POLICY BRIEF • #UNLOCKPAKBUSINESS INITIATIVE

Simplifying Business Regulations in Pakistan

A Roadmap for Improving the Business Environment

Executive Summary

Pakistan's private sector, particularly small and medium-sized enterprises (SMEs) and traders, faces a regulatory environment characterized by overlapping procedures, fragmented institutional responsibilities, inconsistent implementation, and costly compliance requirements. While regulatory oversight is essential for ensuring legal compliance, consumer protection, and environmental sustainability, excessive procedural complexity has increased the cost of doing business, discouraged formalization, and constrained entrepreneurship and investment.

Consultations conducted by Freedom Gate Prosperity (FGP) with entrepreneurs, business associations (including the Islamabad Chamber of Small Traders and Small Industries), policy experts, regulators, and other stakeholders indicate a broad consensus that Pakistan's regulatory framework requires simplification rather than expansion. Businesses continue to encounter multiple registration requirements, repetitive submission of information to different agencies, inconsistent inspection regimes, and limited coordination among federal, provincial, and local authorities. These challenges disproportionately affect startups, youth-led enterprises, women entrepreneurs, and SMEs with limited financial and administrative capacity.

Digital transformation has improved service delivery in several institutions; however, many regulatory processes remain fragmented, requiring businesses to navigate multiple portals, offices, and documentation requirements. Stakeholders consistently emphasized that regulatory predictability, transparency, and inter-agency coordination are as important as reducing the number of procedures.

Pakistan possesses significant entrepreneurial potential, a growing digital economy, and an increasingly capable public sector. Building on these strengths requires reforms that simplify compliance, enhance institutional coordination, and create a business environment that is transparent, efficient, and investor-friendly. A modern regulatory framework can improve competitiveness, attract investment, expand formal economic activity, and support sustainable economic growth.

Background & Emerging Context

The private sector is a key driver of employment, innovation, exports, and economic resilience. Yet businesses frequently report that regulatory compliance consumes substantial time and resources that could otherwise be invested in expansion, innovation, and job creation.

The federal government's recent policy pivot in the Budget FY2026-27, which prioritized building the digital ecosystem, slashed advance taxes on global software/SaaS tools from 5% to 0.5%, and protected startup liquidity by exempting them from withholding taxes, demonstrates strong political will to modernize the economy. However, ground-level consultations led by FGP with various commercial stakeholders, including retail trade representatives and local chamber bodies, reveal that operational bottlenecks remain

stubborn. Pakistan's digital transition is roaring at the macro level (with digital transactions surging past 10 billion annually), yet individual businesses are still bogged down by fragmented execution.

Stakeholders engaged during FGP's outreach identified several recurring structural concerns:

- Multiple approvals required from different agencies for similar purposes.
- Duplication of documentation and repeated submission of identical information across different agencies.
- Inconsistent interpretation of regulations across jurisdictions.
- Lengthy processing times for licenses, permits, and No Objection Certificates (NOCs).
- Limited interoperability among government information systems.
- Overlapping inspection mechanisms with limited coordination.
- Uncertainty regarding applicable procedures, timelines, and compliance obligations.
- Greater compliance burdens on SMEs than on larger enterprises with dedicated compliance teams.

Key Issues Identified

- **Fragmented Regulatory Landscape:** Businesses interact with numerous federal, provincial, and local authorities throughout their lifecycle. Registration, taxation, labour compliance, environmental approvals, municipal permissions, sector-specific licensing, and periodic reporting often operate independently, creating duplication and administrative inefficiencies.
- **Compliance Costs for SMEs:** Many compliance requirements involve financial costs, professional fees, repeated documentation, travel, and significant management time. These burdens are proportionally much higher for SMEs and startups than for larger firms, reducing their competitiveness and limiting opportunities for business growth.
- **Limited Digital Integration:** Although many government agencies have introduced online services, digital systems often function independently without sharing information. Businesses continue to enter identical data multiple times and submit documents already available within government databases. The absence of integrated digital services limits the efficiency gains expected from e-governance initiatives.
- **Regulatory Uncertainty:** Businesses frequently face uncertainty regarding applicable procedures, required documentation, processing timelines, and approval responsibilities. Variations in implementation across offices further increase compliance risks and discourage investment decisions.
- **Inspection and Enforcement:** Inspection systems remain largely compliance-driven rather than risk-based. Businesses may be subject to inspections by multiple agencies with limited coordination, resulting in unnecessary duplication and operational disruption while diverting regulatory resources from higher-risk activities.
- **Need for Institutional Coordination:** Ground-level evidence highlights that improving the business environment does not necessarily require extensive legislative reform. Significant improvements can be achieved through stronger coordination among existing institutions, harmonization of procedures, standardization of documentation, and greater administrative efficiency.

Policy Recommendations

The following recommendations reflect areas of broad consensus emerging from FGP's consultative dialogues and are designed to establish a practical, technology-enabled roadmap for reform.

1. Establish an Integrated Digital Compliance Gateway: Develop a unified digital platform that enables businesses to complete registrations, licensing, renewals, compliance reporting, and regulatory submissions through a single interface. The platform should securely integrate with and bridge relevant federal and provincial agencies, ensuring that information submitted once is shared efficiently across authorized institutions.

2. Introduce a Unique Business Identifier: Adopt a single business identification number recognized across all government entities. This would eliminate repetitive registration processes, improve data consistency, reduce the administrative burden on traders, and facilitate seamless inter-agency coordination.

3. Review and Rationalize Existing Regulations: Undertake a systematic review of business-related regulations to identify outdated, overlapping, and low-value requirements. Eliminate duplicate approvals, consolidate similar procedures, and simplify licensing requirements wherever possible while maintaining appropriate regulatory safeguards.

4. Standardize Regulatory Processes: Develop standardized application forms, documentation requirements, service timelines, and operating procedures across relevant government institutions. Clearly published standards will improve transparency, minimize discretionary decision-making, and enhance predictability for entrepreneurs.

5. Expand Risk-Based Inspection Systems: Replace routine and repetitive inspections with risk-based inspection frameworks that prioritize higher-risk sectors and businesses with poor compliance records. Coordinated inspection schedules and information sharing among regulators will reduce operational disruptions for small traders.

6. Strengthen Federal-Provincial Coordination: Establish formal coordination mechanisms among federal, provincial, and local authorities to harmonize regulatory requirements, reduce duplication, and promote consistent implementation. Regular intergovernmental dialogue can significantly improve the nationwide business environment.

7. Improve Regulatory Transparency: All business-related procedures, fees, processing timelines, eligibility criteria, and appeal mechanisms should be publicly accessible through official digital platforms. Businesses must be allowed to track application statuses electronically and receive timely updates throughout the approval process.

8. Institutionalize Public-Private Consultation: Create structured mechanisms for periodic consultation with chambers of commerce, industry associations, SMEs, professional bodies, and civil society before introducing or revising business regulations. Continuous stakeholder engagement will bridge the gap between policy design and ground realities.

9. Promote Regulatory Impact Assessment (RIA): Require Regulatory Impact Assessments for significant new business regulations to evaluate their likely economic, administrative, and compliance impacts before implementation. Evidence-based policymaking will help avoid unintended regulatory burdens on early-stage enterprises.

10. Build Institutional Capacity: Strengthen the capacity of regulatory agencies through continuous training, digital transformation, process improvement, and performance

monitoring. Effective reform depends not only on better rules but also on stronger institutions capable of implementing them consistently.

Expected Outcomes

Implementation of these targeted reforms under the #UnlockPakBusiness platform will contribute to:

- Reduced compliance costs and minimized administrative burdens for traders and entrepreneurs.
- Faster business registration, licensing, and regulatory approvals.
- Increased enterprise formalization and improved tax compliance.
- Greater transparency, accountability, and consistency in regulatory administration.
- Improved investor confidence and a surge in domestic investment.
- Enhanced competitiveness and productivity of Pakistani SMEs in regional markets.
- Increased entrepreneurship, innovation, and employment opportunities, particularly for the youth population.
- More efficient allocation of public regulatory resources.

The Roadmap

Pakistan's economic resilience depends heavily on a regulatory system that facilitates enterprise while safeguarding the public interest. The objective of reform should not be outright deregulation, but smart, agile regulation, one that is transparent, proportionate, digitally enabled, and responsive to the needs of businesses and citizens alike.

The recommendations presented in this brief provide a clear trajectory for reducing unnecessary compliance burdens, strengthening institutional coordination, and modernizing business regulation. Moving forward, translating this document into active policy requires a three-tiered approach:

1. Immediate Integration: Leverage the 10% FBR tax credit introduced in Budget 2026-27 to encourage immediate pilot adoption of the Digital Compliance Gateway among small trader associations.

2. Inter-Provincial Standardization: Fast-track public-private dialogues to align provincial business registries with the federal Unique Business Identifier framework.

3. Sustained Accountability: Formalize periodic regulatory reviews with chambers of commerce to measure the ongoing reduction of transaction costs.

Through collective commitment and collaborative action, a regulatory system that supports enterprise rather than constrains it can be achieved, unlocking economic potential and laying the foundation for inclusive and sustainable growth.

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