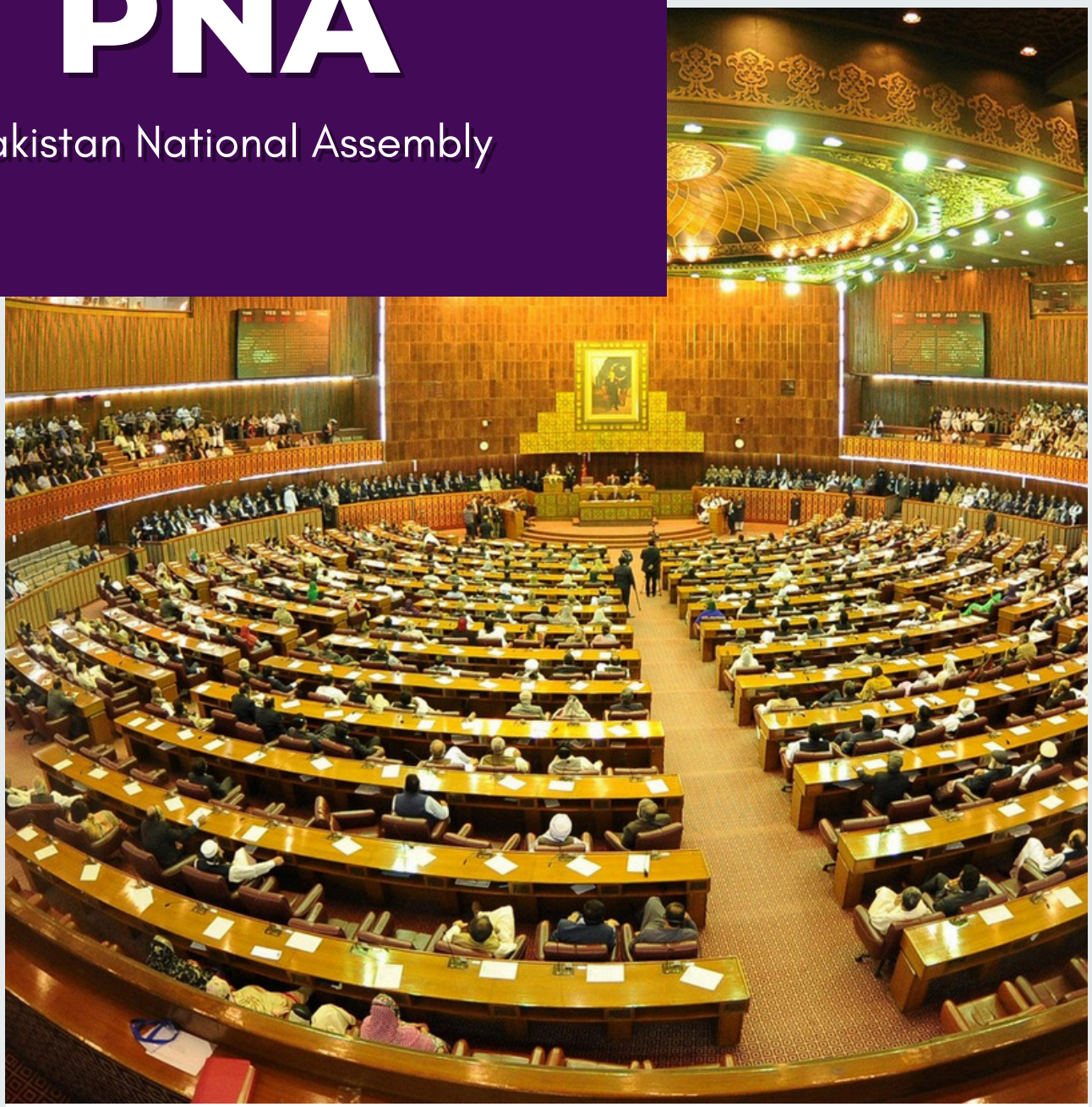
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PNA

Pakistan National Assembly



STUDYGUIDE

PAKISTAN NATIONAL ASSEMBLY (PNA) COMMITTEE SIMULATION

Addressing the Challenges to the Growth of the Private Sector in Pakistan

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1. CONSTITUTIONAL AND LEGISLATIVE MANDATE OF PAKISTAN NATIONAL ASSEMBLY

1.1 The National Assembly in Pakistan's Constitutional Architecture

The Pakistan National Assembly (PNA) is the directly elected lower house of the Majlis-e-Shoora (Parliament), constituting alongside the Senate and the President, the supreme legislative authority of the Islamic Republic of Pakistan under Article 50 of the Constitution of 1973. While the Senate represents federating units on an equal basis regardless of population, the National Assembly embodies popular sovereignty through proportional representation, with 342 members including 272 general seats, 60 reserved for women, and 10 for religious minorities.[1][2][3]

1.1.1 Key Constitutional Distinction: National Assembly vs. Senate

The Constitution vests the National Assembly with exclusive supremacy over fiscal and economic legislation. Under Articles 73 and 160, money bills, defined as legislation concerning taxation, borrowing, expenditure from the Federal Consolidated Fund, custody of federal funds, or audit may originate only in the National Assembly. The Senate may make recommendations within seven days (increased to fourteen days post-18th Amendment), but the National Assembly retains the power to accept or reject these suggestions. This grants the PNA a monopoly over budgetary authorization, tax policy, sovereign borrowing, and all fiscal instruments that directly shape Pakistan's economic trajectory.[4][5][6][7][1]

Beyond money bills, both Houses possess co-equal legislative power over subjects enumerated in the Federal Legislative List (Fourth Schedule, Article 70). This List encompasses critical economic domains including banking and insurance (excluding provincial institutions), corporations with inter-provincial objects, foreign exchange, industrial development declared expedient for federal control, national planning and economic coordination, regulation of mines and oil fields, inter-provincial trade and commerce, stock exchanges, and all regulatory authorities established under federal law. However, the 18th Constitutional

Amendment (2010) transferred regulatory authority over single-province financial entities to provinces, complicating the federal regulatory landscape.[8][9][10][11]

1.2 Legislative Powers and Procedural Instruments of the National Assembly

The National Assembly carries four principal legislative instruments to promote private-sector-led growth:

1.2.1 Ordinary Legislation (Articles 70-72)

The Assembly enacts laws on all Federal Legislative List subjects, including company law, competition policy, intellectual property, bankruptcy, and sectoral regulation. Bills originate via Government (ministerial) or Private Members' routes, undergo three readings-introduction, clause-by-clause consideration (often after Standing Committee scrutiny), and final passage-and require presidential approval to become Acts. Post-18th Amendment, the National Assembly can legislate on subjects in Federal Legislative List-II only after consultation through the Council of Common Interests (CCI), a federal-provincial coordination forum, creating procedural complexity for regulatory harmonization.[9][10][1]

1.2.2 Money Bills and Budgetary Authorization (Articles 73-75, 80-84)

The National Assembly exercises exclusive control over the federal purse. The annual budget cycle begins when the finance minister presents the Budget Statement (estimated receipts and expenditure) and the Finance Bill (tax proposals). Under Rules 182-197, the Assembly's budget procedure unfolds in stages: general discussion (principles, no voting), consideration of Demands for Grants (votable expenditure by ministry), and passage of the Finance Bill. Members may move cut-motions to reduce demand (Policy Cut to Re.1, Economy Cut by specified amount, Token Cut by Rs.100), compelling the government to defend each expenditure item. Charged expenditure-debt servicing, judicial salaries, constitutional office expenses-is non-votable but laid before the House. This power enables the Assembly to reallocate resources from inefficient state-owned enterprises (SOEs) toward private-sector enablers (credit guarantees, export financing, infrastructure),

impose or abolish taxes affecting business costs, and condition subsidies or tariff relief on sectoral performance benchmarks.[6][1]

1.2.3 Standing Committee Oversight (Articles 191-201)

The National Assembly establishes functional Standing Committees mirroring federal ministries (e.g., Finance & Revenue, Industries & Production, Commerce & Textile, Energy, Planning & Development), each comprising up to 20 elected members. These Committees possess quasi-judicial powers; they examine bills and policy proposals, scrutinize ministerial performance, review public accounts via the Public Accounts Committee (PAC), summon witnesses (including private-sector representatives and civil servants), requisition documents, and report findings to the House. Critically, Standing Committees can identify regulatory bottlenecks, recommend legislative amendments, and monitor compliance with reforms, serving as institutionalized feedback loops between policy design and ground realities faced by businesses.[7][1]

1.2.4 Resolutions and Non-Legislative Instruments (Rules 157-174)

Members may move resolutions declaring parliamentary intent on economic policy, directing ministries to undertake reforms, or disapproving executive ordinances and delegated legislation. While resolutions lack binding legal force, they shape political pressure and set reform agendas. The Assembly also conducts Question Hour (oral and written questions to ministers), Calling Attention notices on urgent economic matters, and debates on Matters of Public Importance, ensuring transparency and ministerial accountability on issues such as energy pricing, tax harassment, and ease-of-doing-business metrics.[1]

1.3 Constraints on National Assembly's Economic Policymaking Power

Despite constitutional supremacy, the National Assembly's legislative efficacy faces institutional and political constraints:

1.3.1 Executive Dominance: Pakistan exhibits a Westminster-style fusion of executive and legislature, where the Prime Minister and Cabinet (drawn

from the majority party/coalition) control the legislative agenda. Government bills receive priority while private members' bills (one day per week, typically Friday) rarely pass without executive consent. This renders Parliament reactive rather than proactive, particularly when vested interests within the executive resist pro-competition reforms.[12][1]

1.3.2 18th Amendment Devolution Fragmentation: The 2010 Amendment abolished the Concurrent Legislative List and devolved 17 federal ministries to provinces, including health, education, social welfare, and, critically, aspects of industrial regulation and business licensing previously under federal oversight. While laudable for federalism, this created regulatory fragmentation: businesses operating across multiple provinces now navigate five distinct legal regimes (four provinces plus federal) with inconsistent tax structures, environmental norms, labor laws, and procurement rules. The National Assembly cannot unilaterally impose harmonized national standards without CCI consensus, delaying reforms.[13][14][15][16][10][11]

1.3.3 Weak Committee Capacity: Although Standing Committees wield investigative powers, they suffer from insufficient technical staff, limited research budgets, and irregular meetings. The PAC, tasked with analyzing Rs. 9 trillion in federal expenditure, often reviews accounts with multi-year delays, blunting accountability. Economic Standing Committees lack in-house economists and data analysts to independently verify government claims or model fiscal impacts of proposed legislation.[7][1]

1.3.4 Judicial and Bureaucratic Encroachment: The superior judiciary (Supreme Court, High Courts) increasingly intervenes in economic policymaking through suo motu jurisdiction and public interest litigation, sometimes dictating tariff structures, privatization timelines, or subsidy levels—domains constitutionally reserved for Parliament. Similarly, unelected regulatory authorities (SECP, SBP, NEPRA, OGRA) wield

quasi-legislative rule-making powers with minimal parliamentary oversight, creating accountability deficits.[17][1]

2. DEFINING THE TOPIC: LEGISLATIVE AND POLICY BOTTLENECKS INHIBITING PRIVATE SECTOR GROWTH

2.1 The Private Sector as Engine of Sustainable Growth

Economic theory and cross-country evidence establish that sustained, high-quality growth requires a dynamic, competitive private sector that allocates capital efficiently, innovates, absorbs surplus labor, and generates tax revenues without recourse to public borrowing. Pakistan's economic structure, however, remains skewed: the public sector (including SOEs) crowds out private investment, while the informal economy—estimated at 40-50% of GDP—operates beyond the regulatory and tax net, distorting competition.[18][19][20][21][22]

2.1.1 Current Investment Crisis (FY2024-25 Data)

Pakistan's investment-to-GDP ratio stands at 13.8% in FY2025 (provisional), recovering marginally from a 52-year low of 13.1% in FY2024 but still far below the 20-22% threshold required for 6-7% GDP growth. Private investment comprises only 9.1% of GDP (target: 9.7%), while public investment remains subdued at 2.9%. For comparison, regional peers sustain investment ratios of 30-35% (China, Vietnam). Credit to the private sector reached Rs. 1.081 trillion in FY25, a twofold increase from Rs. 513 billion in FY24 and Rs. 46 billion in crisis-year FY23. Yet, it remains anemic relative to GDP. Pakistan's credit-to-GDP ratio has declined for decades and ranks lowest in South Asia, reflecting both demand-side constraints (weak business confidence, high borrowing costs) and supply-side distortions (government borrowing crowding out private credit).[19][20][23][24][21][22][25][26][27]

Foreign Direct Investment (FDI) inflows totaled $2.46 billion in FY2025, a modest increase but barely 0.5% of GDP and far below the $10-15 billion annually required to close the external financing gap. Sectoral distribution

remains concentrated in oil & gas, power, and telecommunications, with limited diversification into manufacturing, agriculture, or technology. China retains dominant investor status (27% of FDI stock), followed distantly by the UK, Hong Kong, and the US.[25][28][29][30][31][32]

2.2 Legislative and Policymaking Bottlenecks: A Taxonomy

The study guide categorizes bottlenecks into seven interconnected domains:

2.2.1 Fiscal Distortions: Government Crowding Out Private Capital

Empirical Evidence: State Bank research (2017) demonstrates that each 1% increase in government borrowing from scheduled banks reduces private sector credit growth by 8 basis points within four months. Government budgetary borrowing averaged 60-70% of total banking credit during FY2020-23, starving firms of working capital. While this ratio improved in FY25 following Rs. 2.4 trillion SBP profit transfer, the structural sovereign-bank nexus persists: banks hold 60% of assets in risk-free government securities (yielding 12-15%), disincentivizing lending to higher-risk private enterprises.[21][22][33][19]

SOE Losses as Contingent Liabilities: Pakistan's 201 federal SOEs posted cumulative losses of Rs. 5.9 trillion (accumulated) through FY25, with the power sector’s circular debt alone reaching Rs. 4.9 trillion. Annual SOE losses in FY25 totaled Rs. 342 billion (first half), requiring perpetual budgetary transfers, guarantees (Rs. 2.245 trillion outstanding), and debt rollovers that crowd out productive expenditure. Legislative Gap: The National Assembly has not enacted comprehensive SOE governance legislation mandating commercial objectives, transparent public service obligation (PSO) contracts, hard budget constraints, and time-bound divestment schedules, despite IMF conditionalities requiring submission of nine SOE law amendments by August 2026.[34][35][36][37][38][39]

2.2.2 Regulatory Fragmentation Post-18th Amendment

Provincial Multiplicity: Businesses cite navigating 12+ categories of regulatory layers (federal, four provincial, local government) as a top constraint. Examples

include divergent provincial sales tax regimes on services (rates, exemptions, audit procedures), conflicting environmental clearance standards delaying industrial approvals, labor laws (minimum wage, social security, industrial disputes) varying by province, and business licensing (health, fire safety, building codes) duplicated across federal, provincial, and local tiers. The Competition Commission of Pakistan (CCP) cannot enforce competition law against provincial monopolies or cartels operating within single-province markets.[14][15][40][41][13]

2.2.3 Regulatory Authority Accountability Deficit

Federal regulatory bodies-SECP (corporate/capital markets), CCP (competition), NEPRA (power tariffs), OGRA (oil & gas prices), FBR (taxation), SBP (banking)-operate under separate statutes with varying degrees of autonomy, appeal mechanisms, and parliamentary oversight. Their quasi-legislative "regulations" and "determinations" (e.g., tariff adjustments, licensing fees, audit protocols) directly impact business costs but rarely undergo Regulatory Impact Assessment (RIA) or ex-post evaluation. Legislative Gap: The National Assembly lacks a sunset clause framework requiring periodic legislative reauthorization of regulatory rules, nor does it mandate RIA for significant economic regulations, leaving business constituencies without recourse against arbitrary rule changes.[42][43][44]

2.2.4 Energy Costs: Structural Competitiveness Crisis

Comparative Cost Data: Pakistan's industrial electricity tariff averages 13.5-17.5 cents/kWh, compared to 6.3 cents in the US and India, 7.7 cents in China, 7.2 cents in Vietnam, and 8.6 cents in Bangladesh. Industrial gas tariffs reach $12.4/MMBtu, similarly uncompetitive. These costs render Pakistani textiles (79% of exports to the US) structurally unviable. Electricity is the second-highest cost input after raw materials, contributing to a 69% decline in industrial load among distribution companies (DISCOs).[45][21]

Circular Debt Mechanism: Power sector's circular debt-Rs. 2.4 trillion in flow terms (Rs. 1.6 trillion stock excluding losses)-arises from under-recoveries (theft, non-payment, unaffordable tariffs) and inefficiencies (transmission losses, idle capacity payments). Government subsidizes the gap via delayed payments to generation companies (GenCos), which in turn default to fuel suppliers (PSO, gas utilities), perpetuating a liquidity crisis. Tariff "determinations" by NEPRA include a Debt Servicing Surcharge to finance this stock, directly burdening end-users and further depressing demand. Legislative Gap: The National Assembly has not passed enabling legislation to unbundle DISCOs, mandate performance-based management contracts, or legally separate transmission from distribution as required under IMF benchmarks.[46][37][47][48][34]

2.2.5 Tax Administration: Narrow Base and Compliance Burden

Tax-to-GDP Stagnation: Pakistan's tax-to-GDP ratio reached 10.3% in FY2025, crossing double digits for the first time in over a decade. Yet,it remains far below the 13.6% IMF target and regional averages (15-18%). Only 7.2 million individuals filed income tax returns (3% of population), while SME share of private credit fell from 17% (2006) to 6% (2021), partly due to tax harassment deterring formalization.[20][15][49][50][51][52]

FBR Structural Weaknesses: The Federal Board of Revenue suffers from outdated IT systems, discretionary audit powers, and a culture of rent-seeking. Despite "transformation plans," enforcement-driven revenue (audits, raids, penalties) increased eightfold in FY25, signaling heavier reliance on coercion over base broadening. Sales tax on imports dominates revenue (60%+), discouraging export-oriented manufacturing. Legislative Instrument: The National Assembly can mandate statutory timelines for tax refunds (currently delayed 6-18 months, crippling working capital), legislate Alternative Dispute Resolution (ADR) mechanisms for tax disputes, and require FBR to publish anonymized audit selection criteria to curb discretion.[36][49][52][34]

2.2.5 Legal and Contract Enforcement Deficits

Judicial Backlog: Pakistan ranks 130th out of 156 countries in ease of doing business (2024), with contract enforcement requiring 993 days and costing 23.8% of claim value. Commercial courts suffer from 5-10 year case backlogs, rendering contracts and collateral recovery infeasible. The Insolvency regime-though reformed under Companies Act 2017-lacks dedicated benches and trained administrators, resulting in liquidation bias over rehabilitation.[53][40][54][55][56][18][36]

2.2.6 Policy Unpredictability and Elite Capture

Rent-Seeking Incentives: IMF diagnostics (2024) identify Pakistan's model as state-supported business via subsidies, preferential tax treatment, trade protection, and administered prices, which fosters dependence rather than competitiveness. Sugar and wheat sector controls (zoning, export bans, administered procurement) exemplify regulatory capture, with cartels extracting rents at consumer expense. IMF now mandates adoption of a National Sugar Market Liberalisation Policy by June 2026. Special Economic Zones (SEZs) offer profit-based tax incentives but lack transparency, KPI reporting, or sunset clauses, facilitating tax arbitrage without genuine industrialization.[57][34][18][36]

3 STAKEHOLDER MAPPING: INSTITUTIONAL ACTORS AND THEIR INCENTIVES

A successful PNA simulation requires delegates to understand the institutional ecosystem shaping private-sector outcomes, which span government ministries, regulatory agencies, legislative bodies, judiciary, economic tribunals, business associations, and citizens. Each stakeholder operates under distinct mandates, incentives, and constraints, often producing collective action failures that perpetuate bottlenecks despite apparent reform consensus.

3.1 Government Ministries and Executive Authorities

3.1.1 Ministry of Finance (Revenue & Economic Affairs Divisions)

Mandate: Formulate fiscal policy, manage public debt, oversee FBR, negotiate IMF programs, and prepare the federal budget.[23][58] Incentive Structure: Prioritizes short-term revenue maximization to meet IMF fiscal targets (10.3% tax-to-GDP achieved but 13.6% required). This creates bias toward regressive consumption taxes (sales tax, petroleum levy) over politically costly direct tax expansion (agriculture, real estate, high-net-worth individuals). Finance officials resist tariff rationalization (reducing customs duties/regulatory duties) fearing revenue loss, despite evidence of smuggling and informal sector expansion due to uncompetitive rates.[49][50][51][34][14]

Pain Point: Chronic debt servicing (consuming 50%+ of federal revenues) limits fiscal space for development expenditure (PSDP fell from Rs. 1 trillion in 2018 to Rs. 950 billion in FY25 despite 240 million population). Ministry often defaults to borrowing over reform, issuing guarantees to loss-making SOEs rather than enforcing hard budget constraints.[59][37][39][20]

3.1.2 Ministry of Planning, Development & Special Initiatives

Mandate:

National economic planning (Articles 156-160), PSDP allocation, coordinate provincial development via National Economic Council (NEC), and implement Public-Private Partnership (PPP) framework.[59][9]

Incentive Structure: Historically centralized planning persists despite 18th Amendment devolving planning to CCI, Planning Commission retains influence over mega-projects (CPEC, infrastructure). Bias toward state-led investment (dams, roads, energy) over enabling private capital, reflecting bureaucratic preference for tangible, ribbon-cutting projects.[16][59]

Pain Point: Post-devolution, it lacks authority over provincial development spending (Rs. 1.559 trillion provincial ADPs vs. Rs. 1.1 trillion federal PSDP in FY24), yet federal NEC meetings are irregular and CCI consensus-building weak.[10][60][16]

3.1.3 Ministry of Industries & Production / Ministry of Commerce & Textile

Mandate: Sectoral policy (manufacturing, SMEs, industrial estates); trade policy, export promotion, WTO compliance, FTA negotiations.[61][14]
Incentive Structure: Ministries are often captured by incumbent industrial lobbies (APTMA, FPCCI) seeking protection (tariffs, subsidies) over competition-enhancing reforms. Commerce Ministry historically prioritized import substitution (high tariffs, SROs) favoring established firms, though recent IMF pressure mandates tariff rationalization and SEZ reform.[34][36][14]
Pain Point: Limited jurisdiction post-18th Amendment as provinces control industrial estates and labor laws, complicating national competitiveness strategy.[16][10]

3.1.4 Ministry of Energy (Power & Petroleum Divisions

Mandate: Power generation/transmission/distribution policy, circular debt management, IPP contracts, renewable energy; oil/gas exploration, refining, pricing.[37][47][46]

Incentive Structure: Power Division prioritizes fiscal burden minimization (circular debt containment) over sectoral efficiency, often via supply-side rationing (load-shedding) rather than demand-side management (theft control, cost-reflective tariffs). Petroleum Division is influenced by PSO (monopoly importer) and refinery lobbies resisting market liberalization.

Pain Point: Rs. 5.9 trillion accumulated power sector losses and DISCO privatization delayed due to political resistance (fear of layoffs, tariff hikes). IMF now requires private sector participation in HESCO/SEPCO by December 2026.[48][39][36][37][34]

3.1.5 Board of Investment (BOI) & Special Investment Facilitation Council (SIFC)

Mandate: BOI coordinates ease-of-doing-business reforms, investor facilitation while SIFC (est. 2023) is a civil-military coordination platform expediting "strategic" investments, particularly from Gulf states.[62][18][25]

Incentive Structure: SIFC operates as parallel governance structure, bypassing traditional ministerial channels to fast-track approvals for designated sectors (mining, agriculture, defense production, IT). This raises concerns of unequal treatment: SIFC-backed projects receive expedited NOCs, land allocation, and tax incentives unavailable to ordinary investors, potentially violating equal protection (Article 25 of Constitution).[18][62]

Pain Point: After two years, SIFC has generated limited tangible FDI beyond CPEC rollovers. It lacks transparent KPIs or parliamentary oversight.[29][25]

3.2 Regulatory and Autonomous Bodies

3.2.1 State Bank of Pakistan (SBP)

Mandate: Monetary policy, currency issuance, banking supervision, foreign exchange management. Was granted operational autonomy via SBP Amendment Act 2021 (inflation targeting).[33][19][21]

Incentive Structure: SBP's policy rate cuts (from 22% to 11% during FY25) aimed to stimulate credit demand, yet banks prefer government securities yielding near-policy rates with zero risk over private lending. SBP jawbones banks publicly but lacks quantitative lending targets for SMEs (proposed 20% of credit portfolio).[15][24][19][21][33]

Pain Point: SBP's inflation-targeting mandate conflicts with growth objectives; tight monetary policy (2022-24) controlled inflation but crippled private investment. SBP is reluctant to use supervisory powers to force recapitalization of weak banks or wind down failed institutions, fearing systemic instability.[19][21][18]

3.2.2 Securities and Exchange Commission of Pakistan (SECP)

Mandate:

Corporate regulation (Companies Act 2017), capital markets supervision (PSX, mutual funds, debt markets), insurance, and non-bank finance.[43][44][42]

Incentive Structure: SECP pioneered e-incorporation (business registration in 2 days), corporate governance codes, and insolvency reforms, yet suffers from limited enforcement capacity (400 staff for 100,000+ companies). Focuses on listed entities (600 companies) while most economy operates as unlisted firms or sole proprietorships beyond SECP reach.[44][40][42]

Pain Point: IMF now mandates amendments to Companies Act by June 2026 to strengthen unlisted firm governance, while SECP lacks jurisdiction over provincial cooperative societies and non-profit trusts (often vehicles for tax evasion).[36][34]

3.2.3 Competition Commission of Pakistan (CCP)

Mandate: Enforce Competition Act 2010 (prohibit cartels, abuse of dominance, anti-competitive mergers); promote competitive markets.[63][64][15]

Incentive Structure: CCP signed MoU with NAB (May 2025) to combat bid-rigging in public procurement (Rs. 2.6 trillion annual federal-provincial tenders) and identified 136 cartel cases. However, CCP's civil penalties (fines) lack deterrent effect as it cannot prosecute criminally nor ban cartel members from future tenders without NAB coordination.[60][64][63]

Pain Point: Post-18th Amendment, CCP’s authority ambiguous over single-province cartels (e.g., provincial transport mafias, cement distribution), with provincial governments lacking dedicated competition enforcement.[64][15]

3.2.4 Federal Board of Revenue (FBR)

Mandate: Tax policy formulation, revenue collection (income tax, sales tax, customs, FED); customs administration.[50][65][49]

Incentive Structure: FBR's "transformation plan" (approved October 2024) emphasizes digitalization (integrated data systems, AI-driven audit selection) and

enforcement (digital production monitoring in 7 sectors, faceless customs). Yet FBR's reward structure ties officer promotions to revenue collection (not compliance ease), perpetuating harassment culture.[49][50][34]

Pain Point: Rs. 178 billion revenue shortfall in FY25 (Rs. 11.737 trillion collected vs. Rs. 11.9 trillion revised target) despite record enforcement, signaling structural limits of coercion-based collection. IMF requires comprehensive FBR reform roadmap by December 2025 with KPIs, staffing, and legislative changes.[52][34][36]

3.2.5 National Electric Power Regulatory Authority (NEPRA) & Oil & Gas Regulatory Authority (OGRA)

Mandate: Determine power tariffs (multi-year and quarterly adjustments), license generation/distribution, regulate oil/gas prices, midstream infrastructure.[47][46]
Incentive Structure: NEPRA's tariff methodology embeds capacity payments to IPPs (guaranteed returns regardless of generation), debt servicing surcharge, and inefficiency pass-through (transmission losses, DISCO operational losses up to benchmarks), collectively raising consumer tariffs. Regulators nominally "independent" but boards are appointed by federal government. There have been instances of political pressure to defer tariff hikes pre-election.[46][47][48]
Pain Point: Lack of statutory consumer representation in tariff hearings. Civil society and business chambers are excluded from technical sessions where determinations are finalized.[47]

3.3 Legislative Bodies

3.3.1 National Assembly Standing Committees

Mandate: Scrutinize bills, oversee ministry performance, audit public accounts, recommend reforms (detailed in Section I-B).[1][7]

Incentive Structure: Committee members gain information advantages and can become sectoral experts, yet face time constraints (full-time MPs juggling constituency work, party duties, and committee assignments). Public Accounts

Committee (PAC) wields prestige (traditionally chaired by opposition) but reviews accounts with 2-3 year lags, diluting accountability.[7][1]

Pain Point: Committees lack independent research staff and rely on ministry-supplied briefings, limiting capacity to challenge executive narratives. Budget constraints prevent hiring economists, auditors, or legal experts.[1][7]

3.3.2 Senate Standing Committees (Especially Finance & Economic Affairs)

Mandate: Review federal budget (advisory), scrutinize economic legislation, hold federal officials accountable.[66][6][7]

Incentive Structure: Senate's weaker constitutional position on money bills reduces influence, Finance Minister may disregard Senate budget recommendations entirely. Senate committees increasingly use media and public hearings to generate political pressure, compensating for lack of binding authority.[6][7]

3.3.3 Provincial Assemblies and Local Governments

Mandate: Legislate on provincial subjects (post-18th Amendment: social services, agriculture, labor, environment, local trade); establish local governments under Article 140A.[67][68][10][16

Incentive Structure: Provincial governments control 90% of public service delivery (health, education, police, urban services) yet exhibit weak tax effort (agriculture income, urban property taxes), relying on NFC transfers. Local government elections repeatedly delayed (Punjab, Sindh held LG polls in 2023-25 only after Supreme Court intervention), depriving cities of elected leadership to manage business licensing, zoning, and infrastructure.[11][69][70][10][67][17]

Pain Point: Article 140A mandates provincial devolution of administrative, financial, and political authority to local councils, yet provincial bureaucracies retain de facto control, starving LGs of resources. Businesses face municipal

license renewal delays, arbitrary inspections, and infrastructure deficits (sewage, roads, industrial water) due to LG dysfunction.[67][17]

3.4 Judicial and Quasi-Judicial Bodies

3.4.1 Superior Judiciary (Supreme Court, High Courts)

Mandate: Judicial review of legislation (Articles 184, 199), constitutional interpretation, fundamental rights enforcement.[17][1]

Incentive Structure: Post-2000, courts increasingly exercise suo motu jurisdiction on economic issues (tariff structures, SOE privatization, subsidy allocation), sometimes dictating outcomes constitutionally reserved for elected bodies. Article 140A enforcement: Supreme Court (2022) ordered Punjab government to devolve powers to local governments, ruling provincial control unconstitutional.[18][17]

Pain Point: Judicial overreach creates policy uncertainty as investor wary of mid-stream legal challenges to contracts, licenses, or tax exemptions.[53][18]

3.4.2 Accountability Courts and National Accountability Bureau (NAB)

Mandate: Prosecute corruption, recover embezzled public funds, enforce asset declaration norms.[71][63][34]

Incentive Structure: NAB Amendment Act 2022 curtailed NAB jurisdiction (no longer covers policy decisions, private-sector transactions), limiting it to proven embezzlement by public officeholders. However, NAB-CCP MoU (May 2025) empowers NAB to pursue collusion and bid-rigging as criminal offenses.[63][60][71]

Pain Point: Past NAB overreach (arresting CEOs for commercial disputes, freezing assets without conviction) deterred investment and risk-taking. A reformed NAB seeks balance but uncertainty lingers.[60][63]

3.5 Private Sector and Business Associations

3.5.1 Federation of Pakistan Chambers of Commerce & Industry (FPCCI)

Mandate: Apex business body representing 240+ chambers of commerce across sectors and regions.[72][14][61]

Incentive Structure: FPCCI advocacy prioritizes incumbent firms' interests (tariff protection, subsidized energy, tax concessions) over competition-enhancing reforms. Internal factionalism (textile vs. non-textile, export vs. domestic-oriented) dilutes policy coherence.[14][61][72]

Effectiveness: FPCCI's "Business and Economic Landscape Survey" (2024) documented regulatory burden, yet recommendations focused on relief (lower taxes, cheaper inputs) rather than structural reforms (e.g., harmonized national standards).[61][72]

3.5.2 All Pakistan Textile Mills Association (APTMA)

Mandate: Represent textile/garment manufacturers (60% of exports).[73][14]

Incentive Structure: APTMA consistently demands subsidized energy (industrial electricity at 7-9 cents/kWh) and zero-rating of sales tax on inputs, arguing competitiveness with regional rivals. Resists labor law reforms (minimum wage hikes, social security expansion) fearing cost escalation.[73][21][14]

Pain Point: APTMA's capture of export subsidies (duty drawback, DLTL schemes) creates moral hazard, with firms investing in lobbying over productivity, perpetuating low value-addition (70% of textile exports remain basic yarn/fabric, not high-margin garments).[45][14]

3.5.3 Pakistan Business Council (PBC) & Overseas Investors Chamber of Commerce & Industry (OICCI)

Mandate: Represent large corporates (mostly multinationals, listed firms). OICCI members contribute 30% of tax revenues.[30][49]

Incentive Structure: Favor transparency, rule-of-law reforms, and regulatory predictability over rent-seeking, as MNCs cannot engage in tax evasion or political patronage as easily as local conglomerates. PBC-OICCI jointly pushed digitalization of FBR (welcomed faceless customs).[30][49]

Effectiveness: Limited membership (200-300 firms) restricts representativeness, with SMEs and informal enterprises absent from policy discourse.

3.5.4 Small and Medium Enterprises (SMEs) and Informal Sector

Mandate: None (dispersed, unorganized beyond chamber affiliates).

Incentive Structure: SME share of formal credit fell from 17% (2006) to 6% (2021), forcing reliance on informal lenders (18-30% interest) or own savings. High formalization costs (56 federal/provincial taxes, overlapping inspections) incentivize remaining informal.[20][15][14]

Pain Point: No collective voice; SME Development Authority (SMEDA) remains advisory body without financing authority. SBP's SME lending targets (20% of credit) voluntary, not mandatory.[15][33]

3.6 Citizens and Consumers as Stakeholders

Economic Role: Households supply labor, consume goods/services, and bear tax incidence (particularly regressive indirect taxes comprising 70% of FBR revenue). High energy costs, inflation, and unemployment directly harm welfare. Conversely, competitive markets, lower prices, and job creation from thriving private sector benefit citizens.[65][52]

3.6.1 Pain Points Linking to Private Sector Bottlenecks:

1. Electricity tariffs: Average household bill is Rs. 18,000+/month in urban areas (FY25), driven by circular debt surcharge and inefficiency pass-through. Households either resort to solar (exacerbating DISCO revenue shortfalls) or tolerate load-shedding.[46][47]

2. Unemployment: Youth unemployment (ages 15-24) exceeds 10%, reflecting anemic private-sector job creation. This results in educated graduates migrating (brain drain) or entering low-productivity services.[74][20]

3. Inflation tax: Persistent inflation (24% peak FY24, now 6-7% FY25) erodes savings, while financial repression (negative real interest rates during inflation spikes) transfers wealth from savers to government borrowers.[23][74]

3.6.2 Representation Deficit

Citizens lack direct voice in economic policymaking. Consumer protection councils and public hearings for regulatory decisions (tariffs, taxes, trade policy) are absent or merely symbolic. Civil society organizations (CSOs) focus on social sectors, with economic policy advocacy limited to elite think tanks (PIDE, SDPI, PRIME) with minimal grassroots mobilization.

4 INSTITUTIONAL PAIN POINTS: MAPPING BOTTLENECKS ACROSS THE POLICYMAKING CYCLE

Private-sector constraints emerge not merely from "bad policy" but from institutional failures at each stage of the policymaking cycle; agenda-setting, legislative drafting, executive implementation, regulatory enforcement, judicial review, and feedback loops. This section dissects five cross-cutting institutional dysfunctions inhibiting reform.

4.1 Executive-Legislative Imbalance: Parliament as Rubber Stamp

Symptom: Government bills pass the National Assembly with minimal amendment, but Private Members' bills languish (less than 5% success rate historically). Economic legislation-Companies Act amendments, SOE governance laws, competition policy reforms-originates in ministries staffed by civil servants insulated from electoral accountability, with Cabinet approval secured via collective responsibility doctrine.[58][12][1]

Root Cause: Pakistan's Westminster-style fusion of powers concentrates authority in the Prime Minister-Cabinet nexus. The PM, as Leader of the House, controls the business agenda (which bills are to be scheduled for debate), whip discipline ensures coalition MPs

vote en bloc, and opposition's legislative amendments are rarely adopted unless politically expedient. Standing Committees, theoretically check-and-balance institutions, suffer from:[12][1]

1. Limited sitting time (typically 2-3 meetings per month, <3 hours each, coinciding with House sessions).[7][1]
2. No power to block bills: Committees recommend amendments, but ministries often ignore or superficially incorporate them.[1][7]
3. Political composition mirrors House strength, so government-majority committees seldom challenge executive policy fundamentally.[7]

4.1.1 Manifestation in Private-Sector Context:

1. SOE Privatisation Bill: Despite IMF requiring nine SOE law amendments and Sovereign Wealth Fund Act revision by March-August 2026, drafts remain with Cabinet Committee on Privatisation and Law Ministry and are not tabled in Assembly. Parliamentary oversight is absent and no hearings soliciting private-sector views on post-privatization regulatory frameworks exist.[35][34][36]
2. SEZ Act Amendment: IMF mandates concept note on SEZ reforms by June 2026 (shifting profit-based to cost-based incentives, sunset clauses, KPI monitoring). Yet SEZ stakeholders (industrial park developers, zone enterprises) are excluded from consultation. Drafts will emerge from Board of Investment-Planning Ministry bureaucracy.[34][36]
3. Companies Act 2017 Amendment: SECP preparing amendments for unlisted firm governance (required June 2026), but Parliament has not debated whether SECP's regulatory overreach (imposing audit, compliance costs on small private firms) deters entrepreneurship versus mitigating fraud.[36][34]

4.1.2 Legislative Instruments for PNA to Assert Authority:

1. Mandatory Pre-Legislative Consultation: Amend Rules of Procedure (Rule 232) to require Standing Committees to hold public hearings on bills affecting private sector, inviting chambers of commerce, SME representatives, and independent economists before reporting to House.

2. Sunset Clauses in Delegated Legislation: Legislate that all ministry rules, SROs (Statutory Regulatory Orders), and regulatory authority regulations expire after 5 years unless affirmatively renewed by Parliament, forcing periodic review.

3. Strengthening PAC Mandate: Grant PAC concurrent oversight (audit ongoing programs, not just post-facto accounts review), enabling real-time scrutiny of subsidy allocation, SOE bailouts, and PSDP utilization.

4.2 Federal-Provincial Coordination Failure: The CCI Bottleneck

Symptom: After the 18th Amendment transferred 47 subjects to provinces and created Federal Legislative List-II requiring Council of Common Interests (CCI) consensus, national economic coordination collapsed. The CCI-chaired by the PM and comprising of four Chief Ministers-must meet every six months (Article 153), yet historically convenes irregularly (1-2 times per year) and produces vague "decisions in principle" without binding timelines or monitoring.[9][10][11]

Root Cause: Federal-provincial fiscal misalignment and political non-cooperation. The 7th National Finance Commission Award (2010) raised provincial share of divisible pool revenues from 45% to 57.5% (now ~Rs. 5.5 trillion annually), yet provinces under-tax their own bases (agriculture income tax, urban property, sales tax on services). Provinces demand more transfers while resisting federal oversight on spending efficiency or harmonized regulations. When federal and provincial governments are controlled by rival political parties (e.g., PTI federal vs. PPP Sindh, PML-N Punjab), CCI becomes hostage to coalition bargaining unrelated to policy merits.[69][10][11]

4.2.1 Manifestation in Private-Sector Context:

1. Regulatory Fragmentation: Federal government cannot unilaterally impose national quality standards (food safety, industrial emissions, product certifications). Hence, each province enacts separate laws via provincial assemblies. Result: cascading compliance costs. A manufacturer operating in Punjab and Sindh must meet divergent environmental permits, labor inspection protocols, and excise taxes.[13][14][15]

2. Industrial Relations Stalemate: Labor laws (minimum wage, social security, strikes) have been devolved to provinces. Punjab sets minimum wage at Rs. 37,000/month, Sindh at Rs. 35,000, KP at Rs. 33,000, Balochistan at Rs. 32,000 (FY25 figures), distorting labor markets and incentivizing firms to relocate to low-wage provinces, undermining national productivity goals.[10][11]

3. Energy Policy Incoherence: Article 155 made hydro-power projects subject to CCI. Consequently, federal cannot construct dams without provincial consent (water-sharing disputes). Delays in Diamer-Bhasha, Kalabagh dams perpetuate energy deficits, forcing reliance on expensive IPP thermal power.[10]

4.2.2 Legislative/Institutional Reforms for PNA:

1. 18th Amendment Correction: Propose Constitutional Amendment (requires 2/3 National Assembly + Senate majority) to restore concurrent list for economic regulation (competition policy, industrial standards, environmental protection), allowing federal override with provincial consultation (German-style framework legislation).

2. CCI Reform Bill: Legislate that CCI decisions become "deemed approved" if provinces do not dissent within 90 days, preventing indefinite stalling. Require quarterly CCI-Federal Cabinet joint sessions broadcast live, ensuring transparency.

3. Inter-Provincial Trade and Commerce Act: Invoke Federal Legislative List Entry 41 (inter-provincial trade) to enact legislation prohibiting provincial barriers to goods movement (e.g., Punjab banning sugar exports to Sindh, Balochistan restricting cement to KP), enforceable via Competition Commission.

4.3 Regulatory Capture and Rent-Seeking: The SOE-Subsidy Complex

Symptom: Pakistan sustains 201 federal SOEs with cumulative losses of Rs. 5.9 trillion and annual flow losses of Rs. 342 billion (H1 FY25). The Power sector alone has Rs. 2.4 trillion circular debt stock, Rs. 5.9 trillion accumulated DISCO/GenCo losses. Yet privatization/liquidation proceeds at glacial pace-only 5 SOEs privatized since 2023 (First Women Bank partial stake sold, PIA second bid pending).[38][39][35][37][48][34]

Root Cause: Political economy of loss socialization. SOE losses financed via three channels, all crowding out private sector:

1. Budgetary transfers: Rs. 600+ billion annually in subsidies, equity injections, PSO bailouts.[39][37]
2. Debt guarantees: Rs. 2.245 trillion contingent liabilities. When SOEs default, government assumes debt, reducing fiscal space.[37][39]
3. Circular debt rollovers: Government issues Pakistan Investment Bonds (PIBs) or arranges commercial bank loans at KIBOR+200-400 bps to refinance SOE payables, with interest costs passed to consumers via tariff surcharges.[48][47][46]

Who benefits?

1. SOE employees: 600,000+ unionized workers in railways, PIA, Steel Mills, DISCOs resist retrenchment and threaten strikes, disrupting services.[35][37]
2. Suppliers and contractors: IPPs (Independent Power Producers) extract guaranteed capacity payments, PSO enjoys monopoly fuel supply, sugar mills and rice exporters secure subsidized working capital via SOE trading corporations.[34][46]

3. Political patronage: SOE boards and senior management slots allocated to coalition partners and retiring bureaucrats/military officers as rewards, entrenching inefficiency.[35][37]

4.3.1 Manifestation in Private-Sector Context:

1. Energy Sector: Circular debt requires Debt Servicing Surcharge in power tariffs (Rs. 3.23/kWh), directly raising industrial costs. Simultaneously, SOE-owned GenCos retain priority dispatch despite higher costs than private renewable projects, blocking private investment in solar/wind.[37][47][48][46][34]

2. PIA Monopoly on Routes: PIA's dominance on domestic and Gulf routes (despite 80% market share loss) deters private airline entry. The Aviation Division denies licenses citing "market viability," protecting SOE.[37][34]

3. Steel and Fertilizer: Pakistan Steel Mills (shut since 2015) occupies prime Karachi port land, blocking private terminal development. Federal delays liquidation fearing political backlash in Sindh.[35][37]

4.3.2 Legislative Instruments for PNA:

1. SOE Governance and Accountability Act: Mandate hard budget constraints-no budgetary transfer beyond contracted PSO costs (e.g., subsidized electricity for agriculture). Any bailout should require 2/3 National Assembly to vote, discouraging routine support.

2. Divestment Commission with Time-Bound Targets: Legislate independent Privatisation Commission (board includes private-sector representatives, opposition MPs) with statutory mandate to divest 50% of SOE portfolio value within 5 years. Failure to do so should trigger automatic liquidation proceedings.

3. IPP Contract Renegotiation Authority: Empower NEPRA (via legislation) to unilaterally reduce capacity payments for thermal IPPs if fuel costs fall below

contracted assumptions or if renewable alternatives available at <50% cost, overriding sanctity-of-contract claims.

4.4 Tax Administration Dysfunction: Coercion Over Compliance

Symptom: Despite 10.3% tax-to-GDP ratio (FY25), Pakistan's tax system remains narrow, regressive, and harassment-prone. Only 7.2 million individuals file returns (3% of adults), while SME credit share fell from 17% to 6% as formalization deters firms due to tax inspections, withholding tax avalanche (42 separate WHT categories), and refund delays.[51][50][20][15][49]

Root Cause: FBR's incentive structure. Officers promoted based on revenue collected (not compliance rate, taxpayer satisfaction, or audit efficiency), creating quota pressure that devolves into:

1. Arbitrary assessments: Field formations issue demand notices (tax + penalties) to meet quarterly targets, forcing taxpayers into protracted appeals (backlog 300,000+ cases).[49][34]
2. Refund withholding: Sales tax refunds (exporters, zero-rated sectors) delayed 6-18 months, crippling working capital; FBR cites "verification" but uses refunds as interest-free loan to treasury.[52][14]
3. Discretionary audits: Audit selection opaque; firms perceive audits as extortion opportunities, leading to settlements (paying bribes to close files) rather than fair adjudication.[49][34]

Provided below is the data evidence:

1. Enforcement-driven revenue increased eightfold in FY25 vs. FY24, reaching Rs. 500+ billion from audits/penalties, yet net revenue missed target by Rs. 178 billion, indicating base did not expand.[52][49]
2. FPCCI survey (2024): 80% of members cited "tax harassment" as top constraint, 65% reported arbitrary tax demands unrelated to actual income.[61]

4.4.1 Manifestation in Private-Sector Context:

1. Retail Sector: FBR's Tajir Dost Scheme (simplified presumptive tax for retailers) yielded <Rs. 10 billion vs. Rs. 50 billion target as traders perceive it as entry point for future audits, preferring informality.[52]

2. Manufacturing: Cascading sales tax (tax on tax at every supply chain stage without full input credit) raises effective tax rate to 20-25%, incentivizing vertical integration (large firms buy suppliers to internalize transactions) over competitive outsourcing to SMEs.[14][15]

4.4.2 Legislative Instruments for PNA:

1. Taxpayer Bill of Rights: Legislate statutory timelines (e.g., refunds within 60 days or automatic approval + interest penalty, audit closures within 180 days, appeal disposal within 12 months) with FBR penalties (officer suspension, departmental charges) for breaches.

2. Alternative Dispute Resolution (ADR) Act: Establish Tax Tribunals (separate from FBR hierarchy) with binding arbitration, frivolous appeals by FBR deterred by imposing costs on department.

3. Audit Transparency Rule: Require FBR to publish anonymized audit selection criteria (risk-based, using sectoral benchmarks, past compliance) and annual audit outcomes (revenue recovered, cases dismissed, refunds released), enabling public accountability.

4.5 Judicial and Contractual Uncertainty: The Sanctity Problem

Symptom: Pakistan ranks 130/156 in ease of doing business, with contract enforcement requiring 993 days and costing 23.8% of claim value. Investors cite retrospective tax amendments, unilateral contract changes by government, and judicial interference as top risks.[54][55][56][53][18]

4.5.1 Root Cause 1: Judicial Backlog and Activism

1. Commercial disputes: District and High Courts handle 2 million+ pending cases. Dedicated commercial benches are rare and judges lack specialized training in corporate, tax, or financial law.[53][18]

2. Suo motu overreach: Supreme Court's Article 184(3) jurisdiction (public interest matters) invoked to void privatization contracts (e.g., Reko Diq award cancellation 2013, costing $11 billion penalty at ICSID), challenge IPP tariffs, and scrutinize tax exemptions, creating policy uncertainty.[18][53]

4.5.2 Root Cause 2: State as Unreliable Contracting Party

1. Sovereign guarantees unenforceable: Government entities (ministries, SOEs) default on contractual payments (circular debt), creditors cannot attach sovereign assets without Cabinet approval, forcing negotiations or arbitration.[46][37]

2. Tax policy instability: Frequent SRO amendments (200+ annually) change rates, exemptions, and definitions mid-fiscal year, retroactive application common, violating legitimate expectation doctrine.[14][34]

4.5.3 Manifestation in Private-Sector Context:

1. IPP Disputes: 30+ power producers pursued arbitration (domestic and international) over capacity payment delays and tariff disputes. The government paid Rs. 450 billion in settlements (FY20-24) to avoid unfavorable awards yet deterred new private generation investment.[47][46]

2. Reko Diq Saga: $11 billion ICSID award (2019, stemming from 2013 license cancellation) settled via $900 million cash + 50% project stake to Barrick Gold (2022), but years-long limbo froze mining sector FDI.[28][29]

3. SECP-SBP Jurisdictional Conflict: Financial conglomerates (groups with banks + insurance + brokers) subject to dual regulation; SBP-SECP turf battles over consolidated supervision delayed for 15+ years, creating compliance uncertainty.[43]

4.5.4 Legislative Instruments for PNA:

1. Contractual Sanctity Act: Legislate that government contracts above Rs. 1 billion require National Assembly approval (via Standing Committee vote), binding successor governments. Unilateral amendments trigger arbitration with foreign-seated tribunals to deter political interference.

2. Commercial Courts Act Amendment: Establish fast-track commercial divisions in High Courts (cases >Rs. 100 million) with 12-month disposal deadline, judges seconded from retired corporate lawyers, accountants, e-filing mandatory.

3. Suo Motu Restraint Amendment: Propose Constitutional Amendment restricting Supreme Court's Article 184(3) jurisdiction to completed transactions (no mid-stream intervention in ongoing projects/contracts), preserving judicial review for post-facto accountability.

5. PATHWAYS TO REFORM: LEGISLATIVE FRAMEWORKS FOR SUSTAINABLE PRIVATE-SECTOR GROWTH

Having mapped the institutional pathology, this section outlines legislative and policy instruments available to the Pakistan National Assembly to systematically dismantle bottlenecks. Reforms are organized into six pillars, each translatable into draft bills, budget amendments, or committee mandates suitable for MUN simulation.

5.1 Fiscal Discipline and SOE Reform - Ending the Subsidy-Debt Spiral

Policy Objective: Eliminate Rs. 600+ billion annual SOE subsidies and Rs. 5.9 trillion circular debt to release fiscal space for private-sector enablers (credit guarantees, export financing, infrastructure PPPs) while restoring hard budget constraints on state enterprises.[39][37]

5.1.2 Legislative Actions:

(A) State-Owned Enterprises Governance and Accountability Act, 2026 Draft Provisions:

1. Section 1: Commercial Mandate: All federal SOEs (excepting 10 strategic entities defined by parliamentary resolution-e.g., FFC, HIT, SUPARCO)- shall operate as for-profit corporations with boards comprising majority independent directors (private-sector CEOs, chartered accountants), with minister's shareholding representative role merely ceremonial.

2. Section 2: Hard Budget Constraint: No budgetary transfer to SOE except via Public Service Obligation (PSO) contracts approved by Cabinet and tabled in National Assembly 60 days prior to budget (specifying quantum, duration, KPIs). Any bailout >Rs. 10 billion requires 2/3 Assembly vote, ensuring political cost to subsidy.

3. Section 3: Triage and Divestment: Cabinet Committee on Privatisation (renamed Divestment and Restructuring Commission, DRC) shall categorize SOEs into 4 categories within 12 months: (i) Strategic retention (10 entities), (ii) Immediate privatisation (25 entities), (iii) Restructure-then-privatise (50 entities), (iv) Liquidate (116 entities). DRC submits binding timelines, with non-compliance triggering automatic winding-up petitions by FBR.

4. Section 4: Performance Contracts: Retained SOEs sign 3-year performance contracts (revenue targets, operational efficiency, capex plans) with line ministries. Non-performers' boards should be dissolved, with SECP-appointed administrators taking over.

5. Section 5: Debt Assumption: Federal government consolidates existing SOE debt (Rs. 8.8 trillion) into 30-year SOE Restructuring Bonds at KIBOR-0.9% (IMF benchmark), removing interest burden from consumer tariffs, with future SOE borrowing requiring parliamentary approval.[39][34][37]

Budget Amendment Mechanism: National Assembly's Demands for Grants (Rule 189) can insert conditions on ministry allocations. e.g., "Rs. 100 billion for Power Division contingent on HESCO/SEPCO private management contracts signed by Dec 2026, unspent funds lapse".[34][37]

(B) Circular Debt Elimination and Power Sector Liberalization Act, 2026 Draft Provisions:

1. Section 1: Stock-Flow Separation: Declare existing Rs. 2.4 trillion circular debt stock as federal contingent liability and refinance via dedicated Power Sector Circular Debt Retirement Bonds (30-year, KIBOR-0.9%), removing Debt Servicing Surcharge from NEPRA tariff determination.[48][47][46]

2. Section 2: DISCO Privatisation Mandate: All 10 DISCOs (except IESCO serving federal capital) to be concessioned to private operators within 24 months via competitive bidding. Concession terms to specify theft reduction (achieve <10% losses in 5 years or forfeit concession), billing recovery (>95%), and capital investment (smart meters, grid upgrades). Private operators assume commercial risk while government provides one-time recapitalization (Rs. 50 billion per DISCO) as bridge financing.

3. Section 3: IPP Contract Renegotiation: NEPRA empowered to unilaterally reduce capacity payments to thermal IPPs (coal, furnace oil) if: (i) Fuel costs ≤70% of contracted assumption, or (ii) Renewable alternatives available at ≤50% generation cost. IPPs may seek arbitration, but government indemnified if acting in public interest (statutory defense).

4. Section 4: Competitive Wholesale Market: NEPRA shall establish centralized electricity market (day-ahead, real-time) by 2027, all GenCos (public and private) to bid into merit order dispatch. Highest-cost plants should be curtailed first, ending guaranteed dispatch for inefficient SOE plants.[37][34]

Impact on Private Sector: Eliminating Rs. 3.23/kWh debt surcharge reduces industrial tariffs to 10-12 cents/kWh (competitive with India/Vietnam), restoring export competitiveness. Private DISCO concessions unlock Rs. 500+ billion investment in distribution infrastructure, reducing line losses and enabling reliable supply for SMEs.[45][47][48]

5.2 Regulatory Harmonization—Restoring National Economic Space Post-18th Amendment

Policy Objective: Eliminate five-jurisdiction regulatory maze (federal + 4 provinces) that imposes 12+ compliance layers, ensuring national uniformity for standards, business licensing, and economic regulation while respecting provincial autonomy on service delivery.[13][15][14]

5.2.1 Legislative Actions:

(A) Inter-Provincial Trade and Commerce (Harmonisation) Act, 2026
Constitutional Basis: Federal Legislative List Entry 41 ("Trade and commerce with foreign countries; import and export across customs frontiers") and Entry 44-52 (taxation powers) authorize federal legislation to prevent provincial barriers to internal trade.[8][9]

Draft Provisions:

1. **Section 1: Prohibition of Internal Barriers**: No provincial or local government shall impose: (i) export/import bans between provinces (e.g., Punjab banning wheat to Sindh), (ii) differential tax rates on same goods (harmonize sales tax on services at federal floor rate), (iii) arbitrary licensing (quotas, zoning restrictions) lacking objective criteria, or (iv) discriminatory inspections (targeting out-of-province firms).

2. **Section 2: National Standards Framework**: Federal government (via Pakistan Standards and Quality Control Authority, PSQCA) shall promulgate mandatory standards for 100 product categories (food, pharmaceuticals, construction materials, electronics) within 18 months. Provinces may impose

stricter standards (e.g., environmental norms) but cannot prohibit sale of federal-compliant goods.

3. **Section 3: Single-Window Business Registration**: Board of Investment operates **National Business Registration Portal**; entrepreneur pays single fee (Rs. 10,000), uploads documents once, receives (i) SECP incorporation certificate, (ii) NTN (National Tax Number) from FBR, (iii) provincial sales tax registration, (iv) EOBI/SESSI social security enrollment, (v) environmental clearance (self-certification for low-risk activities) within 7 working days. Provinces retain inspection rights but no additional license fees.[15][13]

4. **Section 4: Enforcement via Competition Commission**: CCP investigates complaints of provincial anti-competitive practices (cartels protected by provincial regulations, local monopolies), with penalties including withholding NFC transfers (Cabinet may recommend, Assembly approves) until province rescinds offending law.[64][15]

   Constitutional Amendment (if political will exists):

   Restore Concurrent List for Economic Regulation: Amend Fourth Schedule by inserting "Federal Legislative List-III: Concurrent Economic Powers" (requires 2/3 NA + Senate majority + 50% provincial assemblies under Article 239). Include: competition policy, industrial standards, environmental protection, labor standards (minimum wage, working conditions), and consumer protection. Federal law prevails, with provinces allowed to legislate if no federal law exists.[11][10]

(B) Regulatory Impact Assessment and Sunset Clause Act, 2026 Draft Provisions:

1. **Section 1: Mandatory RIA**: Every federal ministry, division, or regulatory authority proposing (i) new regulation with compliance cost >Rs. 1 billion annually, or (ii) amendment to existing regulation affecting >10,000 firms, shall prepare Regulatory Impact Assessment (RIA) containing the problem

definition, cost-benefit analysis, alternatives considered, stakeholder consultation record, and implementation timeline. RIA published 60 days before regulation notified and public comments to be mandatory.[42][43]

2. **Section 2: Sunset Clause**: All regulations (SROs, agency rules, NEPRA/OGRA/SECP determinations) automatically expire 5 years after issuance unless Parliament (via relevant Standing Committee vote + Assembly plenary approval) affirmatively renews. Sunset review includes updated RIA and industry compliance cost data.

3. **Section 3: Regulatory Guillotine**: Ministries shall within 12 months compile inventory of existing regulations (estimated 10,000+). The cabinet submits to National Assembly for en masse repeal of regulations (i) not enforced in 3+ years, (ii) duplicative/contradictory, or (iii) obsolete (referencing repealed laws).[13][14]

Impact on Private Sector: RIA transparency prevents stealth tax increases (e.g., FBR issuing SRO mid-year changing withholding tax rates without parliamentary scrutiny). Sunset clauses force regular review of bureaucratic red tape; industries lobby Parliament (accountable body) rather than opaque ministries.

5.3 Tax Administration Reform—From Coercion to Compliance

Policy Objective: Expand tax base from 7.2 million filers to 20 million (realistic target: all salaried employees, formal businesses, property owners) while reducing harassment via predictable, time-bound procedures and penalties for FBR non-compliance.[50][51][49]

5.3.1 Legislative Actions:

(A) Taxpayer Protection and Ease of Compliance Act, 2026

Draft Provisions:

1. **Section 1: Statutory Timelines**: (i) Tax refunds (sales tax, income tax) processed within 60 days of filing. If delayed, automatic approval + SBP

policy rate +2% interest penalty paid to taxpayer (charged to FBR budget). (ii) Audit initiation notice within 12 months of return filing (barring fraud evidence), audit closed within 180 days or deemed dismissed. (iii) Appeal disposal: Commissioner Appeals 90 days, Appellate Tribunal 180 days, High Court 12 months, with breaches subject to judicial contempt.[50][49]

2. **Section 2: Audit Selection Transparency**: FBR shall publish anonymized audit selection criteria (risk-based, using sectoral profitability benchmarks, past compliance, third-party data matches and not be quota-driven). Randomly selecting 20% of audits (lottery) could deter perception of targeted harassment.[49][34]

3. **Section 3: Alternative Dispute Resolution (ADR)**: Establish Tax Dispute Resolution Commission (retired High Court judges, chartered accountants, tax lawyers) outside FBR hierarchy. Taxpayer may elect binding ADR for disputes <Rs. 100 million. Frivolous appeals by FBR (dismissed >80% of time) could be prevented by incurring cost awards against department.[34][49]

4. **Section 4: FBR Officer Accountability**: FBR Commissioner or officer issuing demand notice ultimately dismissed in appeal should face departmental inquiry. If found malicious (quota pressure), he should be suspended without pay and departmental charges. Officers exceeding timelines (refund, audit closure) receive negative performance rating, affecting promotion.[50][49]

5. **Section 5: Presumptive Tax for SMEs**: Expand Tajir Dost Scheme—retailers, wholesalers, and SMEs (<Rs. 100 million turnover) pay flat annual tax (Rs. 50,000-500,000 based on turnover bands). No audits for 5 years unless evidence of suppression. Scheme voluntary but incentivized via priority access to government contracts (10% quota reserved).[52]

(B) Broadening the Tax Base: Agriculture and Property Taxation Act, 2026 Draft Provisions:

1. **Section 1: Agriculture Income Tax Coordination**: Provinces collect agriculture income tax (constitutional provision post-18th Amendment), but federal withholds 10% of NFC transfer if province fails to tax agriculture at ≥10% effective rate (assessed by independent audit). Federal compiles national agriculture income database (land records + crop yield + market prices) while provinces access data, eliminating excuses.[69][11][10]
2. **Section 2: Federal Property Tax on Urban Real Estate**: Invoke Federal Legislative List Entry 46 (estate duty) to impose annual wealth tax on urban immovable property >Rs. 50 million value (0.5% tax rate). FBR administers via provincial land record digitization, with the revenue being shared 50-50 federal-provincial to incentivize cooperation.[69][10]
3. Budget Linkage: National Assembly's Finance Bill (Chapter XIX, Rules 184-197) annually amends tax rates, exemptions, and procedures. Members move amendments to Finance Bill proposing taxpayer protections. The government typically resists, but coalition pressure (backbench revolt) can force acceptance.[1]

5.4 Competition Policy and Anti-Cartel Enforcement

Policy Objective: Dismantle entrenched cartels (sugar, cement, steel, pharmaceuticals) and eliminate elite capture of procurement, subsidies, and protection, ensuring level playing field for all enterprises.[63][60][18][34]

5.4.1 Legislative Actions:

(A) Competition Act (Amendment) 2026

Draft Provisions:

1. **Section 1: Enhanced Penalties**: Raise CCP's maximum fine from current Rs. 75 million (or 10% of turnover) to 20% of annual turnover + imprisonment (2-5 years) for cartel members (hard-core violations: price-fixing, bid-rigging, market allocation). Introduce leniency program-first cartel member to report receives immunity while subsequent cooperators get reduced penalties.[60][64][63]

2. **Section 2: Debarment from Public Procurement**: Any entity penalized by CCP for bid-rigging or cartel conduct shall be automatically debarred from federal/provincial government contracts for 5 years (listed in national blacklist accessible via PPRA portal). NAB coordination MoU operationalized: CCP provides evidence, NAB prosecutes criminally.[71][63][60]

3. **Section 3: Market Studies and Sector Inquiries**: CCP empowered to conduct suo motu market studies (pharmaceutical pricing, cement distribution, banking spreads) without complaint. It is to publish reports with recommendations and the government must respond within 90 days accepting/rejecting recommendations (if rejecting, justify in Parliament).[64]

4. **Section 4: Provincial Competition Enforcement**: Post-18th Amendment ambiguity resolved-CCP retains jurisdiction over inter-provincial trade and national markets. Provinces may establish Provincial Competition Authorities (PCAs) for intra-provincial markets, but CCP appellate authority over PCAs to ensure national consistency.[15][64]

(B) Public Procurement (Transparency and Competition) Act, 2026

Draft Provisions:

1. **Section 1: Open Competitive Bidding Mandatory**: All federal/provincial procurement >Rs. 10 million requires open tender advertised for 30 days. Exceptions (single-source, limited tender) will require written justification uploaded to PPRA portal. Any citizen may file complaint with PPRA alleging favoritism.[63][60]

2. **Section 2: Digital Procurement Platform**: PPRA operates centralized e-procurement system (existing EPADS scaled up). All bids are submitted electronically, auto-scored via algorithm (reducing human discretion), contract awarded to lowest technically qualified bidder (subject to post-qualification). Losing bidders may challenge within 15 days before independent Procurement Review Panel.[60]

3. **Section 3: CCP Access to Bid Data**: PPRA grants CCP real-time access to bidding data (bid prices, participants, award outcomes). CCP's software analyzes for collusion markers (identical bids, bid rotation, cover bidding) and CCP may suspend bid awards pending investigation.[63][60]

4. Impact on Private Sector: Breaking cartels reduces input costs (e.g., cement prices inflated 20-30% above import parity, steel 15-20%). Transparent procurement allows SMEs and new entrants to compete for government contracts (worth Rs. 2.6 trillion federal-provincial annually), previously monopolized by politically connected firms.[14][15][60]

5.5 Enabling Business Entry, Exit, and Credit Access

Policy Objective: Reduce time and cost to start/close a business, expand SME access to formal credit from 6% to 20% of total lending, and operationalize insolvency as rehabilitation tool rather than liquidation.[27][20][18][15]

5.5.1 Legislative Actions:

(A) Companies (Ease of Business) Amendment Act, 2026

Draft Provisions:

1. **Section 1: Fast-Track Incorporation**: SECP processes company registration (including NTN, social security, chamber enrollment) within 24 hours for standard cases (online form + Rs. 10,000 fee) with no need of ministerial discretion or police verification. Sole proprietorships and

partnerships auto-registered upon NTN issuance (no separate process).[44][42]

2. **Section 2: Simplified Compliance for SMEs**: Private limited companies with turnover <Rs. 100 million/year exempted from (i) statutory audit (self-certified financials accepted), (ii) board meeting requirements (shareholder resolutions via email valid), (iii) filing fees (SECP waives). Unlisted firms >Rs. 100 million must appoint independent auditor but no board composition mandates.[42][36]

3. **Section 3: Dormant Company Revival**: Companies inactive >3 years (no financials filed, no tax returns) auto-struck off SECP register after notice. Entrepreneurs may revive within 10 years by filing overdue documents + penalty (Rs. 50,000), avoiding need to incorporate afresh.[44][42]

(C) Insolvency and Rehabilitation Act (Amendment), 2026

Draft Provisions:

1. **Section 4: Pre-Insolvency Moratorium**: Insolvent company or creditor (owed >Rs. 10 million for 90+ days) may petition High Court for automatic 180-day moratorium on debt enforcement, with no secured creditor able to seize assets during this period. Company proposes Rehabilitation Plan (debt haircut, equity conversion, asset sale) to creditors. If approved by 75% value majority, binds all.[36][18]

2. **Section 5: Fast-Track Liquidation**: If no rehabilitation plan approved within 180 days, or company <Rs. 50 million assets, automatic fast-track liquidation. SECP-appointed liquidator auctions assets via online platform within 90 days, with the proceeds distributed per priority (secured creditors, tax, employees, unsecured) and the company dissolved within 12 months total.[18][36]

3. **Section 6: Dedicated Insolvency Benches**: Chief Justices of High Courts establish Company Courts (2 benches per province) staffed by judges

trained in insolvency law. Cases are to be resolved within statutory timelines or judges face judicial council inquiry.[18]

(D) SME Financing and Credit Guarantee Act, 2026

Draft Provisions:

1. **Section 1: Mandatory SME Lending Targets**: SBP regulations require all commercial banks to allocate ≥20% of credit portfolio to SMEs (<250 employees, <Rs. 800 million turnover) within 3 years (phase-in: 15% year-1, 17.5% year-2, 20% year-3). Non-compliant banks to face SBP penalty (1% of shortfall deposited to SME Credit Guarantee Fund as contribution).[33][15]
2. **Section 2: National Credit Guarantee Corporation**: Federal government capitalizes Credit Guarantee Corporation (Rs. 100 billion equity) to issue guarantees covering 60-80% of loan value for qualifying SMEs (first-time borrowers, women-owned, rural), with banks bearing 20-40% risk, incentivizing prudent lending. Guarantee Fund sustained via (i) annual budget allocation (Rs. 10 billion), (ii) recoveries from defaulted loans, (iii) guarantee fees (1-2% of loan value).[33][15]
3. **Section 3: Collateral Registry and Movable Asset Financing**: SECP operates Collateral Registry (electronic database). SMEs pledge movable assets (inventory, receivables, machinery) as security and lenders file charge online (takes precedence over unregistered claims), enabling asset-based lending without real estate collateral.[53][15]
4. **Section 4: Fintech Licensing for Alternative Lending**: SBP fast-tracks licenses for digital lenders, P2P platforms, and invoice discounting fintechs; simplified prudential norms (no branch requirements, lower capital floors) but capped loan size (Rs. 5 million per borrower) and mandatory credit bureau reporting.[33][15]
5. Impact on Private Sector: Insolvency reforms allow failing firms to restructure rather than liquidate, preserving jobs and creditor value (current

recovery rate <10 cents/dollar; target 40-50 cents). SME credit expansion from 6% to 20% unlocks Rs. 2-3 trillion additional financing, enabling 500,000+ SMEs to formalize and scale.[27][20][15][18]

5.6 Institutional Capacity Building and Accountability

Policy Objective: Strengthen National Assembly Standing Committees, ensure data-driven policymaking, and establish feedback loops between Parliament, regulators, and private sector to sustain reforms beyond election cycles.[7][1]

5.6.1 Legislative/Budgetary Actions:

(A) Parliamentary Research and Capacity Act, 2026

Draft Provisions:

1. **Section 1: National Assembly Research Service**: Establish independent research directorate (200 staff: economists, lawyers, data analysts, sector experts) reporting to Speaker, not Government. NARS supports Standing Committees via (i) bill analysis (fiscal impact, constitutional compliance), (ii) background briefs on witnesses/ministries, (iii) international best-practice studies, (iv) draft amendments and alternative legislation.[1][7]
2. **Section 2: Committee Budgets**: Each Standing Committee allocated Rs. 50 million annual budget for (i) hiring consultants (public hearings, technical studies), (ii) field visits (inspect factories, SOEs, infrastructure), (iii) subcommittee operations. Funds controlled by Committee Chairman (majority-opposition co-sign), ensuring autonomy from executive.[7][1]
3. **Section 3: Compulsory Testimony**: Empower Standing Committees to summon private citizens (CEOs, experts, civil society) under oath, with non-compliance punishable as contempt of Parliament (Rs. 5 million fine + 6-month imprisonment). Government officials (secretaries, regulators) must appear within 15 days of summons and Cabinet approval not required.[1][7]

(B) Annual Economic Policy Statement and Review Act, 2026

Draft Provisions:

1. **Section 1: Policy Coordination**: Cabinet submits to National Assembly (60 days before budget) Annual Economic Policy Statement outlining (i) growth targets, (ii) sectoral priorities (manufacturing, exports, agriculture, services), (iii) regulatory reforms planned, (iv) infrastructure investments, (v) performance metrics (investment-to-GDP, credit-to-GDP, tax-to-GDP). Statement debated in Assembly and adopted via resolution (non-binding but political commitment).[1]

2. **Section 2: Mid-Year Review**: Finance and Planning Committees jointly conduct mid-year review (December). Ministries are to be summoned to report progress vs. policy statement, and publish findings as "Committee Report Card"-red (off-track), yellow (delayed), green (on-track). Media amplifies accountability.[7][1]

3. **Section 3: Private-Sector Scorecard**: FPCCI, OICCI, PBC jointly submit business environment scorecard (survey-based: ease of credit, regulatory burden, tax compliance time, contract enforcement) to National Assembly annually. Scorecards are to be tabled before relevant Standing Committees, triggering hearings with underperforming regulators/ministries.[61][14][49]

(C) Fiscal Responsibility and Debt Limitation Act (Amendment), 2026

Draft Provisions:

1. **Section 1: Debt Ceiling**: Legislate that public debt shall not exceed 60% of GDP by 2030 (current ~75%), with annual fiscal deficit capped at 3% of GDP (binding limit, not target). If breached, automatic expenditure sequestration (non-salary, non-debt spending cut pro-rata) unless Assembly approves waiver by 2/3 vote (force transparency).[20][23][39]
2. **Section 2: SOE Guarantee Cap**: Total government guarantees to SOEs capped at Rs. 1.5 trillion (current Rs. 2.245 trillion), with any new guarantee requiring (i) National Assembly Finance Committee approval, (ii)

independent actuarial assessment of default probability, (iii) inclusion in fiscal risk statement. Breaching cap triggers automatic privatization mandate for loss-making guaranteed entities.[39][37]

3. Impact: NARS transforms Parliament from reactive to proactive**,** as committees propose legislation (not just react to government bills), conduct evidence-based oversight, and hold ministries accountable via public hearings broadcast nationally. Private-sector scorecards institutionalize feedback, ensuring reforms stick.[7][1]

7. QARMA (Questions A Resolution Must Answer)

1) To what extent should parliamentary oversight be expanded to regulate the use of Statutory Regulatory Orders while maintaining executive efficiency?
2) What role can fiscal policy and parliamentary oversight play in influencing lending patterns toward the private sector, particularly SMEs?
3) In what ways can legal and institutional reforms improve contract enforcement and commercial dispute resolution to strengthen investor confidence?
4) What structural reforms are required to address the circular debt crisis while ensuring energy affordability, reliability, and market sustainability?
5) What reforms are necessary to create an effective insolvency and restructuring framework that allows orderly business exits while protecting key stakeholders?
6) What legislative approaches can broaden Pakistan's tax base and encourage the formalization of unregistered businesses without undermining their growth?
7) What legislative gaps must be filled in the Corporate Restructuring Companies Act to create a functional bankruptcy regime?
8) How can the National Assembly codify a "Charter of Economy" or similar legal framework to prevent policy reversals?

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