



Weekly



POLICY PULSE

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OVERVIEW



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

In governance, NAB distributed Rs462 million to 1,619 housing fraud victims, signaling a shift toward preventive accountability. FATF desks expanded across all FIA zones, and civil servants were directed to disclose dual nationality within 90 days. However, recurring housing scams expose weak real estate regulation, while the centre-province NFC deadlock threatens to withhold Rs1.2 trillion from provinces, highlighting fragile fiscal federalism.

Socio-economically, a three-wing AI-driven tax model was unveiled to close the trillion-rupee compliance gap, with tax relief proposed for salaried segments. The health budget rose 16% to Rs53.3 billion, anti-drug committees formed in Karachi schools, and a legal framework for herbal medicines introduced. Cotton production was prioritized to reduce import dependence.

On security, Pakistan conducted precision strikes along the Afghan border, killing 26 TTP-linked militants. The UN urged Afghanistan to take verifiable action against terrorist sanctuaries. Domestically, FATF compliance was strengthened ahead of the 2027 mutual evaluation.

Internationally, SIPRI warned of a reverse nuclear disarmament era as India and Pakistan modernize arsenals. The US and Iran neared an "Islamabad MoU" peace framework despite ongoing maritime tensions. India's Zojila Tunnel near China border enhances its military mobility. A Washington heatwave and UN ocean crisis warning underscore climate vulnerability, while Indian Sikh pilgrims arriving for Jore Mela offered rare cultural diplomacy.

Overall, the week underscores the need for institutional reform, fiscal consensus, counterterrorism coordination, and proactive diplomacy to navigate Pakistan's evolving challenges.

The central theme is "resilience" improving governance, tax reforms, and health infrastructure, while managing fiscal deadlocks, cross-border terrorism, and nuclear escalation risks amid geopolitical uncertainty.

GOVERNANCE

1 ,619 housing fraud victims receive Rs462m from NAB



The National Accountability Bureau (NAB) distributed Rs462 million to 1,619 victims of various housing and investment scams and highlighted its broader efforts to compensate affected citizens. NAB also announced reforms in the real estate sector aimed at enhancing transparency, investor protection, and improving the ease of doing business.

Analysis

The initiative reflects NAB's growing emphasis on victim restitution and preventive governance, moving beyond punitive accountability. However, the recurrence of large-scale housing fraud cases exposes persistent regulatory weaknesses and underscores the need for stronger oversight mechanisms in Pakistan's real estate sector.

Way Forward

- Establish a centralized digital registry for all housing projects to verify legal status, approved land inventories, and ownership records before public investment.
- Mandate escrow accounts and banking channels for all real estate transactions to improve financial transparency and safeguard investors' funds.
- Strengthen coordination among NAB, housing regulators, and provincial authorities through regular audits, stricter licensing requirements, and public awareness campaigns on investment risks.

I slamabad MoU nears finalisation as US, Iran clash on signing date



The US and Iran are reportedly close to finalising an “Islamabad MoU” framework for a peace deal aimed at reducing tensions and securing the Strait of Hormuz, though both sides disagree on the exact signing date. Despite diplomatic progress, military activity and maritime incidents continue in the region, reflecting persistent instability.

Analysis

The development highlights a fragile but significant diplomatic breakthrough involving major global and regional actors, with Pakistan positioned as a facilitating platform. However, contradictory statements and ongoing military tensions underscore deep mistrust, making the sustainability of any agreement uncertain.

Way Forward

- Establish a verified multilateral mediation mechanism (UN-backed or regional consortium) to ensure transparency and credibility of the agreement process.
- De-escalate maritime tensions in the Strait of Hormuz through immediate confidence-building measures and neutral monitoring systems.
- Convert the framework into enforceable, phased commitments with clear verification, reducing reliance on political statements and improving trust between parties.

SOCIO-ECONOMIC ISSUES

Govt asks provinces to limit their share under NFC



The federal government has reportedly asked provinces to limit their share under the NFC Award to the current year's level despite anticipated growth in FBR tax revenues. Khyber Pakhtunkhwa officials argued that this move could withhold an additional Rs1.2 trillion from provinces and create tensions over constitutional fiscal arrangements.

Analysis

The dispute highlights the persistent challenge of fiscal federalism in Pakistan, where competing revenue needs of the Centre and provinces strain intergovernmental relations. Any attempt to alter the NFC distribution formula without broad consensus risks undermining provincial autonomy, delaying budget processes, and weakening cooperative governance.

Way Forward

- Convene an inclusive NFC dialogue involving all provinces to build consensus on revenue-sharing arrangements before finalising the federal budget.
- Review and update the NFC framework transparently through constitutional and legal channels rather than ad hoc fiscal adjustments.
- Enhance federal and provincial revenue-generation capacities by broadening the tax base and improving tax administration to reduce dependence on redistribution disputes.

3-wing tax model unveiled to plug trillion-rupee compliance gap



The government has proposed a three-wing tax operating model to address Pakistan's trillion-rupee tax compliance gap by separating audit, assessment, and enforcement functions within the FBR. Supported by AI, digital platforms, and OECD-inspired reforms, the model aims to reduce collusion, improve transparency, and enhance revenue collection through data-driven tax administration.

Analysis

The proposed reforms represent a significant shift towards digital and rules-based governance, seeking to eliminate discretionary powers that have historically enabled corruption and tax evasion. However, the success of the model will depend on effective implementation, legal reforms, institutional capacity-building, and safeguards for data privacy and accountability.

Way Forward

- Enact the required legislative amendments and establish independent oversight mechanisms to ensure transparency, accountability, and protection against misuse of AI-driven systems.
- Invest in capacity-building and change management, equipping FBR officials with digital skills and specialised training to adapt to the new operating structure.
- Strengthen cybersecurity and taxpayer data protection frameworks to build public trust and ensure the secure integration of data from multiple government institutions.

HEALTH

Herbal medicines to get legal framework within weeks, says Kamal



The federal government announced that Pakistan will introduce a legal and regulatory framework for herbal, Unani, and traditional medicines within weeks through DRAP. The initiative aims to regulate a widely used but previously unregulated sector and explore its integration into the national healthcare system amid rising disease burdens and overstretched hospitals.

Analysis

The move reflects a shift towards a more inclusive and preventive healthcare approach, recognising the role of traditional medicine in expanding healthcare access. However, successful integration will depend on rigorous scientific validation, quality control, and evidence-based regulation to ensure patient safety and maintain public confidence.

Way Forward

- Establish robust regulatory and quality assurance mechanisms through DRAP, including mandatory licensing, product registration, pharmacovigilance, and adherence to international manufacturing standards.
- Promote evidence-based research and clinical trials by strengthening collaboration among universities, research institutions, and traditional medicine practitioners to validate the safety and efficacy of herbal products.
- Integrate traditional medicine into primary healthcare cautiously and systematically, accompanied by public awareness campaigns and professional training to ensure its appropriate and safe use alongside modern medical practices.

SICHN gets 22 Italian ventilators to strengthen children's critical care



The Sindh Institute of Child Health & Neonatology (SICHN) received 22 advanced Italian ventilators for its Children Hospital Korangi, enhancing its neonatal and paediatric intensive care capacity. The development also paved the way for broader Pakistan-Italy collaboration in medical technology, healthcare infrastructure, and professional training.

Analysis

The initiative highlights the importance of international partnerships in strengthening Pakistan's healthcare system, particularly in specialised child healthcare. However, sustainable improvements in critical care require not only modern equipment but also continuous investment in human resource development, maintenance systems, and institutional capacity.

Way Forward

- Replicate the SICHN model across provinces to expand equitable access to specialised paediatric and neonatal critical care services.
- Institutionalise international training and exchange programmes to strengthen the capacity of Pakistani healthcare professionals and biomedical technicians.
- Establish sustainable local maintenance systems for advanced medical equipment to ensure continuous functionality and reduce reliance on external support.

HEALTH

Anti-drug bodies to be formed in schools to combat narcotics



Karachi police, in collaboration with educational institutions, have introduced a policy to form anti-drug committees in schools, colleges, and universities to curb rising drug abuse, vaping, and narcotics exposure among students. The initiative includes awareness campaigns, parental consent mechanisms, screening measures, and cooperation with law enforcement to ensure drug-free learning environments.

Analysis

The policy reflects growing concern over increasing substance abuse among youth and a shift toward preventive, institution-based governance. However, its effectiveness will depend on implementation capacity, trust between students and authorities, and balancing enforcement with counselling and rehabilitation approaches.

Way Forward

- Strengthen school-based counselling and mental health support systems alongside enforcement to address root causes of addiction.
- Ensure transparent, privacy-respecting drug screening protocols to maintain student trust and avoid stigma or misuse.
- Launch nationwide awareness campaigns involving parents, media, and civil society to reduce demand and early exposure to narcotics.

Health budget rises 16pc to Rs53.3bn, PSDP reaches Rs16bn



The federal government has increased Pakistan's health budget to Rs53.3 billion for FY 2026–27, with Rs16 billion allocated for development projects under PSDP. Major funding is directed toward healthcare infrastructure, including cancer care, cardiac facilities, Jinnah Medical Complex, and public hospital upgrades.

Analysis

The budget reflects a strategic focus on expanding healthcare infrastructure and improving disease management capacity, especially in cancer, cardiology, and infectious diseases. However, large throw-forward liabilities indicate long-term fiscal pressure and highlight challenges in completing ongoing health projects efficiently.

Way Forward

- Prioritise efficient completion of ongoing health projects to reduce rising throw-forward liabilities and avoid budget fragmentation.
- Strengthen primary healthcare systems alongside tertiary hospitals to ensure equitable access and reduce pressure on major urban facilities.
- Improve governance, monitoring, and transparency in health PSDP spending to ensure funds translate into measurable health outcomes.

SECURITY AND LAW & ORDER

FIA expands its FATF desks across all zones



The FIA has expanded FATF desks across all its wings and zones to strengthen Pakistan's anti-money laundering and counter-terrorism financing framework ahead of the 2027 FATF mutual evaluation. The new structure includes seven specialised units aimed at improving investigations, inter-agency coordination, international cooperation, and oversight of emerging threats such as virtual assets.

Analysis

The initiative demonstrates Pakistan's commitment to sustaining FATF compliance after exiting the grey list in 2022 and institutionalising reforms beyond temporary corrective measures. However, the effectiveness of these structures will depend on operational capacity, inter-agency information sharing, and the ability to address increasingly sophisticated financial crimes involving digital technologies.

Way Forward

- Strengthen specialised training for FIA personnel in financial investigations, digital forensics, virtual assets, and asset recovery to address emerging financial crimes effectively.
- Enhance real-time data sharing among FIA, FMU, FBR, SBP, Nadra, Nacta, and provincial authorities through secure digital platforms to support intelligence-led investigations.
- Conduct regular independent reviews and risk assessments to sustain FATF compliance, address emerging vulnerabilities, and maintain investor confidence.

26 terrorists killed in strikes along Afghan border



Pakistan conducted precision strikes along the Afghan border, killing 26 militants linked to TTP-related networks in response to a surge in terrorist attacks inside the country. Officials said multiple militant facilities, including training centres and ammunition caches, were destroyed as part of ongoing counterterrorism operations.

Analysis

The strikes reflect Pakistan's intensified shift toward cross-border counterterrorism amid rising militant attacks, highlighting persistent insecurity along the Afghan frontier. However, tensions with the Afghan Taliban and concerns over militant sanctuaries risk further regional strain and complicate bilateral relations.

Way Forward

- Strengthen coordinated border management and intelligence-sharing mechanisms with Afghanistan and regional partners to reduce cross-border militant movement.
- Enhance internal counterterrorism capacity through upgraded surveillance, rapid response forces, and targeted operations under a unified national strategy.
- Pursue sustained diplomatic engagement with Afghanistan, supported by China and other stakeholders, to pressure dismantling of militant safe havens and improve regional security cooperation.

INTERNATIONAL AFFAIRS

Nuclear disarmament era in reverse: Sipri



The SIPRI Yearbook 2026 warns that the world is entering a reverse era of nuclear disarmament, marked by expanding arsenals, weakening arms control mechanisms, and increasing reliance on nuclear weapons. The report notes that India and Pakistan continue modernising their nuclear capabilities, raising concerns about escalation risks following their recent military confrontation.

Analysis

The report underscores a deteriorating global strategic environment in which nuclear deterrence is becoming more prominent while international non-proliferation institutions lose effectiveness. For South Asia, the combination of unresolved regional disputes, arsenal modernisation, and emerging technologies such as AI heightens the risk of miscalculation and unintended escalation between nuclear-armed rivals.

Way Forward

- Revive confidence-building measures, crisis communication channels, and nuclear risk-reduction initiatives with India to reduce the risk of unintended escalation.
- Strengthen Pakistan's engagement in global non-proliferation forums by advocating equitable arms control and responsible nuclear stewardship.
- Invest in secure command-and-control systems and establish safeguards for the use of emerging technologies, including AI, in nuclear decision-support processes.

UN warns of 'deepening crisis' in oceans, urges action



The UN's Third World Ocean Assessment warns that the world's oceans are facing a deepening crisis due to climate change, pollution, overfishing, and biodiversity loss. The report highlights that warming seas, rising sea levels, shrinking ice cover, and stressed marine ecosystems are pushing ocean systems towards critical tipping points.

Analysis

The report underscores that ocean degradation is not only an environmental concern but also a threat to food security, climate regulation, and economic livelihoods worldwide. Failure to act could accelerate ecological collapse and disproportionately affect vulnerable coastal states, including developing countries like Pakistan that rely on marine resources.

Way Forward

- Strengthen marine conservation and fisheries management by enforcing sustainable fishing practices, expanding marine protected areas, and combating illegal, unreported, and unregulated (IUU) fishing in Pakistan's coastal waters.
- Enhance coastal climate resilience through investments in mangrove restoration, coastal protection infrastructure, and community-based adaptation strategies to address sea-level rise and extreme weather events.
- Reduce marine pollution through integrated policy measures, including improved waste management systems, stricter regulation of industrial effluents, and nationwide campaigns to curb plastic pollution entering the Arabian Sea.

INTERNATIONAL AFFAIRS

I ndia set to complete Himalayan tunnel near China border



India achieved a major milestone in the construction of the 13.14-kilometre Zojila Tunnel, which will provide year-round connectivity between Srinagar and Ladakh. The project is part of a broader infrastructure drive aimed at improving civilian access, trade, and logistical support to the strategically sensitive Himalayan border region.

Analysis

Beyond its developmental significance, the tunnel has important strategic implications, as enhanced all-weather connectivity can improve India's military mobility and sustainment capabilities in border areas near China. The project reflects the growing role of dual-use infrastructure in regional geopolitics, where civilian projects increasingly carry security dimensions.

Way Forward

- Strengthen surveillance, logistics, and connectivity in Pakistan's northern regions to enhance preparedness and situational awareness.
- Pursue regional diplomacy and confidence-building measures to reduce mistrust and promote stability in the Himalayan region.
- Invest in resilient infrastructure and disaster-ready connectivity in Gilgit-Baltistan and other mountainous areas to support development and emergency response.

K abul asked to take concrete steps against terrorist groups



Pakistan's Permanent Representative to the UN, Ambassador Asim Iftikhar, urged the Afghan Taliban to take concrete and verifiable action against terrorist groups allegedly operating from Afghan territory, including TTP and BLA. He also accused India of using Afghanistan to destabilise Pakistan and reaffirmed Pakistan's commitment to defending its sovereignty and security interests.

Analysis

The statement reflects Pakistan's growing concern over the cross-border terrorism threat emanating from Afghanistan and highlights the complex interplay of regional rivalries shaping Afghan stability. However, lasting security cannot be achieved through accusations alone and requires sustained diplomatic engagement, intelligence cooperation, and a coordinated regional approach to counterterrorism.

Way Forward

- Strengthen diplomatic engagement with Afghan interim authorities and the UN-led Doha Process to secure verifiable commitments against terrorist groups.
- Enhance border management and intelligence-sharing through improved surveillance, coordinated operations, and timely information exchange.
- Promote a regional counterterrorism framework to address shared security threats while supporting Afghanistan's long-term stability and development.

INTERNATIONAL AFFAIRS

Pakistan secures entry to first FIFA ASEAN Cup



Pakistan football team is reportedly set to participate in the FIFA ASEAN Cup in Indonesia after receiving an invitation, marking a potential milestone in its international football journey. The inclusion comes amid improving performance, following Pakistan's recent tournament win against Afghanistan, though official confirmation is still pending.

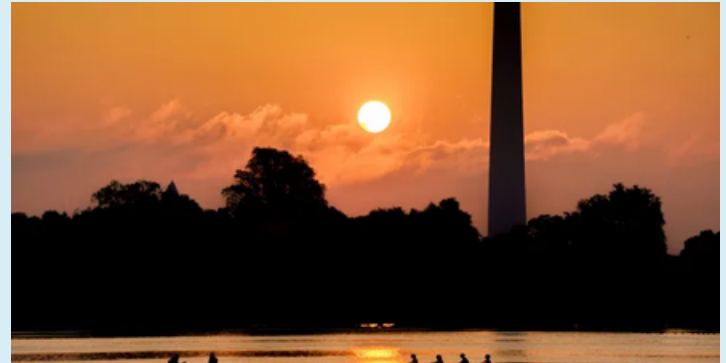
Analysis

If confirmed, this development signals growing international exposure and recognition for Pakistan football under FIFA-linked competitions. However, the lack of official confirmation means the report should be treated cautiously, as administrative and procedural approvals are still unclear.

Way Forward

- Strengthen Pakistan Football Federation (PFF) governance and coordination with FIFA/ASEAN bodies to ensure official confirmation, compliance, and smooth participation in international tournaments.
- Invest in domestic football development (academies, coaching, and infrastructure) to improve player quality and make Pakistan competitive at the international level.
- Expand international exposure programs (friendlies, training camps, and exchanges) to build experience and sustain long-term performance improvement in global competitions.

Washington hit by heatwave as global warming intensifies



A severe heatwave has hit Washington, leading to heat-related illnesses, including a US diplomat collapsing during an outdoor event, while authorities issue heat warnings across multiple US regions. The incident highlights intensifying global warming trends, with UN warnings of rising temperatures and increasing frequency of extreme heat events worldwide.

Analysis

The event reflects how climate change is escalating extreme weather risks, turning routine outdoor activities into health hazards even in developed countries. It also underscores broader global vulnerability, with South Asia—including Pakistan—identified as a high-risk region due to limited climate resilience and rising temperatures.

Way Forward

- Strengthen national heatwave preparedness through early warning systems, cooling centers, and urban climate resilience planning in major cities.
- Invest in climate-adaptive infrastructure (shade networks, green spaces, heat-resistant urban design) to reduce urban heat island effects.
- Expand public awareness and health response systems to protect vulnerable populations, especially outdoor workers and low-income communities, during extreme heat events.

POLICY NUGGETS

1 FIA penalises officials over human smuggling collusion.

Impact: Strengthens accountability within immigration enforcement and helps to reduce illegal migration and deportations.

Recommendation: Institutionalise independent oversight and strengthen legal migration pathways to curb human smuggling sustainably.

“Good governance is about accountability, transparency and making sure people are protected from exploitation.” – Ban Ki-moon

4 Child influencer accounts on Instagram raise concerns over online safety.

Impact: Highlights growing risks of child commodification, online grooming, and long-term psychological harm.

Recommendation: Strengthen child online safety regulations, enforce stricter platform monitoring, and promote parental digital literacy.

“Children are not things to be molded, but people to be unfolded.” – Jess Lair

7 Tax Relief Proposed for Salaried Segments

Impact: Proposed tax reductions could ease financial pressure on salaried households and support consumer spending.

Recommendation: Pair tax relief with broader tax-base reforms to preserve fiscal sustainability.

“The art of taxation consists in so plucking the goose as to obtain the largest amount of feathers with the least possible amount of hissing.” – Jean-Baptiste Colbert

2 Centre-province fiscal deadlock raises concerns over NFC autonomy and budget stability.

Impact: Risks weakening provincial fiscal autonomy, delaying budgets, and increasing tensions over resource distribution.

Recommendation: Build political consensus through the CCI, improve tax collection, and pursue fiscal reforms.

“Fiscal decentralisation works best when responsibility is matched with resources and trust.” – Joseph Stiglitz

5 Civil servants directed to disclose dual nationality status within 90 days.

Impact: Strengthens transparency and accountability in public service by improving oversight of foreign affiliations among civil servants.

Recommendation: Ensure a transparent verification mechanism, clear privacy safeguards, and uniform enforcement across all services to maintain public trust.

“Transparency is the currency of trust.” – Howard Schultz

8 US-Iran Exchange Threats Following Tit-for-Tat Strikes

Impact: Escalating rhetoric heightens risks of regional instability and energy market disruptions.

Recommendation: Prioritize sustained diplomacy and crisis-management channels to prevent escalation.

“In war, whichever side may call itself the victor, there are no winners, but all are losers.” – Neville Chamberlain

3 PM directs provinces to present plans for boosting cotton production ahead of budget.

Impact: Renews focus on agricultural productivity and reduces import dependence and strengthens export-oriented sectors.

Recommendation: Prioritise seed innovation, farmer incentives, irrigation efficiency, and province-specific cotton revival strategies.

“Agriculture is the foundation of manufacturing and prosperity.” – David Ricardo

6 Budget 2026–27 faces IMF-driven pressure amid centre-province fiscal negotiations.

Impact: Reflects growing fiscal strain with potential pressure on middle-income taxpayers and development spending.

Recommendation: Broaden the tax base beyond salaried sectors and improve tax compliance in untaxed sectors.

“A sound fiscal system is one that raises revenue fairly and spends it wisely.” – Joseph Stiglitz

9 Indian Sikh Pilgrims Arrive for Jore Mela

Impact: Religious pilgrimages strengthen people-to-people contacts and promote interfaith goodwill across borders.

Recommendation: Expand faith-based exchanges to reinforce cultural diplomacy and regional trust.

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



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