

Budget 2026-27 as a bridge

Ishrat Husain Published February 28, 2026 Updated about 3 hours ago

THE federal budget for 2026-27 won't be just another annual ritual. It will likely be the penultimate budget before Pakistan's Extended Fund Facility with the IMF concludes end-2027.

If the prime minister's stated aim to exit the IMF programme decisively is to be realised, this budget must serve as the bridge between stabilisation and sustainable growth.

The government deserves credit for meeting the performance criteria and structural benchmarks agreed with the IMF. Macroeconomic stability has been restored, inflation moderated, the exchange rate steadied and fiscal discipline improved. The task now is to move from horizontal drift to upward ascent.

Some of the ongoing reforms such as the national tariff policy, separation of tax policy, deregulation of wheat and sugar trade, FBR digitisation, Discos' privatisation and third-party access to oil and gas companies should be carried forward. It won't be easy; the external environment is turning slippery.

For two decades, developing countries benefited from liberal trade regimes, lowered tariffs in advanced economies, concessional financing, generous multilateral flows, buoyant FDI, easier labour mobility and technology transfer. These are narrowing. Protectionism is resurging. Geopolitical fragmentation is reshaping supply chains. Aid and concessional flows are tightening. Labour visas are becoming restrictive.

Meanwhile, competitors aren't standing still. India's recent trade **deals** with EU and the US, Bangladesh's preferential access for apparel exports using US cotton and imported inputs and Pakistan's own renegotiation of the EU's GSP-Plus in 2027 must be factored into budget strategy. One can't assume past export advantages will persist. The 2026-27 budget must comply with IMF conditionalities while clearly articulating a post-2027 growth roadmap anchored in inclusive, sustained expansion, job creation and export dynamism.

Pakistan has shown resolve on the external front against a formidable adversary. Yet internal security, particularly terrorism in Balochistan, KP and recently Islamabad, has shaken investor confidence. Mineral development plan, oil and gas exploration, maritime export strategy, expanded trade with Afghanistan and Central Asia and Gwadar's meaningful industrialisation can succeed if security is restored to the level achieved after the APS tragedy in Peshawar. All economic activity rests on the preservation of life and property. Economic policy can't compensate for insecurity, and can only be built on stability.

The next budget should signal that Pakistan is preparing to graduate from stabilisation to growth.

A second chronic weakness is coordination failure among ministries and between the centre and provinces. Two constitutional forums exist to address this: National Economic Council and the Council of Common Interests (CCI). Yet both remain underutilised. The NEC, with the Planning Commission as its secretariat, should meet regularly, not simply to endorse the Annual Development Plan (ADP) but also to a) approve an integrated budgetary framework paper within which federal and provincial budgets are formulated; b) review NFC awards when consensus breaks down; c) serve as a clearing house for cross-ministerial policies to ensure consistency, coherence and stakeholder consultation; d) monitor policy implementation, consolidated fiscal operations and guide corrective action where variances are significant. In the past, well-intentioned export policies have been undermined by contradictory tax, tariff and energy pricing measures. Policy coherence must replace policy contradiction.

The CCI, now equipped with a full-time secretariat, should proactively address contentious matters such as water apportionment, telemetry and the weighted average cost of gas. These issues, if unresolved, will breed fiscal and political friction.

Third, line ministries and provincial departments must shift from process-driven administration to performance-driven management. Each ministry should prepare annual business plans aligned with budget allocations and enter into performance agreements with the PM or chief ministers. Clear, measurable key performance indicators should be monitored periodically and form the basis for evaluation. High performers should be rewarded. Similar agreements should cascade down to public sector corporations, autonomous bodies and attached departments. With agreements in place, directives outside their scope should cease.

This will require amending the Rules of Business and rationalising the size of the PM and CM secretariats. Endless summary re-examinations breed risk aversion and buck-passing. Governance must be defined by accountability for results, not paperwork.

Fourth, Pakistan's real sectors, including industry and agriculture, have been battered. Domestic productive capacity has shrunk. De-industrialisation is visible. Imports of base industrial raw materials and components have risen making downstream industries noncompetitive. Tax and tariff structures, energy pricing, R&D allocations, skilled manpower expansion, industry-academia collaboration, financial sector engagement and integration into global value chains must all align with the single aim of raising productivity and competitiveness.

The PSDP and provincial ADP allocations should prioritise productivity-enhancing investments. Large conglomerates that have shown financial muscle — evident in PIA's privatisation — should be incentivised to undertake long-gestation, capital-intensive projects, leveraging capital markets and global joint ventures. Industrial revival cannot be left to rhetoric and needs coordinated incentives, patient capital and policy consistency. A country with a vast irrigation system should not be importing \$10 billion of foodstuffs and agricultural raw materials. Technological advances and access to finance and knowledge should help small farmers raise the productivity of their farms and switch to remunerative crops, livestock and marine products

Finally, the long-pending regulatory guillotine must be completed. Outdated, restrictive and redundant federal, provincial and local regulations should be eliminated. Instead, a unified Pakistan business portal that integrates permits, licences and NOCs — along the lines of the Pakistan Single Window — should simplify business entry and compliance.

Special Economic Zones should be given operational autonomy, with utilities and facilitation services delivered seamlessly. Special Technology Zones should provide land, power and water to domestic and foreign firms for setting up data centres. Provinces should consolidate labour laws into a unified code that ensures dignity, reskilling, fair compensation, housing, medical care and post-retirement security by revising and consolidating various prevalent schemes such as Social Security, Workers Welfare Fund, EOBI, Profit Participation Funds, apprenticeship programmes, etc.

Ease of doing business is a system, not a slogan. Many of these reforms extend beyond a single fiscal year. But a clear direction must be set now. Abrupt

policy reversals, discretionary interventions and unpredictable regulatory actions must be avoided. The next budget should signal that Pakistan is preparing to graduate from stabilisation under IMF supervision to self-sustaining growth anchored in institutional coherence, security, competitiveness and private sector dynamism. If this budget lays that foundation, exiting the IMF programme in 2027 will be more than procedural; it will be meaningful.

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