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COUNTRY ANALYSIS REPORT

THE ECONOMY OF EID-UL-ADHA IN PAKISTAN

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Executive Summary

Pakistan entered June 2026 with improving macroeconomic stability but continued to face significant structural challenges related to governance, political consensus, climate vulnerability, and human development. While economic indicators showed encouraging progress, questions remain about the sustainability and inclusiveness of the recovery.

The economy benefited from rising foreign exchange reserves, lower inflation compared to recent crisis levels, IMF programme continuity, and strong growth in textile exports. However, much of this stability remains dependent on external financing and multilateral support rather than improvements in productivity, investment, and export diversification. Businesses continue to express concerns over taxation, high energy costs, and regulatory burdens, while many households remain affected by elevated food and utility prices.

Politically, Pakistan remained polarised, with ongoing debates around democratic legitimacy, governance, and constitutional reform. The opposition, particularly PTI, retained significant mobilisation capacity, while increasing calls for national dialogue reflected growing recognition that sustainable economic and governance reforms require broader political consensus.

The energy sector continued its transition through a combination of large-scale industrial investments, including the US\$1.12 billion coal-to-fertilizer project under CPEC 2.0, and rapid growth in distributed solar energy. At the same time, persistent challenges related to electricity affordability, gas sector inefficiencies, and circular debt underscored the need for deeper structural reforms.

Climate change emerged as a critical national concern, highlighted by record-breaking temperatures in Sindh and growing warnings regarding water scarcity, agricultural vulnerability, and climate-related economic losses. Policymakers increasingly emphasised climate resilience, climate justice, and the integration of adaptation measures into major infrastructure and development projects.

On the international front, Pakistan strengthened economic diplomacy through expanded cooperation with China, Germany, and other development partners, with increasing emphasis on investment, climate resilience, and industrial development. Security conditions improved in parts of Khyber Pakhtunkhwa due to sustained counterterrorism operations, although major incidents in Balochistan demonstrated that militant and separatist threats remain significant.

Overall, Pakistan enters the second half of 2026 facing a complex mix of economic, political, security, and environmental pressures. While recent stabilisation measures have reduced immediate economic risks and improved external confidence, many of the underlying drivers of instability remain largely unaddressed.

The Economy of Eid-ul-Adha in Pakistan

Eid-ul-Adha is not only a religious occasion in Pakistan; it is also one of the country's largest seasonal economic events. For a few days each year, millions of households participate in the purchase, transport, slaughter, distribution, processing, and commercial use of sacrificial animals. This creates a temporary but powerful economic cycle linking rural livestock producers, urban consumers, transporters, butchers, fodder sellers, charities, tanneries, leather exporters, and informal workers.

The starting point is livestock, one of Pakistan's most important economic sectors. According to the Pakistan Economic Survey 2024-25, livestock contributes **63.6 per cent** to agriculture and **14.97 per cent to national GDP**, with sectoral growth of 4.72 per cent. Eid-ul-Adha directly activates this base. Estimates suggest that Pakistan sacrifices around **5-8 million animals** during Eid, including cattle, goats, sheep, camels, and buffaloes. Pakistan Institute of Development Economics (PIDE) has estimated the wider economic impact of sacrificial animals and related activities at around **PKR 839.2 billion**, close to **1 per cent of annual GDP**. This includes animal sales, transport, fodder, temporary markets, slaughter services, meat distribution, hides, skins, and allied informal-sector earnings.

The rural economy benefits first. Livestock rearing is a major source of income for small farmers and pastoral households. Eid creates a premium seasonal market where animals can command higher prices than in ordinary trading periods. This injects cash into rural areas, supports household liquidity, and helps farmers finance consumption, debt repayment, education, health expenses, and reinvestment in livestock. Urban economies also benefit through temporary cattle markets, veterinary services, animal feed, transport, loaders, decorators, market contractors, and butchers. Thousands of informal workers earn seasonal income during the Eid period, making it an important livelihood shock absorber.

The second major economic channel is the leather value chain. Pakistan's leather industry depends heavily on hides and skins, and Eid-ul-Adha is its most important raw material collection window. Pakistan's leather export strategy notes that Qurbani hides and skins can meet **25-40 per cent** of the leather industry's annual raw material demand. Recent industry estimates suggest that tanners are expected to collect hides worth around **Rs10 billion in 2026**. This shows that Eid-linked hides are not merely a by-product of sacrifice; they feed an export-oriented industry producing leather garments, gloves, footwear, finished leather, and other value-added products.

However, the full economic potential of Eid-ul-Adha remains unrealised. A large share of hides is damaged due to **poor slaughtering practices**, delayed preservation, heat exposure, cuts, and **weak collection systems**. When hides are wasted or degraded, tanneries receive lower-quality input, exporters lose competitiveness, and Pakistan is forced to import raw skins despite having millions of animals sacrificed domestically. Industry representatives have noted that Pakistan imports raw skins worth up to **US\$150 million** to meet value-added production needs. This reflects a structural gap: the country has the raw material, but weak post-slaughter handling reduces its usable value.

There is also a social economy around Eid. Charities and welfare organisations traditionally collect hides and use proceeds for social services. Meat distribution supports food security for low-income households, especially in a period of high inflation. For many families, Eid is one of the few occasions when protein consumption increases substantially. This gives the festival a redistributive function, transferring meat and economic value from higher-income households to poorer communities.

To maximise the economic impact, Pakistan needs better regulation and modernisation of Eid-related value chains. Municipal authorities should improve cattle market management, veterinary screening, waste disposal, and slaughter hygiene. Tanners and local governments should establish rapid hide collection and preservation points. Public awareness campaigns can train citizens and butchers on proper hide handling. Charities should adopt transparent collection and reporting systems. Most importantly, the leather sector must move further toward value addition rather than relying on low-margin raw or semi-processed exports.

Eid-ul-Adha is therefore much more than a seasonal religious event. It is a national economic phenomenon that supports farmers, informal workers, charities, food distribution, leather manufacturing, and exports. If managed strategically, it can become a stronger driver of rural income, industrial competitiveness, foreign exchange earnings, and inclusive growth.



Political Updates

Pakistan's political landscape in May 2026 reflected a country that has achieved a measure of institutional stability but continues to grapple with unresolved questions of legitimacy, governance, and political inclusion. The political sphere remained characterised by polarisation, competing narratives of legitimacy, and growing calls for a broader national consensus on the country's future direction.

Perhaps the most striking feature of the month was the growing acknowledgement across different segments of the political spectrum that Pakistan's economic and governance challenges cannot be separated from its political realities. Calls by the [National Dialogue Committee \(NDC\)](#) for the formation of a national government and constitutional reforms reflected a broader recognition that the current political framework has struggled to generate the level of consensus necessary to address the country's multiple crises. Whether such proposals are politically feasible is another matter, but their emergence highlights increasing concern that governance challenges are becoming symptoms of a deeper political deficit rather than merely administrative shortcomings.

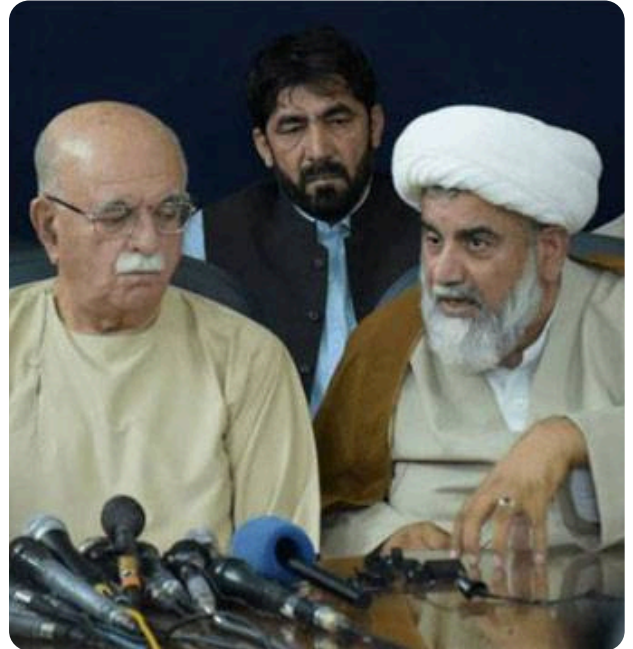
At the heart of the political debate remains the question of legitimacy. More than two years after the 2024 elections, competing narratives continue to shape public discourse. The government and its supporters emphasise stability, continuity, improving economic conditions, and effective state management. The opposition, meanwhile, continues to challenge the representative character of existing institutions and argues that sustainable political stability cannot emerge without addressing concerns related to electoral credibility, political participation, and democratic freedoms. This divergence has created a situation where political disagreements increasingly concern the legitimacy of institutions themselves rather than differences over policy.

The Pakistan Tehreek-e-Insaf (PTI) remained the principal opposition force throughout the month and demonstrated that, despite sustained political and legal pressures, it continues to possess significant mobilisation [capacity](#). Protests organised across [multiple cities](#) focused on the imprisonment of former Prime Minister Imran Khan, rising inflation, increasing fuel prices, and deteriorating economic conditions. The persistence of these demonstrations suggests that PTI's political relevance remains closely tied to both the personal popularity of Imran Khan and broader public frustrations regarding economic hardship and governance. More importantly, the party has successfully framed its political struggle as one linked to democratic rights and constitutional principles rather than solely the fate of its leader, allowing it to maintain resonance beyond its core support base.



Source: Dawn News

The opposition's decision to authorise [Mahmood Khan Achakzai](#) and [Raja Nasir Abbas](#) to negotiate on behalf of the broader alliance was another significant development. It signalled an understanding among opposition parties that fragmented resistance has produced limited results and that some form of structured engagement may be necessary. Yet the prospects for meaningful dialogue remain uncertain. While opposition leaders increasingly speak of constitutional restoration and democratic consensus, they continue to insist that any political settlement must address the status of Imran Khan. This effectively places the government and opposition in a familiar deadlock where dialogue is desired in principle but constrained by fundamentally incompatible political starting points.



Source: The Nation

Governance emerged as another central theme. Governance reform in Pakistan remains caught between ambition and credibility. Successive governments have launched accountability and reform initiatives, yet public trust remains low due to perceptions of [selective implementation](#) and political interference. As a result, governance reforms are often viewed less as institutional improvements and more as extensions of political competition. This credibility gap remains one of the most significant obstacles to effective reform.

[Federal-provincial relations](#) also gained political importance during the month, particularly around efforts to increase provincial revenue mobilisation and agricultural income taxation. These debates exposed longstanding tensions within [Pakistan's federal structure](#), highlighting the continued influence of powerful economic and political interests. The difficulty in expanding agricultural taxation despite repeated commitments reflects the broader challenge of implementing reforms that directly affect entrenched elites. Economic grievances are increasingly being translated into political dissatisfaction, creating fertile ground for opposition mobilisation and reinforcing perceptions that stabilisation has not yet translated into meaningful improvements in everyday life.

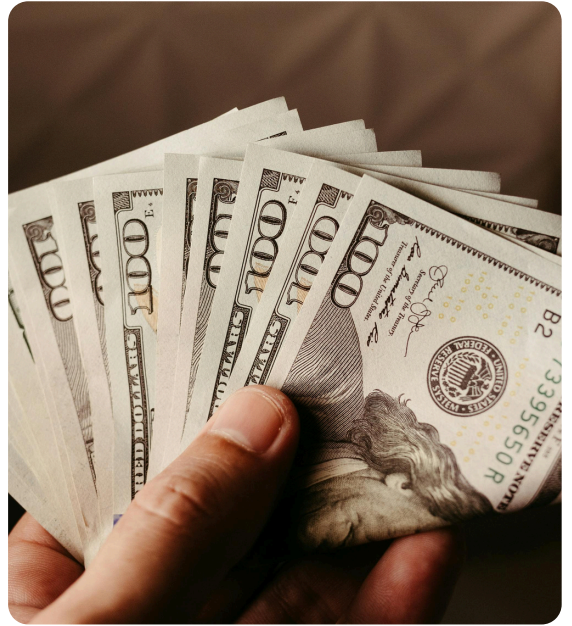


Source: Pexels

The government continues to face questions regarding legitimacy and inclusion. The opposition remains fragmented in some respects but united around key grievances. Meanwhile, calls for dialogue, constitutional reform, and broader political accommodation are becoming more frequent, even as trust between major stakeholders remains extremely low.

Economic Updates

Pakistan's economic picture presents a paradox that has become increasingly familiar: the country is more stable than it was a year ago, yet many of the structural weaknesses that repeatedly trigger economic crises remain unresolved. On the surface, the indicators appear encouraging. Foreign exchange reserves have climbed to **\$22.6 billion**, the rupee has remained broadly stable, inflation is significantly lower than the crisis levels witnessed over the last two years, the IMF has approved another programme review while describing Pakistan's performance as "exceptional," and textile exports have posted their strongest growth in months. However, a closer examination reveals that much of this progress is rooted in **external support** and cyclical recovery rather than fundamental improvements in productivity, competitiveness, and investment.



Source: Pexels

The increase in foreign exchange reserves, supported by IMF disbursements and proceeds from Pakistan's first Panda Bond issuance, has improved external confidence and reduced immediate concerns about balance-of-payments pressures. Yet the source of this stability remains important. Pakistan's reserves are growing primarily because of external financing, debt rollovers, and multilateral support rather than because of a dramatic increase in exports or foreign direct investment. This distinction matters because it suggests that while liquidity concerns have eased, underlying vulnerabilities remain intact. Indeed, foreign direct investment declined sharply during the fiscal year, with inflows concentrated largely in China and even Chinese investment showing signs of caution. At the same time, foreign companies repatriated more than **\$2 billion in profits** during the first ten months of the fiscal year, which shows both improved capital mobility and the continuing challenge of attracting fresh investment into productive sectors.

The IMF programme continues to dominate Pakistan's **economic trajectory**. The approval of the **latest review** has strengthened international confidence and improved the country's standing with external lenders. However, it has also intensified concerns regarding the growing breadth of **IMF influence** over domestic policymaking. The programme now includes an extensive array of conditions covering taxation, governance, energy pricing, state-owned enterprises, anti-corruption measures, trade liberalisation, and regulatory reforms. While supporters view these measures as necessary for restoring discipline and credibility, critics argue that Pakistan is increasingly operating within a framework in which fiscal priorities (and even aspects of governance) are shaped by the programme requirements. The upcoming budget discussions show this tension.



Source: Tribune

The tax debate emerged as one of the defining economic themes of May. Across sectors, from [traders](#) and retailers to manufacturers and FMCG companies, concerns are mounting that Pakistan's tax system is increasingly penalising formal economic activity. Manufacturers argue that withholding taxes, advance tax deductions, and extensive compliance requirements are constraining cash flows and increasing the cost of doing business. Traders continue to demand simplified taxation systems and lower turnover taxes, while formal businesses complain that they bear a disproportionate share of the adjustment burden. This growing imbalance risks discouraging formalisation and investment at precisely the moment when the economy needs both. This [blog](#) by Accountability Lab Pakistan covers this discussion in detail.

Inflation remains perhaps the clearest reminder that macroeconomic stabilisation has yet to translate into broad-based improvements in living standards. Weekly inflation remained elevated at over 14 percent, driven by food, fuel, electricity, and transportation costs. Wheat flour, petrol, diesel, LPG, and electricity charges all recorded substantial year-on-year increases, while the prices of key food items such as onions, tomatoes, and meat continued to place pressure on household budgets.



Source: Dawn News

Although headline inflation is significantly lower than the peaks of the crisis years, the persistence of elevated food and energy costs means many households continue to experience declining purchasing power. The IMF itself has expressed concern regarding rising [poverty levels](#) and the narrow reach of social protection programmes relative to the scale of economic vulnerability. Consequently, there remains a significant disconnect between positive macroeconomic indicators and the everyday realities faced by ordinary citizens.

The external sector presents a similarly mixed picture. Textile exports rebounded strongly in April, increasing by more than [21 percent](#) year-on-year and offering evidence that global demand is recovering. Readymade garments, knitwear, bedwear, and yarn exports all posted robust growth, providing welcome relief to the country's largest export industry. However, this recovery should be interpreted cautiously. Much of the increase reflects a rebound from previously [depressed levels](#) rather than a structural transformation of Pakistan's export base. The economy remains heavily dependent on textiles, while diversification into higher-value manufacturing, technology-intensive exports, and knowledge-based industries remains limited. Moreover, rising energy costs, policy uncertainty, and taxation pressures continue to constrain industrial competitiveness.



Source: Dawn News

Perhaps the most troubling economic signal during the month came from agriculture and food security. Pakistan's food import bill rose by nearly **14 per cent** while food exports declined by more than **32 per cent**. This widening gap highlights a deeper structural problem within the economy. A country endowed with extensive agricultural land, one of the world's largest irrigation systems, and a large rural workforce is becoming increasingly dependent on **imported food products**. The sugar sector illustrates these challenges vividly. After permitting exports on the basis of projected surpluses, the country subsequently found itself importing sugar at higher international prices to address domestic shortages and rising consumer prices. Similar patterns are evident in edible oils, pulses, and other food commodities. These developments point not simply to production issues but to weaknesses in forecasting, storage, governance, and agricultural policymaking. Increasingly, food security is becoming intertwined with fiscal stability, external balances, and inflation management.

Yet amid these challenges, there are also important opportunities. Pakistan's **SME sector** remains one of the most underutilised engines of economic growth. Despite contributing substantially to GDP, exports, and employment, only a tiny fraction of SMEs have access to formal financing. Recent lending programmes demonstrate that digitalisation, risk-sharing mechanisms, and improved data systems can significantly expand financial inclusion. If properly supported, SMEs could become a critical driver of investment, employment generation, and export diversification in the coming years.

Energy Sector Updates

Pakistan's energy sector is undergoing a profound transition, marked by competing pressures of energy security, affordability, fiscal sustainability, and decarbonization. On one hand, major investments continue to flow into traditional energy infrastructure. The most notable development is the **US\$1.12 billion coal-to-fertiliser project** announced by Fauji Fertilizer Company Limited under the CPEC 2.0 framework. The project will convert approximately **2.1 million tons** of indigenous coal into **717,000 tons of urea** annually, reducing dependence on imported fertiliser inputs and creating a new industrial use for domestic coal resources. Simultaneously, the **Asian Infrastructure Investment Bank** has expressed interest in supporting Pakistan's power transmission, renewable energy, and sustainable infrastructure projects, reflecting growing international confidence in the country's energy reform agenda.



Source: Business Recorder

However, significant structural challenges persist in the power sector. The Federation of Pakistan Chambers of Commerce and Industry has strongly criticised the Indicative Generation **Capacity Expansion Plan (IGCEP) 2025-35**, arguing that the proposed **US\$57 billion** generation and transmission investment pipeline prioritises technical least-cost optimisation without adequately addressing consumer affordability.

Business leaders contend that rising capacity payments, expensive public-sector hydropower commitments, and overly optimistic demand projections could lock consumers into higher electricity tariffs while undermining industrial competitiveness. These concerns highlight a growing debate over whether Pakistan's energy planning framework is sufficiently aligned with economic realities and industrial growth requirements.

At the same time, Pakistan's [gas sector faces](#) an even deeper structural crisis. Declining domestic gas production, rising [LNG dependence](#), shrinking industrial consumption, and mounting circular debt are exposing weaknesses in the current market structure. Analysts increasingly argue that the vertically integrated monopoly model of the gas utilities has become unsustainable, as industrial consumers shift toward solar, coal, biomass, and self-generation due to high and unpredictable gas tariffs. The resulting decline in throughput is creating a utility "death spiral," where falling consumption drives higher tariffs, which in turn further suppress demand. Calls for unbundling gas transmission and distribution, introducing third-party access, reducing system losses, and moving toward market-based pricing have gained momentum as policymakers seek to restore competitiveness and improve long-term energy security.

Counterbalancing these challenges is Pakistan's rapidly expanding renewable energy landscape. What began as a consumer response to rising electricity prices has evolved into one of the [fastest distributed solar transitions](#) in the developing world. Millions of households and businesses have installed rooftop solar systems, significantly reducing dependence on imported fuels and enhancing resilience against external energy shocks. Yet this transformation has largely occurred outside formal planning frameworks, creating new challenges for grid management, tariff design, and infrastructure investment.

The coexistence of large-scale investments in coal, gas, hydropower, and transmission alongside a rapidly growing decentralised renewable energy ecosystem illustrates the complexity of Pakistan's energy transition. The sector now stands at a critical juncture where future success will depend not only on attracting investment but also on implementing structural reforms that balance affordability, competitiveness, energy security, and sustainability.

Environmental and Climate Change Updates

Pakistan's climate vulnerability continued to intensify during May, revealing the growing gap between the scale of environmental risks and the country's adaptive capacity. In a stark illustration of worsening climate extremes, Sindh's Dadu district recorded an unprecedented temperature of [51.5°C](#) in May 2026, setting a new national temperature record and reflecting a broader trend of prolonged and increasingly severe heatwaves across the country.

The Pakistan Meteorological Department has warned that temperatures in several districts of Sindh and Balochistan are likely to remain [4-6°C](#) above historical norms, while also cautioning that El Niño conditions may emerge during the upcoming monsoon season. These developments align with global forecasts suggesting a heightened probability of a [strong El Niño event](#) and continued warming trends, [raising concerns](#) about intensified droughts, heat stress, erratic rainfall, and pressure on water resources and agriculture.

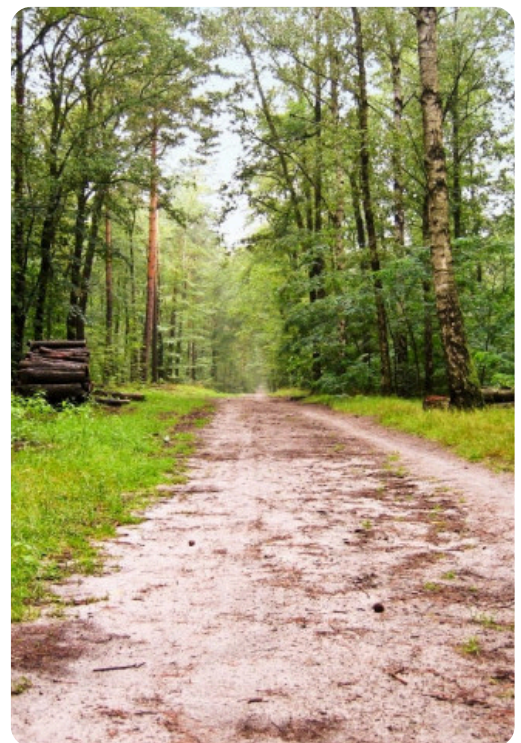
The economic implications of climate change are becoming increasingly evident. The State Bank of Pakistan's latest assessment highlighted that Pakistan remains among the world's most climate-vulnerable countries despite contributing only around 1 per cent of global greenhouse gas emissions. The report estimates that climate change could reduce Pakistan's GDP by 4.5- 9 per cent by 2050, with agriculture and industry facing the highest exposure. Climate-related disasters have already caused an estimated **\$29.3 billion in economic losses** between 1992 and 2021, while the 2022 floods alone resulted in approximately \$28 billion in damages. These findings reinforce growing concerns that climate risks are no longer solely environmental challenges but constitute a major threat to economic growth, food security, employment, and poverty reduction efforts.



Source: Reuters

Alongside escalating climate impacts, public discourse has increasingly focused on climate justice and equitable adaptation. Policymakers, academics, and civil society representatives at several national forums emphasised the need to **internationalise** Pakistan's climate justice case, arguing that the country bears **disproportionate consequences** of a crisis it did little to create. However, emerging analyses have also highlighted significant internal disparities, noting that the districts most exposed to climate shocks, particularly in Balochistan, Khyber Pakhtunkhwa, and parts of Sindh, often suffer from chronic underinvestment in infrastructure, health, education, and livelihoods. The debate is therefore gradually shifting from climate finance alone toward broader questions of climate equity, resilience, and targeted development interventions for the most vulnerable populations.

In response, federal and provincial authorities have begun introducing policy measures aimed at environmental protection and climate adaptation, although implementation challenges remain significant. In Punjab, the Environment Department ordered the establishment of **green buffer zones** around industrial estates to reduce pollution, improve air quality, and strengthen environmental compliance. Simultaneously, authorities expanded enforcement against plastic pollution and vehicular emissions. At the national level, climate resilience is also becoming increasingly prominent within major development initiatives. Climate experts and policymakers have called for integrating climate-proofing measures into **CPEC 2.0 infrastructure** and industrial investments, warning that roads, special economic zones, and energy projects could face substantial risks from floods, **glacial lake outburst floods (GLOFs)**, extreme heat, and other climate-induced hazards if resilience considerations are not embedded into project design from the outset.



Source: Tribune

Water security has emerged as another critical policy concern. Experts warn that declining river flows, groundwater depletion, and rising temperatures are significantly increasing pressure on Pakistan's agricultural sector, which consumes more than [90 per cent](#) of national water resources. Calls are growing for renewed investments in [water conservation infrastructure](#), improved irrigation efficiency, and evidence-based water management policies. Taken together, these developments indicate that climate change is rapidly evolving from an environmental issue into a multidimensional governance challenge affecting economic stability, infrastructure planning, agriculture, public health, and social equity. While awareness and policy attention are increasing, the effectiveness of Pakistan's response will depend on its ability to translate climate commitments into sustained implementation, mobilise international climate finance, and prioritise resilience-building in the country's most vulnerable regions.

Social and Humanitarian Updates

Pakistan's social sector continues to face significant structural pressures, with education emerging as one of the most pressing challenges. In Punjab, nearly [9.7 million children](#) remain [out of school](#) despite ongoing government enrolment campaigns and reforms. The crisis is being driven by a combination of factors such as poverty, inflation, child labour, gender disparities, teacher shortages, [inadequate school infrastructure](#), and weak governance. Experts have also highlighted concerns regarding poor educational quality, administrative inefficiencies, and insufficient public investment in education. These challenges extend beyond primary and secondary schooling into higher education, where concerns are increasingly being raised about declining quality, weak links between academic institutions and labour market needs, graduate unemployment, and governance issues within universities. Together, these trends point to a widening gap between educational expansion and the development of the skilled human capital required to support Pakistan's long-term economic growth and competitiveness.

The country's public health landscape is equally troubling and reveals the consequences of decades of underinvestment, weak regulation, and governance failures. Pakistan's [HIV crisis](#) has evolved from a public health concern into what experts now describe as a "[man-made epidemic](#)," driven not primarily by high-risk behaviour but by systemic failures within the healthcare system itself. Unsafe injections, reuse of syringes, weak infection control, and poor oversight have contributed to outbreaks affecting even children. Official figures indicate over 84,000 registered HIV cases, with nearly [23,000 patients](#) now untraceable within the treatment system.

At a broader development level, debates around the future of aid and social development increasingly emphasised the need for locally led approaches and stronger community ownership of development processes. International discussions on aid effectiveness have questioned the sustainability of [highly centralised](#) and bureaucratic aid models, arguing for greater resource allocation directly to local civil society and grassroots organisations. For Pakistan, these debates are particularly relevant given the scale of educational exclusion, poverty, climate vulnerability, and social inequalities facing the country. Collectively, recent developments suggest that Pakistan's social and humanitarian challenges are becoming increasingly interconnected, requiring reforms that go beyond service delivery to address deeper issues of governance, accountability, institutional effectiveness, and equitable access to opportunities and protection systems.

Diplomatic Landscape

In May, relations with China continued to dominate Pakistan's external engagement agenda, particularly through the transition towards CPEC 2.0 and enhanced business-to-business cooperation. During Prime Minister Shehbaz Sharif's visit to China, Pakistani and Chinese companies signed agreements and memoranda of understanding worth over **\$7 billion** across sectors including information technology, renewable energy, battery storage systems, agriculture, and industrial development. The engagement signals a gradual evolution of bilateral relations from infrastructure-led cooperation toward investment, technology transfer, industrial relocation, and private-sector partnerships, aligning with Pakistan's broader objective of attracting foreign investment and expanding export-oriented growth.



Source: Tribune

Alongside its strategic partnership with China, Pakistan also strengthened development cooperation with European partners. A notable development was the signing of a **€40.5 million technical cooperation agreement** with Germany to support nine projects focused on climate resilience, renewable energy, and social protection. The agreement reflects growing international recognition of Pakistan's climate vulnerability and reinforces the role of climate diplomacy as an increasingly important component of Pakistan's foreign relations. More broadly, Germany's active development portfolio of approximately €550 million demonstrates sustained European engagement in supporting Pakistan's socioeconomic development, energy transition, and climate adaptation priorities.

Regional diplomacy remained heavily influenced by security concerns and cross-border stability. Pakistan and Afghanistan continued to face strained relations, particularly over security issues and militant activity along the border. However, China's mediation efforts through the emerging "**Urumqi Process**" have created a potential avenue for dialogue and confidence-building between Islamabad and Kabul. The initiative highlights Beijing's expanding diplomatic role in regional conflict management and reflects Pakistan's growing preference for multilateral facilitation after limited progress through bilateral channels. At the same time, Pakistan's relations with Gulf states remained economically significant but faced occasional scrutiny following reports of deportations of Pakistani nationals from the UAE and other Gulf countries. While the government rejected claims of systematic discrimination, the issue highlights the importance of labour migration diplomacy, given the strategic economic role overseas Pakistanis play through remittances and employment linkages.

Consequently, Pakistan's diplomatic trajectory appears increasingly aligned with an economic-statecraft model, where foreign policy success will be judged less by symbolic partnerships and more by its contribution to economic growth, resilience, and long-term national development.

Security Updates

Pakistan's security environment showed signs of tactical improvement during the reporting period, particularly in Khyber Pakhtunkhwa, where intensified intelligence-based operations under the framework of [Operation Azm-e-Istehkam](#) resulted in the killing of at least [23 militants](#), including senior commanders, and the destruction of militant infrastructure such as underground tunnels, bunkers, and weapons caches. Security assessments indicate a [notable reduction](#) in terrorist incidents compared to previous months, with April 2026 recording a significant decline in both attacks and fatalities. The improvement has been attributed to a combination of sustained counterterrorism operations, enhanced intelligence coordination, and military pressure on militant networks operating along the Pakistan-Afghanistan border. However, despite this downward trend, the overall level of violence remains substantial, with militant-related fatalities continuing to account for the majority of conflict-related deaths. The situation suggests that while security forces have achieved important operational successes, militant organisations retain the capacity to regroup, adapt, and sustain low-intensity insurgent activity across vulnerable regions.

At the same time, recent developments in Balochistan underscore the continuing complexity of Pakistan's security challenges. The suicide bombing targeting a passenger train in Quetta, which killed at least [14 people](#) and injured dozens more, demonstrated the ability of militant groups to strike civilian targets and critical public infrastructure despite heightened security measures. The attack, alongside a broader pattern of abductions, attacks on transport networks, and violence against civilians in the province, highlights the persistence of insurgent and separatist threats that differ significantly from the militancy landscape in Khyber Pakhtunkhwa.



Source: Dawn News

Analysts increasingly point to the regional dimension of insecurity, including the role of cross-border militant sanctuaries, [regional geopolitical rivalries](#), and governance deficits in conflict-affected areas. Consequently, while Pakistan has demonstrated improved counterterrorism effectiveness in certain theatres, long-term security stabilisation will likely depend not only on military operations but also on addressing underlying political, economic, and governance grievances, particularly in border regions and Balochistan, where militant groups continue to exploit local vulnerabilities and regional fault lines.

Reading Recommendations

- Battleground Algorithms: How Artificial Intelligence is Shaping Modern Conflict Narratives ([Click Here](#))
- Reimagining Civil Society Action in Pakistan ([Click Here](#))
- Building Digital Resilience of Civil Society ([Click Here](#))
- Why Pakistan's Entrepreneurial Landscape Has Struggled to Deliver for Its Youth: A Critical South Asian Comparison ([Click Here](#))
- Mental Health Access for Women: Cultural Stigma and Systemic Barriers ([Click Here](#))
- Concrete Over Canopy: The Unmaking of Islamabad's Green Capital Dream ([Click Here](#))
- Menstrual Health Management: Policy Gaps, Access to Hygiene Products and Cultural Taboos ([Click Here](#))
- 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](#))
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- 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](#))
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