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COUNTRY ANALYSIS REPORT

FY 2026-27 BUDGET

STABILISATION WITHOUT STRUCTURAL CORRECTION

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Executive Summary

Pakistan's FY2026-27 budget reflects a strategy of fiscal stabilisation rather than structural transformation. While it offers targeted relief to salaried taxpayers, exporters, the IT sector, and selected industries, the broader fiscal framework remains shaped by debt servicing, defence expenditure, IMF commitments, and reliance on provincial surpluses. The budget provides short-term stability but stops short of addressing the deeper reforms needed for sustainable growth.

Debt servicing continues to absorb a substantial share of public resources, limiting investment in development, infrastructure, productivity, and public services. Although tax relief has been extended to the salaried class and digital tax administration has been strengthened, major concerns around tax equity remain. Large segments of the economy, including real estate, wholesale and retail trade, and agricultural rent, continue to remain under-taxed, raising questions about fairness and the long-term sustainability of the fiscal framework.

Pakistan's economic outlook remains fragile. Strong performance in IT and services exports offers a positive signal, yet a widening trade deficit, persistent inflation, and continued dependence on imports highlight unresolved structural weaknesses. The report argues that export diversification, industrial productivity, and competitiveness reforms remain essential for durable economic growth.

Politically, growing tensions around representation, governance, federal-provincial relations, and economic hardship continue to shape the national landscape. Developments in Gilgit-Baltistan, political confrontation, weak parliamentary engagement, and farmer protests reflect broader concerns regarding public trust and institutional responsiveness.

On the diplomatic front, Pakistan has sought to strengthen its regional role through mediation efforts, security cooperation, and economic diplomacy. At the same time, continued access to international markets is increasingly tied to governance standards, labour rights, environmental commitments, and compliance with international obligations. Dependence on remittances and external inflows also leaves the economy exposed to regional and global shocks.

The report further highlights climate vulnerability as a growing national challenge. While improvements have been made in climate and disaster budgeting, current allocations remain insufficient to address mounting risks related to water security, agriculture, energy resilience, and extreme weather events.

Overall, the report finds that Pakistan has secured a degree of macroeconomic stability, but without fundamentally changing the fiscal and economic structures that continue to constrain growth, resilience, and development. The budget creates fiscal breathing space, yet the country's long-term trajectory will depend on deeper reforms in taxation, productivity, governance, climate resilience, and public investment.

FY 2026-27 Budget

Stabilisation Without Structural Correction

Pakistan's FY2026-27 budget is best understood as a budget of constrained stabilisation rather than economic transformation. It does contain some important updates: relief for salaried taxpayers, rationalisation of super tax, reduction in some real-estate transaction taxes, relief for exporters, extension of the concessional tax rate for IT and IT-enabled exports, tariff rationalisation on industrial inputs, and new technology-based tax administration measures. However, these changes do not alter the central character of the budget. The fiscal framework remains dominated by debt servicing, defence, current expenditure, IMF conditionalities, provincial surplus expectations, and weak progress on taxing privileged and undertaxed segments of the economy. The budget, therefore, does not represent a clean transition from stabilisation to growth. It is a balancing exercise that tries to calm the IMF, markets, salaried taxpayers, exporters, coalition partners, provinces and vulnerable households at the same time. The result is a budget that offers selective relief but avoids the harder redistributive choices required for genuine fiscal reform.

1. The budget is disciplined on paper, but structurally fragile

The federal government has presented a federal budget outlay of around Rs18.771 trillion for FY2026-27, with a GDP growth target of 4pc and an inflation target of 8.2pc. The FBR tax target has been set at Rs15.264 trillion, compared with revised FY202-26 estimates of Rs12.983 trillion. Non-tax revenue receipts are projected at Rs5.336 trillion. The total revenue receipts are therefore projected at Rs 20.600 trillion. At first glance, these numbers suggest a relatively disciplined fiscal framework. However, the deeper numbers show serious fragility. The budget depends on ambitious revenue collection, large provincial cash surpluses, continued petroleum levy collection, stable external conditions and tight control of expenditure.

The federal government also expects a provincial cash surplus of around Rs1.794 trillion, while the provincial share in federal taxes is estimated at Rs8.848 trillion. This means the federal deficit target is not being achieved only through federal reform. It is being achieved by requiring provinces to return or retain large surpluses within the consolidated fiscal framework. This may satisfy the IMF's macro-fiscal arithmetic, but it risks weakening provincial development spending and service delivery unless provinces generate genuine own-source revenues from agriculture, property, services and local economic activity.

2. Debt servicing remains the real budget-maker

The most critical number in the budget is not the tax relief offered to the salaried class or the PSDP allocation; it is debt servicing. Mark-up payments are budgeted at Rs8.054 trillion. This single head consumes an enormous portion of federal resources and crowds out development, welfare and productive public investment. The Annual Budget Statement shows total current expenditure of Rs23.557 trillion on its accounting basis, compared with total development expenditure of Rs1.607 trillion. Even if one uses the commonly cited federal budget outlay of Rs18.771 trillion, the same story holds: current expenditure dominates development.

This is the core weakness of the budget. Pakistan is not merely short of revenue; it is trapped in a fiscal structure where a large part of the state's resources is pre-committed before policy choices even begin. Debt servicing, defence, pensions, subsidies and transfers leave very little room for growth-enhancing investment. A budget that pays creditors first, protects large current expenditure, and then allocates what remains to development cannot create a durable growth path. It may preserve short-term solvency, but it cannot produce the public investment needed for jobs, competitiveness, climate resilience or industrial productivity.

3. Defence has risen while development remains squeezed

The budget allocates Rs3 trillion for defence services, up from Rs2.584 trillion in the revised estimates for FY2025-26. This is a major increase and reflects the government's stated security concerns. However, the development side remains heavily constrained. Federal development spending has been kept around Rs1 trillion, while broader development expenditure in the Annual Budget Statement remains far below the country's infrastructure and productivity needs. This imbalance is not simply a political talking point; it is a development problem. Pakistan's economy cannot grow sustainably if the state's fiscal structure gives priority to debt servicing and security while development spending remains thin, fragmented and vulnerable to cuts. The government may argue that security conditions require higher defence spending, but the economic cost is clear: the space for water, energy, education, health, technology, climate adaptation and productivity-enhancing infrastructure becomes narrower. The more serious issue is that even the limited development budget is not fully protected from political bargaining. Earlier budget discussions referred to coalition-related allocations and constituency-based schemes. In a constrained Public Sector Development Programme (PSDP), such allocations have a high opportunity cost. Every low-impact or politically motivated scheme reduces resources for high-priority national projects.

4. Salaried-class relief is justified, but it does not solve tax injustice

The budget's relief for salaried taxpayers is one of its politically important measures. The income tax rates for salaried individuals have been reduced through the restructuring of slabs, and the threshold for the maximum tax rate of 35pc has been increased from Rs4.1 million to Rs7 million. This was necessary because salaried taxpayers had become one of the most heavily and visibly burdened groups in the formal economy.

However, the relief should not be overstated. It reduces pressure on one documented group, but it does not make the tax system fair. The larger problem remains: Pakistan continues to rely heavily on those who are easiest to tax, while many politically powerful or administratively difficult segments remain undertaxed. The formal salaried class, registered firms, banks, exporters and documented businesses remain visible to the tax system. Retail, wholesale, real estate, large agricultural rent, informal professional income and high-consumption non-filers remain much harder to tax. Unless the budget changes this pattern, relief for salaried taxpayers will remain a partial correction, not a structural reform.

5. The budget gives real estate a softer landing, but this raises policy concerns

The budget abolishes the deemed-income tax on immovable property by omitting Section 7E. It also reduces advance tax rates on the sale and purchase of immovable property, converting them into lower flat rates. The official justification is that this will encourage documentation and facilitate property transactions. This may revive some market activity, but it also reflects a familiar policy weakness: Pakistan repeatedly turns to real estate when it wants short-term confidence and growth. Real estate can generate transactions, construction activity and asset gains, but it does not directly solve Pakistan's external account problem. It does not generate exports, technology upgrading or large-scale productivity growth. It often attracts capital away from industry, agricultural modernisation and formal enterprise.

This is why the real estate relief is controversial. At a time when the government says it needs revenue and documentation, reducing taxes on property transactions without a strong corresponding framework to tax property wealth, rental income and capital gains fairly risks reinforcing Pakistan's rentier growth model.

6. Export and IT relief are useful, but not enough for export-led growth

The reduction in tax collection on export proceeds from 2pc to 1.25pc is a positive measure for exporters. The extension of the 0.25pc concessional tax rate for IT and IT-enabled service exports up to tax year 2029 also provides continuity for a sector with foreign-exchange potential. Tariff rationalisation for industrial inputs, including reductions in customs and additional customs duties across many tariff lines, can also reduce input costs. These are sensible measures. But they remain insufficient without a broader competitiveness strategy. Pakistan's export weakness is not caused only by tax rates. Exporters face high energy costs, policy uncertainty, refund delays, compliance burdens, weak logistics, low productivity, limited product diversification and exchange-rate volatility. A lower tax rate helps, but it does not, by itself, create an export economy. The budget, therefore, takes some export-friendly steps but does not yet present a complete export transformation agenda. Pakistan needs a shift from import-dependent, consumption-led growth to export-oriented, productivity-led growth. This requires much deeper reform than tax concessions alone.

7. Tax administration is becoming more digital, but fairness will depend on enforcement

The budget introduces or strengthens several tax administration measures: faceless audit and assessment, a National Faceless Centre, algorithmic settlement, electronic invoicing, production monitoring, banking-data cross-matching, real-time business integration, and withholding tax on revenues from social media platforms. These measures can improve documentation if implemented fairly. However, the risk is selective enforcement. Pakistan's tax system has often been harsh on those already inside the system and weak against politically organised or powerful groups. If digital tools are used mainly to monitor registered businesses, salaried taxpayers, freelancers and small digital earners, while large informal actors remain protected, the reforms will increase distrust.

The key test is whether algorithmic matching and digital integration reach high-income non-filers, large retailers, wholesalers, real-estate investors, cash-rich professionals and major undocumented businesses. If not, the digitalisation agenda will become another layer of compliance for the already compliant.

8. The treatment of traders and wholesalers remains too cautious

The budget increases the minimum tax rate for distributors, dealers, sub-dealers and wholesalers of specified sectors from 0.25pc to 0.5pc, subject to documentation requirements. It also increases the turnover threshold for withholding-tax exemption for small traders from Rs100 million to Rs200 million. This is not a strong broadening of the tax base. In fact, the higher exemption threshold can be read as a concession to traders. The government appears unwilling to confront the political economy of retail and wholesale taxation. This is one of the budget's clearest weaknesses.

A system that taxes salaries at source but treats large sections of trade gently cannot be called equitable. The government has repeatedly tried simplified schemes for traders, but the political will to enforce meaningful documentation remains limited. Without serious taxation of retail and wholesale activity, the burden will continue to shift toward the formal sector, petroleum levies, withholding taxes and indirect taxation.

9. Tax expenditure remains a hidden fiscal privilege

Tax expenditure is economically similar to direct spending, but it receives far less scrutiny. It reduces federal revenue, lowers the divisible pool available to provinces, increases borrowing pressure and shifts the tax burden onto compliant taxpayers. In many cases, concessions continue without clear cost-benefit evaluation or sunset clauses.

While the government demands sacrifices and austerity from taxpayers and consumers, it does not place tax expenditure at the centre of reform. A serious fiscal reform budget would have reviewed concessions line by line, removed those with no measurable public benefit, introduced sunset clauses, and published a transparent justification for every major concession. The failure to do so weakens the credibility of the government's claim that there is no fiscal space. Fiscal space is not only found by taxing more people; it is also found by ending unjustified fiscal privileges.

10. Agriculture is still treated ambiguously

The budget debate around agriculture remains confused. Pakistan needs to tax large agricultural incomes, agricultural rent and absentee landownership more effectively. However, small cultivators facing high input costs, climate shocks, water stress and price instability need protection, not an additional burden. The current fiscal debate often allows large landholders to hide behind small farmers. This prevents meaningful taxation of agricultural rent. Critics argue for distinguishing income from cultivation from income arising from ownership of agricultural land. That distinction is essential. Taxing small farmers would be economically and politically damaging but allowing large agricultural rentiers to remain undertaxed is equally unjustifiable.

The budget does not clearly resolve this distinction. Nor does it offer a convincing agricultural productivity agenda. Farmers are struggling with rising input costs, unstable procurement policies, water shortages, fragmented landholdings and climate risks. A serious budget would link agricultural taxation with productivity reform, water efficiency, crop zoning, mechanisation support, storage, market access and protection for small farmers.

11. The provincial surplus assumption may weaken service delivery

The federal fiscal framework relies heavily on provincial cash surplus. Provinces are expected to contribute to fiscal consolidation while also funding devolved responsibilities such as education, health, agriculture, local infrastructure and social services. This creates a difficult trade-off. If provinces generate surpluses through genuine taxation of agriculture, property, services and local economic activity, the framework could become more sustainable. But if they generate surpluses by delaying development schemes or compressing social-sector expenditure, the fiscal deficit may improve on paper while citizens experience weaker services. This is why the federal-provincial fiscal arrangement is central to the budget. The Centre cannot keep relying on provincial surpluses without a stronger federal compact on who taxes what, who spends on what, and how public services are protected. The budget does not resolve this issue; it manages it for one more year.

12. Climate and water allocations do not match the scale of risk

The budget includes climate and disaster budgeting reforms, including classification and tracking of disaster-responsive expenditure. These are useful improvements in transparency. However, the actual allocations remain modest compared with the scale of Pakistan's climate and water risks. The climate-related PSDP allocation for the Climate Change and Environmental Coordination Division is only Rs 2.478 billion for four ongoing projects. Disaster-responsive allocations constitute 4pc of current expenditure but only 0.04pc of the development budget. This shows that climate and disaster tracking may have improved, but climate-resilient investment remains weak.

Water and hydropower projects may receive around Rs179 billion under the proposed PSDP, while officials argue that at least Rs500 billion is needed to accelerate major ongoing hydropower projects and start civil work on new water storage projects. This highlights risks to projects such as Mohmand Dam, Tarbela 5th Extension, Diamer-Bhasha Dam, Dasu Hydropower Project and K-IV. These projects are expected to add 9.7 MAF in water storage and over 9,000MW in hydropower capacity if completed in phases between 2026 and 2030. This exposes a serious contradiction. Pakistan is highly vulnerable to floods, droughts, heatwaves, water scarcity and energy-cost pressures, yet its budget continues to underfund the very infrastructure needed for resilience. Underinvesting in water storage, hydropower and flood mitigation is not saving money; it is postponing costs that will return later through disaster losses, food inflation, energy shortages and rural distress.

13. Social protection is necessary but not a substitute for economic opportunity

The budget increases social protection spending, with social protection under current expenditure estimated at Rs857 billion. BISP funding has been strengthened, and the government has also announced salary, and pension increases for public employees. These measures are necessary given inflation and poverty pressures. However, social protection cannot compensate for weak job creation, high utility bills, low real wages, expensive food, poor public services and limited upward mobility. Cash transfers protect the poorest from extreme distress, but they do not create a development model. The budget, therefore, offers a limited social cushion, not a social transformation. The large lower-middle and informal working classes remain exposed. Many households are not poor enough to benefit significantly from targeted welfare, but not secure enough to absorb repeated fuel, electricity, rent and food-price shocks.

14. The budget openly acknowledges risks, which makes the lack of deeper reform more serious

The government's own Statement of Fiscal Risks identifies several vulnerabilities. It notes that if tax revenue grows 10pc lower than budget estimates, the fiscal deficit could worsen by 0.7pc of GDP. It also states that a 30pc decline in State Bank surplus profits could increase the deficit by around 0.3pc of GDP, while a 20pc shortfall in petroleum levy collection could add 0.2pc of GDP to the deficit. It further recognises debt-servicing risks, SOE-related risks, climate risks and global commodity price shocks.

This is important because the critique is not speculative. The risks are acknowledged in the budget's own documents. The budget is vulnerable because many of its assumptions are exposed to factors outside the government's full control: growth, tax compliance, oil prices, interest rates, exchange-rate stability, petroleum levy collection, provincial surpluses and SOE liabilities. A more ambitious reform budget would have reduced these risks by cutting wasteful expenditure, reviewing tax concessions, taxing privileged income, reforming SOEs faster, protecting development spending and building stronger climate resilience. Instead, many risks are identified but not adequately neutralised.

15. The budget buys time but does not break the crisis cycle

The budget's larger weakness is that it does not change Pakistan's fiscal model. The state still depends on taxing the visible, borrowing externally, relying on petroleum levies, squeezing development spending, expecting provincial surpluses, and avoiding a full confrontation with untaxed or undertaxed privilege. This is why the budget is more of a holding operation than a reform breakthrough. It may help Pakistan remain within the IMF programme and avoid immediate instability, but it does not provide a credible path toward high growth, broad-based employment, fair taxation, climate resilience or reduced dependence on external financing. Unless this breathing space is used for serious tax-base expansion, expenditure reform, climate-resilient investment and productivity-led growth, the country will remain trapped in the same cycle: stabilisation, fatigue, political pressure, weak reform, and renewed crisis.

Political Updates

Pakistan's political temperature is rising across several fronts, and the recently held Gilgit-Baltistan elections have become an important indicator of both federal coalition politics and regional demands for autonomy. The PPP's campaign around haq-i-haqimiyat and haq-i-malkiyat placed political empowerment, resource ownership and protection of GB's rights at the centre of its message, while the PML-N relied more heavily on infrastructure, roads and development commitments. This contrast reflects a deeper tension within the ruling coalition: the PPP is using GB to position itself as a defender of provincial and regional autonomy at a time when debates around the federal budget, provincial fiscal responsibilities, BISP financing and possible constitutional changes have already created unease.

The election outcome has therefore not only reshaped the immediate political landscape in GB but has also sharpened wider questions about representation, federal bargaining and the limits of democratic space in peripheral regions. Concerns around election credibility, uneven political space for PTI, and GB's still-unresolved constitutional status suggest that the issue goes beyond party competition. It points to the state's continuing reluctance to provide meaningful political agency and constitutional clarity to regions that remain central to Pakistan's strategic and political imagination but peripheral in its federal structure.

These tensions are not limited to GB. In Khyber Pakhtunkhwa, Chief Minister Sohail Afridi's threat to stage a sit-in outside the National Assembly and block the federal budget over the denial of access to Imran Khan shows how the confrontation between PTI and the state continues to spill into governance and budgetary processes. Parliamentary weakness is also visible in the National Assembly, where only 66 out of 333 MNAs attended all nine sittings of the 27th session, while the prime minister reportedly did not attend any sitting. Beyond parliament, farmers have announced province-wide protests against wheat, sugar and agricultural policies, reflecting growing rural anger over procurement failures, rising input costs and policy inconsistency. These developments suggest that Pakistan's political crisis is no longer confined to party rivalry; it is increasingly about representation, public trust, regional autonomy, economic distress and the shrinking space for peaceful political expression.

Source: Pexels

Economic Updates

Pakistan's economic outlook remains mixed, fragile and deeply uneven. The most worrying sign is that Pakistan's external account remains structurally weak. Services exports have performed well, rising to $8.27bn during July-April FY26, largely because of IT and computer services. This is one of the few genuinely positive trends in the economy and shows where Pakistan's future competitiveness can emerge. However, this success is being offset by a widening goods trade deficit, which reached $34.76bn during July-May FY26. Exports declined while imports rose, showing that Pakistan's old problem remains unresolved: whenever economic activity picks up, imports increase faster than exports. Unless the country moves decisively toward export diversification, technology-led services, industrial productivity and value-added agriculture, every growth cycle will again become a balance-of-payments problem.

Source: DAWN

Inflation also continues to weaken the credibility of the recovery narrative. Consumer Price Index (CPI) inflation reached 11.7pc year-on-year in May 2026, while weekly inflation remained elevated, especially because of food, fuel, electricity and transport costs. This means households are still experiencing the economy as a cost-of-living crisis, not as stabilisation. Salaried taxpayers and formal businesses may receive some relief in the budget, but indirect taxation, petroleum levies, energy tariffs and food inflation continue to erode real incomes. The government's new fixed-tax scheme for small traders may help with documentation if implemented fairly, but its voluntary and concessional design also shows how politically difficult it remains to tax powerful informal sectors. Once again, the state appears tougher on the visible taxpayer than on the protected taxpayer.

Diplomatic Landscape

Pakistan's diplomatic profile has received a significant boost following its role in mediating a US-Iran agreement after more than 100 days of conflict. Prime Minister Shehbaz Sharif's statement in the National Assembly presented the deal as a major diplomatic achievement, crediting Field Marshal Asim Munir, Foreign Minister Ishaq Dar, Interior Minister Mohsin Naqvi and partners including Qatar, Saudi Arabia, Turkiye and China for keeping negotiations alive when talks appeared close to collapse. The agreement, expected to be finalised in Geneva, reportedly includes an immediate end to military operations, reopening of the Strait of Hormuz, phased release of Iranian frozen assets, and further negotiations on Iran's nuclear programme. If implemented, it would not only reduce regional tensions but also ease pressure on global energy markets, which directly affect Pakistan's inflation, import bill and external account. Recent engagements show Islamabad trying to position itself as a regional security partner, an economic bridge, and a responsible actor in a volatile neighbourhood. The agreements signed with Russia on illegal immigration, repatriation and drug trafficking, along with meetings with Central Asian interior ministers at the SCO platform, reflect Pakistan's growing focus on security diplomacy. The emphasis on Afghanistan-based militant groups, narcotics production, cybercrime and terror financing also shows that Pakistan's regional diplomacy is increasingly shaped by internal security concerns. In this sense, diplomacy is no longer only about foreign relations; it is directly connected to border management, terrorism, migration, drugs and domestic stability.

At the same time, Pakistan's economic diplomacy is facing sharper tests. The European Union remains Pakistan's most important export destination, and the new GSP+ framework places continued preferential market access within a stricter rights, governance, labour and environmental compliance framework. This is both an opportunity and a warning. Pakistan cannot treat GSP+ as a trade concession alone; it is now tied more visibly to democratic governance, human rights, labour protections, environmental standards and implementation of international conventions. Similarly, the US proposal to impose additional tariffs on several economies, including Pakistan, over forced-labour concerns show that global trade access is increasingly linked to compliance, supply-chain transparency and labour rights.

The Gulf remains another critical diplomatic and economic space for Pakistan. Any uncertainty in the region directly affects Pakistan through oil prices, remittances, employment and investor confidence.

Concerns about slowing remittances, job insecurity for overseas workers, and disruption in Gulf-linked business networks underline how dependent Pakistan remains on external inflows rather than domestic productivity.

This dependence also weakens Pakistan's negotiating space: the country needs Gulf stability, Western market access, IMF support, Chinese and Saudi rollovers, and regional security cooperation at the same time.

Environment and Climate Change-Related Updates

Pakistan's latest climate outlook points to a difficult monsoon season marked by below-normal rainfall, above-normal temperatures and rising risks for agriculture, water security and public health. The Pakistan Meteorological Department has forecast normal to below-normal rainfall across much of the country from July to September, with Punjab, Sindh, southern Khyber Pakhtunkhwa, and most of Balochistan likely to face rainfall deficits. At the same time, temperatures are expected to remain above normal across the country, increasing the likelihood of heat stress, particularly in the plains of southern Punjab and Sindh. The development of El Niño conditions is expected to suppress rainfall, while the possible late emergence of a positive Indian Ocean Dipole may not be strong enough to offset the dry trend. This creates a worrying outlook for Kharif crops such as sugarcane, rice, cotton and maize, all of which may face higher irrigation demand and increased water stress.

The risks are not limited to drought-like conditions. The PMD has warned that northern regions, including Gilgit-Baltistan, Kashmir and upper KP, may receive normal to slightly above-normal rainfall, raising the possibility of flash floods, landslides and glacial lake outburst floods. Above-normal temperatures in these areas could accelerate snowmelt, increasing river inflows and downstream flood risks. At the same time, urban centres face growing exposure to heatwaves, windstorms and urban flooding. Recent discussions on "cooling cities" underline the urgency of redesigning urban spaces around shade, ventilation, reflective roofs, green belts, water-sensitive planning and heat early-warning systems. Karachi's heat action experience shows that coordination can save lives, while Lahore's urban greening efforts demonstrate the value of nature-based cooling. However, Pakistan's cities remain highly vulnerable because of unplanned expansion, shrinking green spaces, concrete-heavy development and weak municipal capacity.

Source: DAWN

The devastating forest fire in Kotli Sattian further illustrates how climate change is turning environmental risks into recurring national emergencies. More than 3,000 hectares of forest tree cover were damaged across dozens of locations, affecting ecologically sensitive Chir pine forests linked to the Indus and Jhelum river basins. The fire, intensified by heat, dry vegetation and strong winds, exposed serious gaps in firefighting capacity, local preparedness and forest protection systems. Pakistan's response must move beyond warnings and conferences toward serious investment in climate-resilient agriculture, heat-safe cities, forest protection, early-warning systems and community-level preparedness; however, this sense of urgency is not reflected in the current budget as discussed previously.

Security Landscape

Source: GW

Pakistan's security landscape is marked by a difficult mix of policing failures, centralised reform efforts, and persistent conflict in peripheral regions. The fatal police shooting of young Hania Ahmed, an Australian-Pakistani child killed in Chakwal after Elite Force personnel mistakenly opened fire on her family's vehicle, has exposed serious weaknesses in operational judgement, accountability and use-of-force protocols. The incident is not only a tragic policing failure; it also raises wider questions about training, command discipline, threat assessment and civilian protection. The fact that the case has drawn concern from the Australian prime minister adds a diplomatic dimension to what is fundamentally a domestic law-enforcement crisis. At the policy level, the federal government's proposed National Internal Security Policy 2026-30 suggests a move toward centralising police operations, integrating crime data nationally, improving interprovincial intelligence sharing, strengthening counterterrorism coordination, and creating a CTD structure in Gilgit-Baltistan. These are important priorities, especially in a country facing terrorism, organised crime, narcotics, cybercrime and transnational security threats. However, the reform direction also carries risks. If centralisation is pursued mainly through a "hard state" lens, without investing in police professionalism, civilian oversight, human rights safeguards, forensic capacity, community trust and local accountability, it may strengthen control without improving justice or public confidence. Balochistan remains the most complex test of Pakistan's internal security approach. The state recognises key drivers of unrest, weak political representation, missing persons and deep deprivation, but continues to rely heavily on coercive and narrative-based responses. Stigmatising educated Baloch youth or treating political dissent as a security threat risks deepening alienation rather than reducing militancy. The lesson across these developments is clear: Pakistan does need stronger internal security coordination, but security cannot be built through force and surveillance alone. A sustainable security framework must combine effective policing with political dialogue, rights protection, accountable institutions, credible justice mechanisms and serious engagement with the grievances that feed instability.

Reading Recommendations

- Battleground Algorithms: How Artificial Intelligence is Shaping Modern Conflict Narratives (Click Here)
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- 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)
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