



Weekly



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OVERVIEW



This week's Policy Pulse highlights developments across governance reform, economic management, infrastructure investment, and regional diplomacy, reflecting Pakistan's efforts to strengthen institutional accountability while navigating fiscal pressures and geopolitical uncertainty. The central theme is resilience, improving governance, attracting investment, and sustaining diplomatic engagement amid domestic and external challenges.

In governance, new rules requiring civil servants to disclose foreign nationality and residency status signal a push toward greater transparency and accountability within the bureaucracy. Investigations into illegal phosphate mining in Khyber Pakhtunkhwa exposed weaknesses in resource governance, regulatory enforcement, and environmental protection. Efforts to repeal overlapping real estate regulations in Islamabad highlighted the governance costs of prolonged absence of local government, while arrests ahead of a planned rally in AJK underscored the challenge of balancing public order with unresolved socio-economic grievances.

Socio-economic developments reflect modernization efforts alongside structural vulnerabilities. Pakistan's outreach to Saudi investors for motorway projects and the Karachi waterfront initiative aim to attract investment and strengthen infrastructure. Inflation reaching a 22-month high exposed vulnerability to external energy shocks and rising living costs. Government directives on technology integration and an EV policy signal a shift toward technology-driven growth, while power market reforms and IMF-linked budget delays highlight ongoing energy and fiscal challenges.

Internationally, diplomacy and regional security dominated. The EU's recognition of Pakistan as a major regional partner reflected its growing role in mediating US-Iran tensions. Continued instability in Lebanon, concerns over the Strait of Hormuz, and Pakistan's engagement with Iran underscored regional security and energy risks. Strengthened cooperation with Germany, support for Palestinian rights, and continued friction with India over Gilgit-Baltistan further highlighted Pakistan's active diplomatic engagement.

The policy nuggets reinforce priorities of governance accountability, economic resilience, energy security, environmental sustainability, migration management, and proactive diplomacy.

Overall, the week underscores the importance of institutional reform, economic modernization, and balanced diplomacy in navigating Pakistan's evolving domestic and geopolitical challenges.

The central theme is “resilience” improving governance and attracting investment to strengthen institutional accountability, while sustaining diplomatic engagement to navigate domestic fiscal pressures and geopolitical uncertainty.

GOVERNANCE

Civil servants hiding foreign nationality to face misconduct charge



The federal government has introduced the Civil Servants (Disclosure and Regulation of Foreign Nationality) Rules 2026, requiring civil servants to disclose foreign citizenship, residency, and immigration status of themselves and their immediate family members. Concealment of such information will be treated as misconduct and may result in disciplinary action, including dismissal from service.

Analysis:

The policy aims to enhance transparency, accountability, and protection of national interests within the civil bureaucracy. While it can strengthen public trust and reduce potential conflicts of interest, its success depends on effective verification mechanisms and fair, non-selective implementation.

Way Forward:

- Establish a digital verification and monitoring system for accurate disclosure and record-keeping.
- Introduce periodic audits and independent oversight to ensure impartial enforcement of the rules.
- Enact supporting legislation and clear guidelines to protect due process and prevent misuse of the policy.

Illegal phosphate mining in KP causes Rs740m loss to exchequer



An investigation by National Accountability Bureau Khyber Pakhtunkhwa found that illegal phosphate mining in Kakul, Abbottabad allegedly caused losses of Rs740–848 million to the national exchequer and severely damaged forest resources. The bureau alleges that phosphate was extracted between 2010 and 2025 with regulatory violations and has filed a case under the Anti-Money Laundering Act.

Analysis:

The case highlights weaknesses in regulatory oversight, resource governance, and enforcement within the mining sector. Beyond financial losses, the alleged illegal extraction underscores the environmental costs of poor monitoring and potential collusion between private actors and public officials.

Way Forward:

- Introduce digital monitoring and satellite-based tracking of mining activities to prevent illegal extraction.
- Strengthen coordination between forest, mining, and anti-corruption agencies for regular audits and enforcement.
- Impose stricter penalties and require environmental restoration by offenders to recover ecological and financial losses.

GOVERNANCE

Pakistan pitches motorways to Saudi investors



Pakistan invited Saudi investors to participate in the Sukkur-Hyderabad Motorway and other major highway projects to expand transport infrastructure. The initiative aims to strengthen north-south connectivity from Karachi Port to Peshawar and improve trade movement.

Analysis:

This reflects Pakistan's push to use foreign investment for infrastructure development amid limited fiscal space. Success will depend on transparent project structuring, investor confidence, and timely execution.

Way Forward:

- Develop bankable PPP models with clear risk-sharing mechanisms.
- Ensure transparent bidding and regulatory oversight to attract credible investors.
- Prioritise motorway links that improve port access, trade flows, and regional connectivity.

Pakistan signs MoU for Karachi waterfront project



Pakistan signed an MoU with Saudi and local partners to explore development of a 140-acre Karachi Port Trust waterfront site. The proposed project aims to transform the area into a commercial and maritime business district.

Analysis:

The project highlights efforts to modernise port-linked urban infrastructure and attract foreign investment into Karachi's coastal economy. However, land governance, transparency, environmental safeguards, and public access will be critical.

Way Forward:

- Ensure transparent land-use planning and public disclosure of project terms.
- Conduct environmental and social impact assessments before implementation.
- Link the project with port efficiency, urban mobility, and local employment generation.

GOVERNANCE

C DA seeks repeal of overlapping real estate law amid absence of local government



The Capital Development Authority (CDA) has proposed repealing an overlapping real estate regulatory law in Islamabad, arguing that the absence of an elected local government has created legal and administrative complications in regulating the housing sector. Officials say the move aims to improve transparency, fraud prevention, and regulatory clarity in the capital's real estate market.

Analysis:

The issue highlights a broader governance challenge in Islamabad, where the prolonged absence of local government has weakened accountability, regulatory oversight, and citizen representation. It also demonstrates how institutional gaps can delay reforms and create uncertainty in key sectors such as housing and urban development.

Way Forward:

- Restore an effective local government system to improve accountability and service delivery.
- Clarify regulatory mandates between CDA and other authorities to reduce overlap and legal ambiguity.
- Strengthen oversight mechanisms to improve transparency and investor confidence in the real estate sector.

P olice arrest supporters of banned group ahead of rally in AJK



Police in Pakistan-administered Kashmir arrested dozens of supporters of the banned Joint Awami Action Committee ahead of a planned protest rally. Authorities said the arrests followed a government ban on the group due to public order and security concerns, while the group had been pressing unresolved demands linked to subsidised wheat, electricity, and reserved legislative seats. The situation has raised tensions ahead of the planned march.

Analysis:

The development highlights the governance challenge of managing public order while addressing unresolved political and socio-economic grievances. Heavy-handed enforcement may prevent immediate unrest, but without dialogue and credible dispute resolution, it risks deepening public mistrust and fuelling further mobilisation.

Way Forward:

- Open structured negotiations with community representatives to address unresolved demands peacefully.
- Ensure law-enforcement action remains proportionate, transparent, and rights-compliant.
- Develop a formal grievance-resolution mechanism for AJK to reduce recurring protest cycles.

SOCIO-ECONOMIC ISSUES

Pakistan inflation climbs to 22-month peak on costly fuel, transport



Pakistan's inflation rose to 11.7% in May 2026, the highest level in 22 months, primarily due to sharp increases in fuel, transport, electricity, and food prices. Rising global energy costs linked to tensions in the Strait of Hormuz significantly increased living expenses and pushed inflation above the central bank's target range.

Analysis:

The surge in inflation highlights Pakistan's vulnerability to external energy shocks and its heavy dependence on imported fuel. Rising core inflation indicates that price pressures are spreading across the economy, threatening household purchasing power, economic stability, and growth prospects.

Way Forward:

- Accelerate investment in renewable energy and domestic energy resources to reduce dependence on imported fuel.
- Strengthen agricultural productivity and supply chains to control food inflation and stabilize essential commodity prices.
- Maintain prudent monetary and fiscal policies while expanding targeted social protection for vulnerable households affected by rising living costs.

Premier orders ministries to integrate modern tech, consult experts across economic sectors



Prime Minister Shehbaz Sharif has directed all ministries to consult experts and integrate modern technologies across key economic sectors to strengthen investment and growth. He emphasized industrial development, skilled labor, and foreign investment as essential pillars of economic progress. The PM also highlighted the urgent need for a comprehensive electric vehicle (EV) policy to support energy efficiency and affordable transport.

Analysis:

The directive reflects Pakistan's ongoing shift toward technology-driven economic modernization and structural reform. However, success will depend on institutional capacity, continuity of policy, and effective coordination between ministries and the private sector. Without implementation discipline, such reform agendas risk remaining declaratory rather than transformative.

Way Forward:

- Establish cross-ministerial tech and innovation task forces to ensure policies are implemented rather than only announced.
- Actively involve universities, startups, and industry experts in EV, energy, and industrial digitization policies.
- Launch large-scale reskilling programs so workforce capabilities match emerging technology and EV-driven economic transitions.

SOCIO-ECONOMIC ISSUES

Govt seeks uniform grid charges for Discos, K-Electric ahead of power market launch



The government has proposed uniform grid charges for all electricity distribution companies, including K-Electric, to support the launch of Pakistan's Competitive Trading Bilateral Contract Market (CTBCM) in June 2026. The move aims to standardize wheeling charges and remove pricing disparities across DISCOs. NEPRA will review the proposal in a public hearing scheduled for June 11, 2026.

Analysis :

The initiative reflects a major step toward liberalizing Pakistan's power sector and creating a competitive electricity market. However, financial balancing mechanisms like additional surcharges may raise concerns over consumer burden and cross-subsidization. Effective regulation and transparency will be critical to avoid market distortions.

Way Forward :

- Ensure NEPRA designs a clear, predictable, and publicly accountable grid charge system to build investor and consumer confidence.
- Phase in CTBCM reforms carefully to avoid price shocks and ensure DISCOs and K-Electric adapt smoothly.
- Enhance NEPRA's monitoring capacity to prevent hidden subsidies, inefficiencies, and unfair cost transfers to consumers.

Budget delayed over provincial uplift allocations, lack of IMF nod for revenue steps



Pakistan's federal budget 2026-27 has been delayed due to unresolved issues with provinces over development allocations and a lack of agreement with the IMF on key revenue and expenditure targets. The government is struggling to finalize fiscal figures, especially the high FBR tax target and required primary surplus. The budget is now expected between June 10-12, 2026.

Analysis:

The delay reflects structural fiscal tensions between federal-provincial resource distribution and IMF-driven fiscal discipline requirements. Weak revenue capacity and overly ambitious tax targets highlight persistent challenges in Pakistan's macroeconomic stability. The situation underscores limited fiscal space and heavy external conditionality in budget-making.

Way Forward:

- Build consensus on a revised NFC-style framework that clearly defines shared fiscal responsibilities and development priorities.
- Align FBR targets with actual collection capacity and broaden the tax base instead of relying on aggressive projections.
- Negotiate phased fiscal consolidation with the IMF to avoid unrealistic short-term pressure on growth and public spending.

INTERNATIONAL AFFAIRS

Pakistan a 'major regional partner': EU



EU High Representative Kaja Kallas described Pakistan as a major regional partner and praised its role in mediating between the United States and Iran. During the Pakistan-EU Strategic Dialogue, both sides agreed to expand cooperation in trade, security, migration, climate change, and regional peace while reaffirming the importance of GSP+ trade preferences.

Analysis:

The dialogue highlights Pakistan's growing diplomatic significance as a mediator in regional conflicts and its strengthening strategic relationship with the European Union. However, sustaining economic benefits and deeper engagement will require Pakistan to demonstrate continued progress in governance, human rights, and institutional reforms linked to the GSP+ framework.

Way Forward:

- Accelerate reforms in governance, labor standards, and environmental protection to secure long-term access to EU markets and increase exports.
- Attract greater European investment in technology, renewable energy, infrastructure, and industrial modernization to diversify economic partnerships.
- Build on Pakistan's successful mediation role to enhance its international standing and position itself as a credible facilitator of regional peace and dialogue.

After Iran ultimatum: Trump claims Israel, Hezbollah agree to stop attacks



The report highlights escalating tensions in the Middle East as US President Trump claims Israel and Hezbollah have agreed through intermediaries to a ceasefire, though on-ground attacks continue in Lebanon. Iran has suspended indirect talks with the US, warning of broader regional escalation, including threats to maritime routes like the Strait of Hormuz. Despite diplomatic claims, military strikes, proxy confrontations, and regional instability persist.

Analysis:

The situation reflects a fragile and fragmented ceasefire environment where diplomatic messaging is outpacing battlefield realities. Competing narratives from the US, Israel, Iran, and Hezbollah indicate a deep trust deficit, making sustained de-escalation unlikely without enforceable guarantees. The risk of regional spillover especially involving maritime chokepoints and proxy fronts remains high.

Way Forward:

- Pakistan should continue engaging both Iran and Gulf/Western partners to promote de-escalation and avoid alignment with any single bloc in the conflict narrative.
- Given risks to the Strait of Hormuz, Pakistan must prepare contingency plans for fuel supply disruption and price volatility in global oil markets.
- Islamabad can strengthen its role in multilateral forums (OIC, UN) to push for sustained ceasefire mechanisms and protection of civilian areas in conflict zones like Lebanon and Gaza.

INTERNATIONAL AFFAIRS

G ermany and Pakistan strongly oppose proxy warfare: ambassador



The German ambassador stated that Germany and Pakistan oppose proxy warfare and support peaceful resolution of global conflicts, highlighting cooperation on regional stability and open maritime routes like the Strait of Hormuz. She appreciated Pakistan's mediation role in Iran-US tensions and emphasized expanding bilateral cooperation in trade, ICT, education, and defense. The remarks also reflected broader concerns about Iran, Russia-Ukraine war, and shifting global geopolitics.

Analysis:

The statement reflects convergence in Pakistan-Germany diplomatic outlook on multilateralism, economic connectivity, and regional de-escalation. It also highlights Pakistan's growing relevance as a mediator in Middle Eastern tensions, despite structural geopolitical pressures. However, differences in security priorities (Iran, NATO, China) indicate that cooperation will remain selective and interest-driven.

Way Forward:

- Expand cooperation with Germany in ICT, vocational training, and export-oriented industries to attract investment and skills transfer.
- Institutionalize Pakistan's role as a neutral facilitator in regional conflicts to strengthen diplomatic relevance in global forums.
- Leverage German interest in green energy, AI, and industrial efficiency to support Pakistan's economic modernization and workforce development.

P akistan, seven other Muslim states blast Israeli incursions into Al Aqsa Mosque



Pakistan and seven Muslim countries, including Saudi Arabia, Türkiye, Qatar, and others, jointly condemned Israeli settler incursions into Al Aqsa Mosque, calling them a violation of international law and the historical status quo. The statement reaffirmed support for Palestinian rights and a two-state solution with East Jerusalem as the capital of Palestine. The countries urged an immediate halt to provocative actions that could escalate regional tensions.

Analysis:

The joint statement reflects strengthened diplomatic coordination among major Muslim states on the Palestine issue, signaling unified political pressure on Israel. It also underscores the continued centrality of Al Aqsa in regional geopolitics and identity-based conflict narratives. However, without enforcement mechanisms, such declarations remain largely symbolic in influencing ground realities.

Way Forward:

- Strengthen coordinated action within OIC and UN platforms to maintain sustained global attention on Palestinian rights.
- Push for international legal accountability mechanisms and increased humanitarian support for affected Palestinians.
- Maintain consistent diplomatic messaging with Muslim states to enhance collective bargaining power in future peace negotiations.

INTERNATIONAL AFFAIRS

Pakistan interior minister to visit Iran amid regional tensions



Interior Minister Mohsin Naqvi is set to visit Tehran amid rising US-Iran tensions and renewed military exchanges near the Gulf. The visit follows his meetings with Iran's interior minister during the SCO meeting in Bishkek and comes as regional actors seek to prevent further escalation. Pakistan is expected to use the engagement to maintain communication with Iran on security, border management, and regional stability.

Analysis:

The visit reinforces Pakistan's active diplomatic role in managing regional tensions involving Iran. It also reflects Islamabad's need to protect energy security, border stability, and regional communication channels as Gulf instability threatens trade and fuel supplies.

Way Forward:

- Maintain balanced engagement with Iran, Gulf states, and the United States.
- Prepare contingency plans for energy and trade disruptions linked to Gulf instability.
- Use SCO and regional platforms to support de-escalation and security coordination.

Pakistan rejects India's remarks on GB elections



Pakistan rejected India's remarks on upcoming Gilgit-Baltistan elections, calling them baseless, politically motivated, and an attempt to interfere in Pakistan's internal affairs. The Foreign Office said India's statements were aimed at distorting facts and diverting attention from rights violations in occupied Kashmir.

Analysis:

The exchange reflects continued diplomatic friction between Pakistan and India over Kashmir and related territorial claims. It also shows how domestic political processes in GB remain tied to broader regional disputes and international narratives around legitimacy.

Way Forward:

- Maintain consistent diplomatic messaging on Kashmir and GB at international forums.
- Ensure transparent and credible electoral processes in Gilgit-Baltistan.
- Avoid escalation while continuing legal and diplomatic advocacy on disputed territories.

1 Oil industry seeks PM intervention over tax concerns in budget.

Impact: Disrupt fuel supply chains, delay infrastructure investment, and weaken energy sector stability.
Recommendation: Introduce a predictable margin framework and phase EV infrastructure mandates.

“Energy policy must balance affordability, reliability, and long-term sustainability.” – Fatih Birol

2 Nearly 40,000 passengers offloaded in 2025 to curb illegal migration and smuggling.

Impact: Helps to reduce human trafficking but concerns over transparency and arbitrary offloading could undermine legitimate travel.
Recommendation: Strengthen oversight of immigration decisions, and expand safe overseas employment pathways.

“Migration should be a choice, not a necessity born of desperation.” – Kofi Annan

3 Power breakdown at Karachi pumping station worsens city’s water crisis.

Impact: Increases reliance on costly private tankers, and disproportionately affects low-income households across Karachi.
Recommendation: Invest in backup power systems for critical water infrastructure and strengthen coordination between water and electricity utilities.

“The reality is that we can no longer afford to think of water and energy as separate issues.” – Peter Gleick

4 Punjab wheat procurement falls far short of target, raising food security concerns.

Impact: Reduces market stability, and heightens food insecurity if reserves remain insufficient during lean months.
Recommendation: Stricter oversight of aggregators and transparent reserve management to avoid costly emergency imports.

“Food security is not just about production, but about reliable systems that ensure access and stability.” – José Graziano da Silva

5 IMF pushes Pakistan toward higher revenue target for FY2026–27.

Impact: Increases pressure through taxes, petroleum levies, and spending restraint if reforms are not balanced with growth support.
Recommendation: Pair fiscal consolidation with targeted support for productive sectors and social protection.

“Economic stability and social protection must go hand in hand.” – Christine Lagarde

6 Hazardous waste found on Rawal Lake shores raises environmental and public health concerns.

Impact: Contamination of a key water body threatens public health, urban water quality, and environmental sustainability.
Recommendation: Strengthen environmental monitoring, impose stricter penalties for waste dumping, and establish coordinated urban waste management.

“The environment is where we all meet; where we all have a mutual interest.” – Lady B. Johnson

7 Fighting Persists in Lebanon Despite Ceasefire Claims

Impact: Continued fighting threatens regional stability and heightens humanitarian risks despite diplomatic efforts.
Recommendation: Intensify multilateral diplomacy to secure a verifiable and sustained ceasefire.

“War is only a cowardly escape from the problems of peace.” – Thomas Mann

8 Pakistan, Italy Move to Abolish Diplomatic Passport Visas

Impact: The agreement strengthens diplomatic engagement and facilitates official bilateral cooperation.
Recommendation: Expand cooperation into trade, investment, and labour mobility frameworks.

“Diplomacy is the art of letting someone else have your way.” – Daniele Vare

9 PIDE Proposes Raising Minimum Wage to Rs 45,000

Impact: A higher minimum wage could improve household incomes but may increase business costs and inflationary pressures.
Recommendation: Phase in wage increases alongside productivity and SME support measures.

“A man must always live by his work, and his wages must at least be sufficient to maintain him.” – Adam Smith

Readers’ Insights

Suggestion: Add “What we got wrong last week” to Policy Pulse - Azhar Rashid Khan, Former Additional Inspector General Police



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