POLICY BRIEF ON GOVERNANCE

Strengthening Governance and Anti-Corruption Framework in Pakistan

by **Tariq Khosa**
and **Amna Mohsin**

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CGR

CENTRE for GOVERNANCE RESEARCH
PAKISTAN

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Policy Brief on Governance

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A Civil Society Perspective on IMF's Governance and Corruption Diagnostic

by ***Tariq Khosa***
and ***Amna Mohsin***

1. Introduction

Pakistan's economic recovery and medium-term growth prospects are increasingly constrained by deep-rooted governance and corruption challenges. Despite recent macroeconomic stabilisation and reform momentum under the International Monetary Fund (IMF)-supported programme, persistent weaknesses in fiscal governance, rule of law, and accountability continue to undermine public investment efficiency, private sector confidence, and service delivery. These challenges shape the sustainability of reforms and the credibility of the state.

This policy brief distils the key findings of the IMF's Governance and Corruption Diagnostic (GCD), published in November 2025, and translates them into a focused set of takeaways and priority actions.[1] It is intended to support senior decision-makers by highlighting where governance failures most directly affect economic performance, and how Pakistan's civil society can support in bridging these governance gaps.

2. Problem Diagnosis

The GCD identifies governance weaknesses and corruption vulnerabilities across six state functions: i) fiscal governance; ii) market regulation; iii) financial sector oversight; iv) anti-money laundering and combating the financing of terrorism (AML-CFT); and v) rule of law.

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[1] International Monetary Fund, 'Pakistan: Governance and Corruption Diagnostic' (2025) <https://www.finance.gov.pk/mefp/technical_assistance_report_112025.pdf> accessed 23 January 2026.

2.1. Fiscal Governance

The GCD identifies Pakistan's tax policy as opaque and discretionary. Frequent in-year changes, excessive withholding/advance taxes, and poorly monitored exemptions create corruption risks and undermine compliance. It further notes that Pakistan's revenue administration lacks effective internal control, with the Federal Board of Revenue (FBR) operating with extensive autonomy but weak internal audit and performance accountability. Critical functions, including IT and data management, are outsourced to Pakistan Revenue Administration Limited (PRAL) without sufficient oversight.

Further, the GCD notes that Pakistan's budget credibility is weak. Large deviations between approved budgets and actual spending, heavy historical reliance on supplementary grants, and fragmented cash and debt management undermine parliamentary control and fiscal discipline. Public investment and procurement are also identified as high-risk areas. Capital projects suffer from weak project appraisal, with poor protection of funding over the project life cycle. The Public Procurement Regulatory Authority Ordinance, 2020 (PPRAO 2020) allows exceptions for special procurements by State Owned Enterprises (SOE), which opens the door for 'time-sensitive' projects that may be handed over to preferential contractors, increasing costs and corruption risks.

2.2. Market Regulation

The GCD notes that Pakistan suffers from over-regulation with limited transparency. Multiple regulators issue overlapping and sometimes contradictory regulations through opaque processes. Manual compliance procedures also raise transaction costs and create incentives for bribery. Authorities combine rule-making, enforcement, and dispute resolution functions, with limited external oversight, leading to perceptions of favouritism toward entrenched firms and cartelisation in critical sectors, such as sugar, cement, automobile, amongst others.

2.3. Financial Sector Oversight and AML-CFT

Despite generally sound supervision, the financial system remains heavily exposed to the state, limiting the space for the private sector. In terms of AML-CFT, the GCD acknowledges Pakistan's efforts in exiting the FATF grey list. Nevertheless, corruption-related money-laundering investigations, convictions, and asset recovery remain low relative to the risk. Beneficial ownership data is also difficult to verify and use operationally, and legal ambiguities hinder timely prosecution.

2.4. Rule of Law

Growing backlog of cases, multiple special courts and tribunals, and outdated laws weaken legal certainty in Pakistan, according to the GCD. Firms generally avoid relying on courts to enforce contracts or protect property rights due to concerns over time, cost, and integrity and independence of judicial institutions. The lack of a published and merit-based appointment process for judges, particularly those of tribunals and special courts, undermines transparency and performance oversight.

2.5. Anti-Corruption Framework

Pakistan's anti-corruption effort relies heavily on enforcement but under-utilises prevention. These efforts remain focused on individual prosecutions rather than systemic, risk-based prevention in high-exposure agencies and sectors. This is exacerbated by limited deterrence, as perceptions of arbitrariness and political influence reduce the credibility of sanctions and discourage lawful decision-making by public officials.

3. Policy Priorities

3.1. Enable Private Sector-Led Growth

The GCD recommends the immediate need to level the procurement playing field by eliminating preferences for SOEs and mandating end-to-end e-procurement across federal entities. Pakistan also needs to make investment facilitation transparent by publishing an annual report of the Special Investment Facilitation Council (SIFC) on strategic investments and the rationale of any concessions, as well as their value.

In terms of rationalising business regulation, Pakistan must establish a comprehensive database of all federal business regulations, eliminate unnecessary regulations based on structured systematic review, and subject new regulatory proposals to a review process based on international good practice. Further, compliance processes should be systematically digitised to reduce discretion and costs.

In order to reduce the backlog of economic disputes, court performance metrics should be published, and performance reports should be issued for administrative tribunals and special courts handling commercial matters.

3.2. Fix Core Public-Sector Functions

To simplify the tax system, Pakistan should publish and implement a tax simplification strategy with reduced rate schedules and excessive advance/withholding taxes, rationalise tax exemptions, and constrain rule-making powers. In terms of reforming revenue administration, FBR's governance and internal controls need to be strengthened. Autonomy of field offices ought to be reduced, while human resource practices and risk management needs to be improved.

Further, curbing in-year budget changes without parliamentary approval and introducing a contingency reserve for flexibility in budget execution is important to restore budget credibility. To protect priority capital spending and rationalise the Public Sector Development Programme (PSDP) pipeline, Pakistan should enhance PSDP transparency and efficiency by enforcing the 10% cap on new projects and retaining only high-priority initiatives. Adopting risk-based integrity management is also key and requires mitigating risks in top ten corruption-risk agencies based on a centralised assessment using public criteria. Pakistan should also publish annual progress reports and risk reduction outcomes in these agencies.

3.3. Strengthen Accountability and Oversight

It is essential to establish full institutional independence of the Auditor General in order to guarantee audit independence. With respect to deepening AML-CFT effectiveness, the GCD recommends that Pakistan must remove legal ambiguities on requiring a predicate conviction, increase quality and quantity of Suspicious Transactions Reports (STRs), strengthen financial investigation capacity, and enhance asset recovery and international cooperation.

To strengthen accountability and integrity among senior federal civil servants, Pakistan should publish asset declarations and implement risk-based verification of asset declarations starting from 2026. But since GCD's release, through the Elections (Amendment) Act, 2026, Senators, members of the National Assembly and provincial assemblies have been empowered to request exemption from public disclosure of their assets for one year at a time if such disclosure threatens the members' life or safety.[2] The amendment does not require the member to establish whether a reasonable and practical threat exists. Thus, it weakens

[2] IA Khan, 'Bill for secrecy of lawmakers' assets sails through NA' *Dawn* (22 January 2026) <https://www.dawn.com/news/1968337> accessed 23 January 2026.

transparency and public accountability by allowing legislators to avoid asset declaration on relatively broad grounds.

In addition, the GCD recommends that reforming legal frameworks for appointing heads of key oversight bodies — such as the Competition Commission of Pakistan (CCP), Securities and Exchange Commission of Pakistan (SECP), National Accountability Bureau (NAB), etc. — is important to ensure merit-based and transparent selection.

4. Civil Society's Perspective

From a civil society perspective, the GCD offers a broadly accurate analysis of Pakistan's governance and institutional vulnerabilities. The report acknowledges corruption, elite capture, and weak rule-based governance as central obstacles to equitable growth and service delivery, impeding public trust. The report's structural diagnosis — that corruption stems from discretionary governance, weak accountability, and fragmented institutions — largely aligns with long-standing concerns raised by civil society organisations, academia, and investigative journalists.[3]

Existing literature affirms that political interference and transparency deficits across bureaucratic and judicial organs hinder meaningful anti-corruption progress and impede Pakistan's achievement of SDG 16 goals on peace, justice, and strong institutions.[4] Comparative governance indicators also underscore the depth of Pakistan's institutional weaknesses. In World Bank's Worldwide Governance Indicators (2024), Pakistan ranks second-lowest amongst the eight South Asian countries for rule of law with a score of 39.46 out of 100, ranking only above Afghanistan.[5] In terms of control of corruption and regulatory quality, Pakistan ranks third-lowest in South Asia, with a score of 26.28 and 42.36, respectively.[6] These findings are reinforced by the World Justice Project (WJP) Rule of Law Index 2025, which places Pakistan 130th out of 143 countries, with a score of 0.37 —

[3] F Khan, 'Pakistan: A Study in Corruption' in B Warf, 'Handbook on the Geographies of Corruption' (Edward Elgar 2018) 274.

4 K Aziz and others, 'Governance Failures and Corruption in Pakistan: Challenges to the Implementation of SDG 16' (2025) 3(3) Social Science Review Archives 2213.

5 World Bank, 'Worldwide Governance Indicators' (2025) <www.govindicators.org> accessed 23 January 2026.

6 Ibid.

considerably below the global average of 0.55 and regional average of 0.43.[7] Pakistan also performs particularly poorly in absence of corruption and regulatory enforcement in the WJP Rule of Law Index 2025, which is consistent with the GCD.

But the practicality of the report's recommendations is uneven. While many proposals — such as strengthening audit functions, improving inter-agency coordination, and enhancing transparency in public procurement — are normatively sound, they frequently assume levels of political buy-in and bureaucratic autonomy that are not consistently present. Civil society actors have repeatedly observed that reform pathways premised on executive goodwill or top-down compliance underestimate the persistence of informal power structures and patronage networks that dilute reform impact once external pressure subsides.

A further limitation lies in the report's institution-centric approach, which prioritises formal legal and administrative reforms over social accountability mechanisms. The role of civil society, independent media, trade unions, and community-based organisations is referenced only tangentially, despite substantial evidence that bottom-up oversight and citizen-led monitoring are among the most resilient accountability tools in constrained governance environments.[8] This omission reinforces a reform model that privileges technocratic fixes while marginalising participatory governance and rights-based approaches.

The GCD also does not adequately address shrinking civic space, impediments to journalists, or constraints on access to information — factors that materially affect the feasibility of governance reforms. This absence limits the report's ability to anticipate implementation bottlenecks or unintended consequences.

5. Reimagining Civil Society's Role

The GCD recognises that sustainable governance reform cannot be achieved through state action alone, noting that lasting progress depends on 'broad-based participation by both state and non-state actors', and that civil society plays an important role in transparency, monitoring, and public dialogue. Correspondingly, there is a compelling case to move beyond a peripheral or supportive framing of civil society actors and instead reimagine them as core accountability actors within Pakistan's governance ecosystem.

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[7] World Justice Project, 'Pakistan' (2025) <https://worldjusticeproject.org/rule-of-law-index/country/Pakistan> accessed 23 January 2026.

[8] JA Fox, 'Social Accountability: What Does the Evidence Really Say?' (2015) 72 World Development 346.

As such, Pakistan's civil society can play a critical enabling role in ensuring that the GCD's recommendations translate into sustained, measurable reforms rather than remaining aspirational commitments. First, civil society can act as an implementation watchdog, supporting transparency and accountability across priority reform areas such as public financial management, procurement, tax administration, market regulation, and rule of law. By systematically monitoring reform milestones, budget execution, regulatory changes, and institutional performance, civil society organisations (CSOs), academia, and media can help close the gap between formal policy adoption and on-ground practice. Independent civil society scrutiny can assuage GCD's concerns regarding limited follow-through and weak monitoring that have undermined past reform efforts in Pakistan, thereby sustaining reform momentum beyond political cycles.

Second, civil society can strengthen evidence-based public discourse by translating technically complex reforms into accessible analysis for Parliament, media, and citizens. This includes unpacking fiscal reforms, procurement transparency measures, asset declaration regimes, and AML-CFT controls in ways that enhance public understanding and demand for compliance. In line with GCD's recommendations on improving access to information, civil society actors can also make strategic use of the Right of Access to Information Act, 2017 to surface data gaps and inconsistencies.

Third, CSOs and academia can function as constructive policy interlocutors, providing feedback loops between reforming institutions and affected stakeholders. The GCD emphasises that reforms imposed without consultation risk resistance, capture, or dilution during implementation. Civil society — including professional associations, bar councils, research institutions, and sectoral watchdogs — can offer grounded insights on regulatory burdens and service delivery failures, thereby improving reform design and sequencing.

Fourth, civil society has a vital role in social accountability and integrity-building, particularly in sectors vulnerable to elite capture and discretion. Through community monitoring, budget tracking, procurement observation, and integrity pacts, CSOs and media can help deter corruption risks at points where state oversight remains weak. This aligns with GCD guidance that anti-corruption efforts should move beyond enforcement alone and include preventive, risk-based approaches supported by societal oversight.

For public procurement, for instance, CSOs can establish independent monitoring watchdogs that track financing in large-scale projects, publishing periodic reports and tracking budgeted expenditure against the actual.[9] This includes the public as a 'shadow auditor', and can help prevent exploitation of loopholes like discretionary procurement exceptions granted under the PPRAO 2020. Persistent public pressure can generate the momentum to eliminate these loopholes to prevent future procurement malpractice, helping reduce the losses in economic recovery each year.

In the realm of taxation and revenue, civil society has the responsibility to reproach arbitrary tax exemptions. Such discretionary exemptions cause significant loss in tax revenue each year (Rs 2.66 trillion in 2017-18, over 7% of GDP).[10] With many exemptions only benefiting the elite, they exacerbate the wealth and income inequality in Pakistan besides restraining economic growth. Generating awareness on how tax policy affects social equity and income distribution is also necessary. Collaborative campaigns by CSOs and media can help generate bottom-up pressure and advocate for broadening the tax base, which will boost revenue collection and highlight problems such as elite capture that cause revenue leakages.

Finally, civil society can support reform sustainability by anchoring governance improvements in public demand rather than elite consensus alone. Past IMF-supported programmes in Pakistan have delivered short-term stabilisation but struggled to institutionalise reforms. By maintaining pressure for continuity, documenting reform reversals, and amplifying citizen experiences, civil society can help ensure that governance improvements survive changes in government and administrative leadership.

For civil society to effectively perform these roles, an enabling environment is essential. This includes predictable access to information, protection of civic space, institutionalised consultation mechanisms, and recognition of civil society as a legitimate stakeholder in governance reform. As emphasised in the GCD, meaningful participation by non-state actors is not ancillary but integral to achieving durable improvements in governance, accountability, and economic performance.

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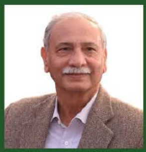
[9] C Cravera, 'Rethinking The Role Of Civil Society In Public Procurement' (2019) 14(1) European Procurement & Public Private Partnership Law Review 30.

[10] F Daudpota, 'A Critical Examination of Tax Exemptions in Pakistan: Scope, Impact, and Alignment with International Best Practices' (2025) <https://ssrn.com/abstract=5392583> 23 January 2026.

ABOUT THE AUTHORS



Tariq Khosa is a distinguished veteran of the Police Service of Pakistan with a career spanning about four decades in law enforcement and national security. He has held several of the country's most prestigious appointments, including Inspector General Balochistan Police, Director General of the Federal Investigation Agency (FIA) and Federal Secretary of Narcotics Control Division.

His expertise in counterterrorism was instrumental in drafting Pakistan's National Action Plan in 2015, and he continues to advise the National Counter Terrorism Authority (NACTA).

On the international stage, Khosa served as an Executive Committee Member for Asia at INTERPOL (2009–2012) and currently sits on the boards of major global organizations in Geneva and Vienna focused on organized crime and justice.

He is presently the Director of the Centre for Governance Research (CGR), where he remains a leading voice on the rule of law, internal security, and institutional reform in Pakistan.

Amna Mohsin is an LLB candidate at the University of London. She presently serves as a Research Assistant at the Centre for Human Rights, working in policy research on Non-Consensual Intimate Image (NCII) sharing, transnational organised crime, arbitrary arrests and detention, amongst others.