INTERNATIONAL
THE NEWS

From crisis to confidence

Nadeem Javaid | 23rd June 2025

In the days following the release of the federal budget, the debate has been swift and sharp. Critics have called it uninspiring, overly cautious, even contractionary. Some argue that it's an IMF scripted document that sacrifices growth at the altar of austerity, while others lament a perceived lack of bold investments in the people.

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These criticisms, while understandable, often miss the broader context and deeper logic driving this budget. To truly grasp the direction in which Budget 2025–26 is steering the country, we must look at the numbers, the journey that led us here and the vision that lies ahead.

Just two years ago, Pakistan's economy teetered on the edge of collapse. Foreign ring, and the state struggled to fund even its basic functions — let alone development. A choice had to be made: pursue short term populism or commit to a long term path of stabilisation and reform. The government chose the latter. It was not an easy road. Energy tariffs were reformed, subsidies rationalised, and a difficult IMF supported stabilisation programme was adopted — not out of desire, but of necessity.

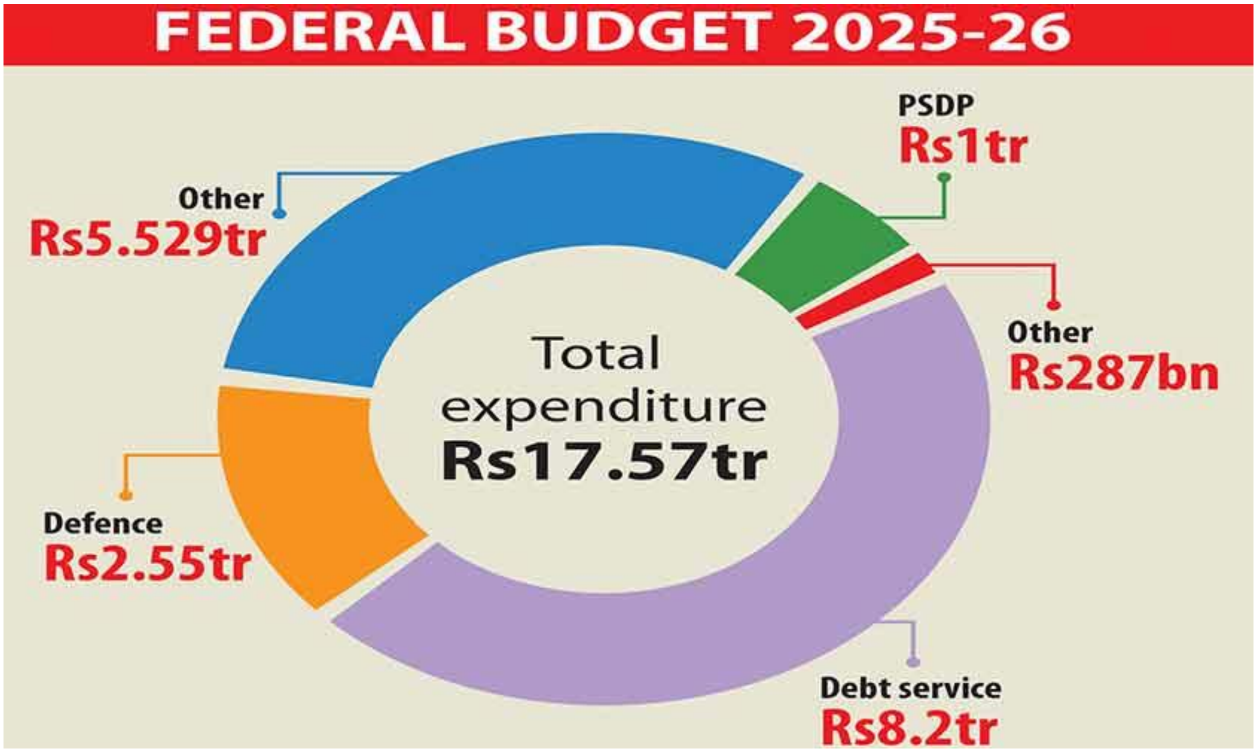
The dividends of that discipline are now beginning to show. Inflation has dropped to 3.5 per cent, down from double digits just a year ago. The current account has swung into surplus, GDP has grown from $372 billion to $411 billion, and the Federal Board of Revenue has achieved a record Rs10.23 trillion in tax collection. Investor sentiment is improving, with sovereign credit ratings upgraded and international development partners recommitting significant financing to Pakistan's reform path. These gains form the backdrop against which the current budget must be understood.

Budget 2025–26, then, is not a populist showpiece. It is a strategic document that marks a transition — from firefighting to nation building. Its ambition is tempered by realism, and its restraint is guided by purpose. The Rs14.1 trillion revenue target is bold, yet supported by clear measures: Rs840 billion in new tax efforts, strengthened enforcement through AI powered audits, digital invoicing, and a robust clampdown on non build a foundation where growth is sustainable, inclusive and rooted in productivity.

The budget also carefully rebalances the relationship between the federal and provincial governments. By factoring in over Rs1 trillion in provincial surpluses to bridge the fiscal deficit, it reflects a more integrated model of federalism, where provinces are not just recipients of transfers but contributors to macroeconomic stability.

On the expenditure side, the story is one of careful pruning rather than arbitrary cuts. Current expenditures have been largely protected to ensure continuity in essential services, while the development outlay of Rs4.2 trillion — Rs1 trillion federal, Rs355 billion SOEs and Rs2.9 trillion provincial — has been redesigned for impact.

A sweeping rationalisation has reduced the number of federal projects from 1,071 to 801, saving Rs2,730 billion and prioritising highact, near completion initiatives. Instead of stretching resources thin across low-return schemes, the focus is now on strategic investments — in infrastructure, water security, energy, climate resilience and human capital.



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Yet no budget is without its limitations. The most frequent concern is whether it does enough to invest in people. Here, the picture is mixed. The budget does offer targeted relief to middle aking the BISP envelope from Rs 592.5 billion to Rs716 billion. Health and higher education have received focused support — Rs24.75 billion and Rs61 billion, respectively. While significant funds have been allocated for large infrastructure and industrial revival, questions remain around whether we are investing enough in skilling our youth for the jobs of the future.

To its credit, the budget earmarks Rs4.3 billion specifically for vocational training programmes; several initiatives for digital skills, youth entrepreneurship, and certification are in the pipeline. However, given the size of our youth bulge and the rapid pace of technological advancement, the government is committed to scaling up these efforts more swiftly. The global economy rewards those who invest in human capital today and not tomorrow.

It is also important to note that the government's reform orientation is not limited to what can be bought with money. The URAAN Pakistan framework, which guides the broader development agenda, places equal emphasis on institutional reform, digitisation, governance and smarter spending. The Planning Commission's drive for data driven project selection, real time monitoring, citizen feedback and digital public service delivery is already underway — ensuring that every rupee spent delivers value.

Looking back, it is remarkable how far the economy has come. In 2023, Pakistan could not pay for its development projects. Today, it is servicing its debts, funding national defence and investing — albeit with constraint — in critical infrastructure and services. This transformation is not accidental but the result of deliberate, evidence based policy decisions rooted in economic realism and a commitment to reform.

To view this budget as simply contractionary is to miss the forest for the trees. The reduction in federal budget size — from Rs18.8 trillion to Rs17.6 trillion — is a correction. It reflects a move towards greater efficiency and sustainability. It prioritises the completion of existing projects over the temptation to launch new ones. It invests in the economy's long-term capacity, rather than chasing short term applause.

Of course, challenges remain. If not addressed through enhanced fiscal space, the squeeze on the federal PSDP could threaten the momentum of infrastructure development. The rising cost of project delays due to under trillion throw forward liability must push us towards greater coordination, timely resource allocation and institutional accountability.

Yet despite these limitations, the direction is unmistakably forward. This budget reflects where we have been, understands where we are, and carefully charts where we must go. It embodies the spirit of URAAN

Pakistan — an integrated vision for productivity, innovation, equity and sustainability.

The budget’s growth orientation is expected to translate into meaningful job creation. Projections indicate that 1.2 to 1.5 million new jobs could be generated in FY2025–26 through a mix of direct, indirect, and induced employment across farming, manufacturing, construction, IT and retail — reflecting the budget’s strategic focus on sectors that fuel both economic growth and livelihoods.

In the final analysis, Budget 2025–26 is not just a financial statement but a signal of intent. It tells the world, and more importantly our citizens, that Pakistan is moving from crisis to confidence – not through wishful thinking, but through disciplined planning, collaborative governance and reform led development. The government inherited a crisis but is delivering a recovery.

The writer is the vice-chancellor of the Pakistan Institute of Development Economics (PIDE) and a member of the Planning Commission of Pakistan.

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