

A knowledge product of



Country Analysis

REPORT

Edition 69

WHAT IS HAPPENING TO ISLAMABAD?

January 1st - 15th, 2026

[f](#) [in](#) [X](#) [@](#) [♪](#) [▶](#) /accountlabpk

Executive Summary

Pakistan enters 2026 in a condition best described as managed stability amid deep structural strain. While headline indicators suggest moderation after successive crises, underlying trends across governance, politics, economy, urban life, and security point to a system under persistent stress, with costs increasingly borne by citizens rather than institutions. The analysis highlights a country stabilising tactically but drifting strategically, with weakening social contracts, eroding institutional credibility, and limited pathways for inclusive, sustainable recovery

At the urban level, Islamabad exemplifies the broader governance malaise. Once designed as a low-density, green, and orderly capital, the city is experiencing environmental degradation, mobility breakdowns, deteriorating air quality, and routine security disruptions. Rapid population growth, uncoordinated development, selective enforcement of planning rules, and frequent VIP-driven lockdowns have transformed daily life into one defined by uncertainty rather than predictability. These changes are not merely infrastructural; they reflect fragmented authority, weak accountability, and the marginalisation of citizens in urban decision-making.

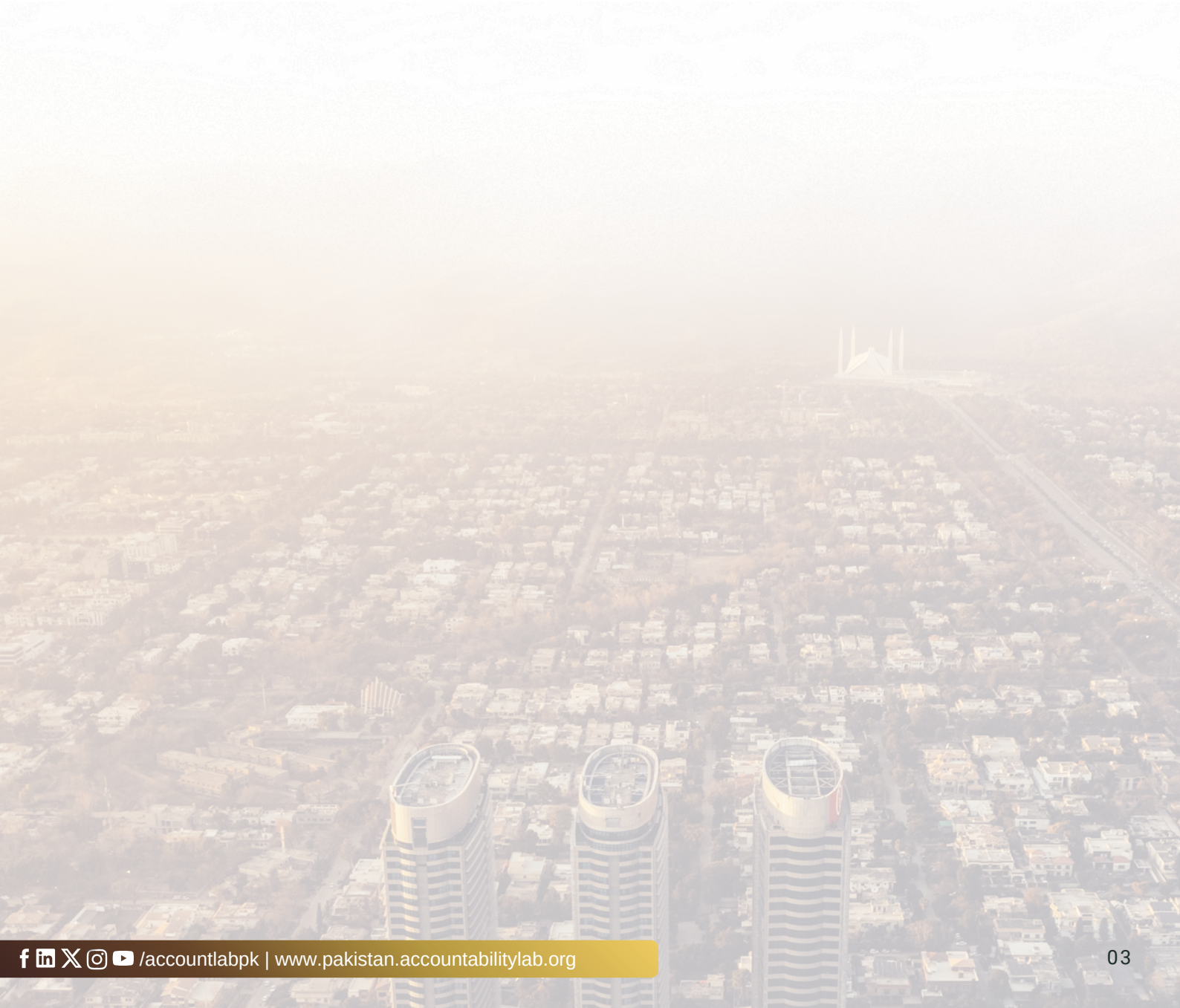
Politically, early 2026 is marked by polarisation without mediation. Opposition forces increasingly bypass parliamentary and judicial avenues, turning instead to street mobilisation and constitutional agitation. The paralysis surrounding opposition recognition in Parliament, combined with declining judicial credibility following controversial constitutional amendments and verdicts, has hollowed out formal mechanisms of accountability. Movements such as Tehreek Tahaffuz-e-Ain Pakistan signal a shift from electoral grievance to systemic critique, while the state's response remains largely securitised, treating political mobilisation as a law-and-order issue rather than a democratic process.

Economically, Pakistan has achieved short-term stabilisation largely through demand compression rather than productivity gains. Inflation has eased and the IMF programme remains on track, but private investment, export competitiveness, and job creation remain weak. Banking continues to prioritise government financing over productive credit, energy costs undermine competitiveness, and fiscal pressures persist due to revenue shortfalls. Poverty, inequality, food insecurity, and declining household savings underscore that adjustment costs are being transferred downward, weakening human capital and future growth potential.

Diplomatically, Pakistan has regained external relevance through a mix of legal internationalism, transactional security partnerships, and climate-linked project finance. Improved ties with the United States, continued alignment with China, deepening Gulf defence cooperation, and internationalisation of water disputes with India reflect increased manoeuvrability. However, this external momentum remains contingent, constrained by unresolved regional tensions and internal fragility.

Social and humanitarian conditions reveal a critical paradox: macro-stability without household security. Food insecurity has risen across income groups, essential services are increasingly commodified in weakly regulated markets, labour markets remain informal and under-absorptive, and digital and physical infrastructure failures amplify vulnerability. These trends normalise risk and erode resilience, even in the absence of acute crisis.

Finally, the security landscape, particularly in Khyber Pakhtunkhwa, shows a troubling convergence of militant resurgence and governance gaps. Targeted attacks on police highlight the strain on civilian security institutions and the limits of reactive, force-centric responses in the absence of sustained political, administrative, and developmental engagement.



What Is Happening to Islamabad?

Islamabad was planned as a low-density, orderly capital, defined by green buffers, clear zoning, and relative insulation from the chaos of Pakistan's larger cities. For decades, its appeal rested on predictability: wide roads that flowed, protected forests in the Margalla foothills, breathable air by national standards, and a sense that the state's presence brought order rather than disruption. That social contract between the city and its residents is now visibly fraying.

One of the most tangible ruptures is environmental. Repeated reporting by Dawn, The Express Tribune, and civil society monitors has documented [large-scale tree cutting](#) in and around the Margalla Hills and urban green belts, often linked to getting rid of invasive species in accordance with court orders, road widening, housing schemes, and commercial projects approved with limited public scrutiny. Residents who once measured seasons by the changing colours of Trail 3 or the quiet of Shakarparian now describe dust, exposed slopes, and flash flooding after moderate rains. The contradiction is stark: while Islamabad markets itself as a "green capital," development continues to erode the very ecological buffers that made it livable. Environmental litigation and temporary court stays have slowed some projects, but enforcement remains inconsistent, feeding a sense that planning rules apply selectively.

Mobility has become another daily stressor. Islamabad's population has expanded rapidly due to inward migration, bureaucratic concentration, and speculative real estate, yet transport planning has not kept pace. Traffic congestion, once associated mainly with Blue Area peak hours, now defines much of the day across sectors like G-10, I-8, and the Expressway corridor. Media reports and traffic police data consistently show rising vehicle registrations without commensurate investment in mass transit beyond limited bus routes. For residents, this translates into longer commutes, higher fuel costs, and unpredictability. What used to be a 15-minute drive increasingly becomes an hour-long calculation shaped by bottlenecks, diversions, and VIP movements.

Those [VIP movements](#) have become a defining feature of urban uncertainty. Road closures, container placements, and sudden security lockdowns are now routine, often announced with little notice. Schools delay opening, offices adjust hours informally, and small businesses lose foot traffic when entire sectors are sealed. News coverage repeatedly highlights how these security protocols prioritize movement of power over movement of people. The cumulative effect is psychological as much as logistical: residents plan their lives around disruption, not convenience, reinforcing the feeling that the city serves authority first and citizens second.

Air quality has also deteriorated, blurring Islamabad's distinction from Lahore or Rawalpindi. While Islamabad's smog is less severe, winter [air quality indices](#) reported by provincial environment departments and independent monitors increasingly cross unhealthy thresholds. Construction dust, unchecked development, rising vehicle emissions, and regional pollution flows combine to produce hazy mornings that were rare a decade ago. Parents now discuss masks for children not as an exception but as a seasonal precaution, an unsettling shift for a city once associated with clean air.

Underlying these visible changes is a deeper governance problem: fragmentation. Islamabad is administered through overlapping authorities such as the Capital Development Authority, federal ministries, security agencies, and courts, with weak coordination and limited citizen input. Major development decisions are often justified as “national interest” projects, yet their local costs are externalized onto residents through congestion, environmental loss, and daily disruption. Public consultations are minimal, and accountability mechanisms are slow, usually activated only after damage has occurred.

What makes Islamabad’s transformation particularly jarring is not that it is urbanizing. Cities grow, densify, and change. It is that growth is happening without a shared vision that balances security, development, and livability. The lived reality for many residents today is a city where green spaces shrink, travel times expand, air quality worsens, and uncertainty becomes routine. Islamabad is no longer merely changing; it is drifting away from the principles on which it was built. Whether it becomes a more equitable, sustainable capital or another congested, exclusionary metropolis will depend less on new projects and more on whether governance begins to treat residents not as obstacles to be managed, but as stakeholders in the city’s future.

Political Updates

The first half of January 2026 showed a widening rupture between electoral politics, street mobilisation, and institutional authority in Pakistan. The Pakistan Tehreek-e-Insaf (PTI) has deliberately shifted from parliamentary stagnation to public confrontation, with Khyber Pakhtunkhwa [Chief Minister Sohail Afridi's Karachi mobilisation](#) framed explicitly as carrying the message of the incarcerated Imran Khan. This move signals PTI's calculation that political relevance now lies less in formal legislative channels and more in sustaining pressure through visible, nationwide street presence. Yet the resistance Afridi faced in Lahore, restrictions, detentions, and symbolic denial of space, also highlights how the state increasingly treats political mobilisation as a law-and-order problem rather than a democratic expression, reinforcing PTI's narrative of systematic exclusion.



Source: Dawn News

Parallel to this street strategy is PTI's unresolved parliamentary impasse. The renewed demand for appointing [Mahmood Khan Achakzai](#) as leader of the opposition exposes deeper institutional paralysis. Even after legal hurdles linked to Omar Ayub's disqualification were removed, the Speaker's continued reluctance reflects how procedural arguments are deployed to indefinitely delay opposition recognition. This stalemate effectively weakens parliamentary oversight at a moment when executive authority is already dominant, contributing to the perception that constitutional mechanisms are being hollowed out rather than outright suspended.

These dynamics converge sharply in the posture adopted by the Tehreek Tahaffuz-e-Ain Pakistan (TTAP). Achakzai's warning to the military to remain within constitutional bounds and the call for a nationwide [shutter-down strike](#) on February 8 mark a qualitative escalation. Unlike PTI's partisan mobilisation, TTAP frames its agitation as a constitutional rescue mission, drawing in smaller parties, labour groups, and civil society. This broader coalition suggests that dissatisfaction has moved beyond electoral grievance toward a systemic critique of civil-military imbalance, restrictions on assembly, and the erosion of judicial and electoral credibility.



Source: Tribune

A critical backdrop to these developments is the deepening crisis of judicial credibility, which has come to shape political behaviour across the spectrum. The [judicial trajectory of 2025](#) was marked by controversial constitutional amendments. The creation of a weakened constitutional bench and verdicts that altered electoral outcomes and revived military trials of civilians have profoundly eroded public confidence in the courts as neutral arbiters. This perceived judicial retreat helps explain why opposition actors are increasingly bypassing formal legal remedies and investing instead in street mobilisation and constitutional agitation. PTI's frustration with parliamentary obstruction, TTAP's insistence on restoring constitutional supremacy, and the growing rhetoric of institutional capture all draw legitimacy from a belief that the judiciary is no longer positioned to check executive or extra-constitutional power. In this environment, politics is no longer being contested primarily through courts or legislatures, but through symbolic confrontation and mass pressure, as actors recalibrate their strategies in response to what they see as the collapse of institutional safeguards.

Early January reveals a political system drifting toward polarisation without mediation. The opposition is fragmented between parliamentary obstruction, street agitation, and constitutional protest, while the state responds primarily through control and containment rather than dialogue. The absence of a credible forum for negotiation, whether through Parliament, the Election Commission, or an inclusive political process, raises the risk that politics will increasingly be settled on the streets. If this trajectory continues, Pakistan's immediate challenge is not merely stability, but whether constitutional politics can still function as the primary arena for resolving power struggles.

Economic Outlook

Pakistan entered 2026 with a familiar headline: “stabilisation.” Inflation has decreased from its crisis peak, the rupee appears calmer than before, and the IMF programme is back on track following a review. But the first fortnight of January also produced a set of updates that, taken together, tell a more complicated story: stability is being achieved mainly through compression (lower demand, tighter spending, and constrained credit), while the engines of durable growth (exports, investment, competition, and institutional credibility) remain weak or contested.



Source: Dawn News

Start with what “stabilisation” means in plain terms. The [SBP Bulletin-based analysis](#) argues that the economy is balancing largely because people and firms are buying less and importing less, not because the country has become substantially more productive or export-competitive. It points to the underlying structure of money and credit. Despite some improvement in the external position, the banking system remains heavily oriented toward financing the government rather than expanding productive private-sector credit. This pattern typically crowds out investment and limits job creation. This is why the stabilisation can feel “real” in macro indicators yet still “thin” in everyday economic life: tight policy can reduce inflation and imports, but it does not automatically create new export capacity, better jobs, or higher productivity.

On growth, employment, and exports, the updates are unusually aligned. Dr Hafiz A. Pasha's assessment of the [first half of FY26](#) argues that official growth expectations may be optimistic, projecting growth closer to around 3%, with the risk of unemployment rising because this pace is not sufficient for a large, fast-growing labour force. His analysis also flags worrying export and sector signals, suggesting that macro stability is not yet translating into broad-based expansion. This dovetails with the Planning Commission-led panel's diagnosis: it says Pakistan's export competitiveness is being undermined by high and volatile energy costs, a structurally high cost of doing business due to fragmented/distortionary taxation and refund delays, weak standards and compliance infrastructure, logistics bottlenecks, and—most damaging for investor confidence, policy unpredictability (frequent changes in tax, tariffs, incentives, and regulation that disrupt annual order-booking cycles). The ambition to double exports beyond [\\$60bn in three years](#) is analytically useful less as a forecast and more as a stress test: it highlights how far reforms would need to go, how quickly, to move from “adjustment-led stability” to “export-led growth.”

f in X @ y /accountlabpk | www.pakistan.accountabilitylab.org

Energy is the other structural choke point running through almost every update. The electricity-sector opinion piece argues that the “[market reform](#)” narrative has been used to mask basic failures: persistent losses and theft, circular-debt dynamics shifted onto consumers, a distorted competition model built on non-competitive fundamentals, and overlapping institutions that increase overhead without improving delivery. From an economic lens, the most important linkage is this: export strategy and inflation management both become harder when energy pricing is high, volatile, and institutionally mismanaged. The Planning Commission panel explicitly places energy costs and volatility at the centre of lost competitiveness; the inflation reporting repeatedly flags energy pricing as a forward risk.



Source: Business Recorder

Against that backdrop, the government’s IMF-linked “[Economic Governance Reforms](#)” plan is best read as an attempt to tackle the credibility problem that sits behind weak investment and poor compliance. The plan is framed as 142 actions across institutions, prompted by IMF governance and corruption diagnostics, with commitments around rule-based appointments, dispute-resolution performance monitoring, anti-corruption risk assessment, and reforms in taxation and regulation. Analytically, the promise is straightforward: if Pakistan reduces discretion, improves predictability, and strengthens enforcement fairness, it can lower the “risk premium” that keeps capital short-term and defensive. The risk is equally clear: if reforms become a checklist for programme reviews, implemented unevenly, politicised, or undercut by parallel discretionary structures, then confidence will not improve, and the economy will remain stuck in stabilisation cycles.



Source: Business Recorder

The social distribution update is the missing reality check that prevents “macro stabilisation” from being mistaken for “recovery.” The [HIES-based analysis](#) finds poverty and inequality worsening over FY19–FY25, including a sharp rise in food insecurity (especially in urban areas), falling dollar-measured earnings for lower-income groups, and collapsing household savings, signalling that households have less buffer to absorb new price shocks or tax measures. This is not just a welfare story; it is macroeconomic too: low savings and squeezed human-capital spending (health/education) weaken future productivity and investment, making export-led growth harder to achieve.

Finally, the climate-finance development ([ADB's \\$300m+](#)) in Sindh coastal resilience and Punjab climate-smart mechanisation) shows where Pakistan is still able to mobilise sizable capital: project finance linked to resilience and adaptation. This is positive, protecting livelihoods and upgrading agriculture, but it also underlines the broader pattern: Pakistan can secure external funding for defined initiatives, yet still struggle to generate the kind of self-sustaining foreign exchange and competitiveness that would end repeated IMF dependence. That is why the “[creative destruction](#)” argument resonates in this moment: without stronger competition, innovation, and the ability for new firms and sectors to replace stagnant models, stabilisation remains temporary and externally anchored.

Diplomatic Landscape

Pakistan's diplomatic landscape entering 2026 reflects a paradox of growing external relevance amid intensifying regional contestation. On the eastern front, calls for Pakistan to approach the International Court of Justice over alleged Indian manipulation of Chenab River flows signal an effort to internationalise what Islamabad increasingly frames as a non-kinetic escalation following the brief May conflict. The invocation of the [Indus Waters Treaty \(IWT\)](#) and satellite-backed claims of flow volatility are not merely legal arguments; they are diplomatic tools aimed at reframing Pakistan as a rule-based actor seeking adjudication rather than retaliation. Yet this strategy also underscores vulnerability: water security is emerging as a frontline issue where legal remedies, diplomatic pressure, and deterrent signalling intersect, raising the stakes of Pakistan–India rivalry beyond conventional military domains.



Source: Business Recorder

At the same time, Pakistan has leveraged shifting global alignments to rebuild [strategic relevance](#), particularly through a reset with Washington. Improved ties with the United States under Donald Trump, reinforced by visible [counter-terrorism cooperation](#) and joint military exercises, indicate a pragmatic convergence driven by security utility rather than ideological alignment. These developments coexist with continuity in Pakistan's partnership with China and expanding engagement with Gulf states, including Saudi Arabia, where defence cooperation has acquired an overtly commercial and transactional character. The reported interest of Turkey in joining the [Saudi–Pakistan defence framework](#) further illustrates a regional shift toward layered, portfolio-style security arrangements, where deterrence, arms co-production, and financing corridors blur traditional alliance boundaries. For Pakistan, this model offers both strategic leverage and economic opportunity, converting security capital into diplomatic and financial dividends.

However, Pakistan's enhanced visibility also exposes the limits of external diplomacy when internal and neighbourhood challenges persist. Relations with Afghanistan remain strained, constraining Islamabad's western flank, while the water dispute with India highlights how unresolved bilateral issues can rapidly escalate into international arenas. The broader picture is of a state that has regained diplomatic manoeuvrability and relevance but must now translate it into sustained influence and stability. Pakistan's ability to balance legal internationalism (as in the IWT dispute), transactional great-power engagement, and regional security entrepreneurship will determine whether its current diplomatic momentum evolves into long-term strategic gain or remains contingent on episodic crises and shifting global priorities.

Social and Humanitarian Updates

Pakistan's social and humanitarian conditions in late 2025 and early 2026 reveal a country experiencing stability without security at the household level. While macroeconomic indicators suggest a retreat from crisis conditions, social data across health, food security, labour, and service access point to a deeper phenomenon: the redistribution of adjustment costs downward, from institutions and markets to households. This is not a temporary dislocation but a structural pattern in which risk is increasingly individualised while systems remain weakly regulated and poorly coordinated.

A defining feature of this period is the financialisation and commodification of essential services in the absence of effective regulatory capacity. The [surge in caesarean sections](#), particularly in private healthcare, exemplifies how service delivery responds to incentives rather than public health outcomes when oversight is fragmented. C-sections, originally a life-saving intervention, have become embedded in hospital business models shaped by insurance reimbursement structures, staff shortages, and operational convenience. The absence of national, interoperable health data systems prevents meaningful benchmarking or accountability, while patients, particularly women, operate in asymmetric information environments. This reflects a broader governance condition: where regulation is weak, market logic fills the vacuum, even in sectors where social risk is high, and reversibility is low.

Household food insecurity trends reinforce this insight. The [HIES 2024–25 data](#) shows a sharp increase in moderate and severe food insecurity across all income quintiles, with urban households experiencing some of the fastest deterioration. Crucially, this is not driven by absolute food scarcity but by declining real purchasing power and [constrained consumption](#) choices. Households are allocating a greater share of income to food while consuming less in real terms, indicating a compression of welfare rather than a collapse of supply. This pattern is analytically significant: it suggests that stabilisation has been achieved partly through demand suppression, with households absorbing the shock via reduced dietary diversity, lower caloric intake, and postponed human capital investment.



Source: Arab News

Agricultural market disruptions, such as the [collapse of potato prices in Punjab](#), further illustrate how systemic fragility manifests at the micro level. The crisis is not merely one of oversupply; it reflects coordination failures across production planning, storage economics, trade policy, and risk-sharing mechanisms. Farmers responded rationally to prior price signals, yet the absence of credible export buffers and market absorption mechanisms transformed surplus into loss. The humanitarian implication lies not only in immediate income shocks but in longer-term vulnerability: indebtedness, asset depletion, and exit from farming. These dynamics highlight a recurring feature of Pakistan's rural economy: high exposure to volatility with minimal institutional cushioning.



Source: The Reporters

Labour market conditions tie these pressures together. Despite modest headline growth, the economy continues to generate insufficient quality employment relative to labour-force expansion. Underemployment, informality, and skills mismatch dominate, while overseas migration functions as a structural release valve rather than a cyclical option. The analytical significance here lies in the intergenerational dimension: when employment pathways remain narrow and precarious, households reduce investment in education and nutrition, reinforcing a low-productivity equilibrium. This helps explain why unemployment and food insecurity trends move in parallel despite differing sectoral origins.

Infrastructure fragility, particularly [recurring internet disruptions](#), adds a less visible but increasingly central layer of vulnerability. In a context where livelihoods, education, healthcare access, and information flows are digitally mediated, unreliable connectivity operates as a systemic constraint on resilience. Unlike physical infrastructure failures, digital disruptions disproportionately affect informal workers, students, and small enterprises, groups already operating close to vulnerability thresholds. The result is a form of silent exclusion, where participation in economic and civic life becomes contingent on infrastructural stability that households cannot control.

Social risk is no longer confined to marginal groups or crisis moments; it is increasingly normalised across urban and rural populations. This has important implications for future trajectories: prolonged welfare compression can erode social cohesion, weaken trust in institutions, and narrow the political space for reform. Understanding Pakistan's humanitarian context today, therefore, requires looking beyond emergency indicators to the structural conditions that make households persistently vulnerable even in times of apparent stability.

Security and Governance

Pakistan's security environment in early 2026 reflects a troubling convergence of militant resurgence and governance stress, particularly in Khyber Pakhtunkhwa. The [targeted killings](#) of police personnel in Tank, Lakki Marwat, Bannu, Bajaur, and adjacent districts point to a deliberate campaign aimed at eroding the state's coercive authority at its most exposed layer. Law enforcement agencies, rather than military installations, have become the primary targets, suggesting a tactical shift by militant groups toward weakening everyday policing, disrupting local order, and signalling the state's limited reach in peripheral districts. The repeated use of improvised explosive devices against patrols and armoured vehicles underscores both operational capacity and intelligence penetration, raising questions about the adequacy of preventive intelligence and area control.



Source: Al Jazeera

These attacks also expose deeper governance challenges. Policing in KP increasingly operates under conditions of high risk, limited resources, and fragmented civil administration support. While official responses emphasize resolve, morale, and sacrifice, the pattern of violence suggests that security policy remains largely reactive. Frequent condemnations and directives for investigations follow each incident, but the recurrence of attacks indicates structural gaps in counterterrorism coordination, local intelligence networks, and civilian protection mechanisms. The reliance on police forces as frontline defenders, without corresponding improvements in governance, development, and dispute resolution in conflict-prone districts, places sustained pressure on institutions that are already overstretched.

At a broader level, the persistence of violence highlights the unresolved regional and political dimensions of Pakistan's security dilemma. The post-2021 regional environment, marked by instability across the western border, has altered militant incentives and operating space, while domestic political polarisation constrains consensus on long-term security strategy. Governance responses remain heavily securitised, with limited integration of political dialogue, socioeconomic stabilisation, or administrative reform in affected areas. As a result, security incidents increasingly resemble symptoms of [chronic fragility](#) rather than episodic threats. For Pakistan, the central governance challenge is no longer confined to eliminating individual militant cells, but to restoring sustained state presence, legitimacy, and civilian protection in regions where violence has become routine rather than exceptional.

Reading Recommendations

- Climate Change and Food Security in Pakistan: A Crisis on Our Plate ([Click Here](#))
- Environmental Health Risks: Gendered impacts of air pollution, water contamination, and climate change on women ([Click Here](#))
- Imagination as the Blueprint of Reality ([Click Here](#))
- 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](#))