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[Economic security buffers](#)

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TWO recent developments offer compelling reasons for policymakers to prioritise the building of buffers for economic security. First, Pakistan has earned international goodwill by playing a [proactive role](#) in encouraging dialogue among parties engaged in the Gulf conflict. Second, the IMF has shown unusual flexibility by reaching a [staff-level agreement](#) without imposing additional conditions at this critical juncture. With no end in sight to the conflict, Pakistan must leverage this goodwill and policy space to derive tangible economic benefits. However, this mustn't follow the well-trodden path of a rentier state, where geostrategic positioning is exchanged for short-term financial inflows. Instead, a strategy to build durable buffers against future shocks must be adopted. Four key pillars of economic security merit attention.

Strengthening foreign exchange resilience: This requires boosting non-debt-creating inflows, re-profiling short-term external liabilities and maintaining market-determined exchange and interest rates. The recent relocation of transshipment activities to Pakistani ports is an opportunity to be sustained through improving capacity, governance and operational efficiency of maritime institutions. Temporary waivers of financial instruments for exports to Iran and Central Asian Republics should be

institutionalised to facilitate regional trade. Construction of the Iran-Pakistan pipeline should be initiated. Gwadar Port must be made fully operational and completion of the western route linking it to the Karakoram Highway prioritised.

Security for oil and gas, mining and Chinese companies and joint ventures is a sine qua non. Providing electricity and water to Gwadar residents and developing infrastructure in the mining districts of Balochistan and KP is necessary as is the development of districts along the western corridor. Liberal import of goods, fuel and electricity from Iran would benefit Makran coast inhabitants and generate jobs. Third-country mediation efforts for [Pak-Afghan](#) rapprochement can be expedited as a reciprocal gesture for Pakistan's constructive regional peace effort.

Trade policy also needs recalibration. The trade agreement with China should be renegotiated for a more balanced arrangement as seen in Asean agreements, while a trade agreement with Asean itself should be expedited. Exporters' long-standing constraints must be addressed through a comprehensive policy framework. Instead of piecemeal interventions, a five-year policy guaranteeing consistency and predictability should be formulated. Effective implementation should ensure that arbitrary actions by tax and regulatory authorities do not undermine confidence. FDI is another avenue to boost external buffers. Agreements with GCC countries should be finalised to attract investments, increase jobs for Pakistanis and convert short-term deposits into longer-term equity investments. We should also revisit tariff arrangements with the US to improve market access. While expanding the Roshan Digital Account to non-resident investors is a positive step, safeguards are necessary to lessen the risk of sudden capital outflows in times of financial stress.

Four key pillars can help strengthen Pakistan's economic security in these troubling times.

Energy security: Increasing behind-the-meter [solarisation](#) has raised the share of indigenous energy to around 88 per cent; this must be reinforced by offering attractive incentives to MNCs for exploration and development of domestic resources. Regulatory bottlenecks must be removed to allow producers to sell directly to end users and introduce competition in gas and electricity distribution. Strategic oil reserves by the government in addition to enhanced stock by MNCs should be built up. Infrastructure investment is just as important. Projects such as the rail link between Islamabad and Mirpurkhas and transmission line to evacuate Thar coal should be brought to fruition. New

pipelines, expanded use of railways for fuel transport and upgradation of oil refineries to convert furnace oil into higher-value products would boost efficiency and preserve foreign exchange. Addressing the circular debt is essential, as it constrains liquidity and discourages investment in capacity expansion and operational improvements.

In transport, the transition to e-vehicles — particularly two- and three-wheelers — should be accelerated and bottlenecks removed. Expanding e-bus services in urban centres beyond Karachi, Lahore and Islamabad-Rawalpindi would reduce reliance on imported fuel. Energy conservation, including rationalising commercial operating hours, can also contribute. Introducing multi-tariff pricing for industrial consumers to encourage off-peak usage would help optimise capacity utilisation and rationalise energy pricing.

Food and fertiliser security: Reassuringly, locally produced urea and DAP are significantly cheaper than imported alternatives. Continued gas supply from the Mari fields to fertiliser manufacturers is a prudent policy and should be sustained. Given tightening global fertiliser markets and potential supply chain disruptions, ensuring domestic availability is critical for agricultural productivity. Wheat policy, however, needs careful management. The deregulation attempt in the previous crop year created uncertainty and hardship for farmers and consumers. The current target of procuring six million tons for strategic reserves is appropriate, but reverting to a system of compulsory procurement that has historically been marred by corruption, market distortions and fiscal losses must be avoided. Strategic reserves should be released during lean months to stabilise prices. Support for small farmers must also be strengthened. Financing initiatives such as Kissan Cards should be better targeted, while provincial programmes, such as procurement from Hari cardholders in Sindh and direct subsidy payments, can enhance equity in agriculture.

Social protection: Rising fuel and transport costs translate into higher prices for food and other essentials, disproportionately affecting low-income households. Across-the-board fuel subsidies are fiscally unsustainable and poorly targeted. Instead, Pakistan should build on its well-established BISP by expanding coverage to include more vulnerable households and increasing transfer amounts to reflect inflationary pressures.

Similarly, the expansion of health insurance through provincial health card schemes should be prioritised, ensuring uniformity in coverage, eligibility and service delivery. Health shocks are a major cause of impoverishment,

particularly for daily-wage and informal workers. Effective health protection can be a critical buffer against such vulnerabilities.

While there are many other aspects of economic security in need of structural reforms, the current regional uncertainty and domestic constraints necessitate prioritisation. Given limited fiscal space and administrative capacity, these four buffers — foreign exchange reserves, oil reserves, wheat stock and fertiliser availability and protecting the poor — need immediate and sustained focus. Building these buffers will not only enhance our ability to withstand external shocks but also lay the foundation for a more resilient, self-reliant economy.

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