

Pakistan's Reform Agenda for Integrated Economic Governance

In collaboration with Friedrich-Ebert-Stiftung (FES), Pakistan

Pakistan has made important progress towards macroeconomic stabilisation yet another time over the last two-three years. The Pakistan Economic Survey 2025–26 highlights significant fiscal consolidation, including a reduction in the fiscal deficit and improvement in the primary balance. These developments provide an important foundation for moving beyond crisis management towards deeper structural reforms. The Middle East crisis has already [slow down the global economy](#) at the lowest rate since the COVID-19 Pandemic. However, the country's [reform challenge](#) has increasingly shifted from short-term stabilisation to building a coherent and sustainable economic governance framework.

The persistent challenge facing the country is that the [little gains](#) from this hard-earned economic stabilisation are often eroded due to structural weaknesses in the economy, leading to repeated cycles of instability. Stabilisation phases typically last 3–4 years, before the economy re-enters into another Balance of Payments (BoP) crisis, undermining sustained progress. Pakistan's [25th entry into another International Monetary Fund \(IMF\) program](#) shows the recurring nature of these macroeconomic vulnerabilities. This highlights the need for a comprehensive [reform agenda](#) that moves beyond short-term stabilization and embed macroeconomic stability within a broader medium- to long-term growth framework, ensuring that stabilisation efforts are effectively translated into sustained, inclusive, and resilient economic development.

The repeated crisis suggests that incremental and fragmented policy corrections are no longer addressing the underlying structural constraints of the economy. Policies designed to deliver stabilisation and implemented in silos, with limited coordination across ministries, departments and levels of government, have further weakened their collective impact. The challenge is, therefore, not simply one of better stabilisation policies, but of fundamentally rethinking the country's economic governance framework.

A new economic governance framework must be explicitly designed to deliver sustained rather than episodic growth. It should deliver durable macroeconomic and financial stability by strengthening productivity, expanding exports, and attracting quality foreign direct investment. At the same time, it must generate productive and decent jobs, accelerate poverty reduction through broad-based and inclusive growth, strengthen resilience to domestic and external shocks, and build the institutional capacity needed for coherent, evidence-based policymaking and effective policy implementation.

This also requires mainstreaming of new technologies into governance rather than treating them as add-ons. Artificial Intelligence, for instance, can help shape public expenditure in real time, support financing management, enable rapid assessments, and identify emerging trends, allowing policymakers to respond to changing conditions faster and with better evidence.

The transition from a stabilisation-focused to a sustainability-oriented growth framework requires a deeper understanding of the structural reforms, institutional arrangements, and sequencing necessary to support this shift. It also requires broad political consensus and sustained stakeholder engagement.

This *Policy Dialogue* builds on the Sustainable Development Policy Institute (SDPI)'s decade-long engagement with Pakistan's economic governance questions, shifting the focus from rethinking the governance model to identifying practical steps for implementing the reform agenda. It is being jointly organised by the Sustainable Development Policy Institute (SDPI) and Friedrich-Ebert-Stiftung (FES), Pakistan and will examine the institutional and policy reforms required to move Pakistan from recurring stabilisation cycles towards sustained and resilient economic growth; and ultimately seek to generate a priority actionable set of reform directions that can contribute to the country's medium- and long-term economic governance and development agenda. It will also examine the implementation challenges that have constrained the adoption of reforms. Specifically, it aims to:

- Access the fundamental policy, institutional, and structural changes required to transition Pakistan from a crisis-driven stabilisation model towards a sustainable, productive, and resilient economic governance framework.
- Explore how these fundamental changes can be advanced, including the policy reforms, institutional arrangements, sequencing, and implementation mechanisms needed to move from reform priorities to concrete action.
- Identify the key catalysts for reform, including political commitment, institutional coordination, private-sector engagement, regulatory changes, fiscal incentives, governance model, and other mechanisms that can accelerate the transition.
- Establish a practical reform pathway by distinguishing immediate, medium-term, and longer-term actions required to embed economic stability within a sustainable growth and development framework.

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