

Prologue

Governments communicate with investors and businesses primarily through their policies, which enable them to navigate decisions by anticipating policy direction in the foreseeable future. In the absence of a clear, consistent and predictable policy environment, only speculative economic activities tend to flourish while the long-term investment horizon and risk appetite of investors and businesses are significantly constrained. A stable policy framework, supported by sound governance, institutional discipline and strong work ethics, is therefore essential for sustainable economic growth.

The present government has introduced two key policy documents outlining its economic vision for the current tenure and beyond: URAAN Pakistan and Prime Minister's Economic Transformation Agenda and Implementation Plan (2024-29). These aim to achieve the targets, among others, of 6% rate of economic growth and USD 60 bn of exports by 2029. The first year of implementation missed both the targets with subdued economic growth and exports remaining largely stagnant.

The prevailing policy landscape is broad yet fragmented, marked by overlapping interventions, weak strategic alignment, and uneven execution across key economic domains. Many of these policies require urgent review, as some are either fundamentally deficient or inadequately implemented, while other critical areas suffer from a complete absence of policy direction. Furthermore, the lack of coordinated effort between the Federal and Provincial governments, as well as insufficient inter-ministerial collaboration, has adversely affected key sectors such as water and food security, industrial development, and investment facilitation.

Among all priority areas, Human Resource Development demands the most urgent and sustained intervention. Federal and Provincial governments should have been deeply concerned by Pakistan's persistently declining rankings on the Human Development Index and the Human Capital Index. These trends are contributing to rising poverty and unemployment, low labor productivity, and affecting national competitiveness. The global economy is rapidly transitioning into the era of Industry 4.0, which necessitates not only immediate measures to equip the country's young population, approximately 35 percent of whom are reported to be idle, with advanced skills. Equally important is preparing society to manage disruptions from an AI-driven ecosystem.

This paper represents an effort by the Policy Research and Advisory Council to identify critical policy gaps and propose a coherent framework to achieve economic targets alongside social uplift. We hope that the policymakers will find it useful to begin a reset in the right direction.

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