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AI in Pakistan's Federation: Policy Ambition and Provincial Asymmetries

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KEY TAKEAWAY

Pakistan has produced an ambitious stack of AI policy instruments, but in practice, federal and provincial action has to date focused more on security needs than on developmental governance. The most fundamental unaddressed condition is digitization: without the prior conversion of government records, systems, and institutions into digital form, no AI governance framework can deliver meaningful or equitable outcomes across the federation. AI governance designed at the center, without first addressing this precondition and without binding provincial participation, will widen the gap and erode trust between the federation and its constituent units.

> ***"Pakistan's experience shows what is possible when the foundational conditions are in place: digitized data, institutional capacity, incentives aligned with transparency. Other federations may have these conditions more uniformly distributed than Pakistan does."***

THE ISSUE

Artificial intelligence has entered the policy discourse in Pakistan's governance with considerable momentum in the last two years. The National Artificial Intelligence Policy (2025), approved unanimously by the federal cabinet, the Digital Nation Pakistan Act (2025), the Islamabad AI Declaration on Sovereign, Responsible and Capability-Driven Artificial Intelligence (2026), and the draft National Data Governance Policy (2026) together represent the most sustained federal commitment to digital and technology-driven ambitions in Pakistan's history. Moreover, the federal government announced a $1 billion commitment to AI by 2030 at the Indus AI Summit (2026) and is leading global enrollment in UNESCO's 2025 course on AI and Digital Transformation in Government, with over 1,000 participating officials. On paper, Pakistan seems on track to become the "net knowledge creator in AI," as identified in the Pakistan National Security Policy (2022-2026).

The most pressing issues standing between the current policy stack and Pakistan's ambitious AI plans are threefold:

1. Federal Policy Stack and Provincial Coordination

The policies introduced by the federal government of Pakistan concerning artificial intelligence governance have accumulated into an ambitious policy stack. Its binding scope applies only to federal ministries, agencies, and federally controlled territories. Even though the draft National Data Governance Policy proposes a council to coordinate across federal and provincial institutions, **no intergovernmental agreements on AI governance have been concluded between the federal government and any of the four provincial partners**. There is **a lack of coordination between the federal government and the provinces on all matters related to artificial intelligence**. As per the 18th Amendment to the 1973 Constitution, pressing competencies within the ambit of federalism, particularly health, education, and social welfare, were devolved to the provinces. These are also domains where AI's development and governance potential is the greatest. Even if it benefits them, provinces that feel their constitutional autonomy is under pressure are unlikely to be enthusiastic partners in such federally designed rollouts. The provinces, meanwhile, are developing their own digital and AI agendas at different speeds and scales, with no coordinating effort connecting them to Islamabad.

2. The Digital Precondition Problem

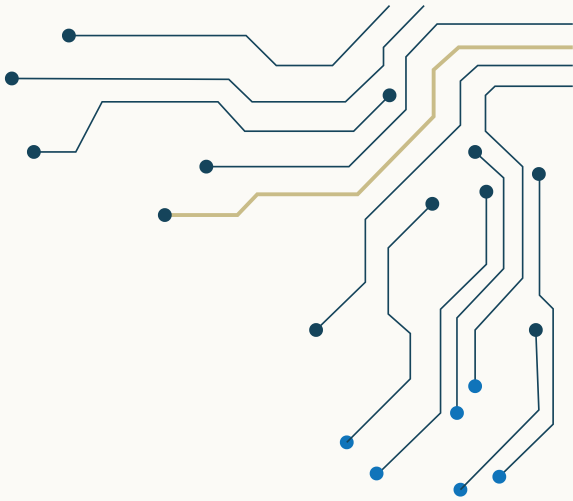
Consequently, the **different provincial approaches to AI governance face their own structural barriers**. Underlying the lackluster coordination is the digital precondition problem, which predates the federation's current AI agendas. The federation is not digitally uniform, and the gap between its most and least capable units is significant. This difference in digitization (the conversion of analog information into digital form) is generational. Punjab, the forefront province, has two decades of institutional investment in digital governance and digitization. At the other end of the spectrum, governance in Balochistan still relies on analog, paper-based data, with almost half of its administrative subdivisions having little or no broadband coverage. A federal AI policy applied uniformly

THE ISSUE

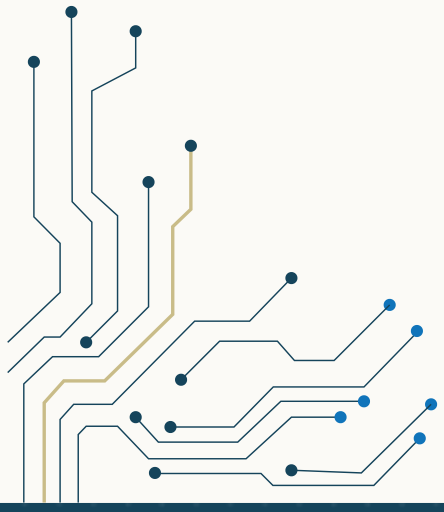
across the federation's landscape will not and cannot produce uniform results. As in other domains of Pakistan's federal dynamics, **it produces concentrated benefits in provinces that already have the infrastructure to absorb them, leaving lagging provinces behind**.

3. Geopolitical Realities Shape AI Priorities in Governance, Security and Development

Pakistan's geopolitical reality has fundamentally shaped its AI policy and its implementation. The shadow of the Pakistan-India conflict of 2025, broader regional instability in the wake of the Iran-US conflict of 2026, and the nationalist-secessionist conflict in Balochistan have shaped the scope for the use of AI in governance. These dynamics have reinforced the security dimension of this ambition, concentrating minds in Islamabad and Rawalpindi on AI's defensive applications. Thus, the federal AI rhetoric is not purely technocratic, unlike that of other federations, particularly those in the West. It also signals political modernization and strategic seriousness on Pakistan's part. The result is that institutional capacity and resource allocation have concentrated AI deployment in security applications, while the developmental potential of AI for service delivery, poverty reduction, and provincial equality remains underutilized. This security-governance dynamic has direct consequences for how AI benefits are distributed across the federation.



> ***"Sequencing matters: digitization before deployment, coordination before rollout, provincial partnership before national announcement."***



THE FINDINGS

Where AI Works (and Can)

Federal Level

The civilian deployment of AI in governance in Pakistan demonstrates that the country **has the institutional capacity to deliver on its AI rhetoric and ambitions when the foundational conditions are in place**, particularly in social protection programs. The federal government's Benazir Income Support Program (BISP) and its proxy-means test cover over 9 million registered beneficiary households, using AI to calculate poverty scores to determine eligibility for cash transfers and detect duplicate beneficiaries. An annual audit of FY 2023-24 reported Rs. 141 billion in financial irregularities, and the pilot use of AI has materially reduced politically captured beneficiary selection, introducing real-time poverty targeting across the federation.

Additionally, the Federal Board of Revenue (FBR) introduced an AI-based customs risk management system and reported a 92 percent improvement in performance during initial testing and an 83 percent increase in goods declarations identified for taxation, with Rs. 178 billion recovered following deployment. At first glance, these might be marginal gains, but **they are proof of concept for what AI-driven governance reform can achieve in Pakistan at scale**. The question is why the same conditions that have been proven by BISP and FBR have not been extended to the provincial health, education, social protection, and agriculture systems, where the need for developmental deployment is greatest, and the impact is most transformative.

Provincial Level

The security track tells a different story in the Provinces. The Punjab Safe Cities Authority operates over eight thousand cameras in Lahore alone, integrating facial recognition and AI-powered analytics. Sindh's Karachi Safe City project integrates AI-enabled surveillance, including facial and number plate recognition, across the city. In 2026, the Khyber Pakhtunkhwa government inaugurated its Safe City project with 711 AI-powered cameras and drone surveillance; Balochistan also announced plans for its Safe City Authority, and the Federal Investigation Agency (FIA) launched an AI-based system to track most-wanted criminals in real time in collaboration with NADRA.

Where provinces have moved independently, they have also done so with energy and ambition. Punjab has established a dedicated AI cell and signed a Memorandum of Understanding for its first provincial AI data center, with a target to make Punjab the largest AI-enabled province by 2029. In July 2026, Khyber Pakhtunkhwa announced the establishment of an Rs. 1 billion Artificial Intelligence Authority. On July 2, 2026, the Sindh Government launched three initiatives in direct partnership with Google, including a Gemini AI training program for its cabinet members and 20,000 career certificate scholarships at public universities in the province. The Balochistan government has also announced its first Digital Media Policy and AI-based recruitment system.

THE FINDINGS

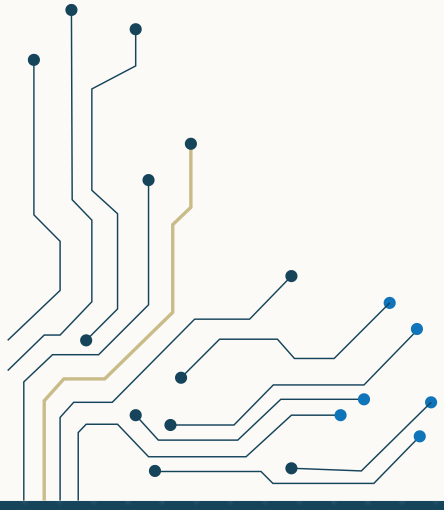
Despite this progress, the result is **a federation developing AI in four separate directions simultaneously, with no common framework, no shared standards, and no mechanism to connect provincial efforts to one another or to Islamabad**.

Digitalization Gap and Non-Adoption

The gap in Pakistan's AI governance dynamics is not simply a story of weak institutional coordination but also one **linked to political incentives**. **Digitization of records and official documents, and the digitalization of institutions, are prerequisites for any scalable AI governance model**. The federal AI agenda rests on two assumptions: that provinces would adopt digital tools if conditions were right, and that all provinces are equally positioned to do so. Neither assumption holds. The evidence from the provinces, particularly Balochistan and Punjab, suggests an asymmetry in the digital preconditions for the scalable use of artificial intelligence in development.

The contrast between the Government of Punjab's Information Technology Board (PITB) and Balochistan's Land Revenue Management Information System (LRMIS) is illustrative. The PITB, which was established in 1999, has completed over 270 projects, digitized 55 million land records, representing 98 percent of the provincial total. Moreover, it has built a portfolio of digital applications and assets spanning health, education, agriculture, and law enforcement. Punjab's institutional investment in digital governance predates any federal AI agenda by at least two decades. The LRMIS was originally announced in 2017 for four districts, then re-announced by four successive Chief Ministers, and declared complete in 2023, yet it still covers only the original four districts out of thirty-five in the province. In July 2025, the Government of Balochistan announced Phase-II of the project, pledging to expand it to 20 more districts with support from Punjab's PITB and the Bank of Punjab, as well as international donors. There are no updates or evidence of the digitization promised under Phase-II as of July 2026, with Chaman reported as the only district completely digitized.

The slow pace of digitization in health and education is not solely a capacity problem. These are also the departments where paper-based systems have historically been most difficult to reform, where procurement and employment irregularities are well documented, and where the transition to digital record-keeping would require significant changes to existing administrative practices. The incentive structure for digitization in these departments is therefore fundamentally different from departments where digital tools align more directly with institutional interests.



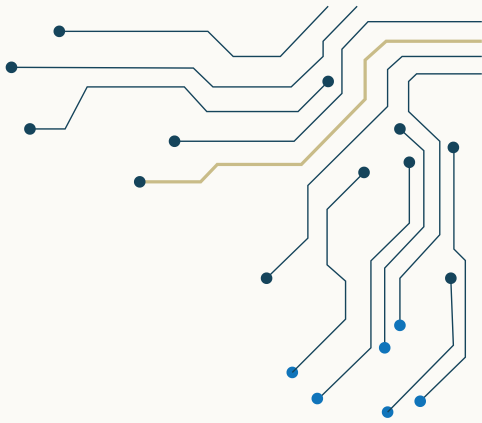
THE FINDINGS

The Invisible Governance Gap

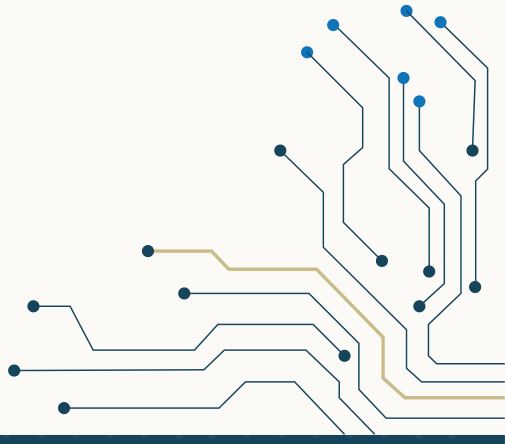
The least visible and most immediately consequential finding of this research concerns a form of AI deployment that appears in no policy document and is governed without a framework. Across federal and provincial ministries, civil servants are using large language models (ChatGPT, Google Gemini, Claude, among others) to draft policy documents, including official institutional notifications.

Interviews with senior and mid-level bureaucrats in the provincial governments of Sindh, Balochistan, and Khyber Pakhtunkhwa, as well as with federal civil servants, confirm that much of the drafting across government is being conducted using commercial AI large language model tools with no framework or restrictions in place. The implications of this are serious: government data, including sensitive policy deliberations, fiscal information, and citizen data, is being processed by external commercial systems without sovereign oversight. The accountability chain between a civil servant and a policy decision is broken when drafting is outsourced to a tool that leaves no auditable record.

It was only in July 2026, under the National Data Governance Policy, that Pakistan introduced a new draft governance framework (not yet passed) requiring government departments using artificial intelligence (AI) to adhere to stricter standards of transparency, accountability, and human oversight. This draft only **encourages provincial governments to follow the framework or develop equivalent frameworks**. The gap between **what this policy requires of federal agencies and what it leaves entirely unaddressed in the provinces is the federalism problem**.



> ***"Without intergovernmental coordination and uniformity, an ethical, responsible, and accountable artificial intelligence framework for governance is not possible in the federation."***



POLICY LESSONS

Pakistan's AI governance trajectory is not yet a story of failure, nor yet one of success. Realizing these aspirations with artificial intelligence requires three interconnected shifts in how AI policies are designed and implemented at the center and in the provinces.

1. Use the National Finance Commission (NFC) Award to Drive Provincial Digitization

The federal AI policy stack was designed for a digitally uniform federation. Pakistan is not one. These policies aim to apply the same standards and expectations to all constituent units, which have profoundly different institutional realities. **A genuinely multilevel AI policy** (or policies) **requires a tiered architecture**. Provinces that meet a minimum digitization threshold should qualify for AI deployment programs, and units that do not should receive targeted digitization investment as a prior condition of a national rollout. The National Data Maturity Index proposed in the draft National Data Governance Policy (2026) could serve as the basis for such a system if its scope is extended to the provinces and linked to resource allocation decisions. **Without fiscal incentivization for verified performance, provinces have no structural reason to prioritize digitization**. The next National Finance Commission (NFC) Award should include a digitization performance clause, under which provinces that meet independently verified digitization benchmarks receive an enhanced share of the federal divisible pool. The NFC Award is a negotiated intergovernmental instrument in which provinces are full participants. A digitization clause would be agreed rather than imposed, **resolving the tension between federal reform ambition and provincial autonomy that the current AI policy architecture cannot bridge**.

2. Intergovernmental Coordination is the Only Path to Accountable AI Use

Pakistan's National AI Policy was drafted in Islamabad without consultation with the provinces. Provincial IT boards' participation as technical stakeholders in the National AI Policy (2025) is qualitatively different from formal intergovernmental coordination. **What matters is that without intergovernmental coordination and uniformity, an ethical, responsible, and accountable artificial intelligence framework for governance is not possible in the federation**. Instead, it has direct consequences for accountability. The limited but demonstrated use of AI in the federation up to now, as seen in BISP and FBR, has shown that it can materially reduce corruption, detect irregularities, and close the channels through which public funds are diverted. These accountability gains are only possible where the underlying data has been digitized. In provinces where health records, teacher attendance, and procurement systems remain on paper, AI cannot deliver accountability. No voluntary framework breaks this pattern; only a binding intergovernmental mechanism does. The Council of Common Interests (CCI) should be convened specifically on AI governance to produce a framework that is genuinely multilevel in authority. This mechanism must also set binding environmental standards for AI infrastructure. Pakistan is water-scarce and grid-fragile, and data center investments are expanding with no provincial environmental impact framework in

POLICY LESSONS

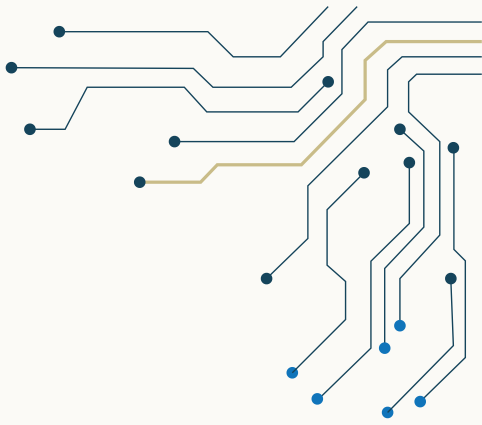
impact framework in place. The CCI or other institutional bodies designated with this task must determine answers to critical questions such as:

1. Who approves AI workflows in public administration? To what extent?
2. What systems and institutions can AI tools access?
3. What decisions can AI influence while respecting provincial autonomy?
4. What audit trails are required at federal and provincial levels?
5. Who is accountable when something goes wrong?
6. Who bears the environmental cost of AI infrastructure (data centers), and under what standards?

3. Sovereign AI Infrastructure Must Replace Unregulated Commercial Tool Use

Civil servants across federal and provincial levels are drafting policy documents, official correspondence, and administrative decisions using commercial AI tools with no accountability framework in place. No provincial ministry has issued guidance. The draft National Data Governance Policy (2026) introduces initial controls for federal agencies but leaves provincial administrations entirely unregulated. The infrastructure to solve this already exists. Data Vault Pakistan, the country's first AI-specific data center, offers sovereign, GPU-based hosting designed to train and deploy AI models domestically. A regulated government language model, trained on Pakistani administrative and legal data, hosted within national borders, and accessible to federal and provincial bureaucracies under a shared intergovernmental framework would answer all accountability questions that unregulated foreign commercial tools currently cannot.

In a nutshell, Pakistan's experience with AI policymaking provides useful insights for other federations. The returns from AI in governance are not hypothetical, and **Pakistan's experience with the BISP and FBR shows what is possible when the foundational conditions are in place: digitized data, institutional capacity, incentives aligned with transparency.** Other federations may have these conditions more uniformly distributed than Pakistan does. That is an advantage worth using deliberately. The **sequencing matters: digitization before deployment, coordination before rollout, provincial partnership before national announcement**. Federations that get this sequence right will find that AI will not deepen existing inequalities between constituent units but will assist in narrowing them instead.



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