

High-level Plenary

Private Sector Growth and the Fiscal Policy Agenda for 2027

Pakistan's fiscal policy is entering a critical phase in which the need for revenue mobilisation must be balanced with the objective of sustaining private investment and economic growth. The FY2027 budget framework is expected to sustain consolidation efforts while addressing Pakistan's narrow revenue base, substantial public financing requirements and limited room for policy manoeuvre. The central challenge is not simply how to collect more revenue, but how fiscal policy can encourage a larger, more productive and formal private sector that itself contributes to a stronger and more sustainable revenue base.

Pakistan has made progress in revenue mobilisation. According to the [Pakistan Economic Survey 2025-26](#), total revenue reached 15.8% of GDP in FY2025, while tax revenue increased to 11.2% of GDP. The [International Monetary Fund \(IMF\)'s latest review](#) reports general government tax revenue at 12.3% of GDP and notes that Pakistan's tax base remains concentrated, highlighting the need to broaden coverage and improve compliance. At the same time, private investment and productivity remain critical to sustaining growth and creating employment. The [World Bank](#) has identified stronger private investment, improved competitiveness and structural reforms as important for Pakistan's transition from stabilisation towards sustained growth.

The FY2027 fiscal agenda provides an opportunity to examine how these objectives can be pursued alongside private sector development. The [IMF's FY2027 framework](#) targets an underlying primary surplus of 2% of GDP and envisages additional revenue mobilisation through tax policy measures, Federal Board of Revenue (FBR)'s transformation, digital invoicing, production monitoring and stronger provincial revenue collection. At the same time, the programme stresses reforms to improve the business environment, reduce the state's footprint, remove market distortions and strengthen competition. The policy question is how these two agendas can be designed to reinforce rather than undermine each other.

This issue lies at the heart of the 29th Sustainable Development Conference which places development finance within the broader framework of Economy, Environment and Equity and highlights domestic resource mobilisation, fiscal pressures and the mobilisation of private capital as key development challenges.

The structure and administration of taxation are central to this agenda. Pakistan's current reform efforts focus on broadening the tax base, strengthening tax administration and reducing distortions and exemptions. The [IMF's current programme](#) places particular emphasis on improving compliance, rationalising tax expenditures and strengthening provincial revenue mobilisation. These efforts raise an important question for policymakers: how can the tax system bring more economic activity into the formal

economy while maintaining incentives for productive investment? The discussion at the SDC will also consider how stronger government–industry engagement and trust can support improved compliance, investment and long-term revenue mobilisation.

The expenditure side of fiscal policy is equally important. Public investment in infrastructure, energy, human capital and digital systems can reduce business costs and improve productivity, while inefficient expenditure and high public financing requirements can constrain resources available for private investment. Federal and provincial fiscal arrangements also matter because the allocation of revenue and expenditure responsibilities influence both the quality of public services and incentives for revenue mobilisation. The [World Bank](#) has highlighted the need for stronger alignment between fiscal responsibilities, revenue collection and service delivery across levels of government.

This *High-Level Plenary* will, therefore, bring together policymakers, fiscal and economic experts, private sector representatives, development partners, researchers and practitioners to examine how Pakistan can align fiscal policy with private sector development and long-term revenue mobilisation. It will:

- Examine the key features that should define a growth-supportive fiscal policy framework for FY2027,
- Explore how private sector investment, formalisation, employment and business expansion can contribute to higher and more diversified government revenues,
- Consider how public expenditure, infrastructure and investment can reduce business costs and improve private sector productivity,
- Analyse how fiscal and regulatory reforms can improve investment certainty, competitiveness and incentives for formalisation,
- Discuss how federal-provincial coordination can strengthen domestic resource mobilisation while improving the efficiency of public service delivery; and
- Identify practical policy measures through which government and the private sector can strengthen investment, formalisation, economic growth and sustainable revenue generation.

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