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CIVIL SOCIETY GOVERNANCE DIAGNOSTIC ASSESSMENT ON PAKISTAN

AN OVERVIEW OF GOVERNANCE, TRANSPARENCY AND SOCIAL ACCOUNTABILITY
REFORMS FOR ECONOMIC GROWTH



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AN OVERVIEW OF GOVERNANCE, TRANSPARENCY AND SOCIAL ACCOUNTABILITY REFORMS FOR ECONOMIC GROWTH

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ABOUT TRANSPARENCY INTERNATIONAL PAKISTAN

Transparency International Pakistan (TI Pakistan) is the National chapter of Transparency International, established in 2002 with the main aim to strengthen the global value system by making transparency and accountability more relevant public norms. Working in collaboration with other stakeholders and departments, TI Pakistan regularly publishes research papers, reform proposals, and manuals with the aim of disseminating information to all stakeholders, and also conducts capacity building workshops.

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IMAGE CREDITS

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MESSAGE FROM THE CHAIRMAN

It gives me great pleasure to present the Civil Society Governance Diagnostic Assessment for Pakistan 2025, a timely and vital initiative led by Transparency International Pakistan. The report is both a reflection of and a response to the urgent need for institutional reforms that place integrity, transparency, and good governance at the heart of Pakistan's development trajectory and economic growth.

As Pakistan undertakes structural economic reforms, the parallel challenge of reforming governance systems must not be overlooked. This report is unique in that it places civil society and experts at the center of the diagnostic process. It draws on diverse provincial perspectives, sectoral insights, and expert recommendations to provide a grounded and multidimensional view of Pakistan's governance and anti-corruption landscape as well as the recommendations on reforms necessary for economic growth. It reminds us that governance reform is not a technocratic exercise—it is a deeply political process shaped by power structures, accountability mechanisms, and public trust.

I commend the tireless efforts of all contributors—civil society partners, researchers, subject experts, and community voices—who have provided depth to this assessment. It is our hope that this report informs practical, and inclusive reform pathways—ones that can rebuild institutional strengthening, reduce corruption, and enhance public service delivery for the citizens of Pakistan.

Justice (R) Zia Perwez
Former Judge, Supreme Court
Chairman
Transparency International Pakistan

MESSAGE FROM THE EXECUTIVE DIRECTOR

The Civil Society Governance Diagnostic Assessment for Pakistan 2025 represents a pivotal step in embedding civil society voices into the heart of governance and economic reform. Transparency International Pakistan is honored to lead this effort and provide an independent, evidence-based contribution grounded in the realities of Pakistan's governance challenges, to the federal and provincial governments, as well as contribute to the ongoing governance and anti-corruption diagnostic assessment being undertaken by the International Monetary Fund (IMF) at the request of the Government of Pakistan.

This report is the result of extensive national consultations and focus group discussions with stakeholders from civil society, academia, the private sector, and legal and financial experts. It explores structural impediments to reform, exposes institutional gaps, and offers practical recommendations to improve fiscal governance, financial transparency, public sector efficiency, and rule of law.

What sets this assessment apart is its political economy approach—recognizing that governance reform does not occur in a vacuum. It is shaped by incentives, interests, and institutional constraints. Reforms will only succeed if they are inclusive, locally owned, and anchored in accountability mechanisms that are shielded from political interference.

TI Pakistan recognizes that sustained economic outcomes depend on institutional strengthening which underscores the importance of this diagnostic. We remain committed to working alongside national institutions, international partners, and communities to ensure that governance reforms are not only adopted but implemented in ways that truly transform lives.

Mr. Kashif Ali
Executive Director
Transparency International Pakistan



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PREFACE

Pakistan's economic problems are underpinned by governance issues. Attempts, supported by the International Monetary Fund (IMF), have been aplenty to address the core of the economic and fiscal crises that are deemed to be rooted in chronic budgetary and trade deficits. However, results have not been fully commensurate with efforts; even where fiscal numbers look good. There is now a growing recognition that while 'good numbers' may meet the necessary conditions, they do not necessarily satisfy sufficiency conditions. In other words, governance issues – lax rules and corruption – compromise the effective implementation of policies; howsoever, cogent they may be.

The insights gathered from consultations led as part of this report comprising of key policy makers – public representatives and civil servants – civil society representatives, academics, business leaders and media have highlighted the paramountcy of supra-political issues – intra-state balance of power, weak justice system, nepotism and lack of implementation of laws – as fundamental constraints imposing challenges to economic progress. The review of international governance literature has also underscored the fundamental point that corruption cannot be substantially reduced without modifying the way governments operate, and in this sense, the fight against corruption is linked with the reform of the state.

While, this Report acknowledges that there are wider political and policy issues facing the country; however, these are external to the domain of the scope of this study and work of Transparency International Pakistan. At the same time, it is deemed that there is considerable scope for reform within the existing framework. Much of the administrative inefficiencies, corruption – can be attributed to lax rules and lack of transparency. There are numerous success stories and cases in Pakistan itself where putting together a sound legal and administrative system has rendered a service largely efficient, harassment-free and corruption-free.

This report has identified such key areas facing necessary-sufficiency condition gaps for reform which have direct impact on economic resilience, investor confidence, ease of doing business and citizens trust in the effective service delivery rendered by the state. Across the board, a common denominator in the recommendations put forward by this assessment, is digitization and online disclosures.

Transparency International Pakistan hopes that this Report which provides an insight based on the relevant data and stakeholders feedback, will aid in fine-tuning systems, improving the overall governance landscape and be considered at different levels.

Mr. Kashif Ali
Executive Director
Transparency International Pakistan

ABBREVIATIONS

ADB	Asian Development Bank
AGPR	Accountant General Pakistan Revenues
BISP	Benazir Income Support Programme
CCP	Competition Commission of Pakistan
CPI	Corruption Perception Index
CSO	Civil Society Organization
EFF	Extended Fund Facility
EPADS	E-Procurement Across Departments System
FBR	Federal Board of Revenue
FCPA	Foreign Corrupt Practices Act
FED	Federal Excise Duty
FGDs	Focus Group Discussions
FPCCI	Federation of Pakistan Chambers of Commerce & Industry
FRDL	Fiscal Responsibility and Debt Limitation
GCD	Governance and Corruption Diagnostic
GDP	Gross Domestic Product
GST	General Sales Tax
HEC	Higher Education Commission
IMF	International Monetary Fund
KMC	Karachi Metropolitan Corporation
L/C	Letter of Credit
LG	Local Government
MQM-P	Muttahida Qaumi Movement-Pakistan
NSER	National Socio-Economic Registry
OECD	Organisation for Economic Co-operation and Development
PAC	Public Accounts Committee
PFM	Public Financial Management
PILDAT	Pakistan Institute of Legislative Development and Transparency
PIACL	Pakistan International Airlines Corporation Ltd.
PPRA	Public Procurement Regulatory Authority
PTI	Pakistan Tehreek-e-Insaf
RTI	Right to Information
SDPI	Sustainable Development Policy Institute
SEF	Sindh Education Foundation
SHRC	Sindh Human Rights Commission
SOEs	State-Owned Enterprises
TI	Transparency International
UNCAC	United Nations Convention against Corruption
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
WB	World Bank

INTRODUCTION

Pakistan is currently engaged with the International Monetary Fund (IMF) through a 37-month Extended Fund Facility (EFF) worth US\$ 7 billion¹. This program is designed to support structural reforms aimed at restoring macroeconomic stability, addressing fiscal and external imbalances, and ensuring long-term economic sustainability. Core priorities under the EFF include fiscal adjustment, improving debt dynamics, achieving exchange rate flexibility, expanding the tax base, and reforming state-owned enterprises (SOEs). These reforms are essential for avoiding a cycle of repeated bailouts and placing the economy on a more resilient footing.

While the IMF's Extended Fund Facility (EFF) primarily targets hard economic policy variables such as fiscal adjustment and macroeconomic stabilization, it also underscores the importance of protecting social spending particularly in the area of social protection. Increasingly, the program places parallel emphasis on governance, transparency, and anti-corruption reforms, recognizing that sustainable economic outcomes depend on institutional integrity and accountability. The IMF has acknowledged that without tackling governance deficits, structural reforms cannot deliver lasting results. Recognizing this, the IMF is preparing a Governance and Corruption Diagnostic Assessment (GCD) Report at the request of the Government of Pakistan². The assessment appears to be guided by the rationale that economic policies and plans can be developed through rigorous analysis and informed decision-making, their successful implementation depends on strong institutions and effective organizations. In the absence of such institutional strength, governance gaps emerge, creating opportunities for corruption and undermining policy outcomes.

Transparency International Pakistan has embarked on preparing a comprehensive Civil Society Governance Diagnostic Assessment for Pakistan, incorporating perspectives from political parties, government representatives, civil society, academia, private sector, business leaders, professionals and experts. A similar exercise was successfully undertaken in Sri Lanka in 2023, offering valuable insights into governance challenges and reform priorities to the IMF's GCD report in the country³. In Pakistan's case, repeated reforms particularly in public financial management, decentralization, civil service modernization and anti-corruption institutions have yielded limited and uneven results, frequently stalling at the implementation stage. As a result, structural constraints continue to undermine the continuity and coherence of governance reforms in Pakistan, posing direct risks to macroeconomic stability, investor confidence and effective public service delivery to the citizens.

It is important to emphasize that reforming governance is inherently a political process, one that is shaped by the incentives and limitations of different actors within the institutional landscape. Political fragmentation, fragile coalitions, and weak legislative oversight restrict the space for effective implementation. At the same time, elite capture and rent-seeking distort public resource allocation, further weakening the state's ability to fulfill its developmental and redistributive responsibilities. Given this complex reality, the Civil Society Governance Diagnostic Assessment for Pakistan adopts a political economy lens, recognizing that technical reforms alone are insufficient unless they are embedded in politically mandated strategies that build reform ownership and institutional resilience. In doing so, the assessment seeks to highlight a set of reform recommendations that are grounded in empirical evidence, attuned to political realities, and aligned with Pakistan's broader economic and social development goals.

¹ <https://www.dawn.com/news/1860850>

² <https://www.nation.com.pk/07-Apr-2025/imf-begins-assessment-of-pakistan-s-governance-anti-corruption-measures>

³ https://www.tisirilanka.org/wp-content/uploads/2023/09/GDA_REPORT_2023.pdf

METHODOLOGY

The Civil Society Governance Diagnostic Assessment for Pakistan is the outcome of a nationwide consultative process involving different stakeholders, including civil society representatives, subject experts, business leaders, academia, practitioners and legal experts. The stakeholders' input was gathered under Delphi research methodology, through a series of Focus Group Discussions (FGDs) conducted virtually with stakeholders from different provinces, ensuring that diverse regional and sectoral perspectives shape the analysis and subsequent recommendations through a participatory approach⁴.

In parallel to these consultations, TI Pakistan conducted an extensive review of the available literature on economic governance and rule of law, focusing on Pakistan's context and international experiences, particularly in countries undergoing IMF Extended Fund Facility (EFF) programs that included governance diagnostics. Lessons have been drawn from how these diagnostics have been implemented elsewhere, including their influence on institutional reform and policy dialogue⁵. Moreover, the national studies, reports and other documents are the key part of the analysis. Local and international organizations engaged in the areas of both governance and anti-corruption had done key assessments and produced evidence-based recommendations which have informed the proposed recommendations of this assessment, validated by the stakeholder consultations.

While this civil society-led initiative is entirely independent and demand-driven, it aims to constructively engage, contribute and provide civil society input to the IMF's ongoing governance and corruption diagnostic assessment, being carried at the request of the Government of Pakistan. The objective is to provide an informed, bottom-up contribution that complements the Fund's technical assessments with grounded insights from the field.

In doing so, the report's recommendations are informed by two primary sources:

- I. Evidence-based inputs provided by subject experts and civil society representatives from across Pakistan.**
- II. Findings from literature review of economic and political governance landscape**

The integration of both sources of input has proven instrumental in shaping the analysis. The literature review provided a robust conceptual framework and macro-level empirical evidence, situating Pakistan's governance landscape within broader theoretical and comparative contexts. In contrast, insights drawn from expert consultations offered micro-level, experiential perspectives, capturing the lived realities of governance deficiencies and corruption as encountered by citizens. The synthesis of these complementary strands of evidence in the report provide a holistic and empirically grounded basis for the formulation of context-specific governance reform recommendations.

Following the outcome of initial consultations, analysis and consolidation, a draft of the report's findings and recommendations was reviewed at two Workshops with members of the Political Parties, Government Representatives, International Development Partners, Civil Society, Academia, Business and Industry Leaders, Legal Experts, Professionals and Journalists. Their feedback was incorporated into the final version of the report, to be presented to the key stakeholders, including the Government of Pakistan, the IMF, and development partners, with the aim of informing future policy and reform efforts.

⁴ <https://www.rand.org/pubs/tools/TLA3082-1.html>

⁵ <https://www.imf.org/en/Publications/CR/Issues/2023/09/29/Sri-Lanka-Technical-Assistance-Report-Governance-Diagnostic-Assessment>

LIMITATIONS

The findings of this report are shaped by certain operational and contextual constraints. Notably, the limited timeframe for data collection restricted the extent of engagement with a broad base of civil society organizations (CSOs) and experts across the country. While many participating CSOs provided informed and articulate input on Pakistan's governance challenges with representation from national and sub-national levels, the compressed consultation window limited their ability to deliberate detailed, actionable policy recommendations.

Despite these limitations, the report has two distinct programmatic advantages over similar exercises. First, it is more closely aligned with the realities, allowing for greater responsiveness to citizen-level experiences and priorities. Second, the process remained fully independent. This autonomy enabled a more candid, demand-driven assessment of institutional performance and accountability.

While the report does not claim to offer a comprehensive solution set, it provides an important foundation for further policy dialogue and a roadmap for reform planning. It should be viewed as a complementary input on strengthening governance systems as a core component of Pakistan's economic progress and development agenda.

OVERALL CONTEXT AND THE ECONOMICS OF CORRUPTION

Corruption generates significant economic and institutional costs, undermining public service delivery, deterring investment, and eroding citizen trust in the state. These costs are not incidental but stem from deeply embedded structural causes. Institutional weaknesses—such as lack of transparency, inadequate oversight mechanisms, and poor enforcement capacity—combined with distortive economic policies, create enabling environments for rent-seeking and corrupt behavior by public officials. As highlighted in the IMF publication (IMF, 2002)⁶, corruption is both a symptom and a driver of poor governance, with tangible macroeconomic and fiscal consequences. Addressing it, therefore, requires targeted institutional reforms, improved regulatory frameworks, and strengthened accountability systems integrated into national development and economic reform strategies.

One of the earliest formal efforts to combat corruption was the enactment of the U.S. Foreign Corrupt Practices Act (FCPA) in 1977, which prohibited American companies from bribing foreign officials. Two decades later, the fight against corruption was internationalized, with a series of actions that criminalized bribery and ended provisions for tax-deduction of bribes paid. In 1996, the United Nations (UN) General Assembly adopted a Declaration Against Corruption and Bribery in International Commercial Transactions and a year later, in 1997, the Organization for Economic Cooperation and Development (OECD) adopted the Convention on Combating Bribery of Foreign Officials in International Business Transactions. The non-governmental sector formally entered the anti-corruption arena with the establishment of Transparency International in 1993, marking a pivotal shift towards global civil society engagement in promoting transparency, accountability, and integrity in public and private sector governance⁷.

Parallel to the growing role of civil society actors such as Transparency International in the global anti-corruption landscape, multilateral institutions have also expanded their engagement with governance issues. IMF's three core activities traditionally focused on surveillance of economic policies of member countries, financial support for adjustment programs, and technical assistance to strengthen economic and financial management. However, in recent years, IMF has increasingly recognized the importance of good governance in member countries in achieving macroeconomic stability and non-inflationary, sustainable growth. In this context, IMF has deepened its support for governance improvements by promoting economic policies and structural reforms aimed at reducing opportunities for discretionary decision-making, rent-seeking, and preferential treatment, thereby reinforcing the institutional foundations necessary for sound public financial management and equitable economic outcomes⁸.

The IMF has increasingly mandated enhanced transparency and accountability in the management of public funds with a particular focus on strengthening revenue administration, enhancing the financial accountability of state owned enterprises, monitoring the use of public resources for poverty reduction, consolidating extra-budgetary funds into the budget, enhancing transparency of tax and tariff systems, reinforcing central bank independence, strengthening prudential bank supervision, and improving the quality and timeliness of economic and financial statistics. Building on the growing international consensus around governance and accountability, a critical insight emerges:

“Corruption cannot be meaningfully curbed without addressing the underlying dysfunctions in how governments operate. This underscores the intrinsic link between anti-corruption efforts and broader state reform agendas”

Corruption adversely impacts economic and social development and social outcomes, revenue-to-GDP ratio, public expenditure management systems and promotes poor governance. Corruption distorts the composition of public expenditures, biasing allocations in favor of less-productive investment projects and

⁶ Abed, George T., *The Economics of Corruption: An Overview*, IMF 2002. Chapter Authors: Alonso-Terme, Davoodi, Ghura, Gupta, Hindriks, Keen, Mauro, Muthoo, Tanzi and Tiongson

⁷ <https://www.transparency.org>

⁸ <https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/04/20/pp030918-review-of-1997-guidance-note-on-governance>

promotes inefficiencies. At the same time, corruption is negatively associated with government expenditure on education and health. An increase in corruption by one unit (on a scale of 0 to 10) lowers the ratio of public spending on education by 0.2 percentage point of GDP, and an increase in corruption by one unit (on a scale of 0 to 10) raises the child mortality rate on average by 1.1 to 2.7 deaths per 1,000 live births, highlighting the human and socio-economic cost of corruption. Similarly, corruption and tax evasion have distributional implications and are regressive. Corruption is associated with higher income inequality and poverty. A worsening of the corruption index of a country by one standard deviation increases the Gini coefficient by 11 points, and one standard deviation increase in the growth of corruption reduces income growth of the poor by 4.7 percentage points a year.

In the case of Pakistan, the country has continued to face daunting economic challenges as well as declining ranking and score on Corruption Perception Index (CPI) released by Transparency International⁹. In 2024, the International Monetary Fund (IMF) approved a \$7-billion Extended Fund Facility (EFF) for Pakistan, but uncertainty remains over whether the loan will bring economic stability in the longer run. The key priorities and structural reforms under the new Extended Fund Facility Program (EFFP) require implementation of administrative reforms, particularly focusing on strengthening governance and anti-corruption institutions.

Persistent governance deficits are at the heart of Pakistan's institutional and economic challenges. The lack of transparent, accountable, and rules-based public institutions undermines the state's ability to deliver on development priorities, enforce the rule of law, and manage public resources effectively. Institutional capture, entrenched elite influence, and weak regulatory enforcement have fostered a governance environment where accountability mechanisms are systematically undermined.

One of the most visible manifestations of weak governance lies in the fiscal management. Despite formal mechanisms for legislative oversight, executive authorities retain significant discretionary powers that undermine parliamentary scrutiny and diminish public trust over the budget making process. The lack of transparency in budgetary processes reflects a broader pattern of institutional opacity and weakened checks and balances. Tax administration is similarly affected. A narrow and inequitable tax base, underpinned by weak enforcement and political interference, contributes to chronic revenue shortfalls and erodes citizens' trust in the state. Key sectors remain unevenly taxed, and reform efforts are often diluted by vested interests resistant to change. Similarly, efforts to digitize public administration, especially in land management, judicial processes, and taxation, hold promise for enhancing transparency and reducing petty corruption. However, these initiatives remain fragmented, lacking the interoperability and institutional coherence required to support a rule-based governance system.

International actors, particularly the IMF, have increasingly acknowledged governance as central to sustainable development. Comparative diagnostic reports highlight the importance of structural benchmarks, such as independent anti-corruption bodies, prosecutorial autonomy, and transparency mechanisms. However, the effectiveness of such diagnostics depends heavily on domestic political commitment. For Pakistan, the path to good governance lies not in technocratic fixes but in building institutional integrity. This requires consistent political will, legal empowerment of oversight bodies, enforcement of anti-corruption frameworks, and citizen engagement. Without these foundations, governance reforms will remain superficial, and systemic dysfunction will persist.

⁹ <https://www.transparency.org/en/cpi/2024>

KEY FINDINGS

The Civil Society Governance Diagnostic Assessment on Pakistan reveals a broad consensus on the need for structural reforms to enhance transparency in fiscal governance, oversight, and public sector accountability. At the heart of these findings is the recognition that fiscal governance must be democratized, with Parliament playing a more meaningful role in the budget making and approval process. The legislature must serve as active guardian of fiscal responsibility through openness in decision-making and timely disclosure of important decision making to the public.

The prevailing tax structure has been viewed as inherently unfair, favouring entrenched interests and undermining the state's ability to mobilize domestic resources. There is an urgency of addressing loopholes and exemptions that disproportionately benefit certain sectors, while calling for a transition to more transparent, technology-enabled fiscal systems. Fiscal capacity is hampered by sectoral tax exemptions, particularly in agriculture, under-valuation in real estate and under-invoicing in imports. Stakeholders emphasized the urgency of removing unjustified tax shelters to equalize the tax burden.

Simplification, digitization, and consistency in policy implementation were identified as essential to restoring trust in public finance. Alongside these, there is a need to rationalize the state apparatus, especially post-18th Amendment, to avoid redundancy and improving fiscal discipline. Social protection programs, while vital, must be made more agile and citizen-focused through the smarter use of digital infrastructure and clearer performance benchmarks. Public institutions tasked with delivering social protection and managing public assets were seen as constrained by inefficiencies and a lack of modern management practices.

Improving public financial management emerged as another pillar of reform. Stakeholders emphasized that greater digitization, not only of revenue systems, but of expenditure tracking, procurement, and performance auditing, is crucial to minimizing discretion and enhancing accountability. Public watchdog institutions, especially those tasked with oversight of expenditures, must be insulated from political interference and equipped with the tools and autonomy necessary to fulfil their mandates effectively. A stable and predictable fiscal environment was also flagged as critical to fostering investor confidence and broader economic resilience.

Pakistan's anti-corruption framework faces significant challenges, and there is a need to pivot from punitive approaches toward preventive systems that emphasize institutional integrity, civic awareness, and independent scrutiny. Ensuring the credibility of accountability mechanisms through streamlined mandates, non-partisan oversight, and protections for whistleblowers was viewed as central to rebuilding public confidence in the mandate of Anti-Corruption Agencies and Integrity Institutions. Similarly, transparency laws such as the Right to Information must go beyond legislation to become functional instruments of public empowerment, supported by digital tools, proactive disclosure, and impartial implementation bodies.

Stakeholders also noted that local governments in Pakistan have a constitutional cover in the form of Articles 32 and 140-A. However, the provisions are insufficient and there is a need for addition of a dedicated chapter on Local Government in the Constitution, outlining the institutional structure, power, functions, tenure and list of jurisdictions over local subjects, along the lines of the existing chapters on federal and provincial governments.

Taken together, the report puts forth 45 pivotal governance benchmark recommendations necessary for economic growth and guided by four cross-cutting imperatives: transparency, equity, digitization, and citizen agency. These principles remain essential to restoring trust in public institutions and ensuring that governance serves the collective good.

MEASURES TO ENHANCE FISCAL GOVERNANCE TRANSPARENCY



Pakistan's ongoing fiscal challenges are deeply intertwined with structural weaknesses in fiscal governance, including lack of openness in budgetary processes, inefficient revenue collection, and fragile institutional accountability. The budget process remains largely centralized and technocratic, with limited avenues for meaningful parliamentary scrutiny or citizen participation. As a result, fiscal decisions often lack transparency and public legitimacy. Strengthening democratic oversight, ensuring timely disclosure of budget documents, and institutionalizing participatory mechanisms are essential steps to rebuild trust and align fiscal priorities with public needs.

Addressing revenue shortfalls and fiscal imbalances requires fundamental reforms in revenue administration and expenditure management. Pakistan's narrow tax base, distorted by exemptions, weak enforcement, and large informal sectors, continues to undermine the state's fiscal capacity. Bridging gaps in tax collection, particularly in agriculture, real estate, and imports, is critical to improving equity and compliance. At the same time, more effective deficit management through expenditure controls is necessary to reduce the recurring cycle of fiscal crises. Social safety nets like the Benazir Income Support Program (BISP) must also be strengthened through administrative restructuring, better targeting, and robust financial oversight to maximize impact while safeguarding public resources.

Reinforcing fiscal governance also depends on building state capacity through public sector digitization. Expanded use of digital systems in public offices including in public procurement can reduce discretionary power and corruption while improving efficiency and accountability. Strengthening business registration and documenting financial transactions are equally important for broadening the tax base and promoting formal economic activity. A transparent and predictable investment climate, backed by streamlined regulations and contract enforcement, will also be essential to mobilize private sector participation in long-term development. Together, these efforts form the backbone of a more transparent, accountable, and inclusive fiscal governance system in Pakistan.

ENHANCING FISCAL TRANSPARENCY THROUGH DEMOCRATIZING THE BUDGET PROCESS

The national budget represents the Government of Pakistan's principal policy instrument, articulating its fiscal strategy, macroeconomic objectives, and socio-economic priorities. As such, it also functions as a key mechanism for public accountability and transparency in the allocation and utilization of public resources. The significance of the budget arises from the fact that it allocates resources to convert rhetoric into reality and sets the pace and direction for production and consumption decisions of economic agents. However, the process and procedures of the preparation and approval of the Budget do not appear to provide space for parliamentary input or accountability of the Executive. Accordingly, the following recommendations are proposed to enhance legislative oversight and strengthen the accountability mechanisms within the budget formulation and approval process.

Recommendation 1: Strengthen the role of Parliament in budget process by empowering parliamentary Standing Committees in the budget vetting process.

As the supreme representative institution, Parliament plays a critical role both in formulation, implementation and oversight of the budget. It is the prerogative of parliament to permit the executive to levy a tax or to spend money on any head of expenditure. The budget allows Parliament and the general public to know where the taxpayers' money goes; thereby, increasing transparency and proving to be a tool for accountability of the Executive.

As per the current practice, the Budget is presented in the National Assembly by the Finance Minister each year in June before the start of the following financial year on July 1. A copy of the Budget is also laid before the Senate, which may within seven days make recommendations and return the Bill to the National Assembly. After the National Assembly passes the Bill, with or without incorporating the recommendations of the Senate, it is presented to the President for assent.

The entire budget making process is the culmination of an eight to nine month long exercise, with a limited role of Parliament and parliamentarians', largely confined to general policy issues. It is prepared by the Finance and Planning Divisions, with minimal involvement of public representatives; except that of the Finance Minister. This creates a situation where private lobbies with access to Finance and Planning Division officials command greater leverage in influencing particular budgeting decisions than members of Parliament. There are three major problems that constrain the parliamentarians in playing an effective role in the budget process. These include:

I. Secrecy in the budget preparation process

II. Lack of parliamentary Standing Committees role in the budget vetting process, and

III. The minimal number of days that are allocated to the budget approval process.

In order to strengthen the role of Parliament in the budgetary process, it is necessary to increase the role of Parliament in the budget-making and legislative phase of the budget cycle. Current practice does not provide sufficient role to parliamentary standing committees to scrutinize the budget. Rule 104 of the Rules of Procedure and Conduct of Business in the National Assembly states that:

“Upon introduction, a bill, other than a finance bill, shall stand referred to the Standing Committee concerned with the subject matter of the Bill”.

Enhancing parliamentary involvement in the budget process requires amending Rule 104 of the Rules of Procedure and Conduct of Business in the National Assembly to remove the provision '*other than a finance bill*'.

Recommendation 2: Increase number of days allocated to the budget approval process and parliament to convene after presentation of the Budget and pass the recurring expenditure for a period of 30 or 45 days.

The Budget proposals are presented in the Budget Speech delivered in the National Assembly by the Minister of Finance in June. The National Assembly reconvenes after a recess of two days and the Budget debate commences, with the Opposition presenting its response to the Budget.

Clearly, more time is required for the budget session. This will necessitate a change in the rules of procedure related to the approval of the budget. A proposal that can be considered is for Parliament to reconvene after presentation of the Budget and pass the recurring expenditure for a period of 30 or 45 days. The Budget is then scrutinized in the Standing Committees and debated on the floor of the House prior to final passage in July or early August.

Recommendation 3: Extend the power of the Senate to scrutinize and vote on Money Bills to enhance provincial say in the allocation of national resources.

There is a need to enhance discussion in the Standing Committees to enable members to take up matters relating to the functioning of the particular Ministry; thereby, enhancing the accountability of the Ministries. Changes made by the Committees to Budget proposals can be incorporated by Finance Division before being taken up by the full house for approval. Furthermore, extending the power of the Senate to scrutinize and vote on Money Bills will enhance provincial say in the allocation of national resources and enhance inclusivity in the budget making process.

Recommendation 4: Publish the details regarding proceedings and implementation of Rules 201(6) and 201(7) by Parliament Secretariats.

The Parliament has added two sub-rules to Rule 201 in its Rules of Procedure and Conduct of Business. Sub-rule 201(6) requires each Federal Ministry to share Budget proposals regarding the Public Sector Development Program (PSDP) with the concerned Standing Committee, prior to finalization of PSDP proposals. The Standing Committees are expected to scrutinize the proposals and send recommendations to the Ministry concerned for consideration and inclusion in the PSDP. Sub-rule 201(7) obligates the Ministries to submit a compliance report to the concerned Standing Committee within 30 days of the submission of recommendations and show reasons in case the recommendations are not accommodated.

“The status of implementation of Rules 201(6) and 201(7) remains weak. According to National Assembly Secretariat records, Standing Committees forwarded a total of 202 recommendations to the respective Ministries during the past 10 years and were ignored. Not a single recommendation was accepted and no reasons were provided. In doing so, the necessary condition has been fulfilled, the sufficiency condition remains to be achieved”

- Focus Group Discussion

The Parliament Secretariats must be obligated to separately publish the details regarding proceedings and implementation of Rules 201(6) and 201(7).

Recommendation 5: Replace Article 84 and Article 124 with proviso to permit, to place the case for amendment to certain expenditure provision before the National/Provincial Assembly Standing Committee on Finance and Revenue for prior emergency approval.

A critical problem with the Budgeting exercise over the course of the fiscal year is the discretionary power of the Executive to make ex post changes to the Budget. The practice of expenditure over and above the budgeted amounts and shifting allocations from one head to another after the passage of the budget has become the norm. The National Assembly, during its 2024 - 25 Budget session, approved Rs 9.4 trillion in the previous fiscal year's expenditure over-runs, an amount five times higher than the one approved the previous year¹⁰.

Changes made in the budget – expenditure over-runs and reallocations – are collectively presented in the National Assembly as the Supplementary Budget at the end of the financial year, along with the budget for the next year. The Supplementary Budget is passed with little or no debate because members consider such debate futile, given that the expenditure has already been incurred.

¹⁰ Budget and Parliament” by Ahmed Bilal Mahboob, Dawn, July 20th, 2024

These post-facto changes in the budget are made by the Executive by virtue of Article 84 in the case of the federal budget, and Article 124 in the case of the provincial budgets. The Articles grant the Executive discretionary power to modify the Budget – without even informing Parliament, let alone obtaining its prior approval – rendering the Budget process a meaningless exercise. There can be a case for emergency approval for certain expenditure. In the event, the Demand for amendments can be placed before the National Assembly Standing Committee on Finance and Revenue for emergency approval. This is the practice in Denmark.

In order to respect the sanctity of parliamentary approval, it is important that parliament revisit Articles 84 and 124 of the Constitution.

ENHANCING FISCAL CAPACITY THROUGH IMPROVED REVENUE ADMINISTRATION

As a federal state, powers to collect taxes lies with both the federal and provincial governments in Pakistan. The fourth schedule of the Federal Legislative List of the Constitution of Pakistan (entries 43 to 53) mandates the federal government to levy and collect the taxes (Annex 02, Table 01)¹¹.

Taxes in the provincial domain are based on the exclusion of some parts of the federal tax bases. These include sales tax on services, income tax on agricultural income and property-related taxes. In addition, provincial governments delegate powers to levy all residual taxes. The bulk of tax revenue collection, over 90% continues to be in the federal domain. Post-2021-22, growth in federal taxes has been higher than in provincial taxes. Indirect taxes constitute the bulk of tax revenues; although, its share has declined by over 10 percentage points from 62% to 51% in the last 5 years. General Sales Tax (GST) accounts for two-thirds of indirect tax revenues, followed by customs duties at one quarter. Notably, two-thirds of Withholding Tax revenues are from Indirect Tax sources (Annex 02, Table 1.1, 1.2, 1.3, 1.4).

The fundamental problem is that the revenue target is not based on the revenue generation capacity of the economy; rather, it is a notional estimate, driven by desired expenditures. As a result, revenue targets are seldom realized. Accordingly, there is pressure to reach the target, with the Federal Board of Revenue (FBR) resorting to manipulative tactics; e.g., withholding of release of refunds. The withholding of refunds – that runs into billions of rupees – adversely impacts businesses directly and overall economic output. Three key areas are identified as contributing to gaps in revenue collection:

I. Tax on Agriculture Income

II. Taxation of Real Estate

III. Addressing Under-Invoicing in Imports

Recommendation 6: Remove the undue advantage of ‘tax shelters’ from Agriculture sector by Amending Item 47 of the Fourth Schedule of the Constitution, and ensure that all sectors face the same tax bars.

Taxing agricultural incomes has been a subject of debate for over 7 decades in Pakistan. It has also been wrapped in political controversies and vested interests. The blanket exemption given for “income from agricultural income” has assumed erroneously that agriculture and other sectors, and enterprises therein, are mutually exclusive. The resultant separation of treatment of income streams between federal and provincial governments has created a grey area of de facto tax-exempt status for a large number of businesses/enterprises; creating tax shelters. This constitutional anomaly calls for redressal.

Moreover, estimates of potential tax receipts from agricultural income has varied rather significantly. Among the latest is the Pakistan Business Council estimate of Rs. 372 billion¹². One common method of attempting to estimate tax receipts from the sector is as a percentage of agriculture sector value added. Crop and Important Crop value added in GDP 2023-24 are Rs. 3,361 billion and 1,977 billion, respectively. In this respect, Rs. 372 translates to 11.1 percent and 18.8 percent, respectively. These are over-estimates and assume that all farmers are eligible for taxation. Annex 03, Table 2, 2.1, 2.2 presents this data, including data on land ownership by size.

Nevertheless, notwithstanding the relatively low revenue potential, efforts to enhance revenues from the agriculture sector merits strengthening. The equity logic is that all sectors must face the same tax bars and the undue advantage of ‘tax shelters’ be withdrawn. Further, it is recommended that the Item 47 of the Fourth Schedule of the Constitution be amended to delete the words “ *...other than agricultural income*”. The amendment will bring all income tax levy matters under central domain and close loopholes.

¹¹ Government of Pakistan, Finance Division, Pakistan Economic Survey, 2024-25

¹² <https://www.brecorder.com/news/40225672>

Recommendation 7: Implement the principle of ‘Right of First Purchase’ to reduce grey areas in real estate, ensuring that all property transactions negotiated between two parties – seller and buyer – are uploaded on Federal Board of Revenue (FBR) website, detailing the property characteristics and agreed price to enable a 3rd party to bid higher for the same property.

8.1: The recent efforts by the FBR to revise property valuation is the step in the right direction. However, the valuation remains significantly lower than the market rates. FBR must ensure that the property valuations are revised every year to bring at par with the market value.

8.2: Put Ban on sale of property on power of attorney to curtail property transactions off the books. The power of attorney may only be allowed in specific cases to facilitate people.

8.3: Real estate offices and developers must be registered with the provincial Excise Departments to enhance documentation of the sector.

8.4: Provincial Building Control Bodies must ensure that all approved projects are made available through their website to curtail housing scams and ensure investors protection.

Pakistan’s real estate sector is a large contributor to the country’s GDP, accounting for about 6 percent of GDP. However, its tax contribution is not deemed to be commensurate with its size as the sector operates in a grey area. The Pakistan Business Council has estimated potential tax receipts from the Real Estate sector at Rs. 380 billion¹³. Given that the 2023-24 Real Estate value added is reported at Rs. 2,321 billion, this amount translates to 16.4 percent. Moreover, the estimates about revenues from real estate taxation can be deemed to be guesstimates; given that property prices differ from location to location, even within one city, and also vary over short periods. And there is no system to record this disaggregated and volatile data.

Common to all of the above is value of the property or profit earned as a result of the transaction or the income of the parties to the transaction. However, the basic problem with real estate taxation arises from property valuation. A pervasive situation is that property transfers are negotiated at market rates, with a fraction of the amount changing hands officially and the balance under the counter. In the event, the provincial/local government loses in terms of property transfer fees, and the federal government loses in terms of the tax on (actual) income generated by the transaction.

Various means have been attempted to record property values for taxation; the principal one being Valuation Tables, that officially establishes property value range for particular locations. The Table is revised periodically to reflect inflation; however, rate revision generally lags behind market rates. More recently, the federal government introduced a 3 percent Federal Excise Duty (FED) on property transactions but have had to withdraw the measure¹⁴.

The sector requires out-of-the-box measure – The principle of ‘Right of First Purchase’ – whereby all property transactions negotiated between two parties – seller and buyer – should require to be uploaded on a dedicated official website, detailing the property characteristics and agreed price. A period of, say, 2-3 weeks should be allowed, during which any 3rd party or parties can bid for the same at, say, 20 percent or more above the declared price and the seller be legally bound to sell the property to the said 3rd party.

The measure can be expected to minimize under-invoicing of the property; thereby, ensuring government revenue accruals at actual market rates, as well as reduce opportunity for people to whiten the black money.

¹³ <https://www.brecorder.com/news/40295429>

¹⁴ <https://tribune.com.pk/story/2540108/govt-scraps-3-fed-on-property-sale>

Recommendation 8: All property transactions must be taxed at a single, uniform tax based on market value, consolidating existing taxes into a single levy to streamline real estate taxation and curb tax evasion.

In the 2024-2025 budget, the federal government has introduced several new measures related to property taxes: with the four main types of federal real estate taxes being listed below.

Capital Gains Tax (CGT):	levied on the profit earned from selling immovable property, with FBR determining the amount based on the value of the property.
Advance Property Tax (Withholding Tax):	levied on property transactions, with the tax amount based on annual income of sellers and buyers, as per FBR guidelines.
Capital Value Tax (CVT):	Capital Value Tax (CVT): levied as a percentage of property value on the transfer of immovable property.
Federal Excise Duty (FED):	levied as a percentage of value of the property. However, the withdrawal of FED is under consideration.

These overlapping taxes not only incentivize undervaluation but also informal transactions for tax evasion, leading to significant revenue loss and a distorted property market. With efforts underway to enforce market-based valuation of property, the existing tax structure becomes even more regressive and opaque, disproportionately affecting genuine buyers and discouraging formal investment.

To address these inefficiencies, the government should consolidate all existing property transaction taxes into a single, standardized levy of lets say 5% based on the market value of each transaction. This streamlined tax structure will simplify compliance, reduce the incentive for underreporting, and improve revenue collection.

Recommendation 9: Upload Summaries of all Letters of Credit (L/C), specifying the product(s) and f.o.b. price, on dedicated Customs Department website along with the valuation system must be updated based on international best practices to address tax evasion and under-invoicing in Imports.

Tax evasion is a universal phenomenon but attempted to be kept under control through economic and administrative measures. The degree of success or otherwise of any of these measures is a function of the quality of governance structures in any country.

Import duties are imposed with a view to protect domestic industry from foreign competition and evasion of duties on imports is one aspect of tax evasion. A typical method employed herewith is for both the parties – importer and exporter – to collude in under-invoicing the value of the transaction in the documentation – Letter of Credit – and the balance paid by the importer to the exporter through other means. Another method is to mis-declare the nature of the goods; i.e., a high tariff item is mis-declared as a lower tariff item. This phenomenon is common in items where there are large quality differentials. In both events, the government in the importing country loses in terms of revenues.

A recent report of Task Force on Revamping of the Maritime Sector has noted that Pakistan's port operations remain digitally disconnected from international systems and this gap has enabled large-scale misdeclarations of goods, underreported values, and tax evasion, particularly on high-tariff imports. The lack of digitization in port operations has facilitated manipulation of cargo records, tax assessments, and declarations, leading to significant revenue losses. The report highlights that out of 32 essential port

processes, only 4 are digitized, underscoring the urgent need for comprehensive digital reforms¹⁵ to enhance transparency and prevent tax evasion. Under-invoicing of imports does not only deprive the government of revenue but also compromises the competitiveness of domestic industry; thereby, impacting exports, employment and incomes adversely. The seriousness of the situation merits an out-of-the-box alternative.

Summaries of all Letters of Credit (L/C), specifying the product(s) and f.o.b. price, be uploaded on dedicated Customs Department website. There is also a need to update the valuation system based on international best practices to address determination of values in Valuation Rulings (VR) at a lower value than international & domestic market values, to bring more transparency. The Central Bank must also put in place a mechanism to ban transactions through informal channels which results in tax evasion and cause loss to the exchequer.

The measure will need to be properly structured to account for quality differentials but can be expected to reduce under-invoicing of imports; thereby, ensuring government revenue accruals at actual or close to market rates – without the elaborate and costly bureaucratic inspection mechanisms.

IMPROVING FISCAL BALANCE THROUGH EFFECTIVE DEFICIT MANAGEMENT

Budget deficits occur due to lower revenues relative to expenditure or, conversely, higher expenditures relative to revenues. Efforts to raise revenues to address the budget deficit have had limited success. Perhaps, attention needs to shift to expenditure reduction. Some expenditures, e.g., debt servicing, are not amenable to unilateral reduction; however, others are. One area where expenditure reduction is within the domain of the government is Running of Civil Government.

Recommendation 10: The Divisions, and associated departments, autonomous and semi-autonomous agencies, related to subjects that have been devolved to the provinces vide 18th Constitutional Amendment must be decentralized.

The merits of lean and efficient government is generally accepted, as also the fact that the government structure in Pakistan is over-loaded. There are 42 federal Administrative Divisions, each with several Attached Departments, and autonomous and semi-autonomous agencies. This overhead is deemed to be particularly problematic post-18th Amendment.

“The 18th Amendment to the Constitution of Pakistan, passed in 2010, significantly altered the national power structure, devolving considerable authority from the federal government to provincial governments. It altered 102 Articles of the Constitution, originally adopted in 1973. It also abolished the Concurrent List, which had 47 items over which the federal and provincial assemblies commanded concurrent power to legislate; and 40 of the items were transferred to provinces”

In 2023, the Government constituted a series of committees for downsizing the federal government to reduce Current Expenditures; the latest being the High-Powered Committee on Right Sizing of the Federal Government formed in 2024¹⁶. The move was deemed to be motivated by the fiscal crisis and the need to reduce federal expenditure in order to narrow the unsustainable budget deficit. As of the Revised Estimates of 2023-24, Debt ranks the highest, accounting for 58% of Current Expenditure, followed by Defence (13%) and Subsidies (7.5); together accounting for 78.5%. Running of Civil Government and Pensions account for 5.3% and 5.8%, respectively.

¹⁵ <https://profit.pakistantoday.com.pk/2025/01/30/pakistan-loses-rs5trn-annually-due-to-underutilised-ports-tax-evasion-and-trade-malpractices-report/>

¹⁶ <https://cabinet.gov.pk/SiteImage/Misc/files/Rightsizing.pdf>

Two points are noteworthy, herewith. One, Pension payments exceed the entire amount of Civil Government expenditures. And two, Revised Expenditures are in excess of Budgeted Expenditures on all heads. In consequence, the size of the federal Government feeds into Pension payments and weak fiscal discipline feeds into the rising deficit.

Current Expenditure (2023-24)			
Head of Expenditure	Budgeted	Revised	Over-Expenditure (%)
Mark-up Payments	7,302.5	8251.0	13.0
Defence	1,804.0	1854.0	2.8
Subsidies	1,064.2	1071.0	0.6
Running of Federal Government	713.9	753.0	5.5
Pensions	801.0	821.0	2.5
Others	250.0	-	-
Total	13,344.4	14,232.0	6.7

Detailed assessment of Government of Pakistan's Rules of Business 1973 (as amended up to December 31, 2021) and Establishment and Finance Divisions data has revealed significant obsolescence, overlapping and duplication; providing considerable scope for downsizing. Accordingly, it is imperative that the findings and recommendations of the committees for downsizing constituted by the federal government in 2023 and 2024 must be implemented to avoid duplication of work through closure and merger of relevant Departments.

Annex 04, Table 3, includes tabular presentation of Federal Legislative List and the corresponding Division stipulated to carry out the specified function. Table 3.1 lists Divisions that are not constitutionally provided for; i.e., not covered in the Federal Legislative List.

IMPROVING BENAZIR INCOME SUPPORT PROGRAM (BISP) EFFECTIVENESS VIA ADMINISTRATIVE RESTRUCTURING

The Benazir Income Support Programme (BISP) is Pakistan's flagship social safety net and one of the largest public sector programs in South Asia dedicated to poverty alleviation. Given its scale, strategic importance, and growing international recognition, BISP presents a unique case study for governance in action, making it a highly relevant inclusion in the Governance Diagnostic Report.

From a governance standpoint, BISP is central to evaluating how public resources are allocated, targeted, and delivered to citizens, especially the most vulnerable. Its architecture, featuring digital payments, biometric verification, a centralized beneficiary registry (NSER), and grievance redress mechanisms, demonstrates how digitization and institutional design can minimize leakages, reduce political capture, and improve service delivery accountability. There are two unique features of this program. One, the beneficiaries / recipients are exclusively women and, two, the beneficiaries / recipients are identified through an objective and non-partisan mechanism.

The efficient running of any organization requires a lean, competent staff. However, over the decade and a half since its founding, the size of the BISP administration has mushroomed, something that is abnormally high for an organization whose operations are almost completely automated.

Recommendation 11: BISP shall adopt lean management practices to streamline its administrative structure by leveraging its extensive automation.

Given the program's near-complete automation, the necessity of maintaining a large administrative apparatus warrants critical review. Streamlining the administrative structure could enhance efficiency and reduce operational costs. There are multiple Wings and multiple layers of Director-Generals (10), Directors (30), Deputy Directors (60) and Assistant Directors (68) and other staff, plus field staff. For an organization that has only one task – and which is fully automated, the layers of officer level senior staff – Director-General, Director, Deputy Director, Assistant Director – are excessive.

The current staff structure at Headquarters – number of officers per Wing – is as follows¹⁷:

Wings	Director General	Director	Deputy Director	Assistant Director	Average
Cash Transfer	1	4	7	10	22
NSER/Conditional Cash Transfer	1	2	4	5	12
OM	1	7	10	14	32
Complimentary Initiatives	1	2	2	3	8
Evidence & Risk Management	-	1	3	5	9
Intl Cooperation & Coordination	-	1	3	1	5
Media Communications	1	1	2	1	5
Zones	1	2	-	-	3
Procurement	-	1	2	-	3
Finance & Accounts	1	4	6	7	18
Internal Audit	1	2	5	5	13
Technology	1	2	10	10	23
Chief Technology Officer	1	-	-	-	1
Cyber Security	-	1	4	6	11
Chairperson Office	-	-	1	1	2
Secretary Office	-	-	1	-	1
Additional Secretary Office	-	-	-	-	-
Total	10	30	60	68	168

¹⁷ <https://www.bisp.gov.pk/Detail/Zjk0OGQ2NTgtZGVlZi00NmFILWFhZgtNDg5YThkOTQ0OWU0>

OPTIMIZING GOVERNANCE AND OPERATIONS OF STATE-OWNED ENTERPRISES

Pakistan's mixed economy has historically been characterized by the coexistence of public and private enterprises operating within broadly defined sectors. In the early stages of economic development, the private sector was nascent, constrained by limited capital and managerial capacity. Consequently, the public sector assumed a central role in spearheading industrialization efforts, laying the foundational infrastructure for economic growth and structural transformation.

In 1952, the government established the Pakistan Industrial Development Corporation (PIDC), which – over the first two decades, 1950s and 1960s – set up industrial units, and after successful commercial operation, sold them to the private sector. In the 1970s, the public sector space was enlarged with the nationalization of a range of private enterprises and establishment of new industries in the public sector. The 1980s witnessed a process of withdrawal of the public sector and the adoption of the private sector as the engine of growth. The first step towards privatization was taken in 1978, with the handing over 3 state-owned enterprises to their previous owners. In 1988, the government attempted to formulate a privatization policy and enlisted a foreign firm – N.M. Rothschild – in this regard¹⁸. The Rothschild report recommended a disinvestment through the stock market, with a view to strengthening the capital market as well. Accordingly, a nascent privatization policy seemed to be emerging, with 10% share of the state-owned Pakistan International Airlines offered to the public¹⁹.

The 1990s saw the Rothschild recommendations set aside, and privatization process rushed through. The rationale for privatization was provided through public statements, couched in terms of reducing the budget deficit, retiring outstanding debt, rendering the industrial sector more efficient, using the proceeds to fund education and health programs, and so forth. These could be termed as de jure objectives.

The Privatization Commission, formed in 1991, assessed that out of the 73 units under the Ministry of Production, 34 units were loss-making, 16 were profit making and the rest were on the margin. Thereby, the early 1990s saw the privatization of 97 state-owned enterprises, including profit-making ones. Barring about half a dozen entities, all privatized industries shut down and the land converted to housing. As such, the consequential result was de-industrialization; negating the unwritten objective of 'rendering the industrial sector more efficient'.

As of June 1996, the government accrued Rs. 47 billion from sale of state-owned enterprises. Of this amount, 12.9% were devoted to debt retirement and the rest was consumed by Current Expenditure (Ahmad, 1997). However, even if the entire amount of Rs. 47 billion had been allocated for debt retirement, only 5.4% of the then outstanding debt of Rs. 859 billion would have been retired. Accordingly, raising revenues to fund Current Expenditure has remained the primary de facto objective of privatization.

The decade 2000 saw privatization of larger enterprises. Given the weak financial and managerial capacity of the indigenous private sector, all units were acquired by foreign interests. The initial flow of foreign exchange receipts eased the Balance of Payments pressure. However, almost all of these entities are in the service sectors, with limited potential for exports – and foreign exchange inflow. These entities earn their revenues in Rupees and remit their profits in dollars; thereby, aggravating the Balance of Payment crisis. The resultant net foreign exchange outflow became so large that the State Bank of Pakistan had to split the Services Balance variable into Services Balance and Income Balance; the latter documenting profit remittances.

¹⁸ <http://www.policy.hu/bokhari/History%20and%20Evolution%20of%20Privatization%20in%20Pak..pdf>

¹⁹ <https://library.fes.de/pdf-files/bueros/pakistan/11150.pdf>

State-owned enterprises and their losses have been bandied about as the core of Pakistan's budget and trade deficits and privatization has been deemed to be the panacea. Yet, the experience of three and a half decades of privatization has failed to reduce both the gaps; rather they have widened. This calls for a novel approach.

Recommendation 12: Prioritize the Public Private Partnership (PPP) approach: privatize management, not assets. Where assets are privatized, exclude land which must remain with the government to prevent conversion to non-industrial uses.

Privatization of State-owned enterprises in Pakistan has had a convoluted trajectory. While it was promoted as a means to achieve fiscal savings by reducing subsidy burdens and facilitating debt retirement, these objectives have largely remained unmet. Accordingly, a new approach is called for. While there is as yet no officially adopted privatization policy, privatization per se remains high on the government's agenda, with the Privatization Commission having listed 24 enterprises in this regard (Annex 05, Table 04). They include one in the aviation sector, one in the real estate Sector, six in the Financial Sector, two in the industrial sector and thirteen in the power sector.

Herewith, there appears to be some degree of realization of the need for an alternative mode to privatization. One option being floated around is 'public-private-partnership', which combines the public sector's priority of safeguarding the larger public interest with the private sector's efficiency. This approach essentially implies privatization of management sans privatization of assets.

Further, all privatization must exclude land assets, which must remain with the government to prevent conversion to non-industrial uses. This provision is likely to attract only those investors that have an interest in operating the facility.

Recommendation 13: Ensure compliance with PPRA ordinance 2002 and PPRA Rules 2004 in the State-owned Enterprises (Governance and Operations) Act 2023 to address SOEs discretion in procurement processes.

The independent procurement policies framed by the State Owned Entities (SOEs) under Section 17(2) of the State-Owned Enterprises (Governance and Operations) Act, 2023, have allowed the SOEs to bypass Pakistan Public Procurement Regulatory (PPRA) Authority Rules, compromising the essence of fair and competitive procurement processes. This will potentially enable SOEs to be exempted from PPRA jurisdiction and its key provisions of transparent competitive bidding which require:

procuring agencies to ensure (complaint handling mechanisms, grievance redressal, declaration of evaluation reports and publication on the websites). Additionally, as PPRA has now transitioned to EPADs systems, this means the SOEs will also be exempted from the EPADs under their independent procurement guidelines.

It is imperative that the federal government issues guidelines for SOEs which must emphasize compliance with PPRA ordinance and PPRA Rules 2004 as opposed to SOEs independent procurement guidelines in line with the SOEs Act 2023. Any customisation of procurement guidelines deemed in contravention of PPRA rules must be made prohibited. The SOEs Act 2023, Section 17(2) must be amended to reflect compliance with PPRA ordinance 2002 and PPRA Rules 2004.

Section 17(2) of SOES Act, 2023²⁰

“State-owned enterprises shall maintain independent procurement policies with the approval of the federal government, which comply with the Chartered Institute of Procurement and Supply’s Global Standards of Procurement and Supply and shall only be responsible for compliance of provisions of Public Procurement Regulatory Authority Ordinance, 2002 (XXII of 2002) to such extent as may be directed by the federal government.”

Recommendation 14: The composition of SOEs boards must ensure that there is no Conflict of Interest (COI) between board members and public and private entities.

All State-owned Enterprises have Boards of Directors, comprising of official and independent nominees; the latter called Independent Non-Executive Directors. While official nominees are senior serving officers (Secretaries of Administrative Departments, Chairpersons/Director-Generals of Attached Departments (autonomous and semi-autonomous agencies/corporations, etc.), independent nominees are prima facie professionals and experts in the field or related field.

The official nominees are deemed to be bureaucrats trained to follow rules and are risk-averse, which makes it difficult for them to navigate the competitive and dynamic corporate world. On the other hand, the independent directors are deemed to possess more up-to-date education and experience and their perspective and skill can likely contribute to the dynamism and efficacy of Board decisions. There are three fundamental problems which give rise to conflict of interest situation.

First, in a number of cases, the head of the Administrative Department, responsible for policy-level decisions, is also the head of the Attached Department, responsible for implementation and management. In an event that a problem lies with the policy, it is unlikely that the Board will feel free to identify the same. Herewith, there emerges the potential of conflict of interest.

Second, the head of Attached Departments is appointed directly by the Government, instead by the Board and, almost always, without even any Board input; with no compulsion or obligation to ensure the appointees familiarity, knowledge or experience with the related field of the organization. For instance, there is the case of a retired police officer appointed to head an energy technology organization.

Third, in a number of cases, retired government officers and persons with political (even personal) affiliations are appointed as independent nominees. In the event, the Board is deprived of the agility of thought and ideas of specialist professionals and experts. Herewith again, there emerges the hazard of conflict of interests.

²⁰ <https://pakistancode.gov.pk/pdf/files/administrator7d647915d9ac2e727b54f495d7933648.pdf>



BUILDING ROBUST FINANCIAL OVERSIGHT SYSTEMS FOR FISCAL INTEGRITY



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PARLIAMENTARY OVERSIGHT AND PUBLIC ACCOUNTS COMMITTEE

Accountability across all tiers of governance is fundamental to achieving good governance. In Pakistan, the Public Accounts Committee (PAC) of the National Assembly serves as a critical instrument of parliamentary oversight, mandated to ensure the prudent use of public funds. Established under the Rules of Procedure and Conduct of Business in the National Assembly, the PAC examines the Auditor General's reports on the accounts of the federation, scrutinizes appropriations approved by the Assembly, and addresses any financial irregularities therein. It may also receive references from the Minister for Finance or remits from the Speaker on matters of public finance. Although the Chairmanship of the PAC traditionally lies with the Leader of the Opposition, a practice aligned with global norms to reinforce impartial oversight; this convention has not been consistently upheld in Pakistan, sometimes leading to questions about the committee's independence.

Despite its central role, the PAC faces significant structural and operational challenges. These include an overwhelming backlog of audit reports²¹, which delays scrutiny and undermines timely corrective action. Weak institutional mechanisms for following up on PAC and Auditor General recommendations further dilute their impact, allowing financial mismanagement to persist. Additionally, PACs suffer from chronic resource shortages, including technical expertise and investigative staff, which impair their analytical capacity. Political interference continues to erode the committee's independence, and poor public communication limits transparency and public engagement with oversight processes.

To enhance the effectiveness of the PAC, several reforms are necessary. First, a legal mandate should be introduced to formalize the appointment of the Leader of the Opposition as PAC Chair at both federal and provincial tiers, ensuring impartial oversight. Second, mechanisms must be established to clear the audit backlog through prioritization and dedicated review sessions. Strengthening institutional frameworks for systematic follow-up on recommendations—possibly through a tracking and reporting system—is essential. Allocating adequate technical and financial resources, including staff training, will improve PAC's performance. Finally, proactive public communication strategies must be adopted to publish PAC findings and outcomes, thereby reinforcing transparency and citizen trust in the accountability process.

Recommendation 15: Introduce a binding legal provision mandating the appointment of the Leader of the Opposition as PAC Chair at both national and provincial PACs to institutionalize impartial parliamentary oversight.

Accountability at all levels of governance is a cornerstone of good governance. In Pakistan, Public Accounts Committees (PACs) at both national and provincial levels serve as vital mechanisms for parliamentary oversight, responsible for scrutinizing public expenditures and ensuring financial discipline. PACs across federal and provincial levels face systemic challenges that hinder their effectiveness. A growing audit backlog delays the identification and correction of financial mismanagement.

To strengthen the integrity and effectiveness of financial oversight in Pakistan, a statutory provision should be enacted mandating that the Chairperson of the Public Accounts Committee, at both the national and provincial levels, be the Leader of the Opposition. This legal mandate would institutionalize the principle of impartiality in financial scrutiny, ensuring that the oversight function is not compromised by political interests. Establishing this requirement through legislation, would provide consistency, enhance the credibility of the PACs, and align Pakistan with international best practices in public financial management. It would also serve to foster cross-party accountability, restore public confidence in parliamentary oversight mechanisms, and reinforce the separation between executive power and legislative scrutiny.

²¹ <https://profit.pakistantoday.com.pk/2025/03/06/imf-raises-alarm-over-600000-pending-audit-cases-in-state-institutions/>

Recommendation 16: Establish statutory timelines and ensure adequate resourcing for Public Accounts Committees (PACs) to complete and submit audit reports within two years of the fiscal year's end.

Timely and efficient auditing is a foundational element of good public financial management. In Pakistan, the effectiveness of Public Accounts Committees (PACs) at both federal and provincial levels is significantly undermined by chronic delays in the audit process. Audit reports are often submitted several years after the close of the fiscal year, making oversight reactive rather than preventive. This delay weakens the ability of PACs to address financial mismanagement promptly and undermines the credibility of public financial oversight mechanisms. Moreover, the audits examined by PACs are of the outdated projects rather than focusing on the more recent projects. The key contributors to these delays include lack of statutory deadlines, procedural inefficiencies, limited institutional capacity, and underfunding of the Auditor General's office. As a result, audit backlogs accumulate, eroding the utility of audit findings and enabling a culture of impunity within public sector financial management.

To address this systemic issue, the government should enact statutory provisions that mandate the completion and submission of audit reports within a maximum of two years following the end of the relevant fiscal year.

Recommendation 17: Parliamentary disclosures under FRDL Act including debt status must be published online.

Transparency in public debt management is critical for fostering fiscal accountability and maintaining public trust in government financial practices. Under the Fiscal Responsibility and Debt Limitation (FRDL) Act 2005, the Ministry of Finance is required to provide regular reports to Parliament on debt trends, sustainability, and compliance with fiscal targets. However, these disclosures are often limited in accessibility and visibility, reducing their utility for legislators, researchers, civil society, and the general public.

To enhance transparency and promote informed oversight, all parliamentary disclosures mandated under the FRDL Act 2005, particularly those relating to debt status, fiscal targets, and compliance, should be systematically published on a publicly accessible and regularly updated online platform managed by the Ministry of Finance.

This digital portal should include historical data, quarterly and annual debt reports, and explanatory summaries in accessible language to ensure usability by a wide audience. Institutionalizing online publication will not only fulfill the spirit of the FRDL Act, but also align Pakistan with international best practices in fiscal transparency and democratic accountability.

ENHANCING STATE CAPACITY THROUGH PUBLIC SECTOR DIGITIZATION

Pakistan's public sector has long faced structural and operational challenges that constrain effective service delivery, accountability, and economic competitiveness. Fragmented processes, weak inter-agency coordination, and opaque financial systems continue to undermine citizen trust and investor confidence. In this context, public sector digitization presents a critical opportunity to enhance state capacity, improve governance outcomes, and catalyze private sector growth.

Digitization in Pakistan has gained momentum over the past decade, driven by growing recognition of its potential to improve governance, service delivery, and economic competitiveness. Key national frameworks including the Digital Pakistan Policy (2018)²² and various provincial e-governance strategies have laid the groundwork for modernizing public administration through technology. However, progress has been uneven, constrained by institutional silos, capacity gaps, and inconsistent political will. While flagship initiatives such as NADRA's digital identity system, the Pakistan Single Window, and the Punjab and KP e-governance platforms demonstrate the feasibility of large-scale digital reforms, systemic integration across ministries and levels of government remains limited²³. A more coordinated, whole-of-government approach is essential to scale up digitization and embed it as a core enabler of state capacity and inclusive development.

As part of a broader governance reform agenda, the Government of Pakistan must develop a digital roadmap for digitization of public service delivery which will streamline citizen-facing services, reduce transaction costs, and expand equitable access, particularly in underserved regions. The plan shall outline phased interventions across key ministries and provincial departments, including e-governance platforms, digital identity integration, and service delivery dashboards. A core pillar of this agenda must involve strengthening business registration and documentation systems, with a focus on simplifying firm registration, enhancing inter-agency data interoperability (e.g., FBR, SECP, NADRA), and expanding digital record-keeping at the local government level. These reforms are crucial for formalizing the economy and enabling better regulatory oversight.

In parallel, the government must be committed to promoting accountability and transparency through comprehensive documentation businesses and financial transactions. This includes digitizing public procurement systems and enforcing e-payments in government transactions. Such measures are essential to counter corruption risks and improve public financial management.

Finally, the government must ensure that the digitization efforts are being leveraged to promote private sector development through investment facilitation. This includes operationalizing online investment portals, automating licensing processes, and building one-stop digital windows to reduce bureaucratic friction for domestic and foreign investors. By reducing regulatory uncertainty and procedural delays, these steps aim to create a more enabling environment for private sector expansion.

Collectively, the digitization reforms represent a strategic shift toward a more agile, transparent, and citizen-responsive governance. However, realizing this vision will require sustained political commitment, cross-sector coordination, and robust institutional capacity to manage change.

²² https://www.moib.gov.pk/Downloads/Policy/DIGITAL_PAKISTAN_POLICY%2822-05-2018%29.pdf

²³ <https://tribune.com.pk/story/2524269/cash-is-king-the-case-of-pakistan-in-a-fintech-revolution?>

²³ <https://www.thenews.com.pk/latest/1235472-fbr-rules-out-extension-in-deadline-for-filing-tax-returns?>

²³ <https://thedocs.worldbank.org/en/doc/760541593464535534-0090022020/original/WorldBankG2PxCOVID19PakistanBrief.pdf>

²³ <https://www.psw.gov.pk/news-updates?page=5&>

²³ <https://www.psw.gov.pk/media/Half%20Yearly%20Report%20FY%202024-25%20-%20Final.pdf?>

Recommendation 18: The Government must publish a 5-year plan on Digitization of Public Service Delivery, providing a roadmap to automate process for essential public services, minimizing Discretionary Powers and abuse of authority.

Pakistan's public service delivery system has long been plagued by inefficiencies, corruption, and excessive discretionary powers held by government officials. This discretionary authority often leads to rent-seeking behaviours, favouritism, and inconsistent application of rules and regulations. The traditional paper-based bureaucratic procedures create opportunities for officials to extract bribes from citizens seeking basic services, with the poor and marginalized suffering disproportionately from these informal discriminatory practices. The National Corruption Perception Survey 2023, published by Transparency International Pakistan ranked Police, Tendering and Contracting, Judiciary, Health and Education among the more corrupt sectors in the perception of citizens.

The adoption of e-governance to reduce direct interactions between citizens and bureaucrats, will limit opportunities for petty corruption in essential public services such as water, electricity, gas, police services, registration (birth, death, marriage, divorce certificates), local government, land transfers, tax payments, and utility billing can enhance transparency and efficiency, reducing the scope for discretionary decision-making by automating processes and providing transparent, traceable transactions.

Pakistan has made some strides in this direction. For instance, the Pakistan Citizen's Portal, launched in 2018, allows citizens to lodge complaints and provide feedback on government services. Additionally, approximately 40 federal ministries have developed e-office platforms, representing a significant step towards improving service delivery²⁴. These efforts aim to reduce human intervention in routine processes, create transparent audit trails, and establish standardized service delivery mechanisms. Digital solutions from land records to tax filing have shown promising results, though implementation remains uneven across provinces, with rural and remote areas still largely underserved.

In a context where discretionary powers often go unchecked, digital systems act as guardrails by standardizing processes and reducing human interference. According to the UN's E-Government Development Index (EGDI) 2024, Pakistan ranks 136th out of 193 countries²⁵, lowest in South Asia besides Afghanistan, indicating a need for accelerated digital transformation. The report also highlights that while there has been progress in digitization, the lack of integrated digital service delivery and citizen-centric approaches hampers effectiveness.

The government must publish and accelerate implementation of the 5-Year Plan on Public Service Delivery Digitization, with a focus on streamlining business registration, automating financial transactions, and expanding digital access to public services. Prioritizing integrated, transparent digital systems will not only strengthen institutional accountability but also improve investment facilitation and promote inclusive private sector growth.

A clear consensus emerged during consultations with multiple stakeholders that there is an urgent and undeniable need to accelerate digitization across the public sector to improve efficiency, transparency, and service delivery.

²⁴ <https://www.dawn.com/news/1838736>

²⁵ <https://publicadministration.un.org/egovkb/en-us/Data/Country-Information/id/128-Pakistan>

Recommendation 19: Mandate the upgradation of the AGPR's SAP system and direct FBR to enforce uniform tax credit adjustments at the DAO level, ensuring alignment with tax laws and promoting efficient, equitable public financial management.

Ensuring fair and efficient tax administration is a cornerstone of good governance, particularly for salaried individuals and pensioners who are subject to automatic tax deductions. Currently, systemic inefficiencies such as outdated procedures at District Accounts Offices (DAOs) and the limited functionality of the AGPR's SAP system have resulted in excessive tax deductions and delayed refunds. These practices not only undermine taxpayer rights but also erode trust in public financial management. Based on the findings of the Federal Tax Ombudsman, it has become clear that the existing mechanisms do not reflect the legislative intent of the Income Tax Ordinance, especially regarding timely tax credits and adjustments²⁶.

To address this, the government must mandate an immediate upgrade of the Accountant General Pakistan Revenues (AGPR)'s SAP system to enable automatic tax credit adjustments for salaried individuals and pensioners. In parallel, the Federal Board of Revenue (FBR) must issue binding directives to ensure DAO-level compliance with relevant tax laws and establish a robust monitoring framework to prevent misuse at the withholding stage. This reform will streamline tax processes, reduce administrative burdens, and reinforce public compliance and confidence in the state's commitment to equitable and transparent governance.

STRENGTHENING BUSINESS REGISTRATION AND DOCUMENTATION SYSTEMS

Pakistan's economy is characterized by a dual structure, comprising both formal and informal businesses. Informal businesses which are typically unregistered and operate outside the legal and tax frameworks, represent a significantly larger share of economic activity than the formal sector. This widespread informality severely constrains tax revenue generation, impedes effective regulatory oversight, and distorts competition by placing compliant businesses at a disadvantage.

The persistence of informality is rooted in structural and administrative barriers. Two primary reasons explain why enterprises avoid registration:

- I. To evade complex documentation processes, costly permits, and the risk of harassment by regulatory and tax authorities;**
- II. To maintain anonymity and avoid entering the formal tax net.**

The existing registration system is often opaque, bureaucratic, and heavily reliant on in-person interactions, which increases compliance costs and deters participation. This dynamic creates a vicious cycle: burdensome processes discourage registration and leaves room for corrupt practices, limiting the state's visibility and reach, which in turn weakens governance and accountability in the economy. The end result is a large segment of economic actors operating informally, thereby undermining fiscal sustainability and efforts toward formal sector growth.

Addressing these barriers requires a shift in the state's approach, moving from punitive enforcement to incentivized compliance, underpinned by digitization, transparency, and minimal bureaucratic friction. Creating a simple, accessible, and secure registration process is essential to expanding the documented economy, promoting equitable business environments, and improving the overall governance architecture.

²⁶ <https://www.brecorder.com/news/40333020/salaried-individuals-agpr-to-upgrade-sap-module-to-avoid-lengthy-refund-processes>

Recommendation 20: Implement a fully digitized business registration system, reducing human interaction.

To break the cycle of undocumented economy, an alternative approach is needed which precludes the need of approaching an office, interacting with officials, filling out forms, depositing necessary fees. Reducing unnecessary human interactions can curb rent-seeking behaviours and build confidence among businesses that the process is fair, accessible and predictable. It is suggested that the mode can be as follows:

- the applicant downloads the forms online, fills them out, pays the necessary fees electronically, and submits the form on line
- the receipt of the application is acknowledged electronically instantly
- the concerned office should be required to revert to the applicant, online, within a specified number of working days
- send the Registration Certificate, if all documentation/requirements are complete, or
- ask for other information or documentation to be submitted, or
- decline to issue the Certificate, citing reasons

All enterprises should be required to display the Registration Certificate up front and government inspectors should have the authority to ask to see onsite. The list of registered enterprises can form the universe for tax authorities to identify potential tax payers.

Recommendation 21: Make a concerted effort, through the State Bank of Pakistan, to increase the electronic financial transaction footprint by instituting incentives for 'sellers' and 'buyers'. This can be achieved by providing cash back to both parties equal to, say, one percent of the total transaction value over the period of one year.

Pakistan's informal economy remains large, with limited documentation of financial transactions. Digital payments are underutilized, despite the growing availability of mobile and internet banking. Encouraging electronic transactions can enhance transparency, broaden the tax base, and support formal economic growth. The current electronic financial transaction profile in Pakistan is as follows:

Payments Systems Infrastructure	
Banks	32
Microfinance Banks (MFB)	12
Payment System Operators/Providers (PSO/PSP)	5
Electronic Money Institutions (EMI)	5
Branchless Banking Service Providers (BB)	16
PRISM Participants	59
Payments Network	
Bank Branches and MFBs	19,110
Branchless Banking Agents	703,972
ATMs	19,519
CDMs/CCDMs	753
Point of Sale (PoS) Machines	151,646
PoS-enabled Merchants	115,177
Registered E-Commerce Merchants	8,932
Retail/Kiryana Store Merchants	679,745

Digital Payment Channel Instruments	
EMI E-Wallets	4,700,000
Payment Cards, of which	56,400,000
- Credit Cards	2,200,000
- Debit Cards	49,600,000
- Other	4,600,000
<i>Source: State Bank of Pakistan, Payment Systems Quarterly Review, Quarter 2: 2024-25, Snapshot of Payment Systems, p. 9</i>	

The electronic financial transaction footprint in Pakistan is rather small, when seen in the context of population size. As per the Population Census of 2023, the population is close to 250 million and key characteristics are:

- (a) 40% are in the income-earning age bracket 25-75;
- (b) 40% are resident in urban areas and there are over 125 medium-large cities with population 100,000 and above; and
- (c) 50% are female, of whom only 24% are in the labour force.

It is this population that constitutes the potential universe for electronic financial transactions. Whereas, on the supply side, there are:

- less than 20,000 bank branches
- less than 20,000 ATMs
- Just over 100,000 PoS-enabled Merchants
- less than quarter million Retail Stores, operating electronic financial transactions.

Further, there are less than 50 million debit cards and less than 2.5 million credit cards. Given that there is multiple possession of credit/debit cards, the actual numbers of card holders can be estimated to be significantly less; perhaps, two-thirds. At the same time, 90% of the PoS machines are located in Tier-1 cities: Karachi, Lahore and Islamabad and there are scores of cities where the number of businesses with PoS registration is in single digits or zero.

Issues with supply side deficiencies

In the early stages, banks charged 2.5% of the value of a transaction from 'sellers'; which acted as a disincentive for them to accept payments by card. This charge has now come down to between zero to 0.5%, depending on the volume of transactions of an enterprise. The factors responsible for the low footprint has been attributed to:

- Lack of incentive for 'buyers' to adopt electronic mode for making payments (low consumer demand/low literacy rate)
- Lack of incentive for 'sellers' to adopt electronic mode for receiving payments (aversion to be documented).
- Lack of aggressive marketing by banks and lack of encouragement and incentivization by the State, i.e., State Bank of Pakistan

The first two factors cannot be deemed to be binding constraints, given that as neighboring countries with similar socio-economic conditions, like India and Bangladesh, report electronic financial transaction footprint 4-5 times higher. The third factor is deemed to be a potent cause; with constraints surmountable, given that the banks have not launched any concerted effort.

PROMOTING PRIVATE SECTOR DEVELOPMENT THROUGH INVESTMENT FACILITATION

Promoting private sector development is crucial for sustainable economic growth, job creation, and innovation. A key enabler of this development is a transparent, predictable, and investor-friendly environment that reduces uncertainty and fosters confidence. In Pakistan, however, inconsistent tax policies, lack of transparency, and cumbersome administrative procedures create significant barriers for investors. These issues foster uncertainty, deter investment, increase compliance costs, and open the door to arbitrary decisions. Moreover, frequent mid-stream changes to promised incentives erode investor trust and impede long-term private sector growth.

To facilitate investment, it is essential that all tax-related decisions including court rulings, notifications, and administrative orders, are publicly accessible through platforms such as the Federal Board of Revenue (FBR) website. This transparency minimizes arbitrariness and enhances predictability for investors. Moreover, automating tax-related processes end-to-end, complemented by clear explanatory notes in simple language, will improve comprehension and ease compliance, particularly for small and medium enterprises.

Stability of incentives is another crucial factor. Monetary, fiscal, and administrative support promised at the time of investment must be guaranteed and protected from arbitrary mid-stream alterations. This assurance is fundamental to building investor trust and encouraging businesses to commit resources and plan long-term. Further, enhancing transparency through a centralized, public, and verified beneficial ownership registry will combat illicit financial activities and strengthen corporate governance, reassuring both domestic and foreign investors. Lastly, mandatory publication of tax directories for public officials within a stipulated timeframe reinforces accountability and fosters a fair business environment.

Together, these measures create a more transparent, efficient, and stable investment climate, essential for attracting and retaining private sector investments and driving economic development.

Recommendation 22: The position of Federal Board of Revenue (FBR) Chairman must be a fixed-tenure appointment and opened to qualified private sector professionals to ensure stability and leadership continuity.

The FBR has long struggled with systemic problems. A major structural barrier to reform is the lack of leadership continuity and strategic direction which is exacerbated by the frequent changes in the posting of the FBR Chairman. This disrupts reform implementation and erodes internal accountability. Moreover, the traditional practice of appointing career civil servants, often without specialized experience in tax policy, digital systems, or organizational transformation, limits the FBR's ability to respond to complex economic challenges. In today's rapidly evolving fiscal landscape, the FBR requires technically skilled, and reform-oriented leadership to restore credibility and drive modernization.

To enable long-term reform and strengthen the institutional integrity of the FBR, the position of Chairman should be converted into a fixed-tenure role, ideally for a term of three to five years, with protections from arbitrary changes. Critically, the role should be opened to private sector professionals with a proven track record in tax administration, fiscal policy, institutional reform, or digital transformation. This would expand the talent pool, inject much-needed expertise, and help shift the organization towards performance-based culture. Such a reform would signal a serious commitment to placing tax reform on a stable, professional footing as well as ensure effective monitoring of the implementation of Tax Policy.

Recommendation 23: All tax related decisions, including court decisions and notifications (SROs, office orders, file notes, etc.) regarding tax and administrative changes must be uploaded to the FBR website to avoid arbitrariness in interpretation.

Investors make investment decisions on feasibility studies based on revenue and cost calculations over the life of the investment, that may span medium to long term. These calculations are based on given macroeconomic, monetary, fiscal, trade and administrative policy parameters. Changes in many of the policies related to these parameters are expected and are taken into account. However, parametric changes can tend to upend the basic feasibility of the project; thereby, discouraging investments.

To ensure transparency, the FBR must ensure that all tax related decisions, including court decisions and notifications (SROs, office orders, file notes, etc.) regarding tax and administrative changes are uploaded to the FBR website to avoid arbitrariness in interpretation.

Recommendation 24: All matters related to taxes must be automated end to end, with explanatory notes in simplified language to ensure easy comprehension.

Among the foremost difficulties faced by potential investors is the multiplicity of ‘windows’ that have to be knocked on for a range of facilities – from permits to obtaining utilities. Larger the number of agencies that have to be approached and dealt with, greater is the burden of time and financial cost even at the outset of laying out the investment. Reducing the number of such agencies and ‘windows’ is deemed essential for attracting and retaining investment, including foreign investment.

Additionally, there is another perhaps more serious problem. The levy of taxes and their respective rates is the domain of the Budget. However, changes in the Budget is a continuing process, with grants of concessions and exemptions through notifications and amendments to notifications, including prior notifications. Many of these notifications create internal contradictions and distortions, opening windows for arbitrary interpretation by tax authorities and opportunities for corruption.

Recommendation 25: Monetary, fiscal and administrative incentives and supports, offered at the time the investment decision is made, is not altered mid-stream.

Investment decisions are often influenced by the incentives and supports (monetary, fiscal, and administrative), promised by the government at the outset. These incentives reduce the initial cost and risk of investment, encouraging businesses to commit resources and plan long-term. However, frequent or unexpected changes to these incentives after the investment decision can create uncertainty, increase costs, and undermine investor confidence. This unpredictability discourages both domestic and foreign investors, hampers capital formation, and slows economic growth.

To foster a stable investment climate, governments must ensure that all monetary, fiscal, and administrative incentives offered at the time of investment commitment remain consistent throughout the agreed period. Establishing clear legal or contractual guarantees against mid-stream alterations will enhance investor confidence, reduce risk perceptions, and promote sustained private sector growth.

Recommendation 26: Mandate a Centralized, Public, and Verified Beneficial Ownership Registry.

In Pakistan, weak beneficial ownership transparency can enable the misuse of corporate structures for tax evasion, illicit financial flows, and non-transparent procurements. While the Companies Act, 2017 (amended in 2020) requires companies to declare beneficial owners; however, the registry is not publicly available. There is a need for Pakistan to adopt a robust, centralized, and verifiable beneficial ownership framework, based on global best practices. A centralized registry preferably housed within the Securities and Exchange Commission of Pakistan (SECP) should be established and digitized to enable cross-agency (FBR, FIA, SECP, NADRA, NAB) usage. The data must be verifiable and subject to stringent penalties for false declarations or non-compliance. Public access to ownership data should be enabled in a structured manner, with appropriate privacy safeguards.

Recommendation 27: Mandatory publication of Tax Directory of public officials (drawing remuneration from the public exchequer) within six months of close of tax year.

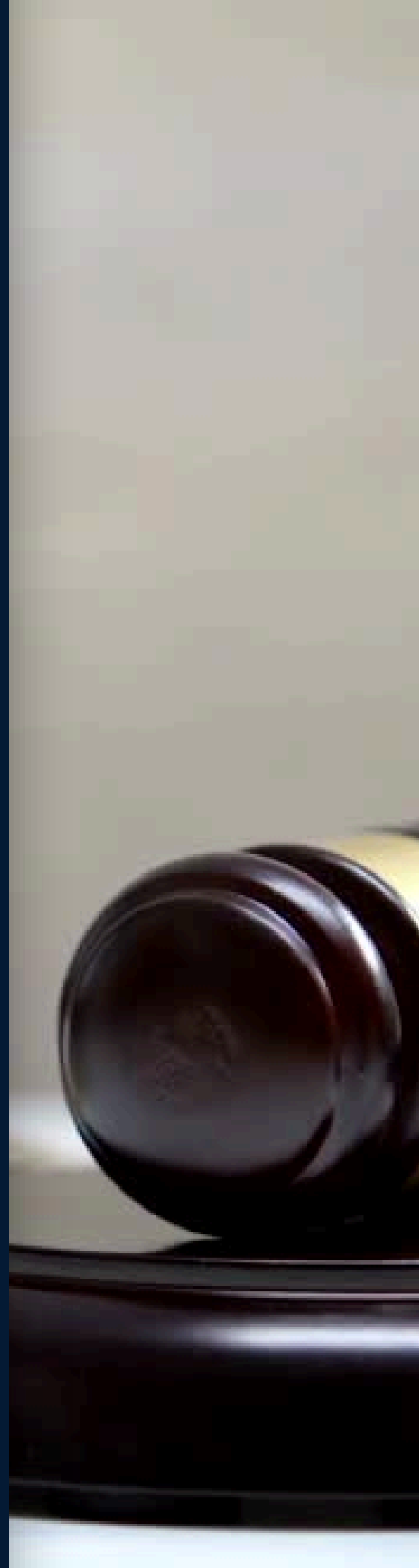
In Pakistan, efforts to strengthen public trust and accountability continue to be undermined by weak transparency around the financial conduct of public officials. The Federal Board of Revenue (FBR) initiated the publication of a Tax Directory for Parliamentarians in 2013 and 2018²⁷, however, it has been discontinued.

Mandating the annual publication of a comprehensive Tax Directory for public officials is a critical governance reform. It would significantly enhance accountability by enabling public scrutiny of whether those who make and enforce laws are complying with them. This transparency measure would also serve as a deterrent to corruption and facilitating the detection of unexplained wealth; thereby, rebuilding public trust in institutions. Importantly, this reform aligns with international standards on fiscal transparency and can support Pakistan's engagements with development partners, and IFIs including IMF and the World Bank.

The Government of Pakistan must therefore legislate or mandate through executive action the regular, annual publication of a Tax Directory covering all public officials. It must be published within six months of the close of the tax year and made publicly accessible, with appropriate safeguards for personal data.

²⁷ <https://www.brecorder.com/news/amp/40021307>

ENHANCING INSTITUTIONAL INTEGRITY AND ANTI-CORRUPTION FRAMEWORKS



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Pakistan's anti-corruption framework faces significant challenges, primarily due to failure to restrain corruption and its insufficient capacity for effective prosecution and conviction. The National Accountability Bureau (NAB) was established in 1999 by the military dictator Gen. Pervez Musharraf's regime under the National Accountability Ordinance (NAO)²⁸. This ordinance gave NAB significant powers, including arrest, investigation, and prosecution. The bureau has been at the forefront of anti-corruption efforts, however, since its inception it has failed to deliver on multiple levels including the failure to devise its rules and has deviated from its original mandate. As a result, the credibility of NAB remains largely undermined among the common citizens. Transparency International Pakistan's National Corruption Perception Survey 2023 revealed that 68% of Pakistanis believe accountability institutions like NAB and the Federal Investigation Agency (FIA) are used for political victimization, with 60% advocating for their abolition due to ineffectiveness.

The recent legislative changes to NAB's framework over the past few years have significantly altered its operational landscape impacting its structure, jurisdiction, and performance. These amendments have sparked extensive debate regarding their implications for accountability and governance in the country. Starting with 2019 amendment to NAO²⁹, one of the notable changes pertaining to curtailing its power over matters relating to tax. The Federal Investigation Authority (FIA), Securities and Exchange Commission of Pakistan (SECP) and building control authorities will be the sole authorities tasked to act on all such matters. Moreover, for matters relating to land evaluation purposes, NAB could only seek guidance from the Federal Board of Revenue (FBR) or the District Collector. Then further changes were introduced to NAO in 2022³⁰, which reduced the terms of NAB's Chairman to three years and limited NAB's authority to process cases involving amounts over Rs. 500 million and transferred pending investigations and trials to other authorities. A key change in the 2023 NAB Amendment Ordinance³¹ stipulated the extension of NAB's custody period of arrested suspects from 14 to 30 days. It also empowers the NAB chairman to issue a warrant of arrest during an inquiry if an accused is not joining inquiry despite notices or willfully does not cooperate in such inquiry.

The NAB reforms present a mixed picture when evaluated against international best practices. Pakistan's move toward a multi-agency model with specialized authorities (FBR, SECP, etc.) handling specific domains aligns with successful approaches in countries like the United States, where the Securities and Exchange Commission (SEC) handles securities fraud while the Federal Bureau of Investigation (FBI) and Department of Justice (DOJ) handle other corruption matters. This specialization can increase efficiency and expertise in specific domains. Many successful anti-corruption regimes employ either a centralized specialized agency like Hong Kong's Independent Commission Against Corruption (ICAC) or UK's multi-agency approach with clearly defined jurisdictions. Clear mandates and coordination mechanisms between agencies prevent gaps in enforcement³².

This was also the objective of the original NAB ordinance which envisioned the establishment of a single Headquarter of NAB, with experts in white collar corruption. However, over the years, NAB's operations have expand but return remains limited. Currently, NAB has 6 regional offices, each run by the Director General as well as the Head Quarter which is headed by the Chairman. The success rate of references remains poor.

The NAB Act 2023 has brought significant changes to its operational framework, most notably by redefining the concepts of Corruption and Corrupt Practices. It has maintained Rs. 500 million thresholds for NAB's jurisdiction as well as introduced a requirement for complainants to submit Affidavits to verify the authenticity of the complaint or face punitive consequences in case complaint is found false. Despite these legal reforms, minimal improvement in corruption indices suggests that Pakistan's anti-corruption approach need recalibration.

²⁸ National Accountability Ordinance, 1999

²⁹ <https://dailytimes.com.pk/527917/nab-powers-curtailed-as-govt-amends-laws/>

³⁰ <https://tribune.com.pk/story/2493989/supreme-court-reinstates-nab-amendments-reverses-earlier-decision>

³¹ <https://www.dawn.com/news/1786001>

³² <https://www.spotlightcorruption.org/enforcement-bodies/>

To address these challenges, Pakistan can draw lessons from successful models like Indonesia's Corruption Eradication Commission (KPK), which operates with a high degree of independence and has demonstrated effectiveness in prosecuting high-level corruption cases³³. Key reforms must focus on depoliticizing anti-corruption agencies, restoring original mandate of NAB to only white-collar corruption cases, public awareness and engagement, and enhancing investigative and prosecution capacity. Implementing specialized training programs for investigators and prosecutors to build their capacity in niche areas, establishing independent oversight mechanisms, and fostering inter-agency collaboration are essential steps toward building robust anti-corruption institutions.

Recommendation 28: A Lean Anti-Corruption Agency with a Single Headquarter and an Oversight Committee should be formulated for NAB's Accountability.

The National Accountability Bureau (NAB) possesses significant powers, including extended detention authority (30 days), broad investigative scope, and arrest powers during inquiry phases. However, these powers currently operate with insufficient external checks and balances, creating potential for selective prosecution, political victimization and procedural irregularities amongst others. The absence of robust oversight mechanisms has contributed to the perception of NAB being used as a tool rather than an independent anti-corruption agency, undermining public trust; therefore having an oversight committee will address institutional accountability.

A well-designed oversight mechanism will lead to enhanced accountability (critical for public trust), improved strategic focus, optimized resource allocation, and procedural compliance. The recommendation is also aligned with international standards from the United Nations Convention Against Corruption (UNCAC) as the Jakarta Statement on Principles for Anti-Corruption Agencies explicitly recommend external accountability mechanisms for ACAs. A good example would be the KPK Supervisory Board in Indonesia which was established by Law No. 19/2019 (amendment) to oversee the performance of the Corruption Eradication Commission (KPK), including the KPK leadership. It functions under the direct authority of the executive branch and is selected by the President. The board's main duties include ethics review but also performance assessment including supervising the KPK Chair and controlling the implementation of KPK actions.

Similarly, in case of Hong Kong's ACA, the Independent Commission against Corruption (ICAC), its effectiveness lies with an elaborate check and balance system - the operations review committee, which is a high-powered committee that reviews every report of corruption and investigation. In addition, there is an independent complaint committee where members of the public can lodge any complaint against the ACA and/or its officers and there will be an independent investigation. The New South Wales's ACA operates under the supervision of two committees: a Parliamentary joint committee and an Operations review committee that hold the ACA accountable for its actions, investigations, and general comportment as a government agency. Therefore, it is recommended that based on global best practices, an oversight committee should be formulated to keep an oversight over NAB.

Secondly, given the significant reduction in the scope of NAB's operations particularly following the NAB (Amendment) Act 2023, which limits jurisdiction to cases involving Rs. 500 million or more, a lean anti-corruption agency with a centralised headquarter, modelled on high-functioning examples like Indonesia's KPK could enhance cross-agency coordination, strategic enforcement, reduce costs, and restore credibility to Pakistan's anti-corruption efforts. Over the years, NAB has expand the scale of its operations at the expense of huge burden to the exchequer with minimal return. Currently, NAB has 6 regional offices, each run by the Director General as well as the Head Quarter which is headed by the Chairman.

³³ <https://www.tandfonline.com/doi/full/10.1080/23311886.2022.2035913>

Recommendation 29: NAB should make a thorough analysis of the entire chain of system to improve its conviction rate.

National Accountability Bureau (NAB) shall conduct a thorough analysis of the entire case processing chain—from complaint verification to final verdict—to identify and address systemic weaknesses that contribute to its declining conviction rate. This comprehensive systems audit would enable NAB to implement targeted reforms that improve case quality, investigation procedures, and prosecution strategies. The declining conviction rate, ‘the Bureau’s conviction ratio exhibited a significant decline over recent years, dropping from 58.2% in 2018 to a stark low of 32.1% in 2022’³⁴, signals fundamental procedural and structural issues rather than simply case-specific challenges. In 2019, NAB’s Regional Office in Khyber Pakhtunkhwa had a conviction rate of only 17.6 per cent while the rate of acquittals was 82.4 percent³⁵.

NAB should make a thorough analysis of the entire chain of system that leads to conviction to identify what factors impede the progress and at what particular point. More resources such as training programs, hiring of competent officials and additional budget should be devoted to the gaps identified in the analysis. A systemic approach would yield substantial improvements. It should also enhance investigation-prosecution alignment through strengthened inter-agency coordination and develop targeted approaches for different corruption typologies. By addressing root causes rather than symptoms, NAB can transform its effectiveness, ultimately delivering the accountability results Pakistan needs for good governance and economic development.

Recommendation 30: The timeline to dispose of a Corruption case must not exceed 30 days.

Delays in the completion of preliminary inquiries by the National Accountability Bureau (NAB) have raised concerns about misuse for coercive purposes. The Ehtisab Ordinance of 1996 had mandated that all mega corruption cases to be prosecuted within 30 days. However, the 30 days prosecution has never been implemented in last 3 decades. A 30-day cap on case conclusion will reduce the risk of strategic delays, curtail the chilling effect on legitimate public and private sector activity (investor confidence), and improve inter-agency cooperation where investigations intersect with other oversight bodies.

Recommendation 31: The option of Plea Bargain should only be exercised for approver/s in a transparent manner, only when the main accused in a corruption case can be prosecuted on the approver’s confession.

The accused persons request a plea bargain under section 25 (b) of the National Accountability Ordinance (NAO) 1999 that states: “The accused offers to return to the NAB the assets or gains acquired or made by him in the course, or as a consequence, of any offence under this Ordinance, the Chairman NAB, may, in his discretion, after taking into consideration the facts and circumstances of the case, accept the offer on such terms and conditions as he may consider necessary, and if the accused agrees to return to NAB the amount determined by the Chairman NAB, he (the Chairman NAB) shall refer the case for the approval of the Court³⁶. The provision has resulted in inadvertent consequences, including contributing to a negative public perception and boosting corrupt practices. It is recommended that the option of Plea Bargain should only be exercised for approver/s in a transparent manner, only when the main accused in a corruption case can be prosecuted on the approver’s confession. For all the remaining cases, Plea Bargain must be removed.

Recommendation 32: NAB must publish clear Rules within three months

The absence of clearly articulated and publicly accessible rules has led to inconsistent practices, eroded public trust, and raised concerns about the misuse of power. In an environment where accountability institutions

³⁴ <https://www.brecorder.com/news/40341377/white-collar-crime-as-new-normal-in-pakistan>

³⁵ <https://www.thenews.com.pk/print/589457-nab-kp-cases-conviction-rate-is-17-6pc-this-year>

³⁶ National Accountability Ordinance 1999

must operate above reproach, the absence of rules surrounding NAB's internal processes weakens the credibility of its investigations and fuels uncertainty among public officials, businesses, and citizens alike. Since its establishment, NAB has been unable to draft its rules, clearly delineating its operational mandate, legal authority and accountability mechanism. It is imperative that NAB's operational framework must be clearly defined, legally grounded, and subject to oversight through publication of its rules.

Recommendation 33: NAB should ensure that the reference prepared and successfully tried in the Accountability Courts should be upheld in all subsequent review petitions in High Courts and Supreme Court.

A recurring challenge in Pakistan's anti-corruption landscape is the high rate at which NAB prosecutions—once successfully tried and decided in the Accountability Courts—are overturned or dismissed in appellate courts. This has raised concerns about the quality and credibility of investigative procedures, prosecutorial conduct, and evidentiary standards. While appellate review is a fundamental safeguard in any legal system, weak or reversible convictions diminish the deterrent effect of anti-corruption efforts and suggest structural deficiencies within ACA's case preparation and legal strategy.

Ensuring that convictions are upheld through the appellate process requires NAB to significantly strengthen its legal and forensic capacity. This includes enhancing the quality of evidence gathering, aligning prosecutorial strategies with due process norms, and investing in legal training for staff involved in drafting references. Additionally, pre-trial review mechanisms—such as internal legal audits or peer panels—can help ensure that only strong, legally sound cases are pursued. The introduction of standard operating procedures (SOPs) for reference preparation, modelled on the best international practices, would reduce inconsistencies and improve case durability under appellate scrutiny.

Recommendation 34: Strengthen the institutional capacity, independence, and resourcing of provincial anti-corruption establishments.

Pakistan's centralized anti-corruption architecture, dominated by NAB, has proven increasingly misaligned with the governance and accountability challenges faced at the sub-national level. Strengthening provincial anti-corruption entities is not just a matter of decentralization, it is a strategic necessity to effectively tackle corruption. Effective sub-national bodies can respond more swiftly to local corruption patterns, operate with contextual understanding, and build public trust through visible, localized enforcement.

The government should prioritize the institutional strengthening, legal independence, and sustained resourcing of provincial anti-corruption establishments (ACEs). This includes investing in professional investigative and prosecutorial capacity, and establishing clear coordination mechanisms with federal agencies to avoid duplication and gaps. Funding must be predictable and performance-based, and oversight structures should be transparent.

Recommendation 35: Mandating regular publication of UNCAC Country Report.

Pakistan ratified the United Nations Convention against Corruption (UNCAC) in 2007, committing to a comprehensive set of obligations for anti-corruption frameworks. However, despite undergoing two review cycles²⁴ under the UNCAC Implementation Review Mechanism (IRM), Pakistan has yet to make its full country review reports public. This has limited the ability of civil society, academia, and oversight bodies to engage constructively in anti-corruption reform. Over 62 UNCAC signatories have proactively published their reports, signaling political will and openness to scrutiny³⁷.

The government must institutionalize mandatory publication of comprehensive annual UNCAC

³⁷ https://track.unodc.org/uploads/documents/UNCAC/WorkingGroups/ImplementationReviewGroup/4-8November2024/presentations/IRG15_2nd_res_Panel_7_Pakistan.pdf

implementation reports, to establish transparent benchmarks against which civil society, parliament, and international partners can measure genuine progress in addressing corruption vulnerabilities. These standardized reports should detail specific implementation successes and challenges across all UNCAC pillars, including preventive measures, while documenting concrete actions taken to address previous review recommendations. By transforming UNCAC reporting from a procedural exercise into a substantive accountability tool with clear implementation timelines, responsible entities, and performance indicators, Pakistan would demonstrate serious commitment to international anti-corruption standards while providing citizens with transparent metrics to evaluate government effectiveness in combating corruption across administrations. This will potentially also add into Pakistan's improvement on various international indices related to governance and transparency.

Recommendation 36: At least 20% of budgetary allocation of NAB, FIA, Provincial Anti-Corruption Establishments must be dedicated to prevention and awareness.

Pakistan's current anti-corruption approach suffers from a significant imbalance, with only a small portion of resources directed toward prevention and awareness activities. Allocating at least 20% of ACAs budget to prevention and awareness will represent a strategic shift from a purely enforcement-focused model to a more balanced and ultimately more effective approach to combating corruption in Pakistan.

This recommendation aligns with the best international practices in anti-corruption, which increasingly recognize that enforcement alone cannot sustainably reduce corruption without complementary prevention and education efforts. The ACAs should launch sustained civic education campaigns across schools, universities, and workplaces, using local languages and digital platforms to foster a culture of integrity. Collaborating with civil society, academia, and media can amplify reach and credibility. By shifting from a reactive, prosecution-heavy model to a balanced, proactive approach, ACAs can not only deter misconduct but also cultivate long-term societal resilience against corruption.

Recommendation 37: Integrate Anti-Corruption and civic education in the curriculum of the elementary, secondary and degree programs of educational institution.

Integrating civic education into Pakistan's formal education system is essential to cultivating a culture of accountability, active citizenship, and democratic participation. Civic education equips students with knowledge about their rights, duties, governance structures, and the importance of transparency and ethical conduct in public life. Despite its importance, civic learning remains under-emphasized in the national curriculum, especially at the primary and secondary levels.

Embedding structured civic education from an early age can empower future generations to engage meaningfully with public institutions, demand accountability from officials, and resist corrupt practices. Educational interventions by national ACAs are believed to work effectively in reshaping mind sets and hence result in long term gains. In this respect, the anti-corruption agency of Indonesia³⁸ collaborated with the educational institutions to develop pioneering educational interventions. University courses were designed to train students to identify corruption around them and trace its impact. Special Investigation Service of the Republic of Lithuania³⁹ developed anti-corruption curricula for all educational levels to gradually change the public mind-set. It is recommended that Anti-Corruption should be included in the curriculum of the elementary, secondary and degree programs of educational institutions to motivate the youth to participate actively in anti-corruption activities. Joint research projects at the higher education level particularly for PhD and MPhil scholars, training programs for the youth at executive education centers and curriculum development at all levels are some areas where NAB can focus to collaborate with the academia and international donor funding can be mobilized for securing grants in this domain.

³⁸ https://www.researchgate.net/publication/378623019_Analysis_of_Developing_Anti-Corruption_Education_in_Indonesia_Through_Media-Based_Citizenship_Education_Learning_Smart_Mobile_Civic

³⁹ <https://sdcentras.lt/wp-content/uploads/Shaping-values-new-generation-anti-corruption-education-lithunia.pdf>

Recommendation 38: Adopt a robust and comprehensive Whistleblower Protection Legislation.

Pakistan's commitment to combating corruption and promoting transparency is hindered by the absence of robust legal protections for whistleblowers. Despite ratifying the United Nations Convention against Corruption (UNCAC) in 2007, which mandates the implementation of legal measures to protect whistleblowers under Articles 8.4 (reporting by public officials), Pakistan has yet to enact comprehensive whistleblower protection laws at the federal and provincial level. There is an urgent need for the enactment of such laws to foster an environment where citizens can report misconduct without fear of retaliation.

The federal and provincial governments must urgently enact comprehensive whistleblower protection legislation that meets international standards, ensuring robust safeguards for individuals who expose corruption, fraud, and abuse of power within public and private institutions. A strong, comprehensive law should guarantee confidentiality, protection against reprisal, clear reporting mechanisms, and access to legal and psychological support for whistleblowers. Embedding these provisions within a transparent and well-publicized framework will not only empower citizens and civil servants to report wrongdoing without fear but also serve as a powerful tool in detecting and deterring systemic corruption.

The Whistleblower Protection Act must be governed under the Vigilance Commission, with statutory powers to investigate complaints independently, issue protective orders, and recommend disciplinary or legal action. Adequate budgetary support, legal assistance and counseling services, specialized investigative staff, and secure digital reporting platforms are also vital to ensure confidentiality, privacy and timely follow-up. Public awareness campaigns should accompany these reforms to build trust in the system and encourage civic participation.

Recommendation 39: Enact comprehensive Conflict of Interest (COI) Regulations for Public Officials.

Conflicts of interest undermine governance, erode public trust, and facilitate corruption. While some legislative efforts have been made at the provincial level, the absence of comprehensive, enforceable, and uniformly applied conflict of interest (COI) regulations at federal and provincial levels raise concerns. It is imperative that the federal government enacts comprehensive Conflict of Interest (COI) regulations for public officials, aligned with international best practices, to address systemic integrity gaps and reduce opportunities for authority abuse, patronage, and regulatory capture. Singapore offers a compelling model for effective conflict of interest (COI) regulation, underpinned by a zero-tolerance approach to corruption backed up by a strong institutional framework. Public officials in Singapore are subject to strict COI disclosure requirements under the Prevention of Corruption Act and the Public Sector Governance Act, which mandate full transparency in financial interests and personal relationships that may influence decision-making.

The legislation must clearly define, prohibit, and penalize situations where personal interests interfere with public duties. These regulations should establish mandatory periodic asset declarations for all officials, require recusal from decisions affecting personal interests, prohibit post-employment "revolving door" arrangements, and create cooling-off periods before officials can join entities, they previously regulated. Effective implementation demands the establishment of an autonomous Conflict of Interest and Ethics Commission which is structurally and financially independent from executive interference, importantly, with diversified commissioner appointment mechanisms involving judicial, parliamentary, and civil society representation rather than singular executive authority.

PROMOTING TRANSPARENCY THROUGH RIGHT TO INFORMATION

The Right to Information (RTI) laws aim to reduce corruption and misuse of public resources by ensuring transparency, accountability and openness. Pakistan has enacted Right to Information (RTI) laws at federal and provincial levels to protect and promote citizens' right of access to information held by public bodies. The Federal Right of Access to Information Act, 2017 replaced the outdated Freedom of Information Ordinance 2002, aiming to align more closely with international standards and fulfil Pakistan's obligations under the UN Convention Against Corruption (UNCAC). Provinces including Punjab (2013), Khyber Pakhtunkhwa (2013), Balochistan (2021) and Sindh (2016) have also enacted their own RTI laws, with varying degrees of institutional robustness. Despite the presence of legal frameworks, the implementation of RTI laws remains uneven and largely ineffective across jurisdictions.

Most federal ministries and divisions fail to meet the obligations for proactive disclosure of public information on their websites despite clear mandates under the Right of Access to Information Act, 2017. This gap enables the proliferation of misinformation and disinformation, according to the Free and Fair Election Network (FAFEN). Moreover, RTI Commissions, especially at the federal level, have been under-resourced, slow in adjudicating appeals, and at times, reportedly influenced by political considerations. Transparency International Pakistan has repeatedly flagged the ineffectiveness of RTI mechanisms as a barrier to curbing systemic corruption. A lack of awareness among citizens and bureaucratic resistance to information disclosure has further eroded the utility of these laws.

For instance, the Free and Fair Election Network (FAFEN) reported that federal bodies proactively disclose only 42% of mandated information, highlighting a disconnect between legal requirement and practical implementation⁴⁰. In many cases, requests for information are ignored or delayed beyond the statutory timelines, undermining public trust and accountability. The challenge is therefore two-fold: ensuring compliance by public bodies and enhancing the capacity of oversight institutions such as Information Commissions, while also expanding citizen awareness and use of RTI laws to demand transparency.

Recommendation 40: Strengthen Implementation of RTI Laws Across All Jurisdictions including adoption of RTI law in Gilgit Baltistan (GB) and Azad Jammu and Kashmir (AJK) through enforcement and digitization.

Promoting transparency through the Right to Information (RTI) is pivotal for enhancing accountability and curbing corruption within Pakistan's bureaucracy. Although Pakistan has made notable progress in enacting Right to Information (RTI) laws at both federal and provincial level, yet their implementation remains weak and uneven across jurisdictions. Other than the KP Information Commission, none of the information commissions have developed a mechanism to register public bodies for the purpose of implementing their respective laws³⁹. Furthermore, many government departments lack designated Public Information Officers (PIOs), resulting in delayed or denied access to requested information and public disclosure. This undermines citizen trust and obstructs efforts to expose inefficiencies or corruption. Uniform enforcement, backed by operational guidelines, training for PIOs, and clear accountability for non-compliance, is urgently needed to make RTI laws effective tools for transparency across Pakistan's federal and provincial bureaucracies.

Right of Access to Information is a backbone of democracy. Pakistan has come a long way in ensuring that effective Access to Information laws are enacted at the federal and provincial level. However, the RTI laws continue to suffer due to lack of implementation. The openness and disclosure of information guaranteed by RTI laws is the most effective way to control corruption and discretionary exercise of power.

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⁴⁰ <https://www.brecorder.com/news/40348346>

According to FAFEN's 2024 assessment of the websites of 40 divisions operating under 33 federal ministries, none of the assessed entities fully complied with the RTI Act. Moreover, over one-third of the ministries did not respond to information requests as required by the law⁴¹ websites, limiting public access to vital data. Another report on 'State of Implementation of RTI Laws in Pakistan' by the Center for Governance and Public Accountability (CGPA) requested for Information related to the allocation and utilization of development budgets from the public bodies with a total of 127 information requests filed in January 2023. Only 17.1% of public bodies provided the requested information⁴². These findings underscore the persistent institutional resistance to transparency and the lack of enforcement mechanisms for RTI compliance in Pakistan.

It is imperative that the governments must ensure that all provinces have independent, well-resourced information commissions with powers to penalize non-compliant agencies. The adoption of Right to Information (RTI) laws remains absent in Gilgit-Baltistan (GB) and Azad Jammu and Kashmir (AJK), representing a significant gap in Pakistan's transparency and accountability framework. The lack of RTI legislation in these regions restricts citizens' access to public information and undermines efforts toward inclusive governance. It is essential that RTI laws be enacted and effectively implemented in both GB and AJK to ensure uniform standards of transparency and align with national commitments to open governance.

Moreover, each public body, in the federal and provincial domain, must designate Public Information Officer trained and monitored for timely responses. Digital platforms must be developed or strengthened to allow citizens to file, track, and appeal RTI requests online—this reduces friction, reduces administrative burden and increases accessibility. Digitalization is critical as it allows data repositories to interact across multiple ministries and departments. It is proposed that adequate resources be allocated to RTI commissions and oversight bodies to enhance their operational capacity and independence. This should be complemented by the standardization of RTI procedures across federal and provincial levels, regular third-party audits, and the publication of compliance scorecards to ensure transparency and accountability. Additionally, clear performance benchmarks must be established, along with enforceable penalties for non-compliance.

Recommendation 41: Enhance public awareness, accessibility and utilization of Right to Information (RTI) laws and procedures.

A critical weakness in Pakistan's RTI regime is the limited public awareness of citizens' right to access information and how to exercise it. Despite progressive RTI laws, only a small fraction of the population, are aware about these provisions. This awareness gap disproportionately affects rural populations, women, and marginalized communities, who are often the most impacted by corruption and poor service delivery but least equipped to demand accountability. A significant majority of Pakistanis have not exercised their right to access information. According to the National Corruption Perception Survey 2023⁴³ by Transparency International Pakistan, 76% of citizens nationwide have never filed an RTI request with any public body. Provincial data reveal similar trends: 78% in Sindh, 77% in Punjab, 74% in Khyber Pakhtunkhwa, and 75% in Balochistan have never utilized RTI laws. Moreover, the RTI request process can be overly bureaucratic and intimidating, particularly for people with limited literacy or internet access, and many public bodies fail to acknowledge or respond to requests within the statutory period.

To address this, 30% of the budget of Information Commissions must be dedicated to awareness activities. Only by empowering citizens with knowledge and tools to use RTI mechanisms can Pakistan create meaningful demand for transparency and reinforce a culture of open governance.

⁴¹ <https://fafen.org/federal-ministries-underperform-in-proactive-disclosure-of-public-information-increasing-misinformation-risks-fafen-report/>

⁴² <https://www.kprti.gov.pk/wp-content/uploads/2024/09/15.-State-of-Implementation-of-RTI-in-Pakistan-Study-by-CGPA.pdf>

⁴³ https://transparency.org.pk/NCPS_REPORTS/NCPS-2023/National-Corruption-Perception-Survey-2023-Report-TI-Pakistan.pdf

Recommendation 42: Establish a systematic Cabinet decision publication mechanism for public disclosure of key decisions.

In Pakistan, executive accountability remains a significant challenge, contributing to a lack of transparency and trust in governmental processes. The decisions made by the Cabinet, which shape key policies, resource allocation, and the direction of the country, are often made behind closed doors with limited oversight. The lack of public access to these decisions makes it difficult for citizens, civil society, and even lawmakers to hold the government accountable for its actions. Enhancing executive accountability through the regular publication of Cabinet decisions is an essential step in improving transparency, fostering public trust, and ensuring that executive actions are subject to scrutiny.

These decisions should be published in a timely manner, ideally within a set period after each meeting, and be easily accessible through government websites and other public platforms to ensure that all stakeholders can engage with the information. This practice would increase transparency, improve legislative oversight, and allow for greater public engagement in the policymaking process.

Recommendations 43: Improving Composition of Information Commissions by ensuring Gender Parity and Timely Appointments in Information Commissions.

Information Commissions are central to the effective implementation of Right to Information (RTI) laws and play a critical role in promoting transparency and accountability in governance. However, their legitimacy and impact are undermined by persistent gender imbalance and institutional vacancies. With the exception of isolated appointments such as a female Chief Information Commissioner in Khyber Pakhtunkhwa and a female Information Commissioner in Sindh, most of the leadership across information commissions in Pakistan remains male-dominated. This lack of gender diversity not only reflects poorly on public sector inclusivity but also limits the representativeness and responsiveness of these bodies, particularly to women's access to information.

Equally concerning is the pattern of delays by both federal and provincial governments in filling vacant commission posts, which has led to operational gaps and weakened enforcement of RTI laws. In contrast, countries like Nepal, Bangladesh, and the Maldives have embedded legal safeguards in their RTI frameworks to ensure both gender representation and time-bound appointments strengthening the credibility and functionality of their information commissions. The Maldivian RTI law states that the post of the Information Commissioner must be filled within 60 days after it becomes vacant. Pakistan's RTI regime must now evolve to reflect similar standards of equity, responsiveness, and institutional integrity. Federal and provincial governments should be legally bound to fill vacancies of members of information commissions within a stipulated period.

Recommendation 44: Publish Quarterly Reports of Public Bodies Highlighting Data on Information Requests, Appeals/Complaints, Penalties and Performance of Public Bodies.

Transparent and accountable governance requires that public bodies not only uphold RTI laws but also report systematically on their performance. Currently, formal mechanisms across federal and provincial RTI commissions for registering public bodies or tracking their compliance, are missing. This absence hinders the ability to collect comprehensive data on information requests, appeals, complaints, and enforcement actions hence making it difficult to assess institutional performance or identify systemic gaps.

Mandatory registration of public bodies is foundational for monitoring compliance, compiling directories for public use, and ensuring that RTI obligations are fulfilled across the board, at all levels of governance. Moreover, the lack of regular reporting from public bodies limits the effectiveness of RTI commissions and weakens citizen access to information.

A structured, periodic reporting mechanism, specifically quarterly reports, would allow for disaggregated analysis of RTI activity, including request volumes, rejection rates, appeals, compliance levels, and any financial penalties imposed.

It is strongly recommended to update RTI rules mandating all public bodies to register with their respective Information Commissions and submit standardized quarterly reports detailing information requests received, actions taken, rejections, appeals, compliance rates, and penalties enforced. Information Commissions should be legally mandated to publish aggregated data from these reports and maintain an updated public directory of registered bodies. This will enable better monitoring of RTI implementation, increase transparency, and empower citizens to access information more effectively.

REFORMING PROCUREMENT SYSTEMS FOR GREATER FISCAL TRANSPARENCY

Pakistan has good procurement rules and the public procurement regulatory bodies are present at the federal and provincial level. The Public Procurement Regulatory Authority (PPRA) of Pakistan is an autonomous body endowed with the responsibility of prescribing regulations and procedures for public procurements of goods, works and services by Federal Government owned public sector organizations and semi-autonomous bodies. It is also endowed with the responsibility of monitoring procurement by public sector agencies/organizations.

The Public Procurement Regulatory Authority (PPRA) was created by the Federal Government through a Presidential Ordinance in 2002. Later, Public Procurement Rules (PPR) were notified in 2004 followed by the adoption of first set of public procurement regulations in 2008, and the consultancy services regulations in 2010. These Rules and Regulations, largely made with the assistance of the World Bank, are applicable to the procurement of goods, works and services.

Following the federal PPRA Rules of 2004 and Regulations of 2008, the provinces established their own respective procurement authorities and procurement rules, majorly in line with the federal PPRA rules 2004. This new system responds to the international best practices of value for money, efficiency, transparency, accountability, fair competition and good governance.

Since 2017, the federal government with the assistance from World Bank has been implementing e-Procurement project which has been fully implemented since 1st July 2023. As per the details, the e-procurement is 45 million dollars project, and it has been implemented in 37 ministries and over three hundred procuring agencies of the federal government⁴⁴. While e-procurement is the step towards transparency and accountability in the procurement system, there are inherent weaknesses which must be addressed to ensure that the billions which are spent through public procurement are shielded from corruption. In December 2023, TI Pakistan released National Corruption Perception Survey (NCPS) 2023, Tenders and Government Contracts was perceived by the citizens to be the second most corrupt sector in Pakistan.

Recommendation 45: To ensure full efficacy of the e-procurement system, fully digitised Evaluation Procedure as well as Digitised Complaint Handling Process, without the involvement of department officials, must be ensured.

The entire procurement process must be carried out online without any manual involvement, from evaluation, submission of attested testimonials, complaint Redressal, to issue of Letter of Award.

The PPRA must adopt an online evaluation process by making a mandatory requirement of submission of an affidavit from all bidders, testifying that their submitted documents are genuine, and in case of a submission being false/fake, bid can be subjected to PPRA Rule 7 – Integrity Pact. It is equally important that the complaints be also only examined by digitized software, on a compliance or non-compliance basis, and in case complainant producing false documentation submitted by the most responsive bidder, the system shall accept the complaint.

In case of fake documents submission, action against the bidder under the Blacklisting Rule must be initiated.

⁴⁴ <https://www.nation.com.pk/25-Aug-2024/pm-orders-third-party-validation-of-development-projects>

Recommendation 46: Amend PPRA Rule 38B to ban Single Tendering.

The PPRA Rule-38B allows procuring agencies to accept a Single responsive bid in goods, works and services on certain conditions, such as:

- a) meeting the evaluation criteria, ensuring compliance of specifications and other terms & conditions expressed in advertisement or bid solicitation documents;**
- b) is not in conflict with any provision of the Ordinance;**
- c) conforms to the technical specifications;**
- d) has financial conformance in terms of rate reasonability.**

PPRA Rule 38B is misused by the procuring agencies and contradicts the very essence of open, fair and competitive procurement. It provides an opportunity for procuring agencies to award contracts worth Billions on a single bid basis. It is observed that the procuring agencies using Rule 38B, normally do not comply with the provision of Rule 38-B, subrule (d), "has financial conformance in terms of rate reasonability".

Therefore, to ensure transparency in the procurement process, it is imperative that the federal government puts complete ban on single bid tendering, and procuring agency make decision with due diligence and in compliance with general principles of procurement like economy, efficiency and value for money. The PPRA Rules 2004 provide provision for direct contracting which can be used provided it meets the prescribed conditions for direct contracting.

Recommendation 47: Address Conflict of Interest in the Composition of PPRA Board.

The Board of Pakistan Public Procurement Regulatory Authority (PPRA) comprises of 10 members. Out of the 10 members, 7 members are the serving heads of key ministries who have potential conflict of interest. The federal government has failed to appoint the remaining 3 Private Members for many years. This has created a situation where the Regulator is made member of Procurement Agency who is being regulated by the Regulator.

The Regulatory Authorities in Pakistan such as SECP, NEPRA, OGRA, Competition Commission have independent Board of Directors. In order to avoid conflict of interest, the PPRA Board must also have independent directors like SECP and CCP. At the same time, the government must also ensure that vacant positions of 3 members are immediately filled. Majority members should be independent.

STRENGTHENING LOCAL GOVERNANCE FOR RESPONSIVE SERVICE DELIVERY

Local government bodies in Pakistan serve as the foundational tier of governance, responsible for delivering essential public services and fostering community participation in decision-making. Historically, Pakistan's local governance system has been characterized by frequent structural changes, varying degrees of autonomy, and inconsistent devolution of powers from provincial governments. While the 18th Amendment to the Constitution devolved significant authority to provinces, local governments continue to face challenges related to limited fiscal resources, constrained administrative capacity, and political interference. These factors have hindered their ability to function as effective agents of service delivery, accountability, and grassroots democracy.

The role of local governments is critical for improving governance outcomes, promoting inclusive development, and ensuring that public policies respond to the needs of diverse communities. Strengthening local institutions through capacity building, enhancing financial autonomy, and establishing transparent mechanisms for citizen engagement are essential for advancing Pakistan's governance reform agenda. Effective local governance not only supports socio-economic development but also acts as a counterbalance to centralized power, thereby fostering greater accountability and responsiveness across all levels of government.

Recommendation 48: Addition of a dedicated chapter on Local Government, outlining the institutional structure, power, functions, tenure and list of jurisdiction over local subjects, along the lines of the existing chapters on federal and provincial governments.

Local government is the administrative level at which citizens have direct contact with the State, in terms of delivery of basic services. The 18th Amendment to the Constitution passed in 2010, to a large extent, achieved decentralization down to the level of provinces; however, devolution to the sub-provincial or local jurisdictions (e.g., districts, municipalities, etc.) has remained limited.

Local governments in Pakistan have a constitutional cover in the form of Articles 32 and 140-A. However, the provisions are insufficient as the language of Article 140-A has allowed the provinces complete independence to legislate a local government system as they deem fit. The provisions in this regard do not elaborate on the structure, powers and functions of local government, as they do for the federal and provincial tiers. As such, the move has been towards re-centralization.

As per the constitutional and legal framework existing today, local affairs are the responsibility of provincial governments, for which it may constitute local bodies and frame laws, rules and regulations for their functioning. Local bodies are administered by the provincial Department of Local Government and Rural Development, which is one of the many departments of the provincial government. Given its place in the governmental hierarchy, local government commands the lowest priority in terms of quality of staffing as well as funding; in spite of the fact that the quality of everyday life of the citizens, in terms of the provision of civic services, is a direct function of the managerial and financial capacity of local governments.

Local bodies, with nomenclatures like Councils, Corporations and Committees, are extensions of provincial governments and can be dissolved at will. About a dozen federal, provincial and local agencies exercise their quasi-independent writs in a limited space. The result is institutional anarchy at the local level; thereby, adversely affecting the potential for local economic growth and delivery and quality of services to the residents.

At the operational level, the major problem is the limited scope of authority and responsibility vested with the local bodies, i.e., district and union councils, metropolitan/municipal corporations and municipal/town committees. Even where responsibility is vested with these bodies, there is lack of sufficient authority or finances to enable them to fulfill their responsibilities.

Further, there does not exist a clear nexus between authority and responsibility within these agencies, authority and responsibilities of these agencies are too narrowly defined, partially defined or not clearly defined in order for them to be held accountable for their tasks. Urban areas pose particular challenges and merit particular attention, given that population size and density are high and industrial and services sectors are highly clustered – all of which place increased pressure on basic infrastructure and services, like housing, water, sanitation, waste management, energy and transportation.

If devolution is a serious objective, local bodies will have to be graduated from being an extension of a provincial government department to the status of local government and the third tier of the Federation. Accordingly, the domain of the provincial government with regard to local government will need to be limited to legislation, regulation, determination of standards, monitoring, and financial audit. This requires constitutional amendments. More specifically, a chapter relating to Local Government, with a List of local subjects and provision for provincial-sub-provincial fiscal sharing, along the lines of the existing chapters on federal and provincial governments.

Recommendation 49: Institute Provincial Finance Commission (PFC) along the line of the National Finance Commission (NFC) to determine distribution of provincial fiscal resources between the province and local entities and among local entities.

Local governments, as any government, require resources to perform assigned responsibilities efficiently. Local 'own source' revenues are insufficient to meet the needs. Accordingly, local governments depend on transfers from provincial governments.

Local government finances depend largely on transfers from provincial authorities. Provincial Local Government Acts define 'own source' tax bases for local governments. Among them, property tax is a significant source, but often remains underutilized with the potential to substantially increase local fiscal autonomy.

Other 'own source' revenue include taxes on the transfer of immovable property, taxes on non-motorized vehicles, fees on advertisements and billboards, entertainment taxes on cinemas and other forms of amusement, fees collected at local fairs and agricultural shows, user fees and charges levied for the provision of essential municipal services such as water supply, sanitation, solid waste management, operation of local markets, and for various licenses and permits.

CLIMATE GOVERNANCE INTEGRITY



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Climate Governance in Pakistan has come under the microscope both locally and internationally due to growing concerns about the country's resilience against climate and environmental risks. In the aftermath of the floods of 2022, these concerns have become more acute. The government's efforts to catalyze much needed climate finance inflows have not borne fruit, and pledges of support by bilateral and multilateral partners have not translated into reality. It has been partly diagnosed that the reluctance of finance providers and the government's inability to access it is due to major gaps in its climate governance system.

Pakistan's need for climate finance is immense, with estimates suggesting the country requires \$340 billion by 2030 to meet its climate adaptation and resilience needs⁴⁵. The IMF's latest economic projections show that Pakistan must allocate 1% of its GDP annually—roughly Rs. 1.24 trillion—towards these efforts to avoid further degradation of its economic and environmental systems⁴⁶. However, Transparency International Pakistan's analysis of Climate finance inflows suggest that Pakistan has cumulatively received US\$1.4-2.0 billion only, per year, over the last ten years. Much of this has been in the form of donor managed loans. This also suggests that concerns regarding integrity in climate governance will remain at the forefront. The frameworks driving climate governance in Pakistan, needs significant improvement, due to incomplete implementation, deep influence of non-climate sector institutions, arbitrary decision making without strong political commitment, and lack of public participation in policy making. These factors could potentially compromise the integrity, and the government must resolve them in order to accelerate climate finance inflows.

Several suggestions are presented, based on the above diagnosis, which can help the Federal and Provincial governments improve climate governance overall, and integrity of the system in particular. First and foremost, it is important to recognize that conventional forms of planning and budgeting are not fully suited to the needs of climate governance, and appropriate measures and reforms are necessary to invigorate climate finance and improve integrity of the system.

Secondly, an appropriate set of tools for climate analysis and a framework for performance review must be adopted, to imbibe transparency into the system. This includes evidence generation, climate budget reports, public dissemination, and stakeholder consultations. Further, a uniform approach to reporting must be established to report climate spending, in order to encourage comparability, reward better performance, and create a learning feedback loop for the future.

Thirdly, in order to guide transformations to the existing system, the government must set benchmarks and take inspiration from peer states, which are experimenting with approaches for governance improving integrity, climate including standardized checklists for project design and approval, climate impact assessments, new results-based monitoring & evaluation, and legally mandated green budgetary reporting.

Improving climate governance integrity also requires capacity building of key auditing and reporting institutions, as well as of corruption watchdogs. Similarly, the Public Accounts Committee, which reviews audit reports, needs to have an understanding of climate benefits.

Applying these enhancements can help Pakistan build resilience to climate change, as well as provide access to more financial resources. Without improving integrity and governance practices, it can be expected that climate risks will persist or even increase further.

⁴⁵ <https://senate.gov.pk/com/pressreleasedetail.php?id=MzAx&pressid=NTkxMA%3D%3D>

⁴⁶ <https://www.imf.org/en/Publications/CR/Issues/2025/05/09/Pakistan-2025-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-540684>

Recommendation 50: Align Public Financial Management (PFM) with climate finance, by including climate change as a multi-sectoral theme at each stage of financial management.

The Public Financial Management (PFM) system is theoretically geared towards effective planning and budgeting. However, in its current form it may not be suitably aligned with the needs of climate governance and finance. Improvements are required at the project stage, where the planning, budgeting, implementation and post implementation phases must incorporate climate relevant features.

The updated NCCP (2021) and Framework for Implementation should be adequately inculcated into the process by additions into the Budget Strategy Paper. This will ensure a high-level recognition for climate-relevant planning. It should also highlight the need for such plans as an important stepping-stone to accessing higher volumes of international climate finance. Similarly, each sector, should align priorities in line with NCCP, and the Budget Call Circular should call on relevant Ministries to plan according to sectoral adaptation and mitigation suggestion in the framework for implementation.

Furthermore, the project PC-Is and PC-IIs require Initial Environment Examination (IEE), and Environment Impact Assessment (EIA) or Environment & Social Impact Assessment (ESIA) depending on the type and scale of project, this stage needs to further integrate climate change metrics to inform decisions. This can be done by including a Climate Benefit Assessment. At the PC-I appraisal stage, a scoring checklist must be introduced by Ministry of Planning, Development & Special Initiatives (MoPDSI) to evaluate climate alignment of the project.

Recommendation 51: The Ministry of Finance must made publicly available Climate Budget Tagging Data as part of budget data or as a separate report on climate finance on yearly basis.

Comprehensive Climate Budget Tagging (CBT) is long due at both the Federal and Provincial levels. In 2024 - 2025 budget, the federal government has introduced climate tagging of expenditure and allocation. In the internal Government Financial Management Information System (GFMIS), tagging is done to ensure climate-responsive budgeting. However, this practice needs to be widened and made part of publicly available budget data or produced as a separate report on climate finance.

Recording the type of climate project, source of finances, and total climate benefit will create trust among key stakeholders as well as act as an incentive for various sectors to increase their climate-oriented spending. Some countries have been able to develop full stand-alone reports based on CBT. Bangladesh, for example, produces Climate Financing for Sustainable Development Budget Report, every year, reporting all climate relevant allocations across all government ministries, and the data is also available for review to all stakeholders.

Recommendation 52: Implement Capacity Building of Supreme Auditing Institutions on Climate Finance Transparency.

The Supreme Auditing Institutions (SAIs) must be upskilled to cater to auditing climate spending appropriately. The capacity building must be targeted among auditors to include costing of emissions, abatement and offsets. This information is also crucial when financial reports are to be presented to accountability bodies, such as the Parliamentary Public Accounts Committee, which needs to see the projects' rationale. Other accountability and corruption-control bodies, such as the National Accountability Bureau (NAB) and Provincial Anti-Corruption Establishments (ACEs), also need capacity enhancement as climate-relevant projects and

expenditures are likely to increase, and like traditional development spending, the risk of corruption in climate finance utilisation remains high.

Recommendation 53: Ensure full transparency in climate finance flows, allocation, procurement and distribution process, through a national tracking system accessible to citizens and civil society.

It is imperative to ensure full transparency in climate finance flows, allocation, procurement and distribution process, through a national tracking system accessible to citizens and civil society. A robust system of accounting and oversight may consist of the following:

- **A national tracking system prepared by the Federal Ministry of Climate and Provincial Climate Departments under Climate Finance Units. These tracking systems must contain all information from all stakeholders in order to contribute to coordinating, monitoring and managing the overall climate action.**
- **The national tracking system should show the funding mechanism, preferably on budget, and the contribution of multi donor funds set up for the disaster and the actual amount of funds used must be monitored.**
- **The system should contain information comprehensive enough to respond to government/donor exigencies yet simple enough to be accessible by affected communities.**

At the same time, ensuring appropriate mechanisms and capacity to capture complaints and enforce anti-corruption measures is also of vital importance. Currently, accessible grievance procedures, including corruption reporting channels and protection for whistleblowers and witnesses is missing from the existing climate governance frameworks, and should be provided in the context of climate finance utilization.

Recommendation 54: The Ministry of Climate Change & Environmental Coordination (MOCC&EC) must establish Equitable Benefit-Sharing mechanisms as part of Carbon Market Activity Rules.

In December 2024, the Government of Pakistan introduced its Policy Guidelines for Carbon Markets at the 29th Conference of the Parties (COP 29) in Baku. This policy initiative represents a significant advancement in Pakistan's climate governance architecture, reflecting an institutional shift towards the adoption of market-based mechanisms for achieving national emissions reduction targets.

Ensuring equitable benefit-sharing and their management is a key pillar of the carbon markets ecosystem. It is imperative that the MoCC&EC enhances inclusivity, transparency, and community participation in carbon market activities by integrating effective Benefit Sharing Mechanism within the carbon market activities in Pakistan. The mechanism must include:

- **Clear identification and eligibility criteria for beneficiaries**
- **Transparent, consultative, and participatory project development processes**
- **Building capacity and ensuring linguistic accessibility for impacted communities**
- **Integration of World Bank Environmental and Social Safeguards**
- **Establishment of a Feedback and Grievance Redressal Mechanism (FGRM)**
- **Adaptive benefit-sharing arrangements separate from other financial flows**
- **Mandatory benefit-sharing plans, annual social audits, and public disclosure requirements**

RECOMMENDED GOVERNANCE BENCHMARKS

Recommendation No.	Sections & Statements	Timeframe		
		Immediate (0 – 6 months)	Short-Term (up to 12 months)	Medium-Term (up to 24 months)
	Section A: MEASURES TO ENHANCE FISCAL GOVERNANCE TRANSPARENCY			
	A.1 Enhancing Fiscal Transparency Through Democratizing the Budget Process			
1	Strengthen the role of Parliament in budget process by empowering parliamentary Standing Committees in the budget vetting process		✓	
2	Increase number of days allocated to the budget approval process and parliament to convene after presentation of the Budget and pass the recurring expenditure for a period of 30 or 45 days.	✓		
3	Extend the power of the Senate to scrutinize and vote on Money Bills to enhance provincial say in the allocation of national resources		✓	
4	Publish the details regarding proceedings and implementation of Rules 201(6) and 201(7) by Parliament Secretariats		✓	
5	Replace Article 84 and Article 124 with proviso to permit, to place the case for amendment to certain expenditure provision before the National/Provincial Assembly Standing Committee on Finance and Revenue for prior emergency approval.		✓	
	A.2 Enhancing Fiscal Capacity through Improved Revenue Administration			
6	Remove the undue advantage of 'tax shelters' from Agriculture sector by Amending Item 47 of the Fourth Schedule of the Constitution, and ensure that all sectors face the same tax bars	✓		
7	Implement the principle of 'Right of First Purchase' to reduce grey areas in real estate, ensuring that all property transactions negotiated between two parties – seller and buyer – are uploaded on Federal Board of Revenue (FBR) website, detailing the property characteristics and agreed price to enable a 3rd party to bid higher for the same property	✓		
8	All property transactions must be taxed at a single, uniform tax based on market value, consolidating existing taxes into a single levy to streamline real estate taxation and curb tax evasion.	✓		
9	Upload Summaries of all Letters of Credit (L/C), specifying the product(s) and f.o.b. price, on dedicated Customs Department website along with the valuation system must be updated based on international best practices to address tax evasion and under-invoicing in Imports	✓		
	A.3 Improving Fiscal Balance through Effective Deficit Management			
10	The Divisions, and associated departments, autonomous and semi-autonomous agencies, related to subjects that have been devolved to the provinces vide 18 Constitutional Amendment must be decentralized		✓	
	A.4 Improving Benazir Income Support Program (BISP) Effectiveness via Administrative Restructuring			
11	BISP shall adopt lean management practices to streamline its administrative structure by leveraging its extensive automation	✓		
	A.5 Optimizing Governance and Operations of State-Owned Enterprises			
12	Prioritize the Public Private Partnership (PPP) approach: privatize management, not assets. Where assets are privatized, exclude land which must remain with the government to prevent conversion to non-industrial uses.			✓
13	Ensure compliance with PPRA ordinance 2002 and PPRA Rules 2004 in the State-owned Enterprises (Governance and Operations) Act 2023 to address SOEs discretion in procurement processes	✓		
14	The composition of SOEs boards must ensure that there is no Conflict of Interest (COI) between board members and public and private entities		✓	

Recommendation No.	Sections & Statements	Timeframe		
		Immediate (0 – 6 months)	Short-Term (up to 12 months)	Medium-Term (up to 24 months)
	SECTION B: BUILDING ROBUST FINANCIAL OVERSIGHT SYSTEMS FOR FISCAL INTEGRITY			
	B.1 Parliamentary Oversight and Public Accounts Committee			
15	Introduce a binding legal provision mandating the appointment of the Leader of the Opposition as PAC Chair at both national and provincial PACs to institutionalize impartial parliamentary oversight		✓	
16	Establish statutory timelines and ensure adequate resourcing for Public Accounts Committees (PACs) to complete and submit audit reports within two years of the fiscal year's end.		✓	
17	Parliamentary disclosures under FRDL Act including debt status must be published online	✓		
	B.2 Enhancing State Capacity through Public Sector Digitization			
18	The Government must publish a 5-year plan on Digitization of Public Service Delivery, providing a roadmap to automate process for essential public services, minimizing Discretionary Powers and abuse of authority		✓	
19	Mandate the upgradation of the AGPR's SAP system and direct FBR to enforce uniform tax credit adjustments at the DAO level, ensuring alignment with tax laws and promoting efficient, equitable public financial management.	✓		
	B.3 Strengthening Business Registration and Documentation Systems			
20	Implement a fully digitized business registration system, reducing human interaction			✓
21	Make a concerted effort, through the State Bank of Pakistan, to increase the electronic financial transaction footprint by instituting incentives for 'sellers' and 'buyers'. This can be achieved by providing cash back to both parties equal to, say, one percent of the total transaction value over the period of one year			✓
	B.4 Promoting Private Sector Development through Investment Facilitation			
22	The position of Federal Board of Revenue (FBR) Chairman must be a fixed-tenure appointment and opened to qualified private sector professionals to ensure stability and leadership continuity.			✓
23	All tax related decisions, including court decisions and notifications (SROs, office orders, file notes, etc.) regarding tax and administrative changes must be uploaded to the FBR website to avoid arbitrariness in interpretation		✓	
24	All matters related to taxes must be automated end to end, with explanatory notes in simplified language to ensure easy comprehension		✓	
25	Monetary, fiscal and administrative incentives and supports, offered at the time the investment decision is made, is not altered mid-stream		✓	
26	Mandate a Centralized, Public, and Verified Beneficial Ownership Registry		✓	
27	Mandatory publication of Tax Directory of public officials (drawing remuneration from the public exchequer) within six months of close of tax year		✓	

Recommendation No.	Sections & Statements	Timeframe		
		Immediate (0 – 6 months)	Short-Term (up to 12 months)	Medium-Term (up to 24 months)
	SECTION C: ENHANCING INSTITUTIONAL INTEGRITY AND ANTI-CORRUPTION FRAMEWORKS			
28	A Lean Anti-Corruption Agency with a Single Headquarter and an Oversight Committee should be formulated for NAB's Accountability	✓		
29	NAB must publish clear Rules within three months, delineating its operational mandate, legal authority and accountability mechanisms as the rules have not been made in last 3 decades	✓		
30	NAB should make a thorough analysis of the entire chain of system to improve its conviction rate	✓		
31	The timeline to dispose of a Corruption case must not exceed 30 days	✓		
32	The option of Plea Bargain should only be exercised for approver/s in a transparent manner, only when the main accused in a corruption case can be prosecuted on the approver's confession	✓		
33	NAB should ensure that the reference prepared and successfully tried in the Accountability Courts should be upheld in all subsequent review petitions in High Courts and Supreme Court	✓		
34	Strengthen the institutional capacity, independence, and resourcing of provincial anti-corruption establishments.		✓	
35	Mandating regular publication of UNCAC Country Report	✓		
36	At least 20% of budgetary allocation of NAB, FIA, Provincial Anti-Corruption Establishments must be dedicated to prevention and awareness		✓	
37	Integrate Anti-Corruption and civic education in the curriculum of the elementary, secondary and degree programs of educational institution			✓
38	Adopt a robust and comprehensive Whistleblower Protection Legislation	✓		
39	Enact comprehensive Conflict of Interest (COI) Regulations for Public Officials	✓		
	C.1 Promoting Transparency through Right to Information			
40	Strengthen Implementation of RTI Laws Across All Jurisdictions including adoption of RTI law in Gilgit Baltistan (GB) and Azad Jammu and Kashmir (AJK) through enforcement and digitization		✓	
41	Enhance public awareness, accessibility and utilization of Right to Information (RTI) laws and procedures		✓	
42	Establish a systematic Cabinet decision publication mechanism for public disclosure of key decisions	✓		
43	Improving Composition of Information Commissions by ensuring Gender Parity and Timely Appointments in Information Commissions		✓	
44	Publish Quarterly Reports of Public Bodies Highlighting Data on Information Requests, Appeals/Complaints, Penalties and Performance of Public Bodies	✓		
	C.2 Reforming Procurement Systems for Greater Fiscal Transparency			
45	To ensure full efficacy of the e-procurement system, fully digitised Evaluation Procedure as well as Digitised Complaint Handling Process, without the involvement of department officials, must be ensured	✓		
46	Amend PPRA Rule 38B to ban Single Tendering	✓		
47	Address Conflict of Interest in the Composition of PPRA Board	✓		
	C.3 Strengthening Local Governance for Responsive Service Delivery			
48	Addition of a dedicated chapter on Local Government, outlining the institutional structure, power, functions, tenure and list of jurisdiction over local subjects, along the lines of the existing chapters on federal and provincial governments		✓	
49	Institute Provincial Finance Commission (PFC) along the line of the National Finance Commission (NFC) to determine distribution of provincial fiscal resources between the province and local entities and among local entities		✓	
	C.4 Climate Governance Integrity			
50	Align Public Financial Management (PFM) with climate finance, by including climate change as a multi-sectoral theme at each stage of financial management	✓		
51	The Ministry of Finance must made publicly available Climate Budget Tagging Data as part of budget data or as a separate report on climate finance on yearly basis	✓		
52	Implement Capacity Building of Supreme Auditing Institutions on Climate Finance Transparency			✓
53	Ensure full transparency in climate finance flows, allocation, procurement and distribution process, through a national tracking system accessible to citizens and civil society	✓		
54	The Ministry of Climate Change & Environmental Coordination (MOCC&EC) must establish Equitable Benefit-Sharing mechanisms as part of Carbon Market Activity Rules	✓		

ANNEX 01

LIST OF STAKEHOLDERS CONSULTED

GOVERNMENT DEPARTMENTS

1. MR. IMDAD ALI PALJO – ADDL DIR NAB, KARACHI
2. MR. LIAQAT ALI BHATTI – ADDL SECRETARY SINDH LG DEPT
3. MR. MUHAMMAD AFZAL – DIRECTOR FINANCE DEPT. SINDH
4. MR. MUHAMMAD SALEEM JALBANI – MEMBER P&D DEPT. SINDH
5. DR. ISHAQUE ANSARI – DG PBS SINDH
6. MR. NISAR HUSSAIN CHANNER – DIRECTOR SPPR AUTHORITY
7. MR. IQBAL DETHO – CHAIRMAN SHRC SINDH
8. MR. GAHANWER AHMED – MD SEF, SINDH
9. MR. AZAD ALI – STAFF WELFARE ORG, GOVT OF PAKISTAN
10. MR. SHABBAR ZAIDI – FORMER CHAIRMAN FBR
11. DR. SHUJA UR REHMAN – POLICY SPECIALIST PPRA ISLAMABAD
12. MR. HASNAT – MD PPRA ISLAMABAD
13. MR. IRFAN NAEEM MANGI – DG NAB HQ
14. MR. RANA FRASS AHMED – ASST DIR NAB HQ
15. BARRISTER ADIL KHALON – LAW & JUSTICE MINISTRY
16. MR. ABDUL BASIT – LAW & JUSTICE MINISTRY
17. MR. AMIN AKBAR – ASST DIR CCP ISLAMABAD
18. MR. RASHIF IMTIAZ – DIRECTOR BISP
19. MS. KANWAL NIZAM – ADDL SECRETARY, SINDH LG DEPT
20. MR. MUJTABA-UL-HASSAN – DEPUTY AG, AGPR ISLAMABAD
21. MR. RASHID MAFZOL ZAKA – DG PIPS
22. DR. G. RAZA BHATTI – MEMBER HEC
23. MR. IRFAN BASHIR – REGISTRAR PAKISTAN INFO COMMISSION (PIC)

CIVIL SOCIETY ORGANIZATIONS (CSOS)

23. AHMED BILAL MEHBOOB – PRESIDENT PILDAT
24. BARRISTER SHAHIDA JAMIL – FORMER LAW MINISTER
25. AMBER ALIBHAI – GENERAL SECRETARY, SHEHRI CBE
26. ABBAS AHMED NIAZI – PILDAT
27. NAZISH FATIMA BHATTI – ACTIVE WOMEN FOUNDATION
28. HUSSAIN JARWAR – CEO, INDUS CONSORTIUM
29. MUKHTAR AHMAD ALI – ED CPDI
30. M. DITTAL KALHORO – CEO SRSO
31. SERWAR KHALID – SHEHRI CBE
32. MUHAMMAD ANWAR – ED CGPA
33. FAYYAZ YASEEN – ED ACCOUNTABILITY LAB
34. SYED KAUSAR ABBAS – ED SSDO
35. ISHAQ SOOMRO – ED CHANGE ORGANIZATION
36. DR. ASAD SAYEED – CSSR
37. ATIQ RAJA – PAKISTAN YOUTH COUNCIL
38. ADEEL REHMAN – CEO PAK MISSION SOCIETY
39. LT. COL. (R) WILLIAM JOHN – PAK MISSION SOCIETY
40. DR. SALEEM – CGPA
41. ZAHID FAROOQ – BOARD MEMBER URBAN RESOURCE CENTRE
42. MAHEEN PRACHA – HRCP
43. KEHKSHAN'S – PAK MISSION SOCIETY
44. DANISH RASHDI – IUCN
45. WALEED LIAQAT – HDF
46. NAVEED AAMIR – INDEPENDENT
47. AMIR SOHAIL – SAHARA
48. ZAHID MENGAL – AZAT FOUNDATION
49. SYED SHAH NASIR – IRSP
50. SYED NAEEM ABBAS – BROOKE PAKISTAN
51. BALQIAZ KHAN MARWAT – RIHRDO
52. ASHRAF KARIM – KADO
53. SHAHID – FRIENDS WELFARE ASSOCIATION
54. EJAZ AHMED KHAN – PEN
55. ALBERT PATRAS – SOCIETY FOR EMPOWERING PEOPLE
56. AMJAD ALI LASHARI – SOCIAL ACTIVIST
57. NASEEM ANTHONY – AWAM
58. MIAN SHAHID NADEEM – CEO SDI
59. YASMEEN MUGHAL – AURAT FOUNDATION
60. DR. HARJI LAL – SOCIAL ORGANIZER
61. MOHAMMAD TAHSEEN – SOUTH ASIA PARTNERSHIP
62. UBAIDULLAH – CPDI
63. RIDA SHAKEEL – PJN
64. SYED RAZA ALI – CEO PJN
65. HAMID SARFARAZ – MD DEV-CONSULT
66. FATIMA MUZAMIL – SDPI
67. NASEEM MEMON – CONSULTANT
68. DR. MUHAMMAD IRFAN KHAN – IUII
69. ZUBAIR FAISAL ABBAS – IMPACT RESEARCH INTERNATIONAL

70. NAZEER AHMED – THE RESEARCH INSTITUTION
71. NASEER MEMON, WATER GOVERNANCE EXPERT
72. AHAD NAZIR – SDPI

ACADEMIA

73. DR. SHAZIA SALAM – ASST PROF SZABIST
74. ENGR. FAHAD ALI SIDDIQUI – SSUET
75. DR. MEHBOOB SHAIKH – FORMER PRESIDENT SINDH VISION
76. ZULFIQAR HALEPOTO – AUTHOR
77. ZUBAIR AHMED – BAHRIA UNIVERSITY
78. DR. HUMA BUKHARI – RECTOR NEWPORTS INSTITUTE
79. AIJAZ ALI – LG EXPERT
80. MAHAM JAMALI – LECTURER SZABIST UNIVERSITY
81. IFFAT ARA – RESEARCH ECONOMIST
82. DR. GHAZAL KHAWAJA HUMAYUN – PROF. UNIVERSITY OF KARACHI
83. PROF. WAQAS MASOOD – PROF. COMSATS
84. KHURSHID HUSNAIN – FORMER PROF. QAU/COMSTECH
85. DR. ALIYA H. KHAN – FORMER DEAN QAU
86. NIMRA – NUML
87. HOMER JAN – BUIITEMS

POLITICAL PARTIES

88. DR. JAI PAL CHHABRIA – PRESIDENT SINDH PTI
89. AFROZ SHORO – PRESIDENT HYDERABAD PTI
90. ADVOCATE SAIFUDDIN – LEADER OF OPPOSITION KMC, JI
91. TAHA AHMED KHAN – MPA SINDH ASSEMBLY, MQM-P
92. ARSHAD VOHRA – MNA NATIONAL ASSEMBLY, MQM-P
93. MOHAMMAD AWAIS – MPA SINDH ASSEMBLY, PTI
94. SALEEM MANDVIWALLA – CHAIRMAN SENATE FINANCE COMMITTEE ON FINANCE AND REVENUE

INTERNATIONAL DEVELOPMENT PARTNERS

95. NOAM ROSENBAUM – SECOND SECRETARY, BRITISH DEPUTY HC
96. QURAT-AIN ISMAIL – POLITICAL SPECIALIST US CONSULATE
97. WAJID BALOCH – POLITICAL ASSISTANT US CONSULATE
98. SADIA KHAN – STAFF MEMBER US EMBASSY
99. DR. RUBINA ALI – ASSISTANT COUNTRY REPRESENTATIVE UNFPA
100. ABID NIAZ KHAN – SOCIO-ECONOMIC POLICY SPECIALIST UNDP
101. SHAH KHALID – PROJECT MANAGER SDGS, UNDP
102. ABBAS TAQI – DATA ANALYSIS OFFICER UNDP

BUSINESS LEADERS AND EXPERTS

103. TANVEER AHMED – FPCCI, FORMER DG CUSTOMS, FBR
104. ANWAR KASHIF – PRESIDENT PAKISTAN TAX BAR ASSOCIATION
105. SYED SALIM AHMED – ADVOCATE, SINDH HIGH COURT
106. RAHUL BANSARI – LAWYER
107. TAIMOR AHMED – CITY COURT
108. DR. M. ALI HAMZA – FRIESLAND CAMPINA ENGRO
109. RAJA AMIR IQBAL – FORMER PRESIDENT RCCI
110. MUMTAZ ALI RAJPER – PAKISTAN REINSURANCE CO.
111. DR. ASHFAQ TONIO – EX-FBR
112. DR. TARIQ MASOOD – EX-FBR
113. DR. IQBAL – EX-FBR
114. MUHAMMAD IBRAHIM VIGHIO – EX-FBR
115. M. REHAN SIDDIQUI – BAKER TILLY
116. ARSHAD SIRAJ – SIRAJUL HAQUE & CO
117. ABDUL QADIR MEMON – ABDUL QADIR & CO
118. ALI A. RAHIM – KARACHI TAX BAR ASSOCIATION

JOURNALISTS, MEDIA & NEWS

119. LUBNA JERAR NAQVI – JOURNALIST, IFJ (MEDIA)
120. IMRAN ABDUL LARAK – JOURNALIST, SAMAA TV (NEWS/MEDIA)
121. AKRAM KHAN – JOURNALIST, DAILY JANG (NEWS/MEDIA)
122. SHABINA FARAZ – CEO, GREEN MEDIA INITIATIVE (MEDIA)
123. AMIR ZIA – JOURNALIST, AAJ NEWS (NEWS/MEDIA)
124. ABDULLAH SOLANGI – JOURNALIST, DAILY TIMES (NEWS/MEDIA)
125. AHSAN SOOMRO – COLUMNIST, KARACHI (MEDIA)

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ANNEX 02

TABLE 01

Table 1: Fourth Schedule of the Federal Legislative List

Entries	Description
43	Duties of customs, including export duties.
44	Duties of excise, including duties on salt, but not including duties on alcoholic liquors, opium and other narcotics.
45	Omitted.
46	Omitted.
47	Taxes on income other than agricultural income;
48	Taxes on corporations.
49	Taxes on the sales and purchases of goods imported, exported, produced, manufactured or consumed [except sales tax on services].
50	Taxes on the capital value of the assets, not including taxes on immovable property.
51	Taxes on mineral oil, natural gas and minerals for use in generation of nuclear energy.
52	Taxes and duties on the production capacity of any plant, machinery, undertaking, establishment or installation in lieu of the taxes and duties specified in entries 44, 47, 48 and 49 or in lieu of any one or more of them.
53	Terminal taxes on goods or passengers carried by railway, sea or air; taxes on their fares and freights.

Source: Constitution of the Islamic Republic of Pakistan, 1973.

ANNEX 02

TABLE 1.1 & 1.2

Table 1.1: Reconfiguring Federal-Provincial shares				
Tax Head	Current (2023-24) (in billions)	Share (%)	Proposed	
			Federal share	Provincial share
<u>Direct Taxes</u>	<u>3,721</u>	40		
Income Tax (IT)	3,682	40	2,946	736
Other Direct Taxes	39	0		
<u>Indirect Taxes</u>	<u>5,531</u>	60	1,106	4,425
Customs Duty (CD)	1,324	14.4		
General Sales Tax (GST)	3,607	39.1		
Federal Excise Duty (FED)	600	6.5		
Federal Divisible Pool (FDP)	9,213	100		
Federal Divisible Pool (Net) (FDP * 0.99)	9,121			
Federal Share (FDP Net * 0.425)	3,876	42.5	4,052	176
Provincial share (FDP Net * 0.575)	5,245	57.5	-84	5,161

Table 1.2: Consolidated Tax Revenues					
Year	Value (Rs million)			Share (%)	
	Federal	Provincial	Total	Federal	Provincial
2019-20	3,997,921	413,617	4,411,538	90.62	9.38
2020-21	4,764,302	508,397	5,272,699	90.36	9.64
2021-22	6,142,802	612,366	6,755,168	90.93	9.07
2022-23	7,169,140	649,559	7,818,699	91.69	8.31
2023-24	9,311,007	774,194	10,085,201	92.32	7.68

Source: Government of Pakistan, Finance Division, Pakistan Economic Survey. 2024-25

ANNEX 02

TABLE 1.3 & 1.4

Table 1.3: Composition of federal tax revenue					
Year	Value (Rs. Million)			Share (%)	
	Direct	Indirect	Total	Direct	Indirect
2019-20	1,524,252	2,473,669	3,997,921	38.12	61.88
2020-21	1,731,860	3,032,442	4,764,302	36.35	63.65
2021-22	2,280,470	3,862,232	6,142,802	37.12	62.88
2022-23	3,272,402	3,896,738	7,169,140	45.65	54.35
2023-24	4,530,722	4,778,285	9,309,007	48.67	51.32
Source: Government of Pakistan, Finance Division, Pakistan Economic Survey, 2024-25					

Table 1.4: Composition of federal indirect taxes							
Year	Tax Revenue (Rs. Billion)				Share (%)		
	GST	CD	FED	Total	GST	CD	FED
2019-20	1,596,821	626,378	250,470	2,473,669	64.55	25.32	10.13
2020-21	1,990,186	765,184	277,072	3,032,442	65.63	25.23	9.14
2021-22	2,531,856	1,009,498	320,978	3,862,232	65.55	26.14	8.31
2022-23	2,592,136	934,823	369,779	3,896,738	66.52	23.99	9.49
2023-24	3,096,771	1,104,063	577,451	4,778,285	64.81	23.11	12.08
Source: Government of Pakistan, Finance Division, Pakistan Economic Survey, 2024-25							

ANNEX 03

TABLE 2 & 2.1

Table 2 Guesstimated tax collection from large farms					
Farm size (hectares)	Number of Farms (#)	Guesstimated Annual Tax collection (Rs.)	Billion Rs		
60.0+	13,457	1,000,000	66.9		
40.0-60.0	12,643	750,000	9.5		
20.0-40.0	66,927	500,000	6.7		
20.0-60.0+	93,027		83.1		

Table 2.1 Pakistan Farm Size Statistics					
Farm size (hectares)	No. of Farms (#)	Percentage (%)	Average Farm area (ha)	Average Cultivated area (ha)	Percentage Cultivated (%)
< 0.5	2,071,227	25.1	0.3	0.2	66.7
0.5-1.0	1,525,698	18.5	0.7	0.7	100
1.0-2.0	1,753,985	21.2	1.4	1.3	92.9
2.0-3.0	1,131,938	13.7	2.3	2.2	95.7
3.0-5.0	915,252	11.1	3.9	3.5	89.7
0.5-5.0	7,398,100	89.5	1.72	1.58	91.9
5.0-10.0	562,206	6.8	6.7	6	89.6
10.0-20.0	211,198	2.6	12.9	10.3	79.8
5.0-20.0	773,404	9.4	9.8	8.2	83.7
20.0-40.0	66,927	1	25.1	18.1	72.1
40.0-60.0	12,643	0.2	44.9	30.2	67.3
60.0+	13,457	0.2	176	46.2	26.3
20.0-60.0+	93,027	1.2	110.5	38.2	34.6
<0.5-60+	8,264,531	100	2.7	2.1	79
Source: Pakistan Agriculture Census 2010					

ANNEX 03

TABLE 2.2

Table 2.2	
Fiscal variables	(Billion Rs.)
(a) Tax revenue	9,252
(b) Total revenue	12,200
(c) Current expenditure	16,928
(d) Total expenditure	18,418
(e) Tax revenue-Current expenditure deficit	7,676
(f) Total revenue-Total expenditure deficit	6,218
Share of:	(%)
'Agriculture income tax' receipts of (a)	0.897
'Agriculture income tax' receipts of (b)	0.68
'Agriculture income tax' receipts of (c)	0.49
'Agriculture income tax' receipts of (d)	0.45
'Agriculture income tax' receipts of (e)	1.081
'Agriculture income tax' receipts of (f)	1.334
Source: Government of Pakistan, Finance Division, Pakistan Economic Survey 2024-25	

ANNEX 03

TABLE 3

Table 3: Federal Divisions mandated by the Constitution Federal Legislative List Part I & Part II		
S. No.	Federal Legislative List Item	Related Division
1 2 3	<u>Cabinet Secretariat</u> Part I: No. 42 Part I: Nos. 11 Part I: No. 22, 35	<ul style="list-style-type: none"> • Cabinet • Establishment • Aviation
4	Part I: Nos. 1, 2	Defence + Defence Production
5	Part I: Nos. 3, 32	Foreign Affairs
6	Part I: Nos. 7, 24, 34	Communications
7	Part I: No. 15	Heritage & Culture
8	Part I: No. 27	Commerce
9	Part I: No. 37	Housing & Works
10	Part I: No. 39	Science & Technology
11	Part I: No. 41	Parliamentary Affairs
12	Part I & II: Nos. 4, 6, 26, 56 & 10	Interior + Narcotics
13	Part I & II: Nos. 5 & 13	Inter-Provincial Coordination
14	Part I & II: Nos. 8, 9, 10, 12, 28, 29, 30, 31, 43, 44, 47, 48, 49, 50, 51, 52, 53, 54 & 8	Economic Affairs Finance + Revenue
15	Part I & II: Nos. 13, 14, 55 & 11	Law & Justice
16	Part I & II: Nos. 18 & 4	Power
17	Part I & II: Nos. 20, 23, 36 & 5	Maritime Affairs
18	Part I & II: Nos. 35 & 7, 9	Planning & Development
19	Part I & II: Nos 35 & 2	Petroleum
20	Part I & II: Nos. 16, 17 & 12	Higher Education
21	Part II: No. 1	Railway
22	Part II: No. 3	Industries & Production

ANNEX 04

TABLE 3.1

Table 3.1 Federal Divisions <u>not</u> mandated by the Constitution	
S. No.	Divisions
1	Aviation
2	Climate Change & Environment
3	Defence Production
4	Human Rights
5	Information & Broadcasting
6	Information Technology & Telecommunications
7	Kashmir Affairs & Gilgit-Baltistan
8	Narcotics Control
9	National Food Security & Research
10	National Health Services Regulations & Coordination
11	National Security
12	Overseas Pakistanis & Human Resource Development
13	Poverty Alleviation & Social Safety
14	Privatization
15	Religious Affairs & Inter-Faith Harmony
16	Revenue
17	States & Frontier Regions
18	Water Resources

ANNEX 05

TABLE 4

Table 04: Privatization Agenda: 2024-29	
Sector/ S. No.	Name of Enterprise
<u>Aviation Sector</u>	
1	Pakistan International Airlines Corporation Ltd. (PIACL)
<u>Real Estate Sector</u>	
2	PIA-IL (Roosevelt Hotel NY)
<u>Financial Sector</u>	
3	Pakistan Re-Insurance Co. Ltd. (PRCL)
4	State Life Insurance Corporation (SLIC)
5	Postal Life Insurance Company Ltd. (PLICL)
6	First Women Bank Limited (FWBL)
7	House Building Finance Corporation (HBFC)
8	Zarai Taraqati Bank Ltd. (ZTBL)
<u>Retail Sector</u>	
9	Utility Stores Corporation (USC)
<u>Industrial Sector</u>	
10	Pakistan Engineering Company (PECO)
11	Sindh Engineering Limited (SEL)

<u>Power Sector</u>	
12	Jamshoro Power Company Ltd. (JPCL) - GENCO-I
13	Central Power Generation Co. Ltd. (CPGCL) - GENCO-II
14	Northern Power Generation Co. Ltd. (NPGCL) - GENCO-III
15	Lakhra Power Generation Co. Ltd. (LPGCL) - GENCO-IV
16	Islamabad Electric Supply Company Limited (IESCO)
17	Faisalabad Electric Supply Company Limited (FESCO)
18	Gujranwala Electric Power Company Limited (GEPCO)
19	Lahore Electric Supply Company Limited (LESCO)
20	Multan Electric Power Company Limited (MEPCO)
21	Hazara Electric Supply Company (HAZECO)
22	Hyderabad Electric Supply Company Limited (HESCO)
23	Peshawar Electric Supply Company Limited (PESCO)
24	Sukkur Electric Power Company Limited (SEPCO)



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