



WEEKLY

POLICY PULSE

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The central theme is strengthening institutional capacity and policy implementation advancing governance reforms, economic resilience, security, and strategic diplomacy to achieve sustainable and inclusive outcomes amid fiscal, climatic, and regional challenges.

This week's Policy Pulse highlights major developments in governance, socio-economic affairs, security, international relations, and economic policy, with a common focus on strengthening institutions, improving public services, and translating policy initiatives into sustainable outcomes.

In governance, questions over overlapping climate institutions, the outsourcing of major airports and privatisation of power companies, minority inclusion, and the strategic potential of rare-earth minerals highlight the need for institutional clarity, transparent reforms, inclusive governance, and responsible resource management. Strong regulatory oversight and clearly defined institutional mandates remain essential for effective implementation.

In socio-economic issues, Pakistan's potential \$1.5 billion hybrid-rice export opportunity in China, rising Karachi water tariffs, the National Youth Employment Policy, and efforts to revive the automotive sector highlight opportunities and challenges in exports, urban services, employment, and industrial competitiveness. These developments underscore the importance of export diversification, affordable and reliable public services, market-oriented skills, women's participation, technological upgrading, and value-added production.

In security and law & order, counterterrorism operations in Panjgur and Surab demonstrate the continuing security challenges in Balochistan and the state's reliance on intelligence-led operations to disrupt militant activities. While effective security operations remain necessary, long-term stability also requires stronger intelligence coordination, community engagement, economic development, and measures to minimise risks to civilians.

In international affairs, Iran's response to the Makkah defence agreement, the renewal of Pakistan-US higher education cooperation, tensions surrounding the Strait of Hormuz, China-Pakistan heritage cooperation, restrictions on Afghan media, and potential Gunvor investment in Pakistan's energy sector reflect a rapidly evolving regional environment. These developments reinforce the importance of balanced diplomacy, regional stability, human-capital development, energy security, and stronger economic partnerships.

The Policy Nuggets further highlight local manufacturing and exports, global employment trends, borrowing costs, AI investment, energy-security risks, development-fund management, tax certainty, housing finance, and Pakistan-US economic ties. Collectively, the week's developments point towards a policy agenda centred on institutional reform, economic resilience, export diversification, technological advancement, climate preparedness, and accountable governance, with effective implementation remaining critical to achieving sustainable national development.

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SOCIO-ECONOMIC



Economic Resilience

SECURITY AND LAW & ORDER



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INTERNATIONAL AFFAIRS



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Senate Panel Questions Need for Climate Change Authority



A Senate committee questioned the need for the Pakistan Climate Change Authority, arguing that its functions and expertise overlap with the Ministry of Climate Change. The committee also examined glacier melting, GLOF risks, climate finance and weak enforcement of Islamabad's plastic ban.

Analysis

The issue highlights institutional duplication, limited public resources and weak coordination in Pakistan's climate governance. At the same time, increasing glacier melt and GLOF risks require stronger institutional capacity, effective early-warning systems and coordinated climate action.

Way Forward

- Rationalise overlapping climate institutions by clearly defining mandates and avoiding duplication between the ministry and the Climate Change Authority.
- Strengthen climate-risk management through better coordination among NDMA, PMD and relevant climate institutions, particularly for GLOF and glacier-melt risks.
- Improve climate-finance mobilisation and environmental enforcement while ensuring that climate policies provide affordable and practical alternatives for citizens and businesses.

Govt Moves to Outsource Lahore, Karachi Airports



The government has approved a financial adviser for the proposed outsourcing of Lahore and Karachi airports and initiated the privatisation process for LESCO and MEPCO. The measures are part of broader efforts to improve efficiency, reduce public-sector losses and restructure state-owned enterprises.

Analysis

The move reflects Pakistan's broader privatisation and public-sector reform agenda, aimed at improving service delivery and reducing the financial burden of inefficient state-owned entities. However, transparent processes, effective regulation and protection of public interests will be essential to ensure that outsourcing and privatisation deliver sustainable improvements.

Way Forward

- Ensure transparent and competitive privatisation processes with clear performance standards and public accountability.
- The government should strengthen regulatory oversight to prevent private operators from compromising service quality or exploiting consumers.
- Link privatisation with measurable efficiency targets, ensuring that reforms reduce losses while improving infrastructure and service delivery.

P M Lauds Minorities' Role in Pakistan's Creation, Growth



Prime Minister Shehbaz Sharif highlighted the contributions of Pakistan's minority communities to the country's creation, development and national defence, reaffirming their constitutional right to equality and protection. The government also highlighted initiatives for minority welfare, youth development, education, skills and employment.

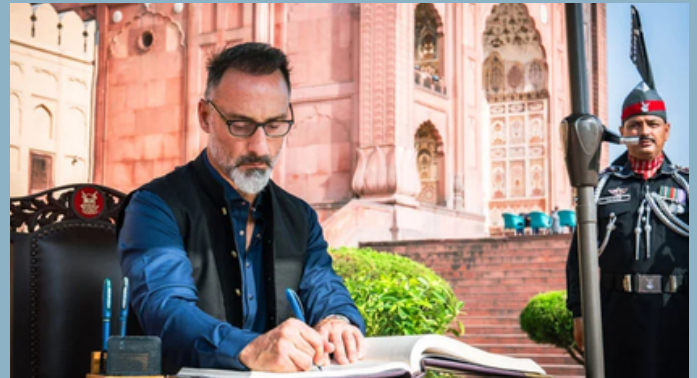
Analysis

The government's emphasis on minority inclusion, youth empowerment and institutional accountability reflects efforts to promote social cohesion and inclusive national development. However, these commitments require effective implementation, particularly in protecting minority rights and improving access to education, skills and economic opportunities.

Way Forward

- Strengthen the implementation of constitutional protections for minorities and ensure equal access to education, employment and public services.
- The government should expand skills, education and employment programmes for youth, linking training with emerging sectors such as technology, AI and digital industries.
- Strengthen institutional accountability and transparency, particularly through effective audits and monitoring of Customs and other public-sector institutions.

US Consul General to Attend NSPP Rare Earth Conference



The National School of Public Policy (NSPP) will host a conference on Pakistan's rare earth minerals, bringing together policymakers, experts and industry representatives to explore their economic and strategic potential. The conference will focus on responsible extraction, value addition, environmental concerns, governance and the geopolitical importance of critical minerals.

Analysis

Pakistan's rare earth mineral potential could support export growth, industrial development, investment and strategic economic diversification if resources are responsibly developed. However, weak governance, environmental risks, technological limitations and geopolitical sensitivities could hinder Pakistan from fully benefiting from these resources.

Way Forward

- Develop a comprehensive critical-minerals policy focused on transparent licensing, responsible extraction, local value addition and long-term investment.
- The government should strengthen geological research and processing capacity through partnerships with universities, international experts and the private sector to move beyond raw mineral exports.
- Establish strong environmental and governance safeguards to ensure that rare-earth development generates economic benefits while protecting communities, ecosystems and national strategic interests.

Pakistan Eyes \$1.5bn Hybrid Rice Export Opportunity in China



Pakistan has an opportunity to increase non-Basmati hybrid rice exports to China by up to \$1.5 billion, particularly as Chinese demand shifts away from Indian supplies. Pakistan's hybrid rice production, non-GMO status, the Pakistan-China trade framework and CPEC-linked logistics could strengthen its position in the Chinese market.

Analysis

Expanding hybrid rice exports could generate foreign exchange, increase farmers' incomes and strengthen Pakistan-China economic ties. However, Pakistan must improve seed quality, certification, food-safety compliance and supply consistency to convert this potential opportunity into sustained export growth.

Way Forward

- Pakistan should establish a Pakistan-China Rice Export Task Force to coordinate exporters, farmers, seed companies and government agencies and develop a clear export roadmap.
- The government should strengthen quality certification and food-safety compliance, particularly regarding pesticide residues and China's import requirements, to ensure reliable market access.
- Promote contract farming and improve hybrid-seed productivity, while upgrading logistics through ports and CPEC routes to reduce delivery costs and ensure consistent supplies.

Water-starved citizens 'squeezed' further for more Karachi Water and Sewerage Corporation revenue



The Karachi Water and Sewerage Corporation (KWSC) notified a uniform 7.05% increase in monthly water and sewerage tariffs for residential and commercial consumers, marking its second major hike in two years under the KWSC Act 2023. KWSC cited revenue sustainability and World Bank project commitments to justify the decision, triggering widespread public backlash from residents already forced to pay for costly private water tankers due to chronic piped supply failures.

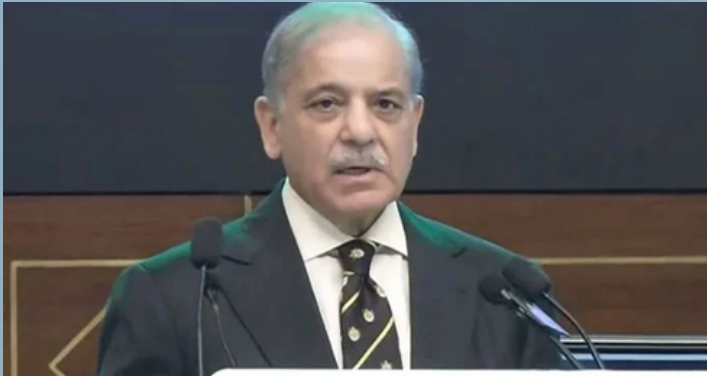
Analysis

The move highlights KWSC's heavy reliance on inflation-indexed price hikes to offset operational deficits and meet external loan conditions rather than addressing core systemic inefficiencies. By shifting financial burdens onto consumers without delivering baseline service improvements or resolving low recovery rates, the utility risks deepening public distrust and worsening urban equity in a severely water-stressed metropolis.

Way Forward

- Condition any future tariff increases on verifiable, trackable improvements in piped water delivery and supply quality across all urban sectors.
- Accelerate World Bank-funded capital investments to repair distribution networks, plug non-revenue water leaks, and eliminate illegal hydrants.
- Transition to universal water metering and modernized billing systems to ensure equitable pricing and improve revenue recovery rates.

P M Unveils First National Youth Employment Policy



Prime Minister Shehbaz Sharif launched Pakistan's first National Youth Employment Policy, introducing a 35% women's quota and allocating 10% of the annual employment quota for startups. The policy also focuses on skills development, entrepreneurship, technical education, IT and AI to improve young people's employment opportunities.

Analysis

The policy addresses Pakistan's need to convert its large youth population into a skilled and productive workforce while promoting entrepreneurship and women's participation in the labour market. Its success will depend on effective implementation, merit-based access, quality training and the creation of sustainable employment opportunities.

Way Forward

- Link youth training with actual market demand by expanding programmes in IT, AI, PZ, ZSP-technical skills, agriculture and other high-growth sectors.
- Strengthen youth entrepreneurship support through easier access to finance, business incubation, mentorship and simplified regulations for startups.
- Ensure equal and merit-based access to employment and education, particularly by effectively implementing the women's employment quota and expanding quality educational opportunities across provinces.

M inister Calls for Auto Sector Revival to Meet \$63bn Export Target



The government has identified the automotive sector as a key driver of export-led growth, aiming to contribute to Pakistan's ambitious \$63 billion export target under the Uraan Pakistan initiative. Officials and industry stakeholders called for modernisation, improved productivity, technology adoption and stronger integration into global supply chains.

Analysis

Reviving the auto sector could help Pakistan increase exports, reduce dependence on domestic demand and strengthen industrial competitiveness. However, achieving these goals will require consistent policies, better infrastructure, technological upgrading and stronger private-sector participation.

Way Forward

- Finalise and implement Auto Policy 2.0 with clear export targets, incentives and measures to integrate local manufacturers into global supply chains.
- The government should promote technology, productivity and local value addition to make Pakistani automotive products competitive in international markets.
- Develop sector-specific export plans through government-industry cooperation, identifying target markets and removing regulatory, infrastructure and financing barriers.

Five terrorists killed in Panjgur operation



Security forces conducted an intelligence-based operation (IBO) in Balochistan's Panjgur district, neutralizing five terrorists during an intense exchange of fire and recovering a cache of arms and explosives.

Analysis

The operation underscores the state's continued focus on intelligence-led counterterrorism measures to dismantle militant hideouts and secure key transport and border corridors in volatile regions of Balochistan.

Way Forward

- Strengthen real-time, actionable intelligence networks and inter-agency coordination to preemptively neutralize militant cells before they execute attacks.
- Intensify continuous joint patrolling and surveillance along key highways and border routes in Balochistan to safeguard regional mobility and development projects.
- Pair sustained counter-insurgency operations with targeted economic development, youth engagement, and community outreach to address underlying socio-political grievances.

18 terrorists killed in Balochistan IED blast, operation



In Balochistan's Surab district, eight terrorists were killed and three civilians lost their lives when a vehicle-borne improvised explosive device (IED) exploded prematurely; security forces subsequently launched a follow-up operation that eliminated ten additional fleeing militants.

Analysis

The incident underscores both the volatile threat posed by insurgent explosive plots and the swift, decisive operational responsiveness of security forces in preempting further destruction across critical corridors.

Way Forward

- Implement stricter regulatory oversight and intelligence tracking around precursor chemicals to interdict vehicle-borne explosive manufacturing before deployment.
- Deepen joint operational integration between military units, Balochistan Police, and intelligence agencies for rapid-response clearance operations along critical regional corridors.
- Deploy localized surveillance networks and public safety protocols to minimize civilian casualties and protect residential zones adjacent to potential militant targets.

I ran sees Makkah pact replacing 'reliance on US'



Following a briefing by Pakistan's Foreign Office, Iran responded cautiously to the trilateral Makkah Joint Defence Agreement signed by Pakistan, Saudi Arabia, and Türkiye, stating it does not view the pact as a threat. Instead, Tehran views the accord as reflecting a broader regional shift away from long-standing reliance on the US for security guarantees.

Analysis

Iran's pragmatic reaction highlights a realignment in Middle Eastern security dynamics, where regional nations are forging indigenous collective defense frameworks rather than relying on traditional Western alliances.

Way Forward

- Pakistan should maintain continuous diplomatic outreach with Tehran to reiterate the purely defensive nature of the Makkah Accord and prevent misperceptions or regional bloc alignments.
- Utilizing its strategic positioning within the trilateral agreement, Pakistan should act as a bridge between Gulf states and Iran, fostering inclusive regional security dialogues rather than zero-sum polarization.
- Pakistan can keep the alliance framework open and adaptable for broader regional cooperation, aligning with its goal of promoting intra-regional stability and economic self-reliance.

Pakistan, US Extend Higher Education Partnership for 5 Years



Pakistan and the United States renewed their higher education partnership for five years, expanding opportunities for scholarships, PhD studies, research and academic exchanges. The agreement aims to support 66 Pakistani PhD scholars while strengthening human-capital development and higher education capacity.

Analysis

The renewed partnership can strengthen Pakistan's research capacity, academic expertise and skilled human capital through access to international education and research networks. Its long-term impact will depend on ensuring merit-based selection, effective use of funds and opportunities for scholars to apply their expertise to Pakistan's development after returning.

Way Forward

- Pakistan should align scholarship and research priorities with national development needs, particularly in science, technology, health, AI and other emerging fields.
- HEC should strengthen mechanisms for returning scholars to facilitate their integration into Pakistani universities, research institutions and public-sector organisations.
- Pakistan should ensure transparent monitoring and evaluation of the partnership, including regular assessment of research outcomes, scholarship impact and utilisation of public funds.

Pakistan ready to play its part in maritime alliance



Iranian official Mohsen Rezaei stated that the Strait of Hormuz will remain closed unless the US meets Tehran's conditions including unfreezing assets and ending regional conflicts even as Pakistani Defence Minister Khawaja Asif indicated that Washington and Tehran are close to "some sort" of deal while Interior Minister Mohsin Naqvi held high-level meetings in Iran.

Analysis

Iran is using its operational control over the strategic Strait of Hormuz as diplomatic leverage against Washington, while Pakistan continues active high-level mediation and direct shuttle diplomacy to prevent regional escalation and secure critical energy routes.

Way Forward

- Pakistan should actively coordinate with the alliance's joint command center in Riyadh to deploy naval intelligence and patrol assets, ensuring the protection of Pakistani seafarers and securing critical supply lines across the Red Sea, Bab al-Mandeb, and Gulf of Aden.
- Pairing operational contributions under the 14-nation coalition with sustained diplomatic outreach to regional stakeholders, including Iran and GCC partners, Pakistan can de-escalate maritime tensions and facilitate durable regional peace.
- Pakistan should proceed with formulating robust security advisories and rapid-response protocols in coordination with international shipowners and regional navies to safeguard civilian crews operating in high-risk transit corridors.

China Ready to Support Pakistan in Heritage Digitisation, Preservation



China has offered Pakistan expertise and technology for cultural heritage preservation and digitisation, including 3D scanning, digital modelling and museum collection preservation. The initiative also promotes archaeological cooperation and people-to-people cultural exchange.

Analysis

The cooperation can strengthen Pakistan's capacity to preserve its cultural heritage while deepening Pakistan-China cultural and academic ties. Digitising heritage sites and collections can also support research, education and cultural tourism.

Way Forward

- Pakistan should develop a national digital heritage programme to systematically digitise museums, manuscripts, archaeological sites and cultural artefacts.
- Pakistan should expand joint research and technical training with China in archaeology, conservation, restoration and heritage-management technologies.
- Pakistan should link heritage preservation with cultural tourism, particularly by promoting sites such as Taxila and Gandhara through professionally managed digital platforms and international exhibitions.

Taliban Turn Afghanistan into 'Prison for Information'



The Taliban have imposed increasingly strict restrictions on journalists and independent media in Afghanistan, including criminalising criticism of the authorities and imposing harsh penalties. The crackdown has severely restricted press freedom and forced hundreds of Afghan journalists to flee the country.

Analysis

The restrictions represent a serious deterioration in freedom of expression, media independence and civil liberties in Afghanistan. Criminal penalties for criticism and vague laws against “rebellion” and “subversion” enable greater state control over information and weaken accountability.

Way Forward

- Pakistan should support regional press freedom by encouraging respect for journalists' safety, freedom of expression and independent media in Afghanistan.
- Pakistan should provide appropriate protection to at-risk Afghan journalists in line with its legal and international obligations, particularly where forced return could expose them to serious harm.
- Pakistan should use diplomatic engagement with Afghan authorities to encourage greater space for independent journalism and access to reliable information.

Swiss Energy Giant Gunvor Eyes Pakistan Investment



Swiss commodities trader Gunvor Group is exploring additional investment in Pakistan's energy sector, particularly following the government's efforts to deregulate the downstream petroleum market. The company has expressed interest in opportunities linked to the Refinery Policy, Bonded Storage Policy and LPG sector.

Analysis

Potential investment by Gunvor could increase foreign capital, competition and efficiency in Pakistan's energy market while supporting energy-sector development. However, Pakistan needs transparent and predictable regulations to convert investor interest into sustained investment and ensure wider economic benefits.

Way Forward

- Pakistan should ensure transparent and predictable energy-sector regulations to attract and retain foreign investors.
- Pakistan should accelerate downstream petroleum and LPG reforms to improve competition, efficiency and private-sector participation.
- Pakistan should strengthen investment facilitation and regulatory oversight so that foreign investment contributes to energy security, infrastructure development and economic growth.

PAKISTAN'S EXPORT POTENTIAL EXPANDS THROUGH LOCAL TYRE MANUFACTURING

Impact: Strengthens manufacturing, export diversification and long-term economic development.

Recommendation: Pakistan should support high-value manufacturing through export facilitation, technology upgrading and stable industrial policies.

"THE FUTURE OF ECONOMIC GROWTH LIES IN THE ABILITY TO PRODUCE AND EXPORT MORE SOPHISTICATED PRODUCTS."

DANI RODRIK

1

2

HIGHER GLOBAL BORROWING COSTS INCREASED FINANCIAL PRESSURE

Impact: Increases Pakistan's debt-servicing burden and limits fiscal space available for development and public investment.

Recommendation: Strengthen debt management, seek more affordable financing, and prioritise expenditure that generates long-term economic returns.

"BEWARE OF LITTLE EXPENSES; A SMALL LEAK WILL SINK A GREAT SHIP."

BENJAMIN FRANKLIN

3

4

STRAIT OF HORMUZ SHIPPING TRAFFIC DECLINES

Impact: Increases uncertainty for regional trade and creates risks for Pakistan's energy supplies and import costs.

Recommendation: Strengthen contingency planning, diversify energy sources, and develop alternative trade arrangements to reduce exposure to regional disruptions.

"THE PRICE OF GREATNESS IS RESPONSIBILITY."

WINSTON CHURCHILL

5

6

RETROSPECTIVE TAX PENALTIES DECLARED UNLAWFUL BY SUPREME COURT.

Impact: The ruling strengthens legal certainty for taxpayers and limits retrospective use of tax penalties by authorities.

Recommendation: Ensure tax regulations are clearly framed, consistently applied, and aligned with principles of due process.

"THE RULE OF LAW IS THE FOUNDATION OF FREEDOM."

THEODORE ROOSEVELT

7

8

PAK-US ECONOMIC TIES ADVANCE, BUT \$10BN ESF BID STALLS.

Impact: Supports investment and external financing; also highlights continuing challenges in securing financial support.

Recommendation: Strengthen economic diplomacy and pursue diversified external financing to improve Pakistan's financial resilience.

"TRADE IS A SOURCE OF STRENGTH, NOT WEAKNESS."

DONALD TRUMP

9

GLOBAL EMPLOYMENT WEAKNESS RAISES ECONOMIC CONCERNS.

Impact: Reduces global demand, affecting Pakistan's exports, remittances, and broader economic activity.

Recommendation: Pakistan should monitor developments in major trading partners and prepare for possible changes in export demand.

"THE DIFFICULTY LIES NOT SO MUCH IN DEVELOPING NEW IDEAS AS IN ESCAPING FROM OLD ONES."

JOHN MAYNARD KEYNES

AI INVESTMENT RESHAPES GLOBAL TECHNOLOGY MARKETS.

Impact: Accelerates productivity, innovation, and technological transformation while creating new demands for skilled workers.

Recommendation: Invest in digital infrastructure, technical skills, and responsible AI adoption.

"AN INVESTMENT IN KNOWLEDGE PAYS THE BEST INTEREST."

BENJAMIN FRANKLIN

WORLD BANK UNHAPPY OVER FUND DIVERSION FROM BALOCHISTAN

Impact: Weaken development outcomes in Balochistan and reduce the effectiveness of programmes intended for the province.

Recommendation: Ensure transparent use of development funds, strengthen monitoring mechanisms, and prevent diversion from priority provincial projects.

"THE WAY TO RIGHT WRONGS IS TO TURN THE LIGHT OF TRUTH UPON THEM."

IDA B. WELLS

BANKS DISBURSE OVER RS34BN IN HOUSING LOANS UP TO JULY.

Impact: Increased housing finance can improve access to formal home ownership and stimulate construction and related economic activity.

Recommendation: Expand affordable housing finance while maintaining responsible lending standards and stronger access for lower-income households.

"THE BEST INVESTMENT ON EARTH IS EARTH."

LOUIS GLICKMAN



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