



Weekly



# POLICY PULSE

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# OVERVIEW

This week's *Policy Pulse* reflects a governance environment focused on legal accountability, economic stabilization, security vigilance, and active diplomatic positioning. The overarching theme is institutional strengthening, through enforcement of statutory rights, regulatory recalibration, and measured engagement with regional and global developments.

In governance and the economy, the Ombudsperson's fine on the State Bank for denying paternity leave underscores enforcement of federal labour protections and workplace equality. AJK's legal and digital reforms to attract overseas investors signal confidence-building through transparency, while Nepra's decision to shield existing solar users from new billing rules balances regulatory adjustment with consumer protection. Economically, large-scale manufacturing grew 4.82% in the first half of FY26 and January posted a \$121 million current account surplus, indicating cautious macroeconomic recovery, though sectoral weaknesses and reliance on remittances persist. Concerns over smuggling in Balochistan and negotiations with ADB on Islamabad airport privatization reflect parallel efforts to formalize trade and improve asset management.

Security developments remain pressing, with the Shangla ambush highlighting continued militant threats and official accusations of cross-border proxy activity underscoring regional tensions. Internationally, Pakistan reaffirmed strategic ties with the UAE, supported democratic continuity in Bangladesh, monitored progress in US–Iran nuclear talks and Ukraine–Russia negotiations, and reiterated its stance on Palestine. These developments reflect diplomatic engagement without direct operational involvement, emphasizing multilateralism and regional stability.

The policy nuggets reinforce these trajectories by advocating industrial tariff rationalization to enhance competitiveness, tighter civil service accountability rules, migrant regularization frameworks, sustained counterterrorism investment in frontier regions, and principled diplomacy conditioned on international legality, such as requiring UN clarity on any potential Gaza deployment.

Overall, the week suggests that Pakistan's central policy challenge lies in synchronizing legal reform, economic recovery, and security management within a coherent, implementation-focused governance framework.



**Pakistan is pursuing institutional strengthening through legal enforcement to underpin a fragile macroeconomic recovery, while navigating persistent internal security threats and maintaining a position of active, principled diplomacy.**

# GOVERNANCE

## Ombudsperson fines SBP for denying paternity leave to its employee



The Federal Ombudsperson, Fauzia Viqar, fined the State Bank of Pakistan Rs500,000 for unlawfully denying a male employee 30 days of paternity leave guaranteed under the Maternity and Paternity Leave Act, 2023. The ombudsperson ruled that the denial constituted gender-based discrimination and harassment, ordering SBP to compensate the employee, grant paid leave, and revise its leave policies in compliance with federal law.

### Analysis:

This ruling reinforces the supremacy of federal welfare legislation over institutional policies and strengthens accountability of autonomous public institutions. It sets an important precedent for enforcing gender equality and shared parental responsibility in workplaces. The decision also signals stricter oversight of labour rights compliance and promotes progressive workplace reforms aligned with constitutional protections.

### Way Forward:

- All public and autonomous institutions, including the State Bank of Pakistan, must fully implement the Maternity and Paternity Leave Act, 2023 without delay or selective application.
- Public institutions must recognise shared caregiving responsibilities and integrate gender-equal leave policies into broader workplace equality frameworks.
- HR departments and employees should be trained on statutory rights to ensure timely implementation and prevent future discrimination.

## PM calls for renewed global commitment to sustainable, inclusive development



Prime Minister Shehbaz Sharif called for renewed global commitment to sustainable and inclusive development as a pathway to peace and prosperity, highlighting intertwined crises such as geopolitical tensions, climate stress, and mass displacement. He reaffirmed Pakistan's support for multilateralism, dialogue, and UN reform, while participating in agreements with UNIDO agency", UNODC, and IAEA to strengthen development and nuclear cooperation.

### Analysis:

The address positions Pakistan as a proactive advocate for global peace, inclusive growth, and rule-based multilateralism. By linking sustainable development with security and prosperity, and reinforcing partnerships with Vienna-based UN agencies, Pakistan signals its commitment to international cooperation, development diplomacy, and strategic engagement in science, technology, and industrial advancement.

### Way Forward:

- Deepen collaboration with UN agencies like UNIDO, UNODC, and IAEA to leverage technical expertise, capacity building, and industrial development programmes
- Collaborate with friendly nations, exemplified by engagements with Austria, to reinforce rule-based international order and peace initiatives.
- Integrate sustainability goals into national policies to address poverty, debt, climate stress, and displacement, contributing to regional stability.

# GOVERNANCE

## AJK announces legal, digital reforms to attract overseas investment



AJK PM Raja Faisal Mumtaz at the first Overseas Kashmiris Convention announced a series of policy and legal measures to restore investors' confidence and steering towards a digitally driven and economically stable future. He mentioned the establishment of Real Estate Special Courts to ensure transparency and swift dispute resolution.

### Analysis:

Transparency in real estate will ensure confidence considering a history of scams with oversea investors. It brings to light the potential of AJK and uplifts the economy at a global level.

### Way forward:

- Similar digital platforms should be enforced all over Pakistan to ensure transparent investment.
- Pakistan should adopt such initiatives as mechanisms for soft diplomacy that connect the local economy to the global economy.
- Pakistan should make use of such initiatives to reflect the loss of potential in Indian controlled Kashmir and contest against the illegal occupation.

## Nepra shields existing solar users from new billing rules



The National Electric Power Regulatory Authority (Nepra) has proposed amendments to protect existing rooftop solar users by allowing them to continue under the old net-metering system until their contracts expire. The revised rules, effective from Feb 9, 2026, ensure previously approved agreements remain valid. However, new solar consumers will shift to the less favourable net-billing mechanism, where excess electricity is purchased at a lower national average rate.

### Analysis:

The decision balances political pressure and consumer protection while safeguarding over 466,000 existing prosumers from financial loss. However, the shift to net-billing for new entrants may reduce incentives for future rooftop solar investment and slow renewable energy expansion. The move reflects regulatory recalibration aimed at managing grid sustainability and tariff burdens for 38 million conventional consumers, but it may reshape Pakistan's solar market dynamics.

### Way Forward:

- The National Electric Power Regulatory Authority should implement a phased shift from net-metering to net-billing to avoid discouraging future solar investment.
- Develop a long-term tariff framework that balances rooftop solar growth with financial stability of distribution companies and protection of 38 million grid consumers.
- Conduct broader stakeholder consultations and publish impact assessments before finalising amendments to build investor and consumer confidence.

# ECONOMIC ISSUES

## Pakistan's factory output rebounds 4.82pc in first half of FY26



Pakistan's large-scale manufacturing (LSM) sector rebounded 4.82% in the first half of FY26, driven by strong growth in automobiles, garments, petroleum products, and cement, while sectors like pharmaceuticals, chemicals, iron and steel, and machinery saw contractions. December alone saw significant month-on-month gains, indicating a stabilising trend after years of IMF-backed reforms, energy shortages, and macroeconomic pressures.

### Analysis:

The LSM rebound signals a gradual recovery of Pakistan's industrial base, reflecting easing macroeconomic pressures and improved sectoral performance. Strong growth in export-oriented and high-demand industries such as automobiles and garments may support GDP expansion, but persistent weakness in pharmaceuticals, chemicals, and heavy industries highlights structural vulnerabilities. Continued policy support, energy stability, and investment incentives will be key to sustaining manufacturing-led growth.

### Way Forward:

- Introduce targeted incentives for underperforming sectors like pharmaceuticals, chemicals, iron and steel, and machinery to balance growth across the LSM.
- Leverage strong performance in garments, automobiles, and textiles to boost exports, foreign exchange earnings, and employment generation.
- Maintain stable currency, moderate interest rates, and balanced import policies to shield manufacturers from cost shocks and ensure long-term growth.

## Pakistan records current account surplus of \$121m in January



Pakistan posted a current account surplus of \$121 million in January 2026, improving from a deficit of \$265 million in December. The short-term improvement is attributed to stable remittances and controlled imports, though the cumulative deficit for the first seven months of FY26 remains at \$1.07 billion, reflecting moderate export growth. The State Bank of Pakistan (SBP) projects manageable external pressures, with forex reserves expected to reach \$18 billion by June 2026.

### Analysis:

The surplus indicates a temporary easing of external account pressures, driven largely by remittances rather than structural export growth, highlighting the need to strengthen exports to sustain long-term stability. Controlled imports and prudent management of foreign exchange can support macroeconomic stability, while gradual improvement in reserves enhances Pakistan's ability to meet import requirements and IMF program targets.

### Way Forward:

- Implement export diversification strategies, enhance competitiveness, and incentivize high-value and export-oriented industries to reduce reliance on remittances.
- Encourage import substitution, streamline essential imports, and monitor luxury or non-essential imports to maintain trade balance without disrupting economic activity.
- Facilitate formal remittance flows through banking channels and offer incentives to sustain inflows, which support forex

# ECONOMIC ISSUES

## S muggling hinders legal trade despite support from provincial government



Balochistan Additional Chief Secretary during a meeting with business leaders at QCII stressed on illegal trade and smuggling as major hurdles in prompting lawful business in the province. He informed that the Iran border will soon operate on a passport-based system.

### Analysis:

Instability in Balochistan is not a result of unemployment but rather due to deep rooted networks of crime that are using terrorism and smuggling as tools to demean development in the region.

### Way forward:

- Instability and insecurity in Balochistan should be a matter of priority for the federal government and consistent talks should be held to outline an effective action plan
- Locals in Balochistan should be empowered economically and politically to counter political instability in the region.
- Local police should be strengthened over military installations in the region.

## P akistan taps ADB to privatise Islamabad airport



Muhammad Ali, Adviser to the Prime Minister on Privatization, set up a Negotiation Committee to discuss the terms of a proposed Financial Advisory Services Agreement (FASA) with the Asian Development Bank. The meeting is in context to Pakistan's initiative towards privatising Islamabad International Airport.

### Analysis:

Privatising the airports through transparent bidding is better than outright sale of the asset. It keeps the government in charge but allows private owners to work on development and efficiency.

### Way forward:

- Ensure transparency in the bidding criteria, evaluation process, and final agreement
- The Islamabad airport is Pakistan's most prominent airport hence its development and efficiency should be as per international standards.
- Clearly define the rights and obligations of the private operator to ensure necessary requirements for upgrading infrastructure, and the standards for operational efficiency.

# SECURITY AND LAW & ORDER

## 3 cops martyred in Shangla ambush



Three police personnel Havildar Maqbool Ahmed, Constables Fida Hussain, and Saeedur Rehman were martyred in a militant attack by suspected Fitna al-Khawarij members during a search operation in Shangla's Puran area. Police retaliated, reportedly killing multiple militants, while reinforcements and tightened security measures were deployed to secure the area and continue the clearance operation.

### Analysis:

The ambush underscores the ongoing threat of militant activity in remote regions of Pakistan, highlighting challenges for law enforcement in rugged terrains. Rapid police response, area lockdowns, and community advisories reflect efforts to maintain public safety and restore order, but the incident signals the need for sustained counterterrorism operations and intelligence-led policing to prevent future attacks.

### Way Forward:

- Strengthen local intelligence networks to identify militant hideouts, their support systems, and potential threats before operations are launched.
- Deploy additional trained police and paramilitary units in high-risk areas, equipped with modern communication and surveillance tools.
- Set up permanent checkpoints, maintain regular patrols, and monitor escape routes to prevent militant regrouping.

## Defence Minister accuses Kabul & Delhi of waging 'proxy war'



During his visit to Berlin, Khawaja Asif accused the Afghan Taliban regime of conducting a "proxy war" alongside India against Pakistani interests. He warned that Pakistan would not hesitate to launch air operations inside Afghanistan to combat militancy until Kabul offers meaningful assurances of peace for the region.

### Analysis:

It is a significant move to call out Indian support for terrorism at an international level. India is supporting terrorism and violence in the region by aiding terrorist organizations against Pakistan in both Afghanistan and Iran.

### Way forward:

- Pakistan should highlight and voice against Indian sponsored terrorism in South Asia on international platforms.
- Implement soft diplomatic initiatives to counter Indian backed hatred between Pakistan and Afghanistan.
- Ensure efficient border management to curb any terrorist movement against the state.

# INTERNATIONAL AFFAIRS

**U**AE security, stability part of Pakistan's own security: CDF



Field Marshal Syed Asim Munir, Chief of Army Staff and Chief of Defence Forces, highlighted that the security and stability of the United Arab Emirates is closely linked to Pakistan's own security during his meeting with Sheikh Tahnoon bin Zayed Al Nahyan. Both sides discussed enhancing bilateral cooperation in security, economic collaboration, investment, and regional stability, reaffirming decades-long strategic and historical ties.

### Analysis:

The meeting underscores Pakistan's focus on strengthening strategic alliances in the Gulf, linking regional stability directly to national security interests. Emphasis on economic and security collaboration reflects Pakistan's dual approach of leveraging diplomatic, defence, and economic ties to reinforce regional influence while securing continued UAE support for Pakistan's development and stability initiatives.

### Way Forward:

- Strengthen joint defence and intelligence coordination with the United Arab Emirates to safeguard mutual interests and ensure regional stability.
- Align defence cooperation with economic partnerships to create mutually reinforcing benefits, ensuring that security support translates into developmental gains for Pakistan.
- Establish regular strategic and economic dialogue platforms between Pakistan and UAE leadership to preempt regional challenges and enhance policy coordination.

**A**hsan Iqbal to represent Pakistan at BD govt's oath-taking today: FO



Federal Minister Ahsan Iqbal will represent Pakistan at the oath-taking ceremony of Bangladesh's newly elected government led by the Bangladesh Nationalist Party. Pakistan's participation underscores support for Bangladesh's democratic process and intent to strengthen bilateral ties. The Foreign Office also condemned Israel's latest settlement activities in the Occupied West Bank, reaffirming Pakistan's support for Palestinian self-determination and an independent state.

### Analysis:

Pakistan's diplomatic engagement highlights its commitment to regional cooperation in South Asia, prioritising democratic continuity in Bangladesh while maintaining high-level representation. Simultaneously, Pakistan reinforces its principled stance on the Israeli-Palestinian conflict, balancing regional diplomacy with advocacy for international law and Palestinian rights. This approach reflects a dual strategy of fostering bilateral relations and asserting Pakistan's position on key global issues.

### Way Forward:

- Explore joint initiatives in areas such as infrastructure, energy, and counterterrorism to enhance mutual interests and regional stability.
- Continue advocating for Palestinian self-determination and a viable independent state based on pre-1967 borders, reinforcing Pakistan's consistent foreign policy position.
- Ensure Pakistan's bilateral and multilateral diplomacy reflects both support for regional allies and adherence to international law, strengthening its global credibility.

# INTERNATIONAL AFFAIRS

**I**ran FM says progress made in nuclear talks with US



Iran and the U.S. made progress in nuclear talks in Geneva, agreeing on general “guiding principles,” though a final deal remains distant. Detailed proposals from Iran are expected in the coming weeks to bridge gaps. The discussions were mediated by Oman and occurred amid Iran’s military drills near the Strait of Hormuz, reflecting ongoing regional tensions.

### Analysis:

While the talks signal a cautious thaw in U.S.-Iran relations, significant hurdles remain, including sanctions relief and mutual trust. Iran’s strategic military maneuvers underscore its leverage, while U.S. insistence on preventing nuclear weaponization highlights the delicate balance between diplomacy and security concerns. The outcome will depend on realistic negotiation demands and sustained multilateral engagement.

### Way Forward:

- Pakistan should advocate for a peaceful resolution through diplomacy, as stability in the Gulf and Strait of Hormuz directly affects Pakistan’s energy security and trade routes.
- Maintain strategic neutrality, supporting international law and nuclear non-proliferation while fostering cordial relations with both Iran and the U.S.
- Diversify energy sources and strengthen strategic reserves to mitigate risks from potential disruptions in Gulf energy supplies.

**U**kraine, Russia hold peace talks in Geneva as Trump puts pressure on Kyiv



Ukraine and Russia held the first day of U.S.-mediated peace talks in Geneva, with President Trump urging Kyiv to reach an agreement quickly. While discussions focused on practical and procedural issues, no major breakthrough occurred, and Russia continues to demand control over remaining eastern territories. Meanwhile, ongoing Russian airstrikes, including on Odesa, caused severe power outages, highlighting the urgent humanitarian and security challenges. European countries were briefed but not directly involved in negotiations.

### Analysis:

The Geneva talks reflect intense international pressure for a resolution, yet fundamental disputes over territory and trust hinder progress. Ukraine faces a dual challenge of negotiating under military threat while securing international support, whereas the U.S. seeks to mediate multiple crises simultaneously. The situation underscores that lasting peace will require careful diplomacy, robust sanctions enforcement, and continued support for Ukraine’s security and humanitarian needs.

### Way Forward:

- Maintain a neutral stance in the conflict, while encouraging international mediation through the UN and other multilateral platforms to prevent further regional instability.
- Advocate for the protection of civilians and support humanitarian aid for affected populations, aligning with Pakistan’s long-standing commitment to international humanitarian norms.
- Monitor global energy and food supply disruptions caused by the conflict, as these can impact Pakistan’s economy, especially fuel imports and wheat prices.

# INTERNATIONAL AFFAIRS

## I ndonesia readies 8,000 troops for Gaza international force



Indonesia is preparing a total of 8,000 troops for potential deployment to Gaza by June as part of a proposed multinational peacekeeping force. However Indonesia's foreign ministry clarified on Saturday that its military's participation in the UN-mandated International Stabilisation Force should not be interpreted as a normalisation of relations with Israel.

### Analysis:

The deployment acts as a humanitarian authority and support for the people of Gaza after a devastating genocide; it aims to act with consent of the Palestinian Authority that provides support in rehabilitation and reconstruction.

### Way Forward:

- All muslim states including Pakistan should ensure their presence on ground to support Gazans, especially for medical services.
- Pakistan should also voice for the release of illegally detained Palestinians that are being abused in detainment by Israel.
- Muslim states in the Board of Peace should also bring to light Israel's illegal occupation in the west bank and work to reverse such settlements.

## P akistan & Sri Lanka to jointly fight cybercrime, financial fraud



Pakistan and Sri Lanka on Monday agreed to develop a joint strategy against cybercrimes and financial fraud mafias. The understanding was reached during a meeting of Interior Minister Mohsin Naqvi with his Sri Lankan Minister of Public Security Ananda Wijepala in Colombo. The two ministers also discussed ways to enhance cooperation in internal security and joint efforts in counter-terrorism and anti-narcotics operations.

### Analysis:

Officer exchange programmes and joint ventures would enhance the professional capacity of forces in both countries and open new avenues of cooperation between the two interior ministries.

### Way Forward:

- Pakistan should ensure strong ties with neighbouring states in the region to counter Indian hegemony.
- Diplomatic ventures in cyber security and anti terrorism will ensure comprehensive security on a regional level and promote regional connectivity.
- Pakistan should also promote cultural exchanges for strengthened bilateral ties and public diplomacy.

# POLICY NUGGETS

## 1 Industrial power tariff cuts aim to boost competitiveness and ease production costs

### Impact

Improves cost competitiveness, supports export-oriented production, and eases inflationary pressures, but fiscal sustainability risks remain.

### Recommendation

Aligning pricing with productivity gains will ensure sustainability beyond short-term industrial support.

*“Energy is the universal currency of the future.” – Jeremy Rifkin.*

## 2 Pakistan–Austria engagement push for economic diplomacy and investment partnerships

### Impact

Strengthens export diversification, technology transfer, and skilled labour mobility in European markets, potentially reducing reliance on traditional partners.

### Recommendation

Sustained follow-up through EU market access channels will be key to translating dialogue into measurable trade gains.

*“Trade between nations is the surest path to peace and prosperity.” – Montesquieu*

## 3 Proposed nationality rules for civil servants signal tightening of state accountability

### Impact

Strengthens state integrity and conflict-of-interest safeguards, improving transparency, and aligning civil service conduct with national security.

### Recommendation

Parliamentary oversight through bodies like the National Assembly of Pakistan will be essential to maintain transparency and legitimacy.

*“Public office is a public trust.” – Grover Cleveland*

## 4 Joint Arab–Islamic stance on Palestine reinforces diplomatic pressure

### Impact

Strengthens diplomatic isolation risks over settlement expansion, signalling renewed multilateral pressure that could influence debates within the UNSC.

### Recommendation

Sustained legal advocacy and humanitarian diplomacy will be key to maintaining international attention on Palestinian rights.

*“Injustice anywhere is a threat to justice everywhere.” – Martin Luther King*

## 5 Overseas employment gaps highlight need for migrant regularisation policies

### Impact

Risk limiting Pakistan’s labour market competitiveness abroad, reducing remittance potential and weakening protection of overseas workers.

### Recommendation

Expand country-specific language and technical training centres while negotiating regularisation pathways for undocumented workers.

*“The future of work depends on the skills we build today.” – Klaus Schwab*

## 6 Deadly Bajaur attack underscores persistent cross-border militancy and security vulnerabilities

### Impact

Reinforces the strain on Pakistan’s border security, civilian protection, and regional stability amid already fragile internal security conditions.

### Recommendation

Sustained investment in counterterror capacity and local resilience in frontier districts will be critical to long-term stability.

*“Security is not the absence of danger, but the presence of justice.” – Harrison Ford*

## 7 US vows to stop Iran’s nuclear ambitions “one way or another”

### Impact

Strong rhetoric against Iran’s nuclear programme heightens geopolitical tensions and risks escalating conflict in an already fragile region.

### Recommendation

Prioritize renewed diplomatic frameworks to prevent a nuclear breakout without triggering a regional war.

*“Peace is the only battle worth waging.” Albert Camus*

## 8 Pakistan warns of possible new strikes in Afghanistan over security concerns

### Impact

Cross-border tensions threaten regional stability, complicate peace efforts, and risk prolonged conflict between neighbouring states.

### Recommendation

Establish a joint intelligence-sharing mechanism to neutralize militants without violating territorial sovereignty.

*“Violence begets violence.” Martin Luther King, Jr.*

## 9 PM to seek clarity on troop deployment to Gaza during US visit

### Impact

Potential troop involvement reflects evolving foreign policy priorities and raises strategic, humanitarian, and diplomatic considerations.

### Recommendation

Condition any troop commitment on a clear UN mandate to ensure a humanitarian focus over combat.

*“International peace and security must be the joint work of all nations.” UN Charter*



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