

**Prime Minister's Office  
Board of Investment**

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**Revamping Pakistan's Business Regulatory Framework  
*Moving Towards Regulatory Compliance Facilitation***

**Background**

Pakistan's regulatory enforcement environment presents a significant structural impediment to business growth and investment. The current model treats all regulatory violations with uniform severity, making no distinction between minor technical lapses and serious corporate misconduct.

Pakistan has more than 600 federal statutes, approximately 150–200 laws directly impacting business, and a high cost of regulatory compliance. The consequences are significant: disproportionate enforcement fuels corruption and abuse of power, actively deterring both domestic and foreign investment.

**Core Objective**

The reform does not seek to reduce regulatory oversight. It seeks to increase compliance by making it easier and less adversarial for businesses to comply, while ensuring serious wrongdoing is still robustly prosecuted.

The framework is governed by three principles:

**Increasing Compliance:** Coercive and criminal sanctions become a last resort, deployed only after dialogue, clarification, and education are exhausted.

**Protecting Business Rights:** Procedural standards and due process are codified across all regulatory domains, abolishing arbitrary discretionary powers of field inspectors.

**Accountability for Criminal Acts:** The reform targets civil violations only. It does not shield deliberate, high-harm offences, fraud, or harm to people or the environment.

**Pillar 1: Responsive Regulation: From Policing to Compliance Facilitation**

**The Proposed Behavioural Shift**

The current model presumes guilt and defaults to coercive sanctions regardless of intent or harm. The proposed model reorients regulators as compliance facilitators, using dialogue and graduated responses before escalating.

Under the current state, there is presumed guilt and an adversarial stance, whereas the proposed state emphasizes dialogue, education, and clarification first. Currently, coercive and criminal sanctions are the default; under the proposed approach there would be a proportionate, graduated response to harm. The current system applies the same penalty regardless of

intent or harm, while the proposed model reserves sanctions as a genuine last resort. The regulator's role would shift from policing authority to compliance facilitator.

## **Pillar 2: Due Process in Government Inspections**

### **The Problem**

Field inspectors currently operate with overarching, largely unchecked discretion. This creates unpredictability for businesses, opens the door to harassment, and enables corruption.

### **The Proposed Due-Process Framework**

The key elements of the Harmonized Inspectorate Framework include a

1. *Transparent Legal Foundation*: mandate, stated authority, and purpose standardised in advance; inspections without statutory basis declared invalid.
2. *Accountable Inspectors*: discretion bounded by standard checklists, performance appraisal, and audit-compliant systems.
3. *Risk-Based Targeting*: resources directed based on data and historical compliance, ending unjustified harassment and arbitrary visits.