



Weekly



POLICY PULSE

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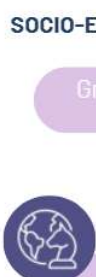
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OVERVIEW

This week's *Policy Pulse* highlights mounting pressures across public health, economic management, and regional diplomacy, reflecting Pakistan's continued struggle to balance institutional preparedness with external uncertainty. The central theme is resilience—strengthening governance capacity while responding to climate, fiscal, and geopolitical vulnerabilities.

In health, Karachi's deadliest heatwave in years exposed severe urban vulnerability, worsened by power outages and water shortages. Weak incentives for emergency specialists in Khyber Pakhtunkhwa continue to undermine critical care capacity, while WHO warnings regarding a new virus outbreak highlight gaps in Pakistan's surveillance and preparedness systems. Persistent polio transmission in Karachi and southern KP further reflects governance and community engagement challenges despite national progress elsewhere.

Socio-economic developments reveal efforts to stimulate investment and stabilize the economy amid structural constraints. Calls for fiscal incentives in solar energy and electric vehicles indicate attempts to attract green investment and industrial modernization. The proposed auto refurbishment-export scheme reflects a shift toward export-oriented industrial policy, while expansion of the Apna Ghar Programme seeks to revive housing-led economic activity. Simultaneously, accelerated tax consultations ahead of IMF budget negotiations underscore continued dependence on externally driven fiscal discipline and structural reform.

Internationally, geopolitical instability and energy insecurity dominate. Maritime health concerns following a virus-hit cruise ship underscore weaknesses in global emergency coordination. Pakistan's facilitation of Iranian crew repatriation and progress in US-Iran mediation reflect its growing diplomatic role in regional de-escalation efforts. However, continuing tensions around the Strait of Hormuz and rising fuel import costs expose Pakistan's vulnerability to external energy shocks. Strengthened reserves through IMF inflows and Saudi support provide temporary stability, while new security cooperation with Bangladesh signals improving regional engagement.

The policy nuggets reinforce priorities of economic reform, climate resilience, energy security, press freedom, and strategic diplomacy.

Overall, the week underscores the urgency of strengthening institutional preparedness, economic resilience, and balanced diplomacy in an increasingly volatile regional and global environment.



Mounting pressures across public health, economic management, and regional diplomacy reflect Pakistan's continued struggle to balance institutional preparedness with external uncertainty."

HEALTH

10 found dead as Karachi endures 'hottest day in eight years'



Karachi faced its hottest day in eight years with temperatures reaching 44.1°C, leading to at least 10 deaths, many of whom remained unidentified. The extreme heat was worsened by prolonged power outages and water shortages, intensifying public hardship. Authorities expect temperatures to decline slightly in the coming days, though another rise is anticipated later in the month.

Analysis:

The incident highlights serious urban vulnerability to climate-induced heatwaves, especially for marginalized groups. Poor infrastructure particularly unreliable electricity and water supply amplifies the human cost of extreme weather. It also reflects gaps in emergency preparedness and coordination among public institutions, raising concerns about future resilience in megacities like Karachi.

Way forward:

- Ensure uninterrupted electricity during extreme heat, especially in hospitals, exam centres, and vulnerable neighborhoods; reduce excessive loadshedding through better grid management.
- Establish heat relief camps, shaded areas, and cooling centres across the city, particularly in densely populated and low-income areas.
- Launch outreach programs for homeless individuals, drug users, and daily wage workers with shelters, hydration support, and medical aid.

Lack of incentives for emergency specialists affecting patient care in KP



Hospitals in Khyber Pakhtunkhwa are facing weak emergency care due to a lack of incentives, limited career growth, and no private practice opportunities for emergency specialists. This has led to brain drain and poor management of critically ill and trauma patients. Experts stress that strengthening emergency departments and training staff can significantly reduce mortality and disabilities.

Analysis:

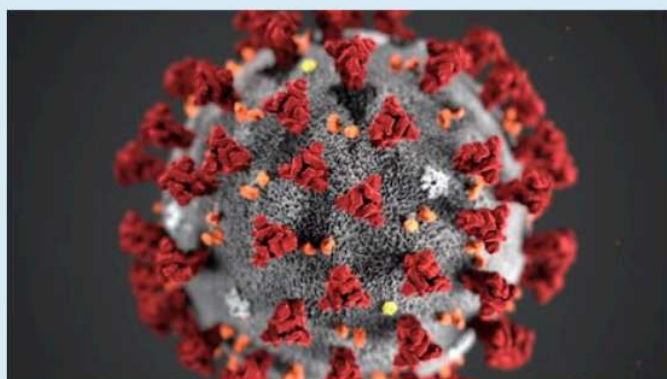
The issue reflects systemic neglect of emergency medicine as a specialized field in Pakistan's healthcare system. Without competitive incentives and institutional recognition, skilled professionals continue to leave, weakening crisis response capacity. Improving emergency infrastructure, training, and retention policies is essential for disaster-prone regions like KP to ensure timely, life-saving care.

Way Forward:

- Offer special allowances, risk pay, and higher salary packages for emergency specialists to match the intensity and exclusivity of their role.
- Establish a clear promotion pathway and academic recognition for emergency medicine as a full specialty, aligned with standards of the Pakistan Medical and Dental Council.
- Upgrade Accident & Emergency units into fully recognized departments in teaching hospitals, linked with institutions like Khyber Medical University.

HEALTH

WHO warns of emerging virus outbreak



The World Health Organization has issued a warning about an emerging virus outbreak, with WHO official Maria Van Kerkhove stressing that it is “very different” from coronavirus. The agency has urged countries to strengthen surveillance, laboratory capacity, and reporting systems while investigations into transmission patterns and severity continue. Pakistan has yet to announce a coordinated national screening or preparedness framework at airports and border points.

Analysis:

The warning highlights Pakistan’s continued vulnerability to emerging infectious diseases due to gaps in surveillance, genomic sequencing, and emergency preparedness. With high regional mobility and limited fiscal space for health emergencies, delayed preparedness could once again force costly reactive measures instead of preventive containment.

Way Forward:

- Activate coordinated surveillance and genomic sequencing systems through the National Institute of Health and provincial health departments.
- Strengthen hospital preparedness by updating isolation capacity, oxygen supply, and emergency response inventories.
- Launch clear public communication campaigns to counter misinformation and improve outbreak awareness.

Polio transmission persists in Karachi and South KP despite gains elsewhere



The WHO Polio Emergency Committee has warned that wild poliovirus transmission remains concentrated in Karachi and southern Khyber Pakhtunkhwa despite broader national progress. Pakistan confirmed its first wild polio case of 2026 in Sindh, while more than 60,000 vaccine refusals were reported during recent campaigns, particularly in Karachi. Pakistan and Afghanistan remain the world’s only two polio-endemic countries.

Analysis:

Persistent transmission reflects governance, trust, and community engagement failures rather than limitations in medical capacity alone. Continued environmental detections and vaccine refusals risk undermining years of progress toward eradication, particularly amid funding pressures and public mistrust.

Way Forward:

- Integrate polio campaigns more effectively with routine immunization systems to reach zero-dose children.
- Expand targeted engagement through religious leaders, local influencers, and frontline health workers in high-refusal areas.
- Protect domestic financing for polio eradication efforts despite broader fiscal pressures.

SOCIO-ECONOMIC ISSUES

Fiscal incentives sought to attract foreign investments in solar energy, EV



At a policy consultation in Islamabad organized by Sustainable Development Policy Institute, experts emphasized Pakistan's strong potential in solar energy and EV sectors but highlighted the urgent need for fiscal incentives and policy reforms to attract foreign, especially Chinese, investment. They noted that regional competitors offer better infrastructure, incentives, and clear industrial strategies.

Analysis:

The discussion reveals Pakistan's missed opportunities due to policy inconsistency and lack of a clear industrial roadmap. Without competitive incentives and investor-friendly frameworks, the country risks falling behind ASEAN economies in green manufacturing. Strengthening governance, ensuring stability, and shifting toward private-sector-led investment models are crucial for sustainable economic growth.

Way Forward:

- Encourage joint ventures between local firms and Chinese private companies to enhance technology transfer and local capacity building.
- Policy Consistency & Stability: Ensure long-term, predictable policies to build investor confidence, particularly for foreign firms considering large-scale investments.
- Clear Industrial Roadmap: Develop a national green industrialisation strategy focusing on solar manufacturing, EV assembly, and battery production.

Govt mulls export of refurbished used cars under new auto policy



Pakistan's proposed Auto Policy 2026–31 introduces an Import-Refurbishment-Export (IRE) scheme under which used cars will be imported, refurbished locally, and re-exported to international markets on the Dubai/Jebel Ali model. The policy, backed by the Special Investment Facilitation Council, aims to increase exports, attract investment, create jobs, and integrate Pakistan into the global automotive value chain. Imported vehicles will not be allowed in the local market and must be re-exported within nine months.

Analysis:

The proposal reflects Pakistan's shift toward export-oriented industrial policy at a time of weak export growth and economic pressure. If implemented effectively, the scheme can generate foreign exchange, develop technical skills, and modernize the automobile sector. However, weak regulatory oversight, infrastructure gaps, and risks of misuse or smuggling could undermine the policy's success and create governance challenges.

Way Forward:

- Ensure transparent monitoring by the FBR, EDB, and customs authorities to prevent misuse, illegal sales, and tax evasion.
- Invest in advanced refurbishment facilities, skilled labor training, and technology transfer to meet international export standards.
- Build trade partnerships and targeted export agreements with African, Middle Eastern, and Asian markets to ensure sustainable demand for refurbished vehicles.

SOCIO-ECONOMIC ISSUES

ECC upscales financing for PM Apna Ghar Programme



The Economic Coordination Committee approved an expanded financing framework for the Prime Minister Apna Ghar Programme to accelerate affordable housing construction after commercial banks showed slow lending. The revised policy broadens participation by including non-banking financial institutions, overseas Pakistanis, and public-private partnerships to help achieve the target of 500,000 housing units. The ECC also approved funding and policy measures related to electrification, education, immigration services, and the power sector.

Analysis:

The decision highlights the government's attempt to revive the housing sector as a driver of economic growth, employment, and social welfare. Expanding the lender base may improve access to housing finance and reduce dependence on commercial banks. However, weak financial capacity, implementation delays, and lack of transparency in project execution could limit the programme's effectiveness and increase fiscal pressures.

Way Forward:

- Introduce low-interest and long-term financing mechanisms to make housing loans accessible for middle- and low-income groups.
- Encourage private sector investment through incentives, faster approvals, and transparent regulatory frameworks.
- Establish strong oversight systems to ensure timely project completion, fair allocation of funds, and prevention of corruption or misuse.

Pakistan speeds up taxation proposals ahead of key IMF budget parleys



Pakistan has accelerated consultations on taxation reforms ahead of the 2026–27 budget, as discussions with the International Monetary Fund are expected to shape key fiscal decisions. The government is engaging stakeholders from insurance, mutual funds, and multinational companies to refine tax policy and improve regulatory clarity. These efforts are linked to securing IMF program reviews and upcoming financial tranches worth \$1.2 billion.

Analysis:

The move reflects Pakistan's continued dependence on IMF-backed fiscal discipline, with taxation reforms central to budget negotiations. Broad stakeholder consultations indicate an attempt to balance revenue generation with business confidence and economic stability. However, frequent external oversight highlights structural weaknesses in Pakistan's tax system and limited domestic fiscal space.

Way Forward:

- Focus on bringing untaxed sectors and informal economy into the formal tax net to reduce reliance on external borrowing.
- Ensure consistency between federal and provincial levies to improve compliance and ease of doing business.
- Modernize tax collection systems through digitalization and enforcement to increase efficiency and transparency.

INTERNATIONAL AFFAIRS

T hree dead, nearly 150 trapped on virus-hit cruise ship



A suspected hantavirus outbreak aboard the cruise ship MV Hondius has resulted in three deaths, with nearly 150 passengers stranded after Cape Verde denied docking. While some infected individuals require urgent care, the World Health Organization maintains that the risk of wider transmission remains low.

Analysis:

The incident highlights gaps in international coordination and crisis response for health emergencies at sea. Despite low transmission risk, precautionary port restrictions created humanitarian and logistical challenges. It underscores the need for clearer global protocols on outbreak management, passenger evacuation, and coordination between countries to balance public health safety with human welfare.

Way Forward:

- Pakistan should strengthen port health systems by improving screening, quarantine, and emergency response capacity at all entry points.
- Pakistan should develop clear maritime health protocols in line with World Health Organization guidelines to manage infectious outbreaks on vessels.
- Pakistan should establish an effective coordination mechanism between health, port, and foreign affairs authorities for crisis management.

U S hands over 22 Iranian crew to Pakistan



Pakistan facilitated the release of 22 Iranian crew members from the seized vessel MV Touska after coordination between the United States and Iran, marking a confidence-building measure in ongoing diplomatic efforts. The crew was transferred to Pakistan for repatriation, while the ship is set to return after repairs. Officials described the move as part of Pakistan's mediation role in regional peace efforts.

Analysis:

The development highlights Pakistan's emerging role as a diplomatic intermediary between major geopolitical rivals, aiming to reduce tensions through dialogue rather than confrontation. However, the situation also reflects the fragility of maritime security and sanctions-related disputes in the Gulf region. Sustained mediation will require consistent neutrality, trust-building, and stronger institutional diplomatic capacity.

Way Forward:

- Pakistan should continue strengthening its role as a neutral mediator by maintaining balanced diplomatic engagement with both the United States and Iran.
- Pakistan should institutionalize its mediation capacity within the Ministry of Foreign Affairs Pakistan to ensure consistent and structured conflict-resolution efforts.
- Pakistan should develop a formal maritime diplomacy framework to handle future ship seizures, crew detentions, and sanctions-related incidents in nearby waters.

INTERNATIONAL AFFAIRS

As strikes test truce, Tehran urged to stick to diplomacy



Tensions in the Middle East escalated after missile and drone strikes targeted the United Arab Emirates, including the Fujairah energy facility, despite an existing ceasefire. Iran blamed US actions in the Strait of Hormuz for the escalation, while Gulf and Western countries condemned the attacks and urged Tehran to return to diplomacy. Several states, including Saudi Arabia and Qatar, supported mediation efforts to prevent further regional instability.

Analysis:

The crisis highlights the fragile nature of the Middle East ceasefire and the growing risk of wider regional conflict involving energy routes and global trade. Escalation around the Strait of Hormuz threatens oil supplies, maritime security, and global economic stability. The strong international response also reflects increasing diplomatic pressure on Iran to avoid military escalation and prioritize negotiations.

Way Forward:

- Pakistan should continue diplomatic engagement with Iran, Gulf states, and global powers to support dialogue and prevent further escalation in the region.
- Islamabad should prepare contingency plans for possible oil price shocks and disruptions in maritime trade routes linked to the Strait of Hormuz.
- Pakistan should preserve balanced relations with Iran, the Gulf countries, and Western partners while emphasizing peaceful conflict resolution and regional stability.

Truce holds as Iran denies UAE attacks



Despite ongoing drone and missile incidents involving the United Arab Emirates, the US–Iran ceasefire continues to hold, with both sides exchanging denials and accusations. Iran denied targeting UAE civilian infrastructure, while asserting actions were directed only at US forces, and warned against violations of its maritime controls in the Strait of Hormuz. The United States, under President Donald Trump, maintained the ceasefire while warning Iran of possible strikes if a deal is not reached.

Analysis:

The situation reflects a fragile “cold conflict” where ceasefire stability is maintained despite active military posturing, especially around the Strait of Hormuz—a critical global energy route. Competing narratives between Iran, the US, and Gulf states highlight deep mistrust and the risk of rapid escalation. While diplomacy continues in parallel, military readiness and economic pressure keep the region highly volatile.

Way Forward:

- Pakistan should actively support de-escalation efforts between Iran, the US, and Gulf states to prevent further regional destabilization.
- Islamabad must prepare for oil price volatility and potential disruptions in trade routes linked to the Strait of Hormuz.
- Pakistan should avoid alignment in bloc politics while promoting international law, ceasefire respect, and peaceful conflict resolution through multilateral platforms

INTERNATIONAL AFFAIRS

Pakistan's fuel import bill surges amid Iran war disruptions



Pakistan's fuel import bill has reportedly surged from \$300 million to nearly \$800 million due to disruptions linked to the Iran conflict and restricted shipping through the Strait of Hormuz. Energy supply routes have been severely affected, increasing transportation costs and pressuring import-dependent economies. Islamabad has also activated overland trade routes to manage stranded cargo and reduce logistical disruptions.

Analysis:

The crisis exposes Pakistan's heavy dependence on Gulf-routed energy imports and its vulnerability to external geopolitical shocks. Rising fuel costs threaten current account stability, inflation management, and broader macroeconomic recovery efforts under the IMF programme.

Way Forward:

- Accelerate diversification of LNG and oil procurement sources to reduce dependence on a single corridor.
- Expand strategic petroleum reserves and strengthen contingency planning for energy disruptions.
- Fast-track renewable energy and transmission projects to reduce long-term import dependence.

Foreign reserves rise as Saudi deposit and IMF inflows support stability



Pakistan's foreign exchange reserves have strengthened following expected IMF inflows and an additional \$3 billion Saudi deposit aimed at supporting external stability. State Bank reserves are projected to exceed \$17 billion by the end of the fiscal year, providing short-term support for the rupee and external financing needs. However, business groups continue to warn about high operational costs and weak regional competitiveness.

Analysis:

The improvement offers temporary macroeconomic relief but remains heavily dependent on external financing, bilateral support, and IMF-backed stabilization. Without structural reforms in taxation, exports, and energy pricing, reserve accumulation alone is unlikely to produce sustainable economic resilience.

Way Forward:

- Use external financing space to support export-oriented sectors and productivity-enhancing investment.
- Broaden the tax base through documentation and reduction of informal economic activity.
- Reduce energy, logistics, and regulatory costs to improve regional competitiveness and attract investment.

INTERNATIONAL AFFAIRS

Pakistan signals progress in US-Iran mediation



Pakistan has indicated that mediation efforts between the United States and Iran may be approaching a breakthrough, with officials expressing optimism about a potential agreement. The diplomatic engagement follows ongoing indirect negotiations facilitated through Pakistan amid wider regional tensions. Qatar has also publicly acknowledged Pakistan's role in supporting regional stability and dialogue.

Analysis:

The mediation effort elevates Pakistan's diplomatic relevance in a highly sensitive regional conflict while reinforcing its image as a potential neutral intermediary. However, any collapse in negotiations could expose Pakistan to geopolitical pressure from competing regional and global actors.

Way Forward:

- Institutionalize mediation and conflict-resolution capacity within the Foreign Office to support sustained diplomatic engagement.
- Maintain balanced diplomatic messaging to preserve neutrality between Washington and Tehran.
- Coordinate closely with regional mediators such as Qatar, Oman, and Türkiye to strengthen de-escalation efforts.

Pakistan, Bangladesh ink deal to combat drug trafficking, boost security ties



Pakistan and Bangladesh signed a landmark MoU in Dhaka to strengthen cooperation against drug trafficking, narcotics abuse, terrorism, cybercrime, and human smuggling. Both countries agreed to enhance intelligence sharing, training programmes, and security collaboration while also discussing support for Bangladesh's Safe City Project.

Analysis:

The agreement reflects improving diplomatic and security relations between Pakistan and Bangladesh after years of limited engagement. Enhanced cooperation on counterterrorism, organised crime, and narcotics control can improve regional stability, but effective implementation and sustained political trust will be essential for long-term success.

Way Forwards:

- Establish regular coordination channels and joint monitoring systems to effectively track narcotics networks, cybercrime, and cross-border criminal activities.
- Increase collaboration between police academies, counterterrorism units, and civil armed forces through specialised training and technology exchange programmes.
- Use this agreement as a foundation to improve wider diplomatic, economic, and regional cooperation between Pakistan and Bangladesh for long-term mutual stability and trust.

POLICY NUGGETS

1 ADB unveils \$70bn regional energy and digital connectivity initiative.

Impact:

Creates opportunities to address power inefficiencies through regional electricity trade and AI-driven infrastructure.

Recommendation:

Conduct technical and regulatory preparedness assessments to integrate grid and digital systems.

“Regional cooperation is no longer a choice, but a necessity for shared prosperity.” – **Ban Ki-moon**

4 Pakistan reiterates commitment to protecting press freedom.

Impact:

Reinforces the role of independent media in strengthening democratic accountability and countering misinformation.

Recommendation:

Introduce stronger legal protections for journalists and promote ethical digital media standards.

“Freedom of the press is not just important to democracy, it is democracy.” – **Walter Cronkite**

7 ECC Bans Export of Goods Produced Through Forced Labour

Impact:

Strengthens compliance with international labour standards, safeguarding Pakistan's export credibility and market access.

Recommendation:

Enforce supply chain audits and certification mechanisms to ensure compliance across export industries.

“The rights of every man are diminished when the rights of one man are threatened.” – **John F. Kennedy**

2 Pakistan advances PIA privatisation through repeal ordinance.

Impact:

Accelerates restructuring of the national airline and transfer of state assets to support privatisation efforts.

Recommendation:

Ensure transparent asset valuation and parliamentary oversight during the privatisation process.

“Transparency and accountability are essential for sustainable economic reform.” – **Kofi Annan**

5 Sharp decline in Chenab flows raises concerns.

Impact:

Threatens irrigation supplies and heightens tensions over implementation of the Indus Waters Treaty.

Recommendation:

Strengthen diplomatic engagement and invest in water storage and monitoring infrastructure.

“Water security is national security.” – **Ban Ki-moon**

8 Digital Life Reducing Human Interaction: Report

Impact:

Rising digital engagement is weakening social cohesion and interpersonal communication patterns.

Recommendation:

Promote balanced digital use through awareness, education, and policies supporting social well-being.

“Technology is a useful servant but a dangerous master.” – **Christian Lous Lange**

3 Textile industry seeks major tax and tariff reforms in budget proposals.

Impact:

Reflects growing pressure on Pakistan's export sector from high taxation, rising costs, and increasing import competition.

Recommendation:

Introduce targeted tax rationalisation and faster refund mechanisms while supporting value-added textile exports.

“Competitiveness is achieved not by protection alone, but by creating an enabling business environment.” – **Michael Porter**

6 US invites Pakistani investors to explore growth opportunities.

Impact:

Expands opportunities for businesses to access global capital, technology and diversified export markets.

Recommendation:

Facilitate outward investment support and business advisory services for Pakistani SMEs.

“Investment in knowledge and enterprise always pays the best interest.” –

Benjamin Franklin

9 Analysts Warn Future India-Pakistan Conflict Could Be More Dangerous

Impact:

Escalating military technologies and unresolved tensions increase the risk of rapid regional destabilization between two nuclear states.

Recommendation:

Strengthen sustained diplomatic engagement and crisis-management mechanisms to prevent escalation.

“Jaw-jaw is better than war-war.” – **Winston Churchill**



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