

A knowledge product of



COUNTRY ANALYSIS REPORT

Edition 66

CORRUPTION, GOVERNANCE, AND PAKISTAN'S POLITICAL ECONOMY
AN INFLECTION POINT

November 15th - 30th, 2025

[f](#) [in](#) [X](#) [@](#) [d](#) [v](#) /accountlabpk

Executive Summary

As of December 2025, Pakistan is navigating a period marked by governance scrutiny, political tension, economic fragility, and persistent humanitarian pressures. The IMF's Governance and Corruption Diagnostic underscores that long-standing institutional weaknesses continue to influence economic performance. The assessment highlights systemic issues across budgeting, regulation, procurement, taxation, and judicial enforcement, noting that these structural gaps contribute to recurring economic instability and limit the effectiveness of reform efforts.

November's political environment remained unsettled. Legal proceedings involving PTI leadership, heightened public speculation, by-election disputes, and renewed protest calls reflected ongoing polarization. Institutional processes continued, but often under the shadow of competing narratives and limited political convergence.

Economically, Pakistan maintains a cautious stabilization path. Growth projections remain moderate, supported by remittances and selective industrial activity, yet challenged by weak foreign investment, regulatory inconsistencies, high input costs, and labour market pressures. Agriculture and manufacturing continue to face structural constraints that limit broader economic recovery.

Humanitarian conditions remain sensitive. Progress in nationwide vaccination efforts sits alongside climate-related disasters, food insecurity, and displacement. Communities particularly in disaster-prone and border regions continue to require sustained support to manage overlapping health, livelihood, and environmental risks.

In the diplomatic and security spheres, Pakistan is balancing regional tensions, internal security incidents, and efforts to strengthen strategic partnerships. Cross-border volatility, targeted attacks, and infrastructure sabotage highlight ongoing vulnerabilities and the need for coherent security governance.

Overall, Pakistan stands at a moment where governance reform, institutional strengthening, and policy consistency will be essential to improving economic resilience, easing political pressures, and addressing humanitarian and security challenges in a sustainable manner.



Corruption, Governance, and Pakistan's Political Economy

AN INFLECTION POINT

The IMF's long-delayed [Governance and Corruption Diagnostic Assessment](#) is not a routine technical exercise. It is a rare and comprehensive indictment of how deeply governance failures and corruption are woven into the institutional fabric of Pakistan. What makes the report remarkable is that it does not treat corruption as a series of scandals. Instead, it presents it as a predictable outcome of systemic weaknesses that stretch across budgeting, procurement, regulation, taxation, and the justice system. This framing forces Pakistan to confront an uncomfortable truth: the country's persistent economic distress is not accidental. It is the logical result of a governance model that rewards opacity, discretionary authority, and elite privilege at every level.

The IMF's estimate that Pakistan loses between [5 percent and 6.5 percent of GDP](#) every year because of corruption is not merely a statistic. It is a diagnosis of a political economy in which public resources, regulatory power, and legislative authority have been repeatedly captured for private gain. The report highlights that the [Rs 5.3 trillion](#) recovered in corruption cases within two years captures only a fraction of the real costs. The losses take the form of inefficient public spending, tax leakages, inflated procurement, policy manipulation, and a steady erosion of investor confidence. The [2019 sugar export decision](#), cited by the Fund as a case study in elite capture, illustrates how regulatory power can be converted into guaranteed profits for a small group while inflicting widespread economic harm.

The critique of the Special Investment Facilitation Council is equally significant. The IMF has questioned the Council's legal basis, its wide and poorly defined mandate, the immunity provided to its staff, and the absence of transparent reporting on concessions granted. By doing so, the report draws attention to a model of parallel governance that bypasses established institutions. This raises a fundamental dilemma for Pakistan. Should it continue to rely on exceptional authorities that operate with limited transparency, or should it strengthen the conventional regulatory and parliamentary mechanisms that provide long-term stability to investment decisions?

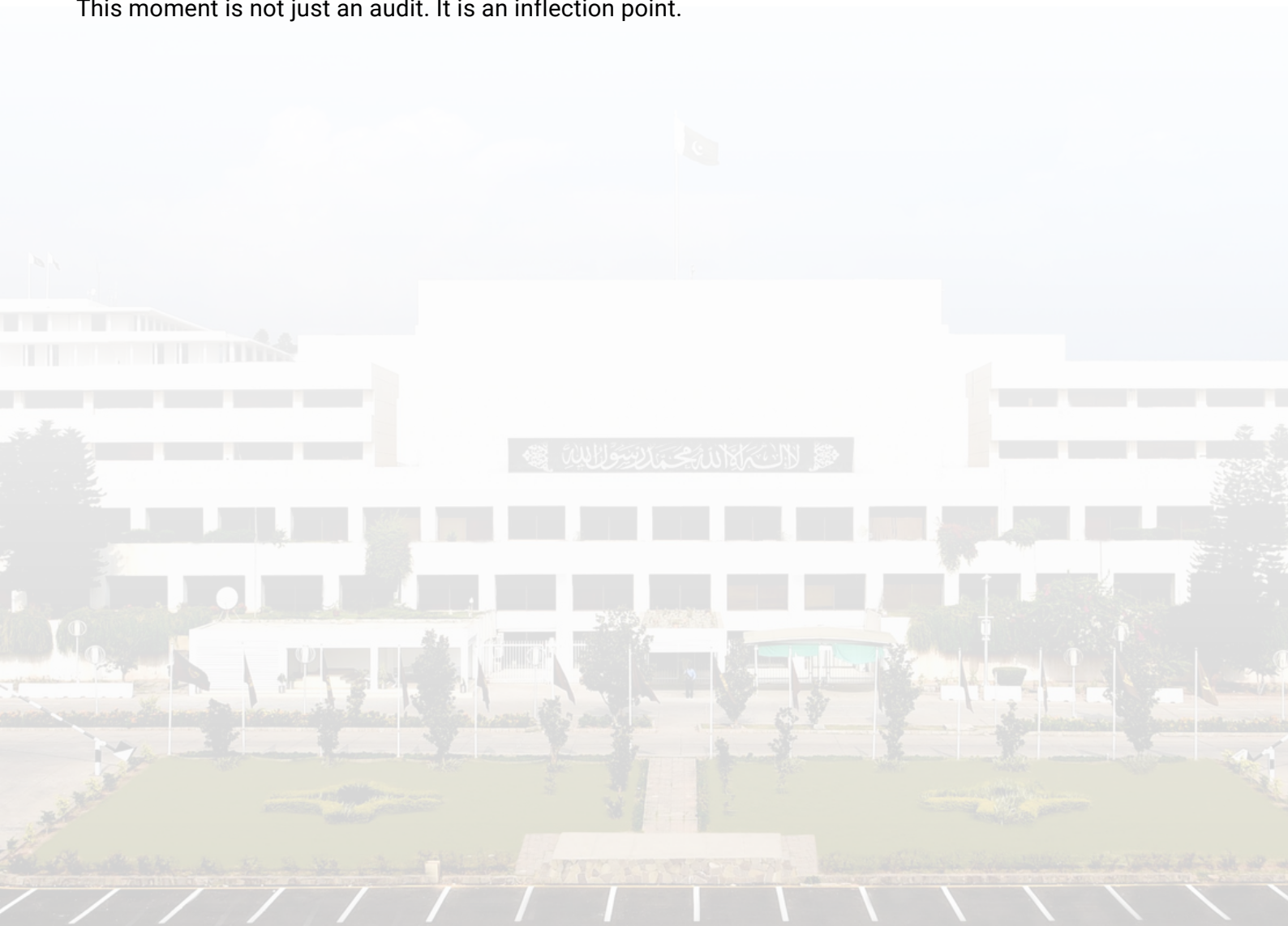
The report's scrutiny of the judiciary is perhaps the most consequential component. Judicial reform has often been framed as a political issue rather than an economic necessity. The IMF's assessment breaks that pattern by presenting weak judicial enforcement as a central barrier to economic development. Investors rely on predictable contract enforcement. Citizens rely on courts that can uphold rights and resolve disputes without bias.

When public surveys repeatedly identify the judiciary as one of the most corrupt institutions, the problem is no longer only legal. It becomes a structural constraint on growth, fairness and the rule of law. The IMF notes that antiquated laws, fragmented oversight systems, and concerns about judicial appointments have created significant vulnerabilities that demand reform. What emerges from this assessment is a clear argument. Pakistan's growth crisis is fundamentally a governance crisis. Economic reforms cannot succeed without institutional reforms that limit discretion, strengthen accountability, and restore public trust.

This requires transparent budgets, independent regulators, rule-based procurement, consistent tax policies, and a judiciary capable of enforcing economic rights. These are not luxuries reserved for stable countries. They are preconditions for breaking the prolonged cycle of IMF dependence that has defined Pakistan's macroeconomic history.

The most formidable obstacle is political will. Pakistan has entered [twenty-five IMF programs](#) not because of repeated miscalculations but because every attempt at reform has collided with powerful constituencies that benefit from the current system. The IMF has now made governance reform a formal condition for future disbursements. This signals that Pakistan's historical pattern of partial compliance followed by regression is no longer sustainable. The country stands at a moment where cosmetic adjustments will not be enough.

If Pakistan chooses meaningful reform, the gains will exceed fiscal stability. They can reshape how the state functions, how citizens engage with public institutions, and how investors perceive long-term prospects. If the country fails to act, then the next crisis may be more disruptive than the previous ones. The IMF report is not merely a warning. It is a chance to rethink the foundations of the political economy. Whether this moment becomes a turning point depends entirely on the willingness of Pakistan's leadership to confront the entrenched structures that have undermined the country for decades. This moment is not just an audit. It is an inflection point.



Political Updates

November closed with a sense of strain across Pakistan's political landscape. The government, opposition, courts, and public narrative all seemed to move on separate tracks, often colliding but rarely converging. The result was a month defined by legal confrontations, media storms, and competing claims of legitimacy.

In the courts, cases against PTI leaders continued to gather momentum. As reported on Nov 27, the [Anti Terrorism Court](#) in Islamabad declared Omar Ayub Khan a proclaimed offender and began steps to block his identity documents and trace his property. The brief arrest and release of Aleema Khan the same day created another moment of public drama. Her lawyers questioned the legal basis of her arrest, the prosecution insisted on judicial custody, and she eventually walked out after submitting bail bonds. These events reinforced the impression of a justice system operating under heavy political pressure.



Source: The Nation

At the same time, rumours about Imran Khan's health spread rapidly on social media, eventually prompting PTI to demand a [formal statement](#) from the state and a family meeting. The party framed these rumours as part of an information war designed to unsettle its supporters. The government responded by saying that the former prime minister was receiving proper facilities in jail. The lack of a single authoritative voice allowed the story to play out in the public sphere for days, illustrating how digital speculation now often shapes political debate quickly.



Source: Aaj News

The [by-elections](#) earlier in November brought another set of conflicts. Maryam Nawaz used the results to claim that PTI's popularity had collapsed once, in her words, the party no longer had institutional backing.

PTI, meanwhile, struggled to explain its strategy, having contested only two seats and left others open. Party insiders openly criticised the decision, calling it avoidable political damage.

Seeking to regain control of the conversation, PTI prepared a [white paper](#) on alleged rigging, economic decline, and misuse of power. According to reports on Nov 26, party leaders said the document aimed to show the government's failures in a structured manner rather than through scattered statements. Whether this effort will reshape public debate remains to be seen, but it reflects PTI's attempt to shift from defensive messaging to organized political communication.

Tensions between Khyber Pakhtunkhwa's PTI-led government and the Election Commission also grew. The Peshawar High Court refused to intervene in petitions filed by CM Afridi and PTI-backed candidate Sheharnaz Omar Ayub, noting that the [ECP](#) had passed no final order. The court reminded both sides that the commission must first determine its own jurisdiction. This episode revealed how institutional authority remains under constant debate, often becoming part of the political contest itself.



Source: Dawn News

By the end of the month, PTI turned again to [street mobilization](#). CM Afridi announced weekly protests outside the Islamabad High Court and marches toward Adiala Jail until progress is made in Imran Khan's cases. He linked these protests to a broader claim that constitutional changes and political engineering have obstructed judicial relief.

Inside parliament, routine legislative business carried on but struggled to command public attention. The recent passage of the [27th Constitutional Amendment](#) set the stage for further political adjustments, while the National Assembly took up issues ranging from transport shortages in Islamabad's public schools to the creation of a national food safety authority. Yet these efforts appeared overshadowed by the louder conflicts playing out outside the chambers.

November did little to calm Pakistan's political divisions. The government and PTI remained locked in a contest of claims, legal battles continued to shape political strategy, and social media rumours often set the tone of public debate. Institutions worked, but their decisions frequently became part of the political fight. If anything, the month showed a political system still searching for stable ground, moving from one flashpoint to the next with little room for collective focus or long-term planning.

Economic Outlook

Pakistan's economy is at a crossroads, balancing attempts at stabilization with deep structural impediments. [Finance Minister](#) Muhammad Aurangzeb has signalled a shift from chasing high short-term GDP growth to prioritizing steady, sustainable expansion. He projected three-point-five percent growth in the current fiscal year, potentially rising to six or seven percent over the medium term if agriculture, manufacturing, and services maintain momentum. While this approach addresses the unsustainable boom-and-bust cycles of the past, past growth patterns suggest that implementing long-term consistency remains a major challenge. Previous cycles of high growth were often undermined by policy reversals, fiscal imbalances, and sector-specific bottlenecks.



Source: Pexels

Industrial revival is a stated government priority, with an upcoming industrial policy aimed at bolstering manufacturing and export-led growth. Yet Pakistan's [steel, construction, and infrastructure sectors](#) remain exposed to high costs, energy shortages, and regulatory bottlenecks. The recent record import of iron and steel scrap, nearly 382,000 tonnes in October, indicates heightened construction activity but also underscores dependency on imported inputs, reflecting gaps in domestic production and potential cost inefficiencies.

Remittances remain a strong anchor, projected at around forty-one billion dollars this year, reflecting continued reliance on overseas Pakistanis to support foreign exchange stability. However, sustainable growth cannot depend solely on external flows. Aurangzeb encouraged firms to shift borrowing from banks to capital markets, but corporate reliance on short-term financing and underdeveloped capital markets may limit immediate uptake.

Foreign direct investment remains weak. Net FDI fell [twenty-six percent](#) in the first four months of FY26, despite Pakistan's strategic location and market size. Investors cite policy inconsistency, fragmented regulation, and complex land governance as key deterrents. While there is interest from investors in energy, mining, and real estate, structural hurdles, including opaque land records, high industrial tariffs, and unpredictable provincial regulations, continue to limit inflows. These challenges highlight that policy signaling alone is insufficient; concrete institutional reforms are essential to restore investor confidence.

[Sugarcane farmers](#) in Sindh report delayed crushing and unclear support prices, risking crop disruption and downstream impacts on wheat sowing. Post-harvest losses, fragmented landholdings, and irrigation shortfalls further undermine productivity. While development projects like the Balochistan [Water Resources Development Sector Project](#) may improve irrigation efficiency and climate resilience, their long-term impact depends on consistent execution and maintenance.



Source: Pexels

Labour market data reveals mounting social pressures. Unemployment rose to [five point nine million in 2024-25](#), with youth and women disproportionately affected. The rise of gig economy employment provides some flexibility but does not compensate for the scarcity of formal, stable jobs. Sectoral shifts indicate a declining share of agricultural employment and growth in services, yet informal work continues to dominate, particularly in rural areas. Wage growth has been positive, and the gender wage gap has narrowed, but overall labour market security remains fragile.

Emerging risks in financial innovation further complicate the outlook. Pakistan ranks among the highest adopters of [cryptocurrencies](#) globally, much of it conducted through unregulated peer-to-peer platforms. Without robust oversight, these flows could exacerbate money laundering, illicit capital flight, and regulatory scrutiny from global watchdogs, potentially undermining macroeconomic stability.

Pakistan faces a mixed economic outlook. There are promising developments in industrial revival, remittance stability, and targeted infrastructure projects. Yet persistent challenges, including weak FDI, policy inconsistency, energy bottlenecks, agricultural vulnerabilities, and labour market pressures, limit the scope for rapid, equitable growth. Achieving sustainable economic stability will require a comprehensive strategy combining institutional reform, investment-friendly policy consistency, regulatory strengthening, and inclusive labour market interventions. Without these measures, the risk of slow, uneven, and socially fragile growth remains high.

Diplomatic Landscape

November 2025 has been a critical month for Pakistan's diplomacy, marked by a delicate balancing act between managing domestic security challenges, responding to regional tensions, and deepening strategic economic and defence partnerships. The country faced a series of terrorist attacks, including suicide bombings in Peshawar and targeted killings in Sindh, alongside the continuing cross-border volatility with Afghanistan. These security crises underscore Pakistan's persistent vulnerability to militant threats and the pressures this places on both domestic governance and foreign policy. The attacks, particularly in Khyber Pakhtunkhwa, highlight the operational limitations of Pakistan's security apparatus, raising questions about intelligence coordination, border management, and the broader effectiveness of counterterrorism strategies.

At the regional level, Pakistan's relations with its immediate neighbours remain tense and complex. The cross-border dynamics with Afghanistan, historically shaped by unresolved issues such as the Durand Line and the presence of the TTP, continue to challenge Islamabad. Military and diplomatic tensions along the [Afghan-Pakistan border](#) have been compounded by accusations and retaliatory narratives, while India's growing engagement in Afghanistan has heightened Islamabad's perception of strategic encirclement.

These overlapping security and political pressures have required Pakistan to adopt a more proactive and nuanced diplomatic posture, seeking to mitigate immediate threats while securing strategic depth in regional relations.



Source: Arab News

Simultaneously, Pakistan has pursued robust economic and strategic partnerships, most notably with China and Bahrain. The promotion of [CPEC 2.0](#) and accompanying development initiatives, including industrial parks, energy projects, and infrastructure expansion, reflects Islamabad's aim to leverage economic diplomacy as a stabilizing tool amid regional insecurity. Chinese investments in Gwadar Port, agriculture, and technology sectors, alongside proposals for extending connectivity to Central Asia and the Middle East, signal Beijing's sustained commitment to Pakistan as a regional partner. These initiatives not only bolster economic resilience but also reinforce Pakistan's geostrategic significance in China's Belt and Road Initiative, providing Islamabad with a platform to diversify foreign relations and mitigate pressures from its eastern and western borders. [Bahrain's engagement](#), highlighting trade, investment, and defence cooperation, exemplifies Pakistan's efforts to expand ties within the Gulf and strengthen its international partnerships beyond the immediate neighbourhood.

Iran's diplomatic overtures in November further reflect the shifting contours of Pakistan's regional alignment. Tehran's offer of a "[blank cheque](#)" to support Pakistan in navigating challenges with both India and Afghanistan is unprecedented and demonstrates Iran's recognition of Islamabad's strategic role in regional stability. Such engagements, however, also require careful management to avoid overdependence or entanglement in broader regional rivalries.



Source: Getty Images

Pakistan's ability to translate strategic partnerships into tangible security and economic outcomes will depend on strengthened governance, credible intelligence frameworks, and coherent foreign policy implementation that aligns domestic stability with regional and global engagement.

Humanitarian Updates

Pakistan faces a complex humanitarian landscape in late 2025, shaped by public health challenges, climate disasters, food insecurity, and displacement. The country's recent nationwide vaccination campaign aimed to protect over 35 million children against measles, rubella, and polio, with more than 13.6 million children already receiving polio drops in the first nine days. While this represents a major achievement in child health, long-term protection requires sustained routine immunization and addressing deep-rooted social and logistical barriers, particularly in remote and high-risk districts.



Source: Dawn News

At the same time, Pakistan has been grappling with severe [climate-related disasters](#). Monsoon floods, landslides, and glacial lake outbursts affected millions, destroying homes, roads, schools, and farmland. Livelihoods, particularly in rural communities dependent on agriculture and livestock, have been severely disrupted, while access to clean water and sanitation has been compromised, raising the risk of disease outbreaks.

Food insecurity and malnutrition have been exacerbated by these disasters. Large segments of the population face acute food shortages, while child malnutrition rates remain high, with many children under five stunted, wasted, or underweight. The combination of high fertility, poverty, and limited access to health and nutrition services has left families particularly vulnerable. Rising food prices and disrupted agricultural production further threaten livelihoods and push already fragile households deeper into deprivation.

Displacement compounds the humanitarian crisis. Tens of thousands of families have been forced into temporary shelters or live with relatives after losing homes and property. Vulnerable groups, including women-headed households, landless labourers, and rural poor, are at risk of long-term destitution without targeted support. Recovery efforts must therefore go beyond short-term relief to address structural vulnerabilities, including health service gaps, inadequate infrastructure, and social protection deficits.

Bilateral tensions between Pakistan and Afghanistan have escalated sharply, creating a significant humanitarian and economic crisis along the border. The abrupt directive by Taliban Deputy Prime Minister Mullah Baradar to sever trade with Pakistan has disrupted livelihoods, seasonal markets, and the movement of essential goods, affecting farmers, traders, students, and daily wage earners on both sides. The situation has highlighted long-standing grievances in Khyber Pakhtunkhwa, where decades of conflict, neglect of provincial concerns, and exclusion from policymaking have compounded local hardships



Source: Arab News

Overall, Pakistan's humanitarian challenges highlight the need for integrated and long-term responses. Emergency vaccination campaigns, food aid, and flood relief save lives today, but resilience requires investments in climate adaptation, inclusive social protection, disaster-risk reduction, and equitable access to health and livelihood support. Only by combining immediate relief with structural reform can the country break the cycle of recurring crises and build a safer, more resilient future for its most vulnerable populations.

Security and Governance

Pakistan's security landscape continues to face severe challenges, with the recent spate of attacks underscoring both the fragility of law enforcement and the deeper governance deficits. On November 26, three police personnel were martyred in a terrorist attack on a checkpoint in Hangu, Khyber Pakhtunkhwa, highlighting the persistent threat from militant groups such as the Tehreek-i-Taliban Pakistan (TTP), which ended its ceasefire in 2022 and resumed systematic attacks on security forces.

This attack, part of a pattern including prior blasts targeting police convoys in Hangu, illustrates the operational risks faced by law enforcement in volatile regions and raises questions about intelligence preparedness, resource allocation, and the capacity of provincial police to counter asymmetric threats. The security situation is compounded by the targeting of civilians, often connected to ongoing criminal or terrorist networks. In Sukkur's Kandhkot area, the son and nephew of a [local SHO](#) were shot dead in a targeted attack, reflecting the vulnerability of families of security personnel and the impunity with which organized criminals operate. Similarly, in Bolan, [three children](#) were killed when a landmine planted inside a home detonated, exposing the lingering hazards from unexploded ordnance and the broader consequences of poor mine-clearance efforts and governance oversight in conflict-affected districts. Such incidents not only represent immediate humanitarian crises but also erode public confidence in state institutions.



Source: Arab News

Infrastructure sabotage further complicates Pakistan's governance challenges. A [gas pipeline](#) in Peshawar was blown up for the second time in two years, threatening essential services and economic stability. These recurrent attacks on critical infrastructure suggest gaps in preventive security measures and emergency response mechanisms. The fragility of essential services highlights how governance failures, ranging from coordination lapses between federal and provincial agencies to insufficient security investment, can magnify the impact of terrorist and criminal activities on everyday life. The cumulative effect of these events points to structural weaknesses in Pakistan's security governance. Coordination between federal and provincial authorities, intelligence-led policing, and community engagement remains inconsistent. Provinces like Khyber Pakhtunkhwa bear disproportionate burdens due to their proximity to conflict zones and porous borders, with local grievances often amplified by central policy decisions made without sufficient consultation, as seen in responses to Afghan trade disruptions. Moreover, repeated security crises expose the broader socio-economic vulnerabilities of the population, including inadequate healthcare, infrastructure, and public safety provisions, which are exacerbated by rapid population growth and climate-induced pressures. In conclusion, Pakistan's security challenges are symptomatic of a deeper governance crisis, where reactive law enforcement, fragmented institutional coordination, and weak civil-military oversight intersect. While counterterrorism operations continue, sustainable security requires integrated strategies addressing root causes, including socio-economic marginalization, cross-border instability, and institutional inefficiency. Without comprehensive reform and proactive governance, each terrorist attack, targeted killing, or infrastructural sabotage risks reinforcing a cycle of insecurity, undermining public trust, and destabilizing the state's ability to protect its citizens.

Reading Recommendations

- Constitution for All: Rethinking Gender Inclusive Governance in Pakistan ([Click Here](#))
- Rethinking Reforms Process in Balochistan: Innovation and Leadership at BCSA ([Click Here](#))
- Sports as a Tool for Preventing Violent Extremism in Pakistan ([Click Here](#))
- Groundwater Recharge: Reviving the Hidden Lifeline ([Click Here](#))
- Selling Misinformation ([Click Here](#))
- Data-Driven Cities: Lessons from World for Pakistan ([Click Here](#))
- The FY 2025–26 Budget and Its Impact on Pakistan's IT & ITeS Sector ([Click Here](#))
- Planting for Survival: Pakistan's Path Out of the Heat ([Click Here](#))
- Transparency Through Open Data: Key to Reforming Governance in Pakistan ([Click Here](#))
- From Reports to Reality: Why Pakistan Ranks Last in Global Gender Gap Index ([Click Here](#))
- From Policy to People: Rethinking Governance with Design Thinking ([Click Here](#))
- Floods, Heatwaves, and Hope: Reimagining Agriculture in a Warming Pakistan ([Click Here](#))
- The Fight for Transparent Access to Information in Pakistan ([Click Here](#))
- Life without Autonomy: Understanding Our Culture of Dependency ([Click Here](#))
- Prioritizing Citizens Beyond the Ballot ([Click Here](#))
- Solving the corruption challenge: The key may lie with the citizens. ([Click Here](#))
- Citizens' Inclusion and Accountability is the Key to Improved Governance and Efficient Public Sector Institutions ([Click Here](#))
- Digital Community Policing ([Click Here](#))
- Privatization of Schools in Punjab ([Click Here](#))
- Water Governance Challenges in Pakistan ([Click Here](#))
- Consumer Protection in Pakistan ([Click Here](#))

