



Weekly



# POLICY PULSE

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### Policy Nuggets



# OVERVIEW



This week's *Policy Pulse* highlights developments across governance, fiscal management, energy security, and international diplomacy, reflecting Pakistan's efforts to strengthen institutional capacity amid economic pressures and regional instability. The central theme is resilience—balancing governance reforms, economic stabilisation, and strategic diplomacy under growing domestic and external challenges.

In governance, Punjab's welfare and infrastructure initiatives, including the Apna Khhet, Apna Rozgar scheme and fuel subsidies, reflect efforts to expand public relief and administrative outreach. Stricter asset declaration rules for civil servants signal attempts to improve transparency under IMF-backed reforms, while debates over government advertisements highlight concerns regarding media freedom. Simultaneously, measures to ensure fertiliser supply and reduce Gwadar Port tariffs indicate focus on food security, trade facilitation, and regional connectivity.

Socio-economic developments reflect cautious fiscal stabilisation alongside structural weaknesses. Expansion of battery storage and solar energy adoption aims to reduce electricity costs and grid pressure through renewable transition. The fiscal deficit narrowing to 0.7% of GDP signals short-term macroeconomic improvement under IMF conditions, though debt servicing and limited development spending continue to constrain growth. Meanwhile, NAB's Rs14.4 trillion recovery drive and IMF concerns over the narrow tax base highlight persistent weaknesses in fiscal governance and revenue generation.

Internationally, regional security and diplomatic engagement dominate. Pakistan's mediation efforts between the US and Iran amid tensions around the Strait of Hormuz have enhanced its diplomatic visibility, while growing concerns over India's evolving warfare strategy reinforce the need for adaptive deterrence and regional stability mechanisms. Strengthened ties with Azerbaijan reflect efforts to diversify energy and economic partnerships, whereas escalating tensions with Afghanistan over cross-border militancy continue to challenge regional security.

The policy nuggets reinforce priorities of fiscal accountability, governance transparency, energy sustainability, healthcare resilience, and balanced diplomacy.

Overall, the week underscores the importance of institutional reforms, economic resilience, and proactive diplomacy in navigating Pakistan's evolving domestic and geopolitical challenges.

**Balancing governance reforms, economic stabilisation, and strategic diplomacy under growing domestic and external challenges.**

# GOVERNANCE

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## Maryam okays Apna Khhet, Apna Rozgar scheme, fuel subsidy



The Punjab Cabinet led by Maryam Nawaz approved major welfare, governance, and development initiatives, including the Apna Khhet, Apna Rozgar scheme, fuel subsidy measures, summer vacations, new energy vehicle policy, and expansion of public infrastructure across Punjab.

### Analysis:

The decisions reflect the Punjab government's strategy to strengthen public relief, employment generation, security governance, and infrastructure modernization ahead of future economic and political challenges while improving administrative efficiency and public service delivery.

### Way Forwards:

- Ensure transparent implementation and monitoring of welfare schemes to prevent corruption and political favoritism.
- Prioritize sustainable funding and public-private partnerships for long-term infrastructure and energy projects.
- Strengthen institutional accountability and local governance for effective delivery of public services across rural and urban areas.

## Minister announces 'ad ban' on channel that laid off 170 employees



Attaullah Tarar announced a suspension of government advertisements to a private TV channel after it laid off 170 employees while also assuring restoration of ads for Dawn following journalists' protests in the National Assembly.

### Analysis:

The incident highlights Pakistan's ongoing media sector crisis, including financial instability, delayed salaries, layoffs, and concerns over government influence through advertisement policies, which directly affect press freedom and journalists' job security.

### Way Forwards:

- Establish transparent policies for government advertisement distribution to prevent political pressure on media outlets.
- Strengthen labour protections and timely salary mechanisms for journalists and media workers.
- Promote sustainable business models and independent regulatory oversight to protect media freedom and institutional stability.

# GOVERNANCE

## P M orders uninterrupted supply of fertiliser to safeguard food security



The Prime Minister directed authorities to ensure an uninterrupted fertilizer supply to support farmers and protect Pakistan's food security during upcoming crop seasons. He also called for contingency import plans, higher local fertilizer production, and strict action against hoarding and shortages. Separate meetings reviewed Balochistan's development, waste-to-energy initiatives, and national law and order.

### Analysis:

The decisions reflect a governance focus on stabilizing agriculture, energy, and provincial development within a broader economic security framework. Ensuring fertilizer availability is vital for crop output, while waste-to-energy initiatives signal efforts toward sustainability and energy diversification. However, success will depend on effective implementation, provincial coordination, and control of market inefficiencies.

### Way Forward:

- Strengthen fertilizer supply monitoring to prevent artificial shortages and ensure stable pricing for farmers.
- Expand domestic fertilizer production and diversify import sources to reduce external dependency.
- Improve federal-provincial coordination for effective implementation of food security and energy reforms.

## Pakistan moves to tighten civil servants' asset declaration rules



The federal cabinet approved stricter asset declaration requirements for civil servants, including disclosures related to domestic and foreign assets, investments, and business interests. The reforms are linked to IMF-backed governance commitments aimed at improving transparency and reducing corruption risks within the public sector. Officials indicated that digital monitoring and verification mechanisms will also be strengthened.

### Analysis:

The move reflects growing pressure on Pakistan to improve governance standards and fiscal transparency under international financial oversight. However, implementation challenges and weak institutional enforcement could limit the effectiveness of the reforms unless disclosures are independently verified and publicly accountable.

### Way Forward:

- Introduce a centralized digital asset declaration system with independent audit mechanisms for verification.
- Ensure public access to non-sensitive disclosures to strengthen transparency and institutional accountability.
- Enforce strict penalties for false declarations and unexplained asset accumulation within the bureaucracy.

# GOVERNANCE

## G

### ovt reduces Gwadar Port tariffs to attract international traffic



The government announced reductions in berthing fees and transshipment charges at Gwadar Port in an effort to increase international shipping traffic and improve the port's competitiveness. Container ship berthing fees were reduced by 25%, while charges on international transshipment containers were cut by 40%. The initiative is part of broader efforts to operationalize Gwadar as a regional trade and logistics hub.

#### Analysis:

The decision reflects Pakistan's attempt to revive Gwadar's strategic and commercial relevance amid regional competition from Gulf and Indian Ocean ports. However, tariff reductions alone are unlikely to generate sustained traffic without parallel improvements in connectivity, security, and trade facilitation infrastructure.

#### Way Forward:

- Accelerate road, rail, and customs connectivity projects linking Gwadar with regional trade corridors.
- Improve port security, logistics efficiency, and investor facilitation to attract international shipping operators.
- Develop long-term trade incentives and special economic zone integration to strengthen commercial viability.

## G

### ovt reiterates commitment to expanding digital access



President Asif Ali Zardari reaffirmed the government's commitment to expanding broadband connectivity and digital infrastructure across Pakistan on World Telecommunication and Information Society Day. Officials highlighted progress in telecom investment, fibre optic expansion, and mobile connectivity while emphasizing the importance of digital access for economic growth and public services.

#### Analysis:

The statement reflects Pakistan's push toward digital governance and technology-driven development. However, rural connectivity gaps, affordability issues, and cybersecurity challenges continue to limit inclusive digital access.

#### Way Forward:

- Expand broadband and fibre optic infrastructure in underserved areas.
- Strengthen cybersecurity and digital literacy frameworks.
- Encourage private investment and public-private partnerships for long-term digital growth.

# SOCIO-ECONOMIC ISSUES

## Battery boom to reduce bills, grid burden: Leghari



Power Minister Awaiz Leghari stated that Pakistan's expanding use of battery storage systems and solar energy adoption could reduce electricity bills, ease pressure on the national grid, and lower dependence on costly thermal power generation. He highlighted cheaper daytime tariffs, smart energy reforms, and battery integration as key measures to improve energy efficiency and consumer affordability.

### Analysis:

The policy reflects Pakistan's gradual transition toward renewable and decentralized energy systems to address rising electricity costs, circular debt, grid inefficiencies, and dependence on imported fuels. Increased adoption of solar and battery technologies could improve energy sustainability and reduce pressure on the transmission network, though implementation challenges and regulatory weaknesses remain significant concerns.

### Way Forward:

- Accelerate investment in battery storage, smart grids, and renewable infrastructure to strengthen long-term energy sustainability.
- Improve regulatory oversight and transparency in Discos to reduce losses, overbilling, and power theft.
- Expand public incentives and consumer awareness programs for solar-plus-battery systems to support grid stability and energy affordability.

## Fiscal deficit curtailed at 0.7pc of GDP in first nine months



Pakistan's fiscal deficit narrowed to 0.7% of GDP during the first nine months of FY2025-26, supported by higher non-tax revenues and provincial surpluses. Debt servicing and defence remained the largest expenditures, while development spending stayed relatively low. Despite the improved fiscal balance, FBR revenue shortfalls and rising statistical discrepancies continued to raise concerns.

### Analysis

The figures reflect short-term fiscal stabilisation under IMF conditions, particularly through maintaining a strong primary surplus. However, high debt repayments and weak development spending may constrain long-term economic growth and social investment. Persistent tax collection gaps and statistical discrepancies also highlight ongoing structural and governance weaknesses in public finance management.

### Way Forward

- Strengthen tax reforms and digital enforcement to improve sustainable revenue generation and reduce dependence on non-tax income.
- Rationalise current expenditures while increasing investment in education, health, and infrastructure development.
- Improve federal-provincial financial coordination and strengthen auditing mechanisms to ensure transparent fiscal reporting.

# SOCIO-ECONOMIC ISSUES

## 2023 to 2026: NAB recovers Rs14.4tr



The National Accountability Bureau informed a Senate committee that it recovered Rs14.485 trillion between June 2023 and March 2026, including large areas of state and forest land. NAB also returned Rs223.94 billion to victims of housing and financial fraud and froze assets worth Rs85.4 billion in money laundering cases. The bureau highlighted reforms aimed at improving transparency and accountability, particularly in the housing sector.

### Analysis

The report reflects NAB's continued focus on anti-corruption and asset recovery to strengthen financial accountability and restore public assets. While compensation to fraud victims and land recovery may improve public trust, the effectiveness of reforms will depend on transparency, impartial investigations, and judicial follow-through. The emphasis on housing sector irregularities also exposes persistent governance and corruption challenges in Pakistan's real estate system.

### Way Forward

- Ensure independent oversight and transparent public reporting to strengthen NAB's credibility and reduce perceptions of political misuse.
- Introduce stricter monitoring of housing schemes to prevent fraud and protect investors.
- Improve coordination between NAB, courts, and financial institutions for faster recovery, prosecution, and asset tracking.

## IMF flags Pakistan's narrow tax base and structural gaps



The IMF warned that Pakistan's narrow tax base, weak GST efficiency, and undertaxed sectors remain major risks to fiscal stability despite ongoing reforms under the Extended Fund Facility. The assessment comes amid heightened pressure from external shocks linked to the Middle East conflict and rising global uncertainty. Officials emphasized the need for deeper structural reforms to sustain macroeconomic stabilization.

### Analysis:

The warning highlights persistent structural weaknesses in Pakistan's revenue system, where reliance on indirect taxation and limited documentation continue to constrain fiscal capacity. Without broader reforms in taxation and expenditure management, external financing support is unlikely to translate into durable economic resilience.

### Way Forward:

- Expand taxation of retail, real estate, and agricultural sectors to broaden the revenue base.
- Improve GST administration and digital tax enforcement to reduce leakages and increase compliance.
- Prioritize long-term structural reforms over short-term revenue measures tied to IMF reviews.

# INTERNATIONAL AFFAIRS

**P**akistan pushes diplomatic track as US, Iran hit 'stall'-mate



Pakistan continued diplomatic mediation efforts between the US and Iran as negotiations stalled after Donald Trump rejected Tehran's latest proposal, while regional powers intensified consultations to prevent renewed conflict in the Middle East.

## Analysis:

The crisis reflects deep strategic mistrust between Washington and Tehran, where diplomacy and coercive pressure are occurring simultaneously, increasing risks to regional stability, maritime security in the Strait of Hormuz, and global energy markets while enhancing Pakistan's diplomatic relevance.

## Way Forward:

- Continue balanced mediation diplomacy with Iran, the US, Saudi Arabia, and the UN to support regional de-escalation.
- Strengthen maritime and energy security preparedness against possible disruptions in the Strait of Hormuz.
- Enhance Pakistan's role as a neutral diplomatic facilitator to improve regional influence and international credibility.

**A**daptive deterrence urged to counter India's hostile posture



Strategic experts at the Centre for International Strategic Studies warned that growing tensions with India and evolving forms of warfare require Pakistan to maintain credible and adaptive deterrence amid an increasingly fragile regional security environment.

## Analysis:

The discussion reflects concerns that India's strategy of limited warfare under the nuclear threshold, combined with cyber, hybrid, and narrative warfare, is reshaping South Asia's deterrence dynamics and increasing risks of rapid escalation and instability.

## Way Forward:

- Strengthen Pakistan's cyber, hybrid warfare, and strategic communication capabilities alongside conventional deterrence.
- Promote sustained diplomatic dialogue and crisis-management mechanisms with India to reduce escalation risks.
- Enhance coordinated political-military decision-making and regional confidence-building measures for long-term stability.

# INTERNATIONAL AFFAIRS

**P**M, Azerbaijan president reaffirm commitment to deepen ties



Pakistan and Azerbaijan reaffirmed their commitment to deepen bilateral cooperation in trade, energy, investment, and people-to-people ties during a high-level phone call between their leaders. The discussion also acknowledged Pakistan's diplomatic efforts in regional peace initiatives and future engagement in multilateral forums. Separately, Pakistan's Prime Minister also focused on domestic priorities including food security, fertiliser supply, and waste-to-energy reforms.

## Analysis

The report highlights Pakistan's parallel diplomatic and domestic governance agenda, balancing external partnerships with internal economic and resource challenges. Strengthening ties with Azerbaijan reflects Pakistan's strategy to diversify economic and energy cooperation. However, domestic issues like fertiliser management and energy efficiency indicate ongoing structural pressures on food security and fiscal stability.

## Way Forward

- Expand bilateral trade frameworks with Azerbaijan, especially in energy, LNG, and infrastructure investment.
- Strengthen domestic food security systems by improving fertiliser distribution, storage, and anti-hoarding enforcement.
- Accelerate waste-to-energy and renewable energy projects to reduce import dependence and improve energy sustainability.

**T**rump says he doesn't need China's help on Iran, rules out revisiting Pakistan's mediation role



US President Donald Trump rejected China's involvement in Iran mediation but praised Pakistan's leadership for its constructive diplomatic role in regional peace efforts. The Iran-US conflict continues to escalate, with military tensions, oil price shocks, and global trade disruptions intensifying around the Strait of Hormuz. Meanwhile, multiple regional and global actors, including Qatar, China, and Europe, are engaged in mediation, security, and energy stability efforts.

## Analysis

The situation reflects escalating geopolitical instability in the Middle East, with energy security and maritime trade becoming central global concerns. Pakistan's recognition as a mediator enhances its diplomatic visibility, but the crisis also exposes its limited influence in high-intensity global conflicts. The broader environment shows a power struggle among major states (US, China, Iran, and Gulf countries), increasing risks of inflation, oil shocks, and regional militarisation.

## Way Forward

- Pakistan should continue balanced diplomacy while avoiding direct entanglement in Iran-US tensions.
- Strengthen energy security planning to reduce vulnerability to oil price shocks and supply disruptions.
- Expand multilateral diplomatic engagement with China, Gulf states, and international forums to support regional de-escalation and trade stability.

# INTERNATIONAL AFFAIRS

## Pakistan blames Afghanistan-based militants for deadly police attack



Pakistan accused militants operating from Afghanistan of orchestrating a deadly attack on a police post in northwestern Pakistan that killed 15 officers. Islamabad summoned a senior Afghan diplomat to lodge a formal protest, warning that cross-border militant activity threatens regional stability and bilateral relations. Afghan authorities denied the allegations, calling the violence Pakistan's internal issue.

### Analysis:

The incident underscores worsening tensions between Pakistan and Afghanistan over cross-border militancy and border security failures. Continued instability risks deeper security confrontations, refugee pressures, and further deterioration in already fragile diplomatic relations.

### Way Forward:

- Strengthen border surveillance, intelligence coordination, and counterterrorism operations along vulnerable frontier areas.
- Maintain diplomatic engagement with Kabul to prevent escalation and preserve security communication channels.
- Expand regional counterterrorism cooperation involving China, Central Asia, and multilateral security forums.

## China urges Pakistan to strengthen Iran-US mediation efforts



China publicly called on Pakistan to intensify diplomatic mediation between Iran and the United States amid escalating tensions around the Strait of Hormuz. Beijing emphasized Pakistan's strategic role due to its relations with both Tehran and Washington and warned that prolonged instability threatens global energy markets and regional security.

### Analysis:

China's endorsement strengthens Pakistan's diplomatic relevance in the evolving Middle East crisis while increasing expectations around Islamabad's mediator role. However, deeper involvement also exposes Pakistan to geopolitical pressure from competing regional and global actors if negotiations collapse.

### Way Forward:

- Continue balanced diplomatic engagement while avoiding alignment with any single bloc in the conflict.
- Coordinate closely with China, Qatar, Oman, and Türkiye to support broader de-escalation initiatives.
- Strengthen contingency planning for energy and trade disruptions linked to Strait of Hormuz instability

# POLICY NUGGETS

## 1 ADB pledges \$1bn support for revival of Karachi Circular Railway.

**Impact:** Strengthens prospects for modern urban transport and could reduce congestion and environmental pressure in Karachi.

**Recommendation:** Integrated urban transport planning in partnership with the ADB to avoid further implementation delays.

*"Cities with efficient public transport are cities that invest in productivity and quality of life."* – Jan Gehl

## 4 Pakistan's debt servicing and defence spending overshadow development expenditure.

**Impact:** Limits fiscal space for long-term development and exposes weaknesses in public financial management.

**Recommendation:** Strengthen fiscal accountability through improved provincial-federal financial coordination.

*"Budgets are not just numbers on a page; they reflect a nation's priorities."* – Barack Obama

## 7 Pakistani Passport Ranked 100th on Henley Index

**Impact:** The low ranking reflects persistent governance, mobility, and international perception challenges affecting global access for Pakistani citizens.

**Recommendation:** Strengthen diplomatic engagement, documentation systems, and compliance standards to improve international mobility and trust.

*"Soft power is the ability to get what you want through attraction rather than coercion or payments. It arises from the attractiveness of a country's culture, political ideals, and policies."* – Joseph S. Nye Jr.

## 2 Pakistan considers NFC-linked incentives to encourage population control.

**Impact:** Highlights growing demographic pressures that could strain economic resources and employment capacity.

**Recommendation:** Link provincial fiscal incentives with investments in family planning, education and workforce development.

*"Development is the best contraceptive."* – Kofi Annan

## 5 Punjab ACE aligns anti-corruption reforms with national digital governance agenda.

**Impact:** Strengthens institutional accountability and transparency through greater adoption of digital governance systems.

**Recommendation:** Integrated procurement systems to reduce discretionary powers and improve public sector oversight.  
*"Corruption thrives in darkness, but transparency brings accountability."* – Peter Eigen

## 8 Pakistan Warns Kabul Over Continued Proxy Activity

**Impact:** Escalating rhetoric signals deteriorating Pakistan-Afghanistan relations and heightened risks of regional instability.

**Recommendation:** Prioritize sustained diplomatic engagement and border security coordination to prevent further escalation.

*"Peace cannot be kept by force; it can only be achieved by understanding."* – Albert Einstein

## 3 Declining global aid threatens Pakistan's healthcare sustainability.

**Impact:** Risks weakening disease control, immunisation and healthcare delivery amid heavy dependence on foreign assistance.

**Recommendation:** Increase domestic health financing and establish long-term health funding mechanisms.

*"Health is not a cost, it is an investment in human capital and economic stability."* – Tedros Adhanom Ghebreyesus

## 6 Parliament seeks greater scrutiny of IPP payments and power sector governance.

**Impact:** Raises pressure for accountability in capacity payments, exposing inefficiencies that contribute to high electricity tariffs.

**Recommendation:** Strengthen regulatory audits of IPPs and ensure periodic verification of generation capacity.

*"Accountability breeds responsibility."* – Stephen Covey

## 9 Trump Arrives in Beijing for High-Stakes Summit with Xi

**Impact:** The summit underscores intensifying US-China strategic competition with significant implications for global trade and geopolitics.

**Recommendation:** Pakistan should pursue balanced engagement with both powers while safeguarding economic and strategic interests.

*"A time of turbulence is a dangerous time, but its greatest danger is a temptation to deny reality."* – Peter Druckera



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