking: Chagai is home to major mineral projects (copper-gold mines at Saindak and the Reko Diq site) and was the site of Pakistan's 1998 nuclear tests, yet local communities see little benefit. Employment for locals in the mining sector is minimal, and most people rely on traditional livelihoods like livestock herding, cross-border trade, or low-yield farming. The lack of education limits residents' ability to secure skilled jobs, so even with large projects in the area, locals often remain laborers or unemployed. This economic exclusion despite resource wealth breeds resentment. Smuggling and illicit trades across the Afghan-Iran borders have flourished as alternative incomes, undermining law and order. Chagai's case underscores how structural poverty and low human development can persist even in resource-rich areas - contributing to social tension, petty crime, and a sense of political alienation that can destabilize the region.

Jhal Magsi (Balochistan): Jhal Magsi is a chronically underdeveloped district marked by low education and pervasive poverty. The literacy rate stands around 23.5% (female literacy only 14.6% (PBS, 2017)), reflecting limited access to schooling, especially for girls. The majority of Jhal Magsi's population lives in poverty - farming and livestock are the main livelihoods, but yields are low and services scarce, leading to a high multidimensional poverty incidence comparable to the poorest parts of the country (Balochistan Voices, 2016). With few jobs outside subsistence agriculture, unemployment and poverty reinforce each other. The lack of education perpetuates this trap: uneducated workers cannot diversify into skilled trades or secure public-sector jobs, so the district remains caught in agrarian poverty. This economic despair has implications for stability. Jhal Magsi has experienced militant violence despite its remoteness - notably a suicide attack at a Sufi shrine in 2017 that killed dozens, an incident which underscored how extremist groups exploit weak state presence in poor rural districts. Endemic poverty also fuels local conflicts and criminality; disputes over resources or tribal feuds can easily turn violent in the absence of economic opportunity. In short, Jhal Magsi's severe education and income poverty not only blight everyday life but also create conditions amenable to crime and episodic terrorism, undermining the district's security and development.

Washuk (Balochistan): Washuk is a sparsely populated, low-HDI district grappling with poor education and poverty. Only 23.9% of its population is literate (female literacy 16.8% (PBS, 2017)), a stark indicator of educational deficit.

Although recent estimates put income poverty around 35% (World Bank, 2023), other deprivation measures suggest a majority of households face shortages in basic needs. The local economy offers little beyond pastoralism and small-scale farming - there is virtually no industrial or formal employment base. As a result, underemployment is high and many families depend on informal activities (including cross-border smuggling of fuel or goods) to survive. The strong link between low education and economic hardship is evident: with most adults lacking schooling, few can obtain skilled work or government jobs, trapping the community in low-income livelihoods. Such structural poverty has led to law-and-order challenges. State presence is minimal in Washuk, and its border location has made it a corridor for illicit trade and militant movement. Baloch insurgent groups have also operated in and around this district, leveraging local grievances against the government. Thus, entrenched poverty and neglect in Washuk not only stunt human development but also contribute to a climate of insecurity and fragility in the area.

Barkhan (Balochistan): Barkhan is beset by extreme poverty, illiteracy, and feudal-tribal inequities that breed instability. The district's literacy rate is only about 27.0% (female ~16.6% (PBS, 2017)), and it was identified as one of the very poorest in Pakistan - in 2016, an estimated 93.6% of Barkhan's population was living in poverty (Balochistan Voices, 2016). This near-universal poverty means most families lack adequate food, healthcare, and income. The economy is dominated by subsistence farming and livestock herding under an archaic feudal structure; virtually no formal employment exists, and joblessness is rampant. With education so low, the populace is ill-equipped to improve their livelihoods, trapping generation after generation in poverty. These structural miseries have grave social consequences. Powerful tribal chieftains (sardars) control local resources and often run private jails, and desperate citizens have little recourse - a high-profile case in 2023 exposed heinous abuses by a local feudal lord, highlighting the lawlessness stemming from poverty and weak governance. Barkhan has also seen militant activity, as the Baloch insurgency and tribal militias find recruits among disenfranchised youth. In sum, Barkhan's extreme deprivation and lack of state oversight foster crime and human rights violations, making the district a tinderbox of social and political instability.

Killa Abdullah (Balochistan): Killa Abdullah (which includes the Chaman border region) endures severe structural deprivation despite its relatively higher literacy by provincial standards. Overall literacy is about 42.9%, but female literacy is just 26.8% (PBS, 2017) - meaning three in four women cannot read. The district was ranked the poorest in Pakistan, with an astounding 97% of its population in poverty as of 2016 (Balochistan Voices, 2016). Large families, low schooling quality, and scant infrastructure perpetuate this extreme poverty.

The economy is largely informal: cross-border trade and smuggling with Afghanistan provide some livelihood, and many men work as drivers or laborers, but formal jobs are minimal. Education's impact on economic betterment is limited here - even those with schooling struggle to find gainful employment in this remote, neglected locale. The consequences are dire for stability. Killa Abdullah's poverty and porous border have made it a hotbed of criminal and militant activity. The Taliban insurgency in neighboring Afghanistan has spilled over; the district has seen periodic violence and is notorious for trafficking and militancy. Polio vaccination teams have been attacked here in the past, symptomatic of both militancy and distrust born of marginalization. Overall, entrenched poverty, low female education, and its strategic border location combine to make Killa Abdullah both deeply unstable and emblematic of the failure to translate literacy gains into real socio-economic improvement.

Zhob (Balochistan): Zhob is a remote Pashtun-majority district marked by low human development and chronic instability. Literacy in Zhob is only 33.4%, with female literacy at 22.0% (PBS, 2017), reflecting limited access to education, especially for girls in rural areas. Poverty is widespread - while recent surveys struggled to directly measure Zhob's poverty, it is known to be among the most deprived areas (Balochistan's rural poverty exceeds 84% (Balochistan Voices, 2016), and Zhob would be no exception). The local economy is underdeveloped; most residents engage in small-scale farming, firewood collection, or cross-border trade. Unemployment and underemployment rates are high, forcing many young men to seek work in other cities or join the ranks of the Frontier Corps/levies for lack of alternatives. The paucity of education perpetuates this, as an uneducated workforce cannot attract industry or services to the area. These conditions feed into Zhob's security problems. The district lies near the Afghanistan border and the former FATA region, and over the years it has seen infiltration by Taliban-linked militants. Weak state control and economic desperation have allowed militant networks and smugglers to operate, undermining law and order. In essence, Zhob's combination of extreme poverty, low education, and strategic location has made it a pocket of high vulnerability - a region where deprivation directly fuels crime, militancy, and political volatility.

Policy, Program, and Project Review

Educational Reforms

The 18th Amendment (2010) devolved education and economic development responsibilities to provinces, but the federal government retained a coordinating role through frameworks like Pakistan Vision 2025 and education policies.

- **Pakistan Vision 2025**: Launched in 2014, this roadmap aimed for inclusive growth, targeting 100% primary enrollment, 90% literacy, halved poverty, and reduced regional inequality by 2025 (Planning Commission, 2014). It prioritized regions like Balochistan and South Punjab but lacked localized plans. Progress has been limited; literacy remains around 62% (UNESCO, 2024), and primary net enrollment is approximately 68% (Pakistan Bureau of Statistics, 2023), reflecting implementation challenges due to inadequate financing and coordination.
- **Federal Initiatives**: In 2018, the federal government pledged Rs.100 billion annually for merged FATA districts' development, and in 2020, announced a Southern Balochistan Development Package (Government of Pakistan, 2020). Execution, however, has lagged, with disbursements often below promises (Dawn, 2024).
- **KP's Education Sector Plan (2015-2020):** emphasized infrastructure and teacher training, with a Tribal Districts Education Plan post-FATA merger focusing on school reconstruction and girls' stipends (Government of KP, 2020).
- **Girls Stipend Program (KP):** The Girls Stipend Program disbursed over Rs 2 billion in FY 2020-2021 across 26 districts, providing financial support to girls in classes 6 to 10 with at least 80% attendance. Stipends are paid twice yearly and integrated with EMIS to ensure attendance transparency. Recently, the stipend amount increased from Rs 200 to Rs 500 per month, with a new Taaleem Card initiative approved to support 32,000 students at Rs 1,000 per month via digital payments.
- **The Accelerated Implementation Program (AIP)** allocated funds for merged areas, though disbursements were inconsistent (Tribune, 2024). KP's merit-based teacher hiring reduced absenteeism, benefiting districts like Bajaur (UNICEF, 2024).
- **Balochistan Education Sector Plan (BESP)**: Under its 2014 "education emergency," The Balochistan Education Sector Plan (BESP), initially developed for 2013-2018 and extended through 2020-2025, is a comprehensive framework aimed at addressing the province's severe educational challenges, including low access, high dropout rates, gender disparities, and poor quality of teaching and learning.
- **The Punjab Education Sector Reform Program (PESRP**), supported by the World Bank, targeted 22 low-literacy districts like Muzaffargarh with girls' stipends, school upgrades & afternoon shift program. The South Punjab Secretariat (2020) ensured specified budgets for southern districts.

- **The Sindh Education Sector Plan (2019-2024)** The Sindh Education Sector Plan (2019-2024) focuses on improving access, quality, and governance in education by strengthening existing schools, reducing out-of-school children, and promoting equitable enrolment, especially for girls and marginalized groups. It emphasizes curriculum reform, teacher training, early childhood education, and robust student assessments. The plan also supports non-formal education and links vocational training to enhance skills and employability, backed by significant government funding.

Initiatives for Reduction of Economic disparity

- **Benazir Income Support Programme (BISP):** Launched in 2008, BISP is Pakistan's largest unconditional cash transfer program, providing financial assistance to low-income families, especially women. Currently 9 million women are being targeted by this program. It aims to enhance purchasing power and reduce poverty. Over time, BISP has expanded to include initiatives like Waseela-e-Taleem (education stipends) and other programmes.
- **Balochistan Rural Development and Community Empowerment Programme (BRACE): It** was a five-year initiative (2017–2022) funded by the European Union to reduce poverty and empower rural communities in Balochistan, Pakistan. It targeted 300,000 households (1.9–2.7 million people) across 10 districts: Jhal Magsi, Kech, Khuzdar, Killa Abdullah, Chaman, Loralai, Pishin, Washuk, Duki, and Zhob.
- **Southern Punjab Poverty Alleviation Project (SPPAP):** The Southern Punjab Poverty Alleviation Project (SPPAP) is a targeted initiative aimed at addressing rural poverty in the districts of Bahawalpur, Bahawalnagar, Muzaffargarh, and Rajanpur—regions marked by significant socio-economic disparities. With an estimated rural population of 8.6 million (approximately 1.2 million households), the project seeks to improve household incomes by enhancing employment opportunities and increasing agricultural productivity. Specifically focused on landless laborers, smallholder farmers, and woman-headed households, SPPAP aims to directly benefit around 80,000 poor rural households.
- **Peoples Poverty Reduction Program (PPRP):** The main aim of the program was to improve the quality of life of the marginalized communities that lack basic facilities, through Social Mobilization and Income Generation. Initially, it targeted 2 districts: Shikarpur and Kashmore-Kandhkot, and later expanded to other districts in phase wise manner. The initiative consists of 7 key interventions: Community Investment Fund, Income Generation Grant, Low-cost Housing, Vocational Life Skills Training, Enterprise Development, Village Improvement and Kitchen Gardening.

Stakeholder Analysis

Stakeholder	Role	Interest / Influence	Interests / Expectations	Influence / Power	Engagement Strategy
Ministry of Planning, Development & Special Initiatives	National planning and funding allocation through PSDP	High – Sets strategic priorities and allocates resources	Wants alignment of projects with national development priorities and efficient resource use	High	Consult regularly through planning frameworks and performance reviews
Ministry of Federal Education & Professional Training	Standard setting, curriculum development, and TVET & literacy programs	Medium – Balances national policy and provincial autonomy	Seeks to maintain national education standards and influence curriculum across provinces	Medium	Engage through IPEMC and education harmonization efforts
Economic Affairs Division	Coordinates foreign-funded programs aligned with national goals	Medium – Influences project scope and donor coordination	Aims to ensure external funding aligns with national priorities and is used effectively	Medium	Coordinate via joint planning with donors and provinces
Benazir Income Support Programme (BISP)	Disburses cash transfers, educational stipends, and welfare support	High – Impacts education & proverty alleviation through welfare incentives	Focuses on efficient welfare delivery to reduce poverty and increase school attendance	High	Collaborate with provinces for education targeting and align programs with poverty and disparity reduction strategies.
Provincial Education Departments	Implements schooling, hiring, budgeting, and sector plans	High – Primary delivery mechanism for education	Interested in effective service delivery, reducing dropout rates, and increasing literacy	High	Coordinate on curriculum implementation, school-level data sharing, and enrollment drives; align efforts to improve access, quality, and equity in education, especially in disadvantaged regions.

NGOs	Operate schools, manage teacher training, adopt schools	High – Major service providers with broad reach	Focuses on delivering education in underserved areas, wants government support and funding	High	Formal MOUs, capacity-building, and results-based funding
Community Leaders	Influence local project acceptance and land donation	Medium – Can facilitate or block reforms locally	Interested in influencing education and development locally, sometimes resist change	Medium	Dialogue and sensitization to foster support for interventions
Donors (World Bank, ADB, USAID, etc.)	Finance and design sector-wide programs and infrastructure	High – Major funders with technical and financial inputs	Seeks successful program implementation aligned with global best practices	High	Align donor support with national and provincial priorities; ensure coordination on project design, monitoring, and funding for education access, quality, and disparity reduction.

Overlaps and Coordination Issues

Stakeholders Involved	Coordination/Overlap Issues
MoPDSI & Provincial Education Departments	Misalignment between federally funded PSDP projects and actual provincial needs or capacities; delays in fund releases affect implementation at the provincial level.
MoFEPT & Provincial Education Departments	Overlap in curriculum development and TVET programs; tensions over jurisdiction and standard-setting authority post-18th Amendment.
MoFEPT & BISP	Lack of integrated planning on conditional cash transfers linked to school attendance and literacy outcomes; weak data interoperability.
EAD & Donors vs. Provinces	Centralized donor negotiations by EAD sometimes ignore provincial priorities, leading to weak ownership or poor implementation of donor-funded programs.
BISP & Provincial Departments	Inadequate real-time coordination on out-of-school children (OOSC) data, beneficiary tracking, and integration of social protection with local education strategies.
Donors & Multiple Ministries (MoFEPT, EAD, MoPDSI)	Parallel monitoring frameworks and overlapping technical assistance programs cause redundancy; lack of unified platform for reporting and evaluation.
NGOs & Government Departments	Fragmented school adoption and teacher training initiatives with limited integration into public sector systems; inconsistent quality and accountability.
Community Leaders & Provincial Departments/NGOs	Resistance to reforms (e.g., girls' education or school mergers) due to lack of early engagement; occasional political interference in school siting and staffing.

Institutional Weaknesses, Fault-lines and Governance Gaps

Dimension	Observed Weaknesses / Governance Gaps	Examples & Implications
Participation	Weak involvement of communities and local stakeholders in education planning and oversight	School Management Committees (SMCs) are often inactive or politically influenced, especially in rural districts like Dera Bugti and Kohlu.
Rule of Law	Inconsistent implementation of education-related laws and absence of enforcement	Right to free and compulsory education under Article 25-A is poorly implemented in provinces like Balochistan and KP's merged districts.
Transparency	Limited public access to education budgets, performance data, and teacher recruitment processes	Ghost schools and unverified teacher appointments persist due to opaque monitoring systems, particularly in interior Sindh and Balochistan.
Responsiveness	Education departments are slow to respond to community needs, school conditions, and dropout crises	Flood-hit schools in South Punjab and Sindh remained unrepaired for years, despite community complaints and media coverage.
Consensus Orientation	Conflicts between federal and provincial authorities over curriculum and policy direction post-18th Amendment	Single National Curriculum (SNC) faced resistance from Sindh, highlighting lack of intergovernmental consensus on education reforms.
Equity and Inclusiveness	Regional, gender, and rural-urban disparities persist in access, quality, and learning outcomes	Girls' enrollment in remote Balochistan remains low; urban schools receive better facilities and teachers than rural counterparts.
Effectiveness and Efficiency	Resource misallocation, poor capacity, and lack of performance-based management in departments	High spending on salaries with little impact on learning outcomes; underutilized or abandoned school buildings in remote areas.
Accountability	Weak mechanisms to hold officials and institutions responsible for poor service delivery	Absence of independent education oversight

Assessment of Implementation Bottlenecks

Fiscal Bottlenecks

- **Delayed Fund Releases:** Slow disbursements hinder progress. In FY2024, only 45% of PSDP funds were utilized by April; Balochistan left Rs.104 billion unspent due to planning delays.
- **Lack of Operational Budgets:** Schools built with development funds often lack resources for staff or upkeep, especially in merged areas and Balochistan.
- **Rigid Budgeting:** Annual plans don't adapt to emergencies (e.g., floods) or community-driven initiatives.
- **Donor Conditionality's:** Complex procurement and reporting requirements delay execution and risk fund withdrawals when targets aren't met.

Governance Bottlenecks

- **Red Tape:** Hiring and procurement processes are slow. In Sindh, headmaster appointments faced year-long delays.
- **Procurement Delays:** PPRA rules lead to disputes and retendering; minor works like furniture supply or boundary walls face long lags.
- **Coordination Failures:** Departments work in silos; roads, schools, and utilities are often misaligned.
- **Security Clearances:** NGOs and public staff in conflict areas face delays in getting NOCs, as seen in North Waziristan.
- **High Staff Turnover:** Frequent transfers of key officials disrupt continuity and delay reform implementation.

Procedural and Design Bottlenecks

- **Contextual Mismatch:** Top-down programs fail when they ignore local norms—e.g., microfinance for women in conservative regions saw poor uptake.
- **Inflexible Policies:** Standard qualification rules and schedules hinder recruitment and attendance in remote or extreme weather-prone areas.
- **Weak Monitoring:** Many projects lack impact assessments. Teacher training is rarely evaluated, limiting improvements.
- **Maintenance Oversight:** Infrastructure projects prioritize construction over upkeep, leading to rapid deterioration.
- **Targeting Errors:** Poor data and registration barriers exclude eligible households, especially women in remote areas.

- **Gender Insensitivity:** Absence of toilets, walls, or female staff discourages girls' attendance; mismatched program timings also reduce female participation.

SWOT and EETH Analysis of Key Institutions

SWOT Analysis (Provincial Education Departments)

Strengths	Weaknesses
1. **Devolution and Autonomy Post-18th Amendment** o Greater decision-making power at the provincial level allows for localized policy formulation and implementation. o Tailored curricula and region-specific education strategies are now possible. 2. **Established Administrative Structures** o Existence of comprehensive bureaucratic hierarchies (Secretaries, Directors, DEOs, AEOs) ensures defined roles. o Coordination mechanisms with attached bodies (Textbook Boards, PEC, BISEs, etc.) support implementation. 3. **Public School Network Coverage** o Extensive network of primary and secondary schools, especially in Punjab and KP. o Free textbooks, stipends for girls (in some provinces), and mid-day meal programs (in pilot stages in Sindh and Punjab). 4. **Digital Reforms and MIS Systems** o Punjab's School Education Management Information System (SEMIS) and Sindh's HRMIS enable data-driven decisions. o E-transfer systems have reduced corruption in postings/transfers. 5. **Donor and NGO Engagement** o Collaboration with international partners (UNICEF, DFID, JICA) for capacity building, infrastructure, and gender inclusion.	1. **Inequitable Distribution of Resources** o Stark urban-rural divide in school infrastructure, teacher availability, and learning outcomes. o Southern Punjab, interior Sindh, rural KP, and Balochistan suffer from chronic under-resourcing. 2. **Poor Learning Outcomes** o National and provincial assessments (ASER, PEC) reveal low literacy/numeracy skills despite high enrolments. o Emphasis on enrollment quantity over quality of education. 3. **Overcentralized Bureaucracy** o Field officers lack decision-making autonomy; centralized decision-making delays issue resolution. o Ineffective School Councils and Parent-Teacher Committees. 4. **Corruption and Politicization** o Ghost schools, fake teacher appointments, and non-transparent procurement continue, especially in Sindh and Balochistan. o Posting and transfer of teachers often politically influenced. 5. **Weak Monitoring and Evaluation** o Irregular inspections and poor implementation of M&E frameworks. o Performance-based budgeting is still weak or absent.

<table>
<tr><th>Opportunities</th><th>Threats</th></tr>
<tr><td>
1. EdTech and Digital Learning
o Leveraging digital tools (Taleem Ghar, Ilm Ki Dunya, TeleSchool) to bridge teacher shortages and urban-rural divide.
o Use of AI and Learning Management Systems (LMS) for personalized education.
2. Public-Private Partnerships (PPPs)
o Programs like Punjab Education Foundation (PEF) and Sindh Education Foundation (SEF) show scalable PPP models.
o Expansion & replication to underserved areas through low-cost private schools.
3. Curriculum and Assessment Reform
o National Curriculum Council reforms offer provinces a chance to align with competency-based and inclusive curricula.
o New assessment tools can move beyond rote learning.
4. Improved Fiscal Space through NFC Award
o If education is prioritized in provincial budgetary allocations, departments can address infrastructure and teacher gaps.
o Result-Based Financing from donors' contingent on reforms.
5. Community Engagement and Decentralization
o Reviving school-based management and community oversight (e.g., SMCs) can improve accountability and outcomes.
</td><td>
1. Political Instability and Policy Discontinuity
o Frequent changes in leadership and shifting priorities delay implementation of long-term education plans.
2. Security Challenges in Conflict Areas
o Balochistan, ex-FATA, and some KP districts face security risks that disrupt schooling, especially for girls.
3. Climate Vulnerability and Infrastructure Damage
o Floods (e.g., 2022) destroyed thousands of schools, and weak infrastructure remains unrepaired.
o Lack of disaster-resilient school design.
4. Out-of-School Children (OOSC)
o Pakistan has 22.8 million OOSC (UNESCO, 2023); provincial departments struggle to bring these children into the formal education system.
5. Brain Drain of Skilled Teachers
o Poor working conditions, lack of incentives, and limited career progression lead to migration of qualified teachers to private sector or abroad.
</td></tr>
</table>

EETH Analysis (Provincial Education Departments)

<table>
<tr><th>Enhancement of Strengths</th><th>Elimination of Weaknesses</th></tr>
<tr><td>
6. Strengthen Decentralized Capacity
7. Build provincial planning and research units, train staff in policy design, and align budgets with localized education needs.
8. Professionalize Administration
9. Introduce KPIs, modern HR practices, and leadership training for DEOs, AEOs, and school heads to improve governance.
10. Optimize Public School Infrastructure
</td><td>
17. Bridge Urban-Rural Gaps
18. Implement needs-based budgeting and deploy targeted infrastructure, teacher, and resource investments in underdeveloped districts.
19. Improve Learning Outcomes
20. Shift from rote learning to competency-based education; strengthen teacher training and reform assessment systems.
21. Decentralize Bureaucracy
</td></tr>
</table>

11. Use GIS mapping to rationalize schools, upgrade facilities, and expand incentive programs like stipends and mid-day meals in underserved areas. 12. Expand and Integrate Digital Systems 13. Enhance MIS and HRMIS for real-time data use, link performance with decision-making, and ensure digital access at school level. 14. Institutionalize Donor and NGO Coordination 15. Align external support with provincial priorities, promote successful PPP models, and formalize engagement through coordination frameworks. 16.	22. Delegate operational powers to district and school levels; empower School Management Committees (SMCs) and local education authorities. 23. Curb Corruption and Political Interference 24. Enforce biometric attendance, automate postings/transfers, and introduce third-party audits for transparency. 25. Strengthen Monitoring and Evaluation 26. Establish independent M&E units with real-time dashboards, and link performance reviews to funding and promotions. 27.
28. Taking advantage of Opportunities	**29. Hedging against the Threats**
30. Leverage Educational Technology 31. Expand digital platforms (e.g., Taleem Ghar, TeleSchool) and integrate e-learning tools to reach remote and underserved areas. 32. Scale Public-Private Partnerships (PPPs) 33. Replicate successful models like PEF and SEF to enhance access, quality, and accountability in low-cost private schooling. 34. Implement Curriculum and Assessment Reforms 35. Align provincial curricula with the Single National Curriculum (SNC) and adopt competency-based assessments to improve learning outcomes. 36. Mobilize Performance-Based Funding 37. Utilize donor and government incentives tied to measurable improvements in enrollment, retention, and quality indicators. 38. Revitalize Community Engagement 39. Strengthen School Management Committees (SMCs) and Parent-Teacher Associations (PTAs) for local oversight and ownership of schools.	40. Ensure Policy Continuity 41. Institutionalize reforms through legislation and long-term education sector plans to minimize disruption from political changes. 42. Deliver Education in Conflict Zones 43. Use mobile schools, community-based classes, and partnerships with NGOs to sustain learning in insecure regions like Balochistan and ex-FATA. 44. Build Climate-Resilient Infrastructure 45. Construct disaster-resilient school buildings and establish emergency education response mechanisms for flood- and quake-prone areas. 46. Reduce Out-of-School Children (OOSC) 47. Link school enrollment with social protection schemes and use targeted campaigns based on data from NSER and PSLM. 48. Retain Skilled Teachers 49. Offer rural service incentives, secure housing, and career progression opportunities to attract and retain teachers in underserved areas.

SWOT of Benazir Income Support Program

Strengths	**Weaknesses**
50. Nationwide Reach and Institutional Scale 51. BISP is Pakistan's largest social safety net, serving over 9 million low-income households, with a well-established delivery and registration infrastructure. 52. Targeted and Data-Driven Approach	62. Limited Graduation Pathways 63. BISP primarily provides financial assistance without strong linkages to livelihood programs, vocational training, or entrepreneurship support to lift families out of poverty. 64. Targeting and Registration Gaps

53. Uses the National Socio-Economic Registry (NSER) and poverty scorecards for objective beneficiary identification, reducing inclusion/exclusion errors over time. 54. Women-Centric Disbursement Model 55. Stipends are disbursed directly to women head-of-households, promoting gender empowerment and financial inclusion. 56. Multipronged Support System 57. Offers both unconditional (Kafalat) and conditional cash transfers (Taleemi Wazaif) tied to education, helping reduce dropout rates among poor families. 58. Integration with Technology 59. Incorporates biometric verification, digital payment mechanisms, and grievance redress systems, improving transparency and delivery efficiency. 60. Donor Confidence and Global Recognition 61. Backed by the World Bank, ADB, and other development partners; praised for its governance structure and alignment with SDG 1 (No Poverty) and SDG 5 (Gender Equality).	65. Despite NSER improvements, coverage gaps persist in remote, tribal, and disaster-hit regions due to data limitations, registration barriers, and women's mobility issues. 66. Undercoverage of Urban Poor and Informal Workers 67. Many eligible households, particularly in urban slums and among informal labor groups, remain unregistered or underreported. 68. Inadequate Adjustment for Inflation 69. Real value of cash assistance has been eroded by inflation, especially in food and energy prices, reducing its effectiveness. 70. Dependence and Stigmatization Risks 71. Long-term reliance on cash transfers can create dependency, and in some areas, beneficiaries face social stigma or exclusion. 72. Inconsistent Field-Level Implementation 73. Local administrative and monitoring capacity varies across provinces, with Balochistan, FATA/merged areas, and interior Sindh lagging in outreach and grievance redress.
Opportunities	**Threats**
74. Graduation and Integration Models 75. BISP can integrate with Ehsaas Amdan, TVET, microfinance, and skill-building programs to transition beneficiaries toward sustainable incomes. 76. Dynamic and Inclusive Registry Expansion 77. Regular updating of NSER, coupled with data linkages to NADRA, Bait-ul-Mal, and provincial social programs, can improve targeting and coverage. 78. Digital Financial Inclusion 79. Linking cash disbursements to savings, insurance, and mobile banking platforms can empower women and improve household financial resilience. 80. Expansion of Conditional Transfers 81. Additional conditionalities can be linked to health (e.g., child vaccinations, maternal care) and school performance to enhance multidimensional impacts. 82. Global Funding Alignment 83. Strategic alignment with SDGs and platforms like the Global Partnership for Social Protection (GPSP) can attract additional resources.	86. Fiscal Constraints and Austerity Pressures 87. Pakistan's economic instability and IMF-backed austerity may limit budgetary allocations for social safety nets like BISP. 88. Political Interference 89. Changes in federal leadership or misuse for electoral gain can undermine program continuity and credibility. 90. Digital Vulnerabilities 91. As BISP digitizes its delivery and registration systems, data breaches, fraud, or cyberattacks pose rising risks. 92. Climate and Conflict Disruptions 93. Natural disasters (e.g., 2022 floods) and conflict in Balochistan or merged districts can hinder operations and data collection. 94. Erosion of Public Trust 95. Any perceived bias, delivery failure, or corruption can weaken community trust, especially in politically volatile regions.

84. Public-Private and Community Partnerships 85. Collaboration with NGOs and local governments can improve service delivery, awareness, and grievance redress mechanisms in hard-to-reach areas.	96. Dependency Narrative in Political Discourse 97. Critics often portray BISP as fostering a "free-handout culture", potentially reducing political support for expanding social protection. 98.

EETH Analysis of Benazir Income Support Program

Enhancement of Strengths	Elimination of Weaknesses
1. **Expand Outreach to Underserved Areas** o Use mobile registration units and provincial partnerships to reach urban slums, merged districts, and disaster-affected regions. 2. **Continuously Update the NSER Database** o Integrate NSER with NADRA and real-time data from health and education systems to improve targeting accuracy. 3. **Deepen Women's Economic Empowerment** o Link cash transfers to financial literacy, savings accounts, and microinsurance products for women beneficiaries. 4. **Broaden Conditional Support** o Enhance Taleemi Wazaif by adding health-related conditionalities (e.g., vaccinations, maternal care) and tracking school retention. 5. **Upgrade Digital Systems** o Improve biometric systems, expand digital payment options, and localize grievance redress platforms for better accessibility. 6. **Leverage Global Alignment and Transparency** o Align BISP goals with SDGs and publish regular impact assessments to sustain donor confidence and funding.	1. **Introduce Graduation and Livelihood Pathways** o Integrate BISP with skill training, vocational education (TVET), microfinance, and self-employment programs to help families move toward economic independence. 2. **Close Targeting and Registration Gaps** o Expand and dynamically update the NSER using mobile registration units, community verification, and NADRA-linked outreach in remote and disaster-hit areas. 3. **Incorporate the Urban Poor and Informal Sector** o Launch urban inclusion drives with support from local governments and labor unions to register informal workers and urban slum dwellers. 4. **Index Stipends to Inflation** o Periodically adjust cash transfer amounts to reflect food and fuel inflation, maintaining purchasing power and poverty mitigation impact. 5. **Reduce Dependency and Address Stigma** o Pair cash transfers with counseling, community engagement, and media campaigns to promote dignity, self-reliance, and informed usage of support.

	6. **Strengthen Local Implementation Capacity** o Deploy provincial implementation units, build local staff capacity, and improve grievance redress mechanisms in lagging areas like Balochistan and merged districts.
Taking advantage of Opportunities	**Hedging against the Threats**
1. **Link BISP with Graduation Programs** o Integrate beneficiaries with Ehsaas Amdan, TVET, and microfinance schemes to support income generation and reduce long-term dependency.	1. **Safeguard Funding through Legal and Fiscal Shields** o Advocate for ring-fenced social protection budgets and constitutional or legislative protections to insulate BISP from IMF-driven austerity cycles.
2. **Expand and Integrate the NSER Registry** o Regularly update NSER and link it with NADRA, Bait-ul-Mal, and provincial welfare databases to enhance accuracy and inclusion.	2. **Institutionalize Program Governance** o Ensure legal autonomy and bipartisan oversight to protect BISP from political manipulation and secure long-term continuity.
3. **Promote Digital Financial Inclusion** o Connect BISP payments with mobile wallets, savings accounts, and micro insurance products to build women's financial resilience.	3. **Enhance Cybersecurity and Data Governance** o Invest in robust data protection protocols, third-party audits, and digital fraud detection to secure biometric and payment systems.
4. **Broaden Conditional Transfers for Social Impact** o Extend BISP conditionality's to health milestones like child immunization, maternal care, and consistent school attendance.	4. **Build Disaster-Resilient Delivery Systems** o Develop mobile registration/payment units, flexible cash disbursement tools, and emergency protocols for use during floods, conflict, or displacement.
5. **Align with Global Social Protection Frameworks** o Use SDG alignment and join platforms like GPSP to unlock international funding and enhance global visibility.	5. **Reinforce Transparency to Strengthen Public Trust** o Regularly publish independent evaluations, maintain grievance redress systems, and launch community feedback platforms to boost credibility.
6. **Strengthen Community and NGO Partnerships** o Partner with local governments and NGOs to improve awareness, last-mile delivery, and grievance redress in underserved regions.	6. **Counter Negative Narratives with Evidence and Advocacy** o Communicate success stories, graduation pathways, and impact data to counter the "dependency" critique and highlight the program's economic and social returns.

Best Practices Integration

National Best Practices and Successes

The Aga Khan Development Network (AKDN)

The Aga Khan Development Network (AKDN) has successfully implemented a multi-sectoral, community-centric development model in Gilgit-Baltistan and Chitral, raising literacy, improving livelihoods, enhancing governance participation, and strengthening social cohesion.

1. **Community-Driven Planning and Local Governance**
   - Establish or strengthen Village Development Committees (VDCs) in Balochistan, ex-FATA, and rural Sindh to plan and oversee development activities.
   - These bodies should be gender-inclusive and trained in project planning, transparency, and resource management.
2. **Multi-Sectoral Area-Based Programming**
   - Replicate the integrated development planning used in Hunza or Ghizer districts by implementing convergent education, health, livelihoods, and civic programs in identified target areas.
   - Priority clusters may include:
     - Awaran–Kohlu–Dera Bugti (Balochistan)
     - Kashmore–Shikarpur (Sindh)
     - Rajanpur–DG Khan (South Punjab)
     - North and South Waziristan (KP merged districts)
3. **Women-Centered Economic and Educational Inclusion**
   - Recruit and train local women as educators, health promoters, and entrepreneurs, following AKDN's gender empowerment focus.
   - Scale vocational centers for women in line with successful AKRSP models.
4. **Context-Responsive Infrastructure**
   - Promote climate- and conflict-resilient infrastructure, including micro-hydels, solar schools, and mobile health units.
   - Design infrastructure based on community planning sessions to ensure relevance and uptake.
5. **Microfinance and Livelihoods Integration**
   - Introduce community savings groups and rural microfinance models to support agriculture, livestock, and home-based enterprise.

- Leverage existing programs like BISP, BRACE, and SPPAP to identify ultra-poor households.

National Best Practices and Successes

Bangladesh Rural Advancement Committee (BRAC)

The BRAC model, founded in Bangladesh, has earned global recognition for its success in alleviating poverty, promoting education—especially for girls—and empowering marginalized communities through scalable, community-led interventions. For Pakistan, which faces entrenched educational and economic disparities in underserved areas BRAC model offers a pragmatic and proven development framework.

i. **Community-Based Non-Formal Education**
   - BRAC’s one-room, one-teacher non-formal primary schools (NFPEs) can be introduced in remote Pakistani districts with high out-of-school rates (e.g., Awaran in Balochistan, North Waziristan in KP).
   - Female teachers from the local community can be recruited and trained, mirroring BRAC’s girl-friendly model.
   - Flexible timings and accelerated curricula can be tailored to children engaged in labor, displaced by conflict, or living in conservative households.

ii. **Women-Led Local Empowerment**
   - BRAC’s emphasis on female teachers, entrepreneurs, and health workers can help overcome gender barriers in regions with restrictive cultural norms.
   - Pakistan’s Benazir Income Support Programme (BISP) can integrate BRAC’s approach by offering additional financial and training support to women who serve as local education providers or community mobilizers.

iii. **Ultra-Poor Graduation Model**
   - BRAC’s graduation approach—a staged model combining asset transfers, vocational training, cash stipends, and mentorship—can be linked with BISP beneficiaries, particularly in South Punjab and interior Sindh.

iv. **Community Ownership and Decentralized Governance**
   - BRAC relies on Village Organizations (VOs) and Community-Based Committees to monitor schools, mobilize resources, and ensure accountability.

- In Pakistan, School Management Committees (SMCs) and Village Education Committees (VECs) could be revitalized using the BRAC model, especially in conflict zones or tribal districts where trust in state institutions is low.

Pantawid Pamilyang Pilipino Program (4Ps) – Philippines

The aim of 4Ps is to break the intergenerational cycle of poverty by investing in human capital—through conditional cash transfers tied to education, health, and nutrition—while gradually guiding poor families toward self-reliance.

Lessons for Pakistan (BISP Context)

- **Targeted Conditional Cash Transfers (CCT):** Like BISP's Kafalat + Taleemi Wazaif, 4Ps provides monthly stipends to poor families on the condition that:
    - Children attend school (85%+ attendance)
    - Children receive regular vaccinations and checkups
    - Pregnant women receive prenatal/postnatal care
- **Graduation and Livelihood Pathways:** Beneficiaries are linked with skills training, job placement programs, and livelihood assistance under the Sustainable Livelihood Program (SLP), reducing long-term dependency.
- **Digital Payments and Monitoring:** Uses digital ID-linked payments and field-level monitoring to reduce leakages and ghost beneficiaries, enhancing transparency.
- **Impact**
    - Enrollment in primary education increased by 10% among 4Ps children.
    - Child labor reduced by 30%, and malnutrition rates declined significantly.
    - Female participation in banking and decision-making rose.
    - Contributed to national poverty reduction, with 1.5 million families lifted out of poverty between 2012–2018.

China's Poverty Reduction Model: Lessons for Pakistan

China's poverty alleviation success, lifting 800 million people out of poverty since 1978, offers a scalable, multi-sectoral approach that Pakistan can adapt to its own context. By combining targeted policies, infrastructure development, and grassroots empowerment, China transformed rural economies and improved human capital. Below is a structured breakdown of key strategies, with actionable recommendations for Pakistan.

i. **Precision Poverty Alleviation (Targeted Household Support)**

China's "Precision Poverty Alleviation" (2013-2020) identified poor households individually and provided tailored support (loans, skills training, relocation).

Pakistan's Adaptation:

Expand Ehsaas Program with Digital Profiling

- Use National Socio-Economic Registry (NSER) to identify ultra-poor households.
- Assign "Poverty Reduction Officers" (like China's village cadres) to monitor progress.

Asset Transfers & Livelihood Support:

- Provide livestock, sewing machines, or agri-tools to poor families (similar to China's "One Household, One Policy").
- Link support to vocational training (e.g., CPEC job centers).

ii. **Rural Infrastructure & Market Access**

China invested heavily in roads, electricity, and e-commerce to connect rural areas to urban markets.

Pakistan's Adaptation:

CPEC Rural Connectivity Projects

- Prioritize last-mile road networks in South Punjab, interior Sindh, and Balochistan.
- Expand solar electrification (like China's off-grid solar programs).

E-Commerce for Farmers

- Partner with Daraz, Alibaba, or JazzCash to create "Digital Farm Markets" (similar to Taobao Villages).
- Train farmers in mobile-based sales to bypass middlemen.

iii. **Education & Skills Development**

China focused on vocational training and scholarships to break the poverty cycle.

Pakistan's Adaptation:

Vocational Training for CPEC Jobs

- Expand TEVTA & NAVTTC programs in construction, logistics, and tech.
- Offer stipends for female trainees (like China's "Spring Bud" initiative).

Non-Formal Schools for Remote Areas

- Replicate BRAC's one-room schools in Balochistan, Thar, and ex-FATA.
- Hire local female teachers with flexible timings for child laborers.

iv. Women-Led Economic Empowerment

China promoted microfinance, female entrepreneurship, and healthcare access for rural women.

Pakistan's Adaptation:

Microfinance for Women (Like BRAC's Model)

- Link Ehsaas Kafalat beneficiaries to small business loans.
- Train women in handicrafts, agri-processing, and e-commerce.

Mobile Health Units for Rural Women

- Deploy "Sehat Nigheban" (female health workers) in villages (similar to China's "Barefoot Doctors").

v. Industrialization & Job Creation

China's SEZs and labor-intensive manufacturing lifted millions out of poverty.

Pakistan's Adaptation:

Boost CPEC Special Economic Zones (SEZs)

- Attract textile, electronics, and agro-processing industries to Rashakai, Dhabeji.
- Offer tax breaks & simplified regulations for job-creating industries.

Urban Job Migration Support

- Provide low-cost hostels & transport subsidies for rural migrants (like China's "Hukou" reforms).

vi. Community Ownership & Local Governance

China relied on village committees to implement and monitor programs.

Pakistan's Adaptation:

Revitalize Village Committees

- Strengthen School Management Committees (SMCs) with training & funding.
- Involve local elders & youth in poverty reduction planning (like China's "Village Cadres").

GAP Analysis

Dimension	Current State	Desired State	Action Steps
Educational Access and Enrollment	- 25.3 million children (36% of school-age population) out of school, primarily in rural Balochistan (40% OOSC), Sindh, and KP's merged districts (The Express Tribune, 2024). - Cultural barriers and poverty limit enrollment, especially for girls in Balochistan and former FATA (UNICEF, 2024).	- Zero out-of-school children (OOSC) by 2030. - Universal enrollment for children aged 5-16, with no gender or regional disparities.	- Launch enrollment campaigns linked to BISP's Taleemi Wazaif, offering conditional cash transfers for 85%+ school attendance. - Establish 2,000 non-formal education (NFE) centers in remote areas (e.g., Awaran, Kohlu) using BRAC's one-room school mo
Educational Quality	- Poor learning outcomes: only 13% of children in Shikarpur and 23% in Kashmore can read a Sindhi story; 9% and 11% can do two-digit division (ASER 2023). - Untrained teachers and rote-based curricula dominate, especially in rural areas (World Bank, 2024)	- 80%+ of students achieve grade-level proficiency in literacy and numeracy by 2030. - Competency-based education universally adopted.	- Roll out Single National Curriculum (SNC)-aligned competency-based curricula across provinces. - Train 100,000 teachers annually in modern pedagogy, prioritizing low-HDI districts. - Deploy EdTech platforms (e.g., Taleem Ghar, TeleSchool) to 5,000 schools
Educational Infrastructure	- Only 23% of schools in Balochistan and Sindh have basic facilities (toilets, electricity, walls), compared to 93% in Punjab (World Bank, 2024). - Floods and conflict damage schools in South Punjab and Balochistan (Dawn, 2024).	- 100% of schools equipped with basic facilities and climate-resilient infrastructure by 2030.	- Allocate 30% of PSDP funds to build/upgrade 5,000 climate-resilient schools in underserved areas of South Punjab, Balochistan, Sindh, and KP's merged districts. - Ensure all schools have toilets, electricity, and walls. - Use GIS mapping to optimize school locations.

Educational Governance	- Ghost schools, teacher absenteeism, and politicized appointments persist in Sindh and Balochistan (World Bank, 2024). - Delayed fund releases (45% PSDP utilization in FY2024) and unspent budgets (Balochistan's Rs.104 billion) hinder progress (Dawn,	- Active SMCs in all schools, with real-time monitoring and merit-based hiring. - Transparent, accountable institutions with 100% fund utilization.	- Implement biometric teacher attendance and automate hiring via e-transfer systems. - Establish Independent M&E units with real-time dashboards for fund utilization and school performance. - Train 10,000 SMCs for community oversight.
Gender and Regional Educational Disparities	- Female literacy critically low: 20% in Balochistan, 7.8% in former FATA (ASER Pakistan, 2024). - Urban literacy (74%) far exceeds rural (51%) (PBS, 2023). - Cultural norms and insecurity limit girls education (UNICEF, 2024).	- Universal literacy (90%+) by 2030 with minimal gender/regional disparities (<5% variation). - Equal access for girls in all regions.	- Recruit 10,000 female teachers for Balochistan and former FATA with rural incentives (e.g., housing, bonuses). - Build 1,000 girls-only schools with secure facilities in conservative areas. - Launch community sensitization campaigns via local media
Economic Poverty Levels	- Multidimensional poverty affects 39.5% of the population: Balochistan (71%), former FATA (73%), Sindh (45%), Punjab (31%) (PIDE, 2024). - Rural poverty (54%) significantly higher than urban (9%) (World Bank, 2024).	- Multidimensional poverty reduced to 20% nationally, with no province exceeding 30% by 2030. - Rural poverty aligned with urban levels (<15%).	- Scale BRACE and SPPAP to cover 500,000 additional households in Balochistan, Sindh, and South Punjab. - Introduce AKDN-style microfinance and community savings groups in low-HDI districts. - Provide emergency livelihood support in flood-affected
Economic Livelihood Opportunities	- Subsistence farming and informal labor dominate in low-HDI districts (e.g., Dera Bugti, Kashmore, Rajanpur) (UNDP, 2024).	- Sustainable livelihoods (agriculture, microenterprises, vocational skills) available in all low-HDI districts.	- Link BISP with TVET, training 1 million beneficiaries in vocational skills - Link SMEDA and provide Micro-finance options by BISP

	- BISP serves 9 million households but lacks strong graduation pathways (Dawn, 2024).	- BISP fully integrated with graduation pathways.	- Adopt BRAC's ultra-poor graduation model (asset transfers, stipends, mentorship) for 200,000 households. - Establish 500 vocational centers in low-HDI districts
Economic Fiscal and Governance Issues	- Delayed fund releases (45% PSDP utilization in FY2024) and unspent budgets (Balochistan's Rs.104 billion) (Dawn, 2024). - Centralized planning and weak coordination between federal and provincial entities (World Bank, 2024). - Corruption in programmes / projects	- 100% fund utilization with decentralized, transparent institutions. - Real-time federal-provincial coordination and zero corruption.	- Advocate for ring-fenced budgets for poverty alleviation programs. - Set quarterly PSDP fund release targets. - Form inter-ministerial task forces for coordination. - Introduce third-party audits for transparency.

Conclusion

This study reveals that regional educational and economic disparities in Pakistan are not incidental, but rather the outcome of entrenched institutional weaknesses and persistent gaps in policy implementation. The provinces of Balochistan, Khyber Pakhtunkhwa (especially its merged districts), interior Sindh, and southern Punjab consistently lag behind in key human development indicators, reflecting the consequences of historical neglect, limited fiscal decentralization, poor infrastructure, and bureaucratic inertia. The findings underscore that such disparities are more than developmental setbacks—they are structural injustices that perpetuate poverty, unemployment, and political instability, creating cycles of marginalization that resist simplistic interventions. The situational and policy reviews, alongside stakeholder mapping and institutional analyses, demonstrate that while some reform efforts have taken shape—such as the Balochistan Education Sector Plan, BRACE, and targeted stipends for female education—their impacts are often blunted by governance bottlenecks, coordination failures, and contextually mismatched program designs. Institutional fault-lines, including opaque resource allocation, politicized service delivery, and low community participation, exacerbate the crisis in regions where the state's presence is either absent or ineffective. Importantly, the gap analysis affirms that poverty and political unrest in underdeveloped regions are deeply intertwined with educational deprivation and economic exclusion.

These disparities breed alienation and make communities vulnerable to militancy, crime, and informal economies, thereby eroding state legitimacy and national cohesion. The example of former FATA, Kohistan, Tharparkar, and Dera Bugti serves as a stark reminder that unless the structural causes of inequity are addressed, development outcomes will remain uneven and unstable. To chart a more inclusive and stable future, it is essential that Pakistan embraces integrated, community-driven, and context-sensitive strategies that go beyond token interventions. Incorporating best practices such as the AKDN's multisectoral model and BRAC's non-formal education initiatives offers a promising path forward. However, such replication must be rooted in institutional reform, participatory governance, and a renewed political will to prioritize underserved populations. In essence, closing the gap between policy and practice is not only a developmental imperative—it is a prerequisite for peace, progress, and unity in Pakistan.

Recommendations

Short-Term Recommendations (1–2 Years)

1. **Deploy Targeted Service Delivery in Critical Districts**

- **Deploy Mobile Schools in Critical Districts:** Launch rapid response programs in districts like Awaran, Dera Bugti, Kohistan, and Rajanpur by deploying mobile schools to provide immediate educational access, particularly for out-of-school children, overcoming sparse infrastructure.
- **Establish Mobile Health Units:** Set up mobile health units in Awaran, Dera Bugti, Kohistan, and Rajanpur to deliver essential services like vaccinations, maternal care, and malnutrition treatment, addressing acute health crises and building community trust.
- **Introduce Vocational Training Caravans:** Deploy vocational training caravans in critical districts to offer skills development for youth and women, focusing on market-relevant trades to enhance employability and economic opportunities.

2. **Activate Community Engagement Platforms**

- **Reconstitute School Management Committees (SMCs):** Revive and strengthen SMCs in ex-FATA and rural Balochistan with budgeted incentives and mandatory gender quotas to ensure community oversight of schools, improving enrollment and retention, particularly for girls
- **Empower Village Development Committees (VDCs):** Establish or reactivate VDCs with AKDN-inspired community-led governance models, providing funds and training to prioritize local development needs like water access and health services in districts like Dera Bugti and Kohlu.

- **Strengthen Parent-Teacher Associations (PTAs):** Enhance PTAs with gender-inclusive representation and financial incentives to bridge gaps between schools and communities, focusing on low-HDI areas to boost educational outcomes and parental engagement.

3. **Integrate Conditional Cash Transfers with Enrollment Drives**

- **Utilize BISP's Taleemi Wazaif:** Expand BISP's Taleemi Wazaif program to target out-of-school children (OOSC) in districts like Tharparkar and Torghar, providing cash transfers to families' conditional on verified school attendance using digital records.
- **Leverage Taaleem Card:** Deploy the newly approved Taaleem Card to incentivize school enrollment in low-HDI districts, linking payments to sustained attendance to reduce dropout rates, particularly among girls.
- **Incorporate Health Conditionalities:** Extend cash transfer programs to include health requirements, such as child vaccinations and maternal care, to improve health outcomes and school readiness in underserved regions.

4. **Operationalize Data-Driven Targeting**

- **Update NSER Registry:** Use mobile registration vans and NADRA integration to update the National Socio-Economic Registry (NSER) in merged districts, interior Sindh, and border areas like Chaman, ensuring accurate identification of vulnerable populations
- **Prioritize Informal Workers and Displaced Households:** Focus on dynamic enrollment of informal workers and displaced households to close coverage gaps, enabling targeted delivery of social protection and education programs
- **Enhance Data Accessibility:** Streamline data-sharing between NADRA and provincial authorities to facilitate real-time monitoring and rapid response in underserved regions.

5. **Expedite Unutilized Budget and Simplify Disbursement**

- **Mandate Full Budget Release:** Require provincial finance departments to release 100% of allocated development budgets for education and social protection by Q3 of each fiscal year to prevent delays in critical districts like South Waziristan and Tank.
- **Simplify PSDP Procedures:** Streamline Public Sector Development Programme (PSDP)-funded project procedures by removing redundant No-Objection Certificate (NOC) and Public Procurement Regulatory Authority (PPRA) requirements in post-conflict zones to accelerate implementation.

- **Enhance Financial Oversight:** Implement digital tracking systems to monitor budget utilization, ensuring transparency and reducing leakages in education and social protection initiatives.

Medium-Term Recommendations (3–5 Years)

1. **Institutionalize Area-Based Integrated Development Programs**

- **Replicate AKDN's Integrated Model:** Implement cluster development packages combining education, health, livelihood, and infrastructure in high-poverty regions such as Awaran–Kohlu–Dera Bugti (Balochistan), Kashmore–Shikarpur (Sindh), Rajanpur–DG Khan (Punjab), and North/South Waziristan (KP) to holistically address multidimensional poverty.
- **Establish Multi-Sector Coordination:** Create a coordination mechanism anchored by the Chief Secretary's Office, aligning donors and provincial departments to ensure efficient resource allocation and program integration.
- **Prioritize High-Impact Interventions:** Focus on scalable projects like community schools, rural health clinics, and micro-irrigation systems to enhance capabilities and foster local resilience.

2. **Establish Gender-Focused Human Capital Corridors**

- **Create Women's Empowerment Corridors:** In female-literacy-deficient districts like Killa Abdullah and Kohistan, develop corridors offering hostels, stipends, female teacher training, maternal health facilities, and mobile vocational centers to boost girls' enrollment and female labor participation.
- **Enhance Female Human Capital:** Provide targeted training and safe learning environments to address gender disparities, empowering women to contribute to economic and social development.
- **Integrate Health and Education:** Link maternal health services with educational incentives to improve health outcomes and school attendance, particularly for girls.

3. **Link BISP with Livelihood Graduation Models**

- **Adapt BRAC's Ultra-Poor Graduation Approach:** Merge BISP beneficiaries with Ehsaas Amdan, TVET, and microcredit programs to transition them from dependency to economic participation.
- **Train in Market-Relevant Skills:** Offer training in agriculture value chains, handicrafts, or solar energy services to enhance employability and income generation, targeting districts like Tharparkar and Bajaur.

- **Ensure Sustainable Livelihoods:** Provide ongoing mentorship and market linkages to ensure beneficiaries achieve self-reliance, reducing long-term poverty.

4. **Reform Provincial Education Governance**

- **Revamp Education Departments:** Introduce KPIs, performance-based budgeting, and digital dashboards to enhance accountability and efficiency in provincial education departments.
- **Decentralize Authority:** Shift hiring and budget authority to district education authorities, empowering local decision-making to address context-specific needs.
- **Strengthen HRM and M&E:** Implement human resource management reforms and establish dedicated Monitoring and Evaluation (M&E) cells to improve staff performance and program outcomes.

5. **Expand Public-Private Partnership Models**

- **Scale PEF and SEF Programs:** Expand voucher-based schooling, low-cost community-run schools, and performance-tied funding to underserved districts like Tharparkar, Kohistan, and ex-FATA, enhancing educational access and quality.
- **Promote Faith-Based Schools:** Support faith-based schools in culturally conservative areas like Torghar and Dera Bugti to overcome resistance to education, particularly for girls, boosting literacy rates.
- **Encourage Women-Run Schools:** Develop women-led schools in low female-literacy districts, employing female teachers to create safe, culturally acceptable learning environments, reducing gender disparities.

Long-Term Recommendations (5–10 Years)

1. **Enact a National Framework for Equitable Human Development**

- **Formulate a National Framework:** Develop a National Framework for Disparity Reduction, mandating provinces to allocate a minimum of 30% of development expenditure annually to the bottom HDI quintile districts (e.g., Awaran, Tharparkar, Kohistan) to address educational and economic disparities.
- **Link to Performance Contracts:** Tie allocations to performance contracts with clear KPIs, ensuring accountability and effective resource utilization in underserved regions.
- **Implement Third-Party Audits:** Enforce independent third-party audits to monitor expenditure and outcomes, reducing corruption and enhancing transparency in development programs.

2. Develop Resilient Infrastructure in Conflict and Climate Zones

- **Construct Disaster-Resilient Infrastructure:** Build schools, roads, and health units with solar panels, elevated plinths, and mobile backup facilities in disaster- and conflict-prone districts like Zhob, Washuk, and Tharparkar to ensure service continuity.
- **Integrate Community Resilience Programs:** Combine infrastructure projects with community training on disaster preparedness and climate adaptation, enhancing local capabilities to withstand environmental and security challenges.
- **Prioritize Sustainable Design:** Incorporate eco-friendly materials and renewable energy to reduce long-term maintenance costs and environmental impact in vulnerable regions.

3. Institutionalize Political Consensus and Continuity Mechanisms

- **Establish Bipartisan Oversight Boards:** Create federal and provincial bipartisan policy oversight boards to safeguard long-term education and social protection reforms from political disruptions, ensuring continuity across administrations
- **Legalize 10-Year Strategic Plans:** Pass legislation in provincial assemblies to commit to 10-year strategic plans with binding budgetary and administrative commitments, securing sustained investment in low-HDI districts
- **Enhance Policy Stability:** Develop mechanisms for cross-party consensus to protect development initiatives from electoral cycles, fostering consistent progress in marginalized areas

4. Embed Educational and Livelihood Access into National Security Strategy

- **Recognize Non-Traditional Security Threats:** Frame poverty, unemployment, and exclusion as critical security threats within the National Security Policy, enabling whole-of-government mobilization for inclusive development.
- **Prioritize Security-Sensitive Regions:** Allocate special coordination and funding protocols for regions like Balochistan and KP's merged areas, integrating education and livelihood programs to reduce instability and militancy risks.
- **Mobilize Cross-Sector Resources:** Leverage military, civilian, and private sector collaboration to deliver services in high-risk areas, enhancing access to human capital development.

5. **Cultivate Local Leadership and Civic Engagement**

- **Launch Leadership Fellowships:** Initiate fellowships and training programs for youth and women from marginalized districts (e.g., Killa Abdullah, Torghar) to develop local champions in education, enterprise, and governance.
- **Establish Civic Innovation Hubs:** Create district-level Civic Innovation Hubs to facilitate participatory development planning and citizen monitoring, empowering communities to hold institutions accountable.
- **Promote Inclusive Representation:** Ensure gender and minority quotas in leadership programs to amplify marginalized voices, fostering civic engagement and social cohesion

Log frame

Key Reform Activities	Performance Indicators	Responsible Institutions	Timelines	Monitoring Mechanisms
Deploy mobile schools, health units, and vocational caravans in critical districts	50 mobile schools, 40 health units, 20 vocational caravans operational	Provincial Education & Health Departments, NAVTTC, NGOs	Short-Term (1-2 Years)	Field reports, real-time dashboards, service utilization data
Reconstitute SMCs, VDCs, and PTAs in low-HDI areas	2,000 committees reactivated, 50% gender participation	District Education Departments, Local Governments	Short-Term (1-2 Years)	Quarterly community oversight reviews, education department records
Expand BISP's Taleemi Wazaif and Taaleem Card & incorporate health conditionalities	1 million new enrollments, 80% health compliance	BISP, Health departments, NADRA	Short-Term (1-2 Years)	Digital school-health attendance data, BISP MIS
Update NSER, target informal workers/displaced households, enhance data sharing	90% NSER coverage, 4 provinces connected to real-time data	BISP, NADRA, Provincial Social Welfare Departments	Short-Term (1-2 Years)	NADRA-BISP integration audits, mobile registration tracking
Ensure full budget release, simplify PSDP procedures, implement e-	100% budget release by Q3, 30% reduction	Finance Departments, Planning Commission,	Short-Term (1-2 Years)	Budget tracking dashboards,

tracking	in delay	AGP Office		audit reports
Implement cluster-based integrated development in high-poverty regions	5 clusters launched, 20% MPI reduction	Planning Commission, Chief Secretaries, Donors	Medium-Term (3-5 Years)	Cluster evaluations, MPI impact assessments
Establish gender-focused human capital corridors in female-literacy-deficient districts	60% increase in female school enrollment, 100,000 women trained	Women Development Departments, Education & Health Departments	Medium-Term (3-5 Years)	Enrollment audits, women's employment surveys
Link BISP with livelihood programs using graduation models	3 million graduated from BISP to income generation	BISP, TVET, PPAF, NRSP	Medium-Term (3-5 Years)	Income tracking, skills certification records
Revamp provincial education governance with KPIs and decentralization	All districts with DEAs, 100% dashboard compliance	Provincial Education Departments, HEC	Medium-Term (3-5 Years)	Performance reports, HRM reviews
Expand PPPs in education: PEF/SEF, faith-based and women-run schools	10,000 new schools, 2 million children enrolled	Education Foundations, NGOs, Religious Boards	Medium-Term (3-5 Years)	School accreditation, student enrollment tracking
Formulate National Framework for Equitable Human Development	Framework adopted; 30% budget to low-HDI districts	Planning Commission, Provincial Finance Departments	Long-Term (5-10 Years)	Annual budget audits, third-party evaluation
Develop disaster-resilient infrastructure in conflict/climate-affected districts	5,000 resilient units built; 90% functionality post-crisis	Ministry of Planning, NDMA, Provincial Works Departments	Long-Term (5-10 Years)	Resilience audits, site inspections
Institutionalize bipartisan oversight and 10-year strategic planning laws	Oversight boards and legal frameworks established	Provincial Assemblies, Cabinet Divisions	Long-Term (5-10 Years)	Legislative compliance reviews, oversight reporting
Embed inclusive	NSP updated;	National	Long-Term	NSP progress

development into the National Security Strategy	budgets aligned for conflict zones	Security Division, Ministry of Interior	(5-10 Years)	reports, security-development audits
Foster local leadership and civic engagement in underserved districts	5000 youth leaders & women trained, 50 Civic Innovation Hubs active	Youth Affairs, Local Governments, Ministry of Education	Long-Term (5-10 Years)	Fellowship tracking, community feedback tools

References

1. Ahmed, A. (2016, June 21). 39pc of Pakistanis live in poverty; Fata, Balochistan worst hit. *Dawn News*. https://www.dawn.com/
2. Alif Ailaan, & Sustainable Development Policy Institute. (2016). *Pakistan district education rankings 2016*. (Summary via *Business Recorder*).
3. Annual Status of Education Report (ASER) Pakistan. (2021). *ASER 2021 national results*. Lahore: ASER Pakistan.
4. ASER Pakistan. (2023). *Annual status of education reports 2022: National survey*. Islamabad: Idara-e-Taleem-o-Agahi.
5. ASER Pakistan. (2024). *Annual status of education reports 2023*. Lahore: Idara-e-Taleem-o-Agahi.
6. Daily Times. (2017, April 1). Women literacy in FATA. *Daily Times*. https://dailytimes.com.pk/
7. Daily Times. (2018, September 25). Deteriorating condition of human development index of Balochistan. *Daily Times*. https://dailytimes.com.pk/
8. Dawn. (2024a, May 10). Militancy keeps girls away from school in Panjgur. *Dawn News*. https://www.dawn.com/
9. Dawn. (2024b, October 15). Feudalism, floods and education in interior Sindh. *Dawn News*. https://www.dawn.com/
10. Government of Pakistan. (2020). *Pakistan economic survey 2019–20: Education*. Islamabad: Finance Division.
11. Government of Pakistan, & United Nations Development Programme (UNDP). (2016). *Multidimensional poverty in Pakistan report*. Islamabad: Planning Commission & UNDP.
12. Hussain, P. (2017, January 12). Provinces and human development. *The Express Tribune*. https://tribune.com.pk/
13. Pakistan Bureau of Statistics. (2019). *Pakistan social and living standards measurement survey 2018–19*. Islamabad: PBS.
14. Pakistan Bureau of Statistics. (2023). *Education statistics release*. Islamabad: PBS.
15. Pakistan Institute of Development Economics (PIDE). (2024). *Multidimensional poverty in Pakistan: Latest estimates*. Islamabad: PIDE.
16. Pakistan Institute of Education. (2022). *Pakistan education statistics 2020–21*. Islamabad: Ministry of Federal Education and Professional Training.
17. Planning Commission. (2014). *Pakistan Vision 2025*. Islamabad: Ministry of Planning, Development & Reform.
18. Sindh Bureau of Statistics. (2023). *Sindh development statistics 2023*. Karachi: Government of Sindh.
19. The Express Tribune. (2024, September 6). Report on Pakistan's education crisis: More than 36% of children out of school. *The Express Tribune*. https://tribune.com.pk
20. The News International. (2020, June 11). Economic survey reveals Pakistan's literacy rate increased to 60%. *The News International*. https://www.thenews.com.pk/
21. United Nations Children's Fund (UNICEF). (2024). *Education in emergencies report – Pakistan*. Islamabad: UNICEF.

22. United Nations Development Programme (UNDP). (2017). *Pakistan national human development report 2017 – Unleashing the potential of a young Pakistan*. Islamabad: UNDP.
23. United Nations Development Programme (UNDP). (2024). *Human development indicators – Pakistan update*. New York: UNDP.
24. United Nations Educational, Scientific and Cultural Organization (UNESCO). (2023). *Out-of-school children: Pakistan country statistics*. Paris: UNESCO Institute for Statistics.
25. World Bank. (2023, April 19). In Pakistan, quality education requires a different approach—and more investment. *World Bank Blogs*. https://blogs.worldbank.org/
26. World Bank. (2024). *Pakistan development update: Uneven regional development*. Washington, DC: World Bank.
27. Zaidi, S. (2024, July 16). Increase in education budget not enough: Ministry. *Dawn News*. https://www.dawn.com/