

**DRAFT**

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| **NATIONAL DOMESTIC COMMERCE POLICY**  **2021-25** |

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|  | **MINISTRY OF COMMERCE****GOVERNMENT OF PAKISTAN**[**www.commerce.gov.pk**](http://www.commerce.gov.pk) |  |

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# NOTE

The Domestic Commerce Development Policy is based on long drawn out consultative process with the public and private sector stakeholders and findings and recommendations of the first ever investigative survey of Ministry of Commerce on the State of Domestic Commerce in Pakistan (2016-18) conducted and all the previous research work conducted by the Ministry of commerce, which provided profound knowledge about the prevailing business environment and helped in developing an analytical understanding of those unfriendly factors that hamper growth in the sector and delay the realization of its true potentials. The state of businesses being conducted in Pakistan given in the survey aided in defining the contours of the policy for effectively tackling the challenges in the domestic commerce and paving the way for sustainable growth.

The work done by the Joint Working Group (JWG) on Developmental & Facilitative Framework provided an insight into the reasons for lack of modernization in different sectors which have been found the main cause of constant decrease in economic and commercial activities including poor exports performance, weak trade linkages, unimpressive sectoral development, and increase in the number of unemployed youths.

The National Tariff Policy and E-Commerce Policy, whose full implementation will to a greater extent provide the supportive turf to domestic commerce, informs of some of the issues related to domestic commerce. Furthermore, the exhaustive consultative process undertaken for the Strategic Trade Policy Framework 2020-25 and Textile Policy guided towards understanding the needs and demands of the business community.

And lastly, the World Bank’s Ease of Doing Business Report 2019-20 and the World Economic Forum’s Global Competitiveness Index 2019 have thoroughly highlighted the grave challenges being faced by the country, which provided a vivid picture of where Pakistan stands in the world. These reports facilitated in setting the direction of reforms needed to break the entrenched inertia in developing the sector to come out of the vicious cycle of retardation and perpetual social and economic backwardness.

# EXECUTIVE SUMMARY

The Domestic Commerce Development Policy is going to pave the way for sustainable growth and development in the country by putting in motion a set of genuine reforms and development process, conducive to bringing lasting changes in the socio-economic conditions of the people and improving their living standards at par with the development world.

Pakistan has huge potential for growth and development. However, the performance of the domestic commerce sector, with a great deal of potential, has not been effectively leveraged. With an all-encompassing and pervasive scope, domestic commerce affects the entire aspect of the economic activity of the country, taking care of the sectors ranging from investment, agriculture, mining, fisheries, livestock, cottage industry, retail, warehousing, handicrafts, traditional items and the related supply chain to regulatory regime and consumer protection.

Domestic commerce significantly contributes to GDP and provides employment to the youth. A supportive domestic commerce regime will provide firm foundations for sustainable development of the economy by effectively addressing the multiple and complex issues effecting it adversely.

The National Domestic Commerce Policy is divided into different parts which includes 1) Enterprise Productivity & Modernization 2) SME Development 3) Retail & Wholesale Sector 4) Transport 5) Local Brand Development 6) Storage & Warehousing 7) Real Estate 8) Skill Development.

The Policy envisages institutional reforms that will holistically address the issues and challenges by taking the public and private sector stakeholders on board in the implementation process. The Policy has an inbuilt mechanism to carry out mid-course correction without affecting the course of reforms and development set in the Policy.

# Introduction

Domestic commerce is about the exchange of goods and services within the boundaries of a country and generally takes into account the entire network and all the activities from pre-production to consumption of a good to policy, and legal, institutional and regulatory conditions that govern business activities. A robust domestic commerce being a vehicle for supply side of the international trade is regarded as a deciding factor and a key to sustainable economic growth, developing sophisticated and high value-added products with potential to accelerate export growth.

Growth in the domestic commerce and internal trade assures exportable surplus. A firm’s decision to produce and sell products in the local or foreign markets depends on many factors such as availability of factors of production, local as well as foreign, conducive regulatory and policy frameworks, access to cheap credit and insurance facilities, fast modes of transportation, improved warehousing, storage facilities and diverse means of communication. The state of domestic commerce is a critical factor in deciding what to produce in the country and trade internally and externally.

With advancement in technology and globalization and the policies of liberalization, de-regulation, and privatization pursued in the country have amplified the urgency for domestic producers and service providers to be competitive in the local and global market place.

Providing a conducive and facilitative environment for the development of domestic commerce presupposes the availability of efficient coordination across the entire supply chain. This wide-ranging approach allows for careful planning and collaboration across a wide number of government organizations as well as close cooperation with the private sector stakeholders.  A well-thought-out policy brings along a number of advantages. It provides for a vision to make sure that all public and private sector stakeholders to move in tandem in the same direction for achieving shared objectives. It will ensure continuity in the implementation of reforms and discourage abrupt changes. Moreover, it also paves the way for securing trust of the international donors for financial and technical assistance to the different projects.

## Scope of Domestic Commerce

The scope of domestic commerce comprises, inter alia, doing business environment which includes the state of producer and consumer welfare, availability and access to capital and inputs, availability of various services such as labor, insurance, banking, transportation, storage and warehousing. Moreover, the process of production, sales and distribution channels of goods connecting consumers and producers across the territory occupies central position in the sphere of domestic commerce. The governance and regulatory regimes include laws and regulations pertaining to registration, starting and functioning of a business, business contract and enforcement, taxation policies, competition policies, investment policies, fiscal and monetary policies, market regulations, quality control mechanism such as product standards and certifications as well as institutional set up and its capacity to implement laws, rules and regulations.

## Significance of Domestic Commerce

Today, domestic commerce has become the center of attention of the state policies for a variety of reasons. Domestic commerce is essentially about developing domestic markets to facilitate local exchange and consumption, which stimulates domestic output and drive competition. In modern economies, production is done almost exclusively for exchange. A vibrant domestic commerce sector will ensure that goods produced are exchanged at low real cost and that resources are allocated to their most productive uses. The growth of domestic commerce is driven by domestic demand and consumer preferences for quality. Regulations and standards, in principle, are designed to facilitate production, guarantee product quality, reduce transaction costs and enhance market competition. Focus on domestic demand will ensure that product quality is improved and that products meet consumers’ health and safety standards.

The subject matter of domestic commerce concerns itself about domestic markets. Being successful in creating a niche in the local market encourages the promotion of brands for high margin exports. The benefits of domestic commerce in the form of value addition, product quality and standards, efficiency and brand development are instrumental in export promotion, which is only possible on the back of strong manufacturing and supporting industries, such as banking, insurance, logistics, transport and advertising. By stimulating and facilitating production, domestic commerce provides considerable employment to skilled and unskilled workforce in the industry.

Domestic trade brings tax revenue to the Government in form of excise duty charged on production, sales tax charged on transactions and corporate tax charged on profits. Moreover, strong domestic demand provides a cushion to the enterprises against fluctuations in foreign demand. Competitive domestic markets and strong domestic demand also attract foreign investment. On the basis of the above factors, a vibrant domestic commerce sector will ensure transition from a factor driven to an efficiency driven and finally to an innovation driven economy.

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# State of Pakistan’s Domestic Commerce

## Size of Domestic Commerce

Domestic commerce constitutes an important segment of the national economy and contributes significantly to GDP, employment and FDI. It comprises the important sub-sectors of the services sector: wholesale & retail trade, transport & communication; storage & warehousing, real estate, and financial services. In 2019-20, the total size of the services sector was Rs. 7,694.07 billion, out of which domestic commerce contributed Rs. 5,144.02 billion. The major sub-sectors of wholesale & retail have a share of Rs. 2,276.46 billion; whereas, transport, communication and storage contributed Rs. 1542.46 billion, real estate Rs. 874.28 billion and financial services Rs. 450.82 billion.

**Size of Domestic Commerce in the Economy (2015- 2020)**

**(Rs. Billion)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sector/Sub Sector** | **2015-16** | **2016-17** | **2017-18** | **2018-19** | **2019-20** |
| **Agriculture Sector** | **2,205.43** | **2,253.56** | **2,342.37** | **2,362.21** | **2,420.11** |
| **Industrial Sector** | **2,323.17** | **2,428.90** | **2,548.49** | **2,584.11** | **2,417.62** |
| **Services Sector** | **6,588.20** | **7,014.46** | **7,452.63** | **7,803.81** | **7,694.07** |
| **Domestic Commerce** | **4,633.66** | **4,919.18** | **5,154.62** | **5,334.55** | **5,144.02** |
| 1. Wholesale & Retail | 2,035.51 | 2,187.75 | 2,331.43 | 2,404.04 | 2,276.46 |
| 2. Transport, communication & storage | 1,493.83 | 1,557.63 | 1,590.47 | 1,643.62 | 1,542.46 |
| 3. Real Estate | 747.34 | 777.14 | 808.17 | 840.53 | 874.28 |
| 4. Finance & Insurance | 356.98 | 396.66 | 424.55 | 446.36 | 450.82 |

**Source: Economic Survey of Pakistan 2019-20**

## Domestic Commerce’s Contribution to Economy

At present, Domestic Commerce accounts for nearly 41.06% of the GDP, while the services sector as a whole account for 61.4% of GDP. The share of wholesale & retail trade is about 18.17% while that of transport, communication and storage is 12.31%. The share of real estate and financial services in the GDP is 6.98% and 3.6% respectively. Over last five years the share of Domestic Commerce in GDP has been around 41%. In 2015-16 its share was 41.68% which slightly grew to 42% in 2016-17 and marginally declined to 41.93% in 2017-18 and 41.06 in 2019-20.

**Domestic Commerce’s Contribution to GDP (%)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sector/Sub Sector** | **2015-16** | **2016-17** | **2017-18** | **2018-19** | **2019-20** |
| **Agriculture Sector** | **19.84** | **19.22** | **18.86** | **18.5** | **19.31** |
| **Industry/Manufacturing Sector** | **20.90** | **20.91** | **20.91** | **20.3** | **19.29** |
| **Services Sector** | **59.26** | **59.87** | **60.23** | **61.2** | **61.40** |
| **Domestic Commerce** | **41.68** | **42.00** | **41.93** | **41.9** | **41.06** |
| 1. Wholesale & retail | 18.31 | 18.67 | 18.98 | 18.9 | 18.17 |
| 2. Transport, communication & storage | 13.44 | 13.32 | 13.04 | 12.9 | 12.31 |
| 3. Real Estate | 6.72 | 6.63 | 6.52 | 6.60 | 6.98 |
| 4. Financial Services | 3.21 | 3.38 | 3.39 |  3.50 | 3.60 |

**Source: Economic Survey of Pakistan 2019-20**

The outbreak of the COVID-19 pandemic has severely affected the entire economy of the country like rest of the world. Overall GDP growth remained in the negative zone with negative growth of 0.38% in 2019-20. The domestic commerce registered a growth of -3.5% as compared with a positive growth of 3.49 % in 2018-19. All the sub sector of the domestic commerce negatively performed except the real estate, which grew by 4.1% despite the prevailing adverse situation.

**Growth of GDP, Services and Domestic Commerce (2015 to 2019)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sector/Sub Sector** | **2015-16** | **2016-17** | **2017-18** | **2018-19** | **2019-20** |
| **Total GDP** | **4.60** | **5.40** | **5.80** | **3.30** | **-0.38** |
| **Agriculture Sector** | **0.15** | **2.10** | **4.00** | **0.85** | **2.67** |
| **Industry/Manufacturing Sector** | **5.70** | **5.40** | **5.80** | **1.40** | **-2.64** |
| **Services Sector** | **5.70** | **6.50** | **6.40** | **4.71** | **-0.59** |
| **Domestic Commerce** | **4.91** | **6.39** | **5.25** | **3.49** | **-3.57** |
| 1. Wholesale & retail | 4.73 | 7.46 | 7.51 | 3.11 | -3.42 |
| 2. Transport, communication & storage | 4.89 | 4.44 | 3.58 | 3.34 | -7.13 |
| 3. Real Estate | 3.99 | 3.99 | 4.00 | 4.00 | 4.01 |
| 4. Financial Services | 6.42 | 10.78 | 6.13 | 5.14 | 0.79 |

 **Source: Economic Survey of Pakistan 2019-20**

## Investment in Domestic Commerce

In 2019-20, the investment in the domestic commerce was Rs. 943.08 billion, which included Rs. 115.91 billion investments in wholesale & retail trade, Rs. 719.08 billion in transport and communication, Rs. 33.39 billion in construction and Rs. 74.70 billion in finance and insurance sub-sectors. During last five years, investment in domestic commerce has gone up from Rs. 692.10 billion in 2015-16 to Rs. 943.08 billion in 2019-20. The wholesale & retail trade received an investment of Rs. 77.46 billion in 2015-16 which increased to Rs. 108.22 billion in 2018-19. Transport and Communication received Rs.507.86 billion investment in 2015-16 which increased to 719.08 in 2019-20.

**Investment in Domestic Commerce (2015 to 2020)**

Rs. Billion

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sector** | **2015-16** | **2016-17** | **2017-18** | **2018-19** | **2019-20** |
| **Total Investment** | **4,095.63** | **4,632.77** | **5,449.47** | **5,320.21** | **5, 761.00** |
| **Domestic Commerce** | **692.10** | **802.02** | **870.212** | **819.08** | **943.08** |
| 1. Construction | 49.00 | 88.98 | 59.512 | 27.52 | 33.39 |
| 2. Wholesale & retail | 77.46 | 86.62 | 95.55 | 108.22 | 115.91 |
| 3. Transport, communication  | 507.86 | 556.16 | 651.99 | 613.99 | 719.08 |
| 4. Finance & Insurance | 57.78 | 70.26 | 63.16 | 69.35 | 74.70 |

**Source: Economic Survey of Pakistan 2019-20**

## Contribution in Employment

Domestic Commerce has been a major contributor to employment. In 2010-11 the share of domestic commerce in employment was 28.67% which came down to 27.14% in 2012-13. In 2013-14 the share increased to 27.89% and further to 27.97% in 2014-15 and 28.73 in 2017-18. Sectoral contribution to employment is given in the table below.

**Sub-sector wise Share of Domestic Commerce in Employment (2017-18)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sectors** | **2010-11** | **2012-13** | **2013-14** | **2014-15** | **2017-18** |
| **Wholesale & retail** | 16.15 | 14.39 | 14.58 | 14.64 | 14.92 |
| **Transport, communication & storage** | 5.11 | 4.98 | 5.44 | 5.41 | 5.67 |
| **Financial Services** | 0.44 | 0.33 | 0.54 | 0.59 | 0.53 |
| **Construction** | 6.97 | 7.44 | 7.33 | 7.31 | 7.61 |
| **Total** | 28.67 | 27.14 | 27.89 | 27.95 | 28.73 |

**Source: Economic Survey of Pakistan 2019-20**

## World Bank Ease of Doing Business Assessment

The World Bank’s Doing Business Index 2020 provides a set of objective indicators to measure and understand the ease of doing business environment across the world. Pakistan has made consistent efforts to improve business environment in the country. Since 2016, a number of reforms have been introduced for improving Pakistan’s overall ranking, which has positively affected its score and ranking. Still a lot needs to be done to bring the needed changes in the overall business environment in the country to further improve existing state of the economy.

Due to the continuous reform process, Pakistan has improved its ranking 32 points on the World Bank’s Ease of Doing Business Scale from 138 in 2016 to 108 in 2020, which points to the effectiveness of the measures introduced to institute sustainable reforms in the country and commitment of the government to bring about lasting changes in the socio-economic conditions of the people. Pakistan’s overall score on the scale (0-100) went up 5.5 percent from 55.5 in 2019 to 61.0 in 2020. Comparing with other countries of the region, Pakistan performed better than Bangladesh (168), but far below than India (63) and China (31).

**Pakistan’s Ranking on Doing Business Topics**

|  |  |  |  |
| --- | --- | --- | --- |
| **Indicator** | **2020** | **2019** | **Change in Score** **(% Point)** |
| **DB Rank****(1-190)** | **DB Score (0-100)** | **DB Rank****(1-190)** | **DB Score (0-100)** |
| Overall Doing Business | 108 | 61.0 | 136 | 55.5 | ↑ 5.5 |
| Starting a Business | 72 | 89.3 | 130 | 81.9 | ↑ 7.4 |
| Dealing with Construction Permits | 112 | 66.5 | 166 | 51.9 | ↑ 4.6 |
| Getting Electricity | 123 | 64.0 | 167 | 43.1 | ↑20.9 |
| Registering Property | 151 | 48.6 | 161 | 42.8 | ↑ 5.8 |
| Getting Credit | 119 | 45.0 | 112 | 45.0 |  .. |
| Protecting Minority Investors | 28 | 72.0 | 26 | 72.0 | .. |
| Paying Taxes | 161 | 52.9 | 173 | 47.0 | ↑ 5.9 |
| Trading Across Borders | 111 | 68.8 | 142 | 67.5 | ↑ 1.3 |
| Enforcing Contracts | 156 | 43.5 | 156 | 43.5 | .. |
| Resolving Insolvency | 58 | 59.0 | 53 | 59.9 | ↓ 0.9 |

**Source: World Bank’s Doing Business Report 2020**

Given the exigencies of the growing population, Pakistan has implemented a number of reforms to meet the emerging challenges, which resulted into more favorable doing business environment. The ensuing sub-sections take a much closer look at the country’s current situation concerning time, cost and number of documents required for conducting business in Pakistan and the challenges and emanating opportunities

**Starting a Business**

This topic measures the number of procedures, time, cost and paid-in minimum capital requirement for a small- to medium-sized limited liability company to start up and formally operate in each economy’s largest business city. Pakistan ranks at 72 (1-190) position on the Starting a business theme with an overall score of 89.3 (0-100). There are 5 procedures involved to be completed in this regard, which on average takes 16.5 days. Pakistan’s performance on this count is relatively better than regional peers like Bhutan (score 86.4/rank 103), Bangladesh (score 82.4/rank 131), Nepal (score 81.7/rank 135) and India (score 81.6/rank 136). Pakistan has made starting a business easier by expanding procedures available through the online one-stop shop. This reform applies to both Karachi and Lahore. Furthermore, Pakistan (Lahore) abolished the Labor Department registration fee.

**Dealing with Construction Permits**

There are 17 procedures involved to get construction permits in 125 days, which ranks Pakistan with a sore 66.5 (0-100) at 112. India with a score of 78.7 is better placed at 27 positions, Bhutan is at 91 (score 68.9), Nepal at 107 (score 67.3) and Bangladesh at 135 (score 61.1 score). Pakistan (Karachi) made obtaining a construction permit easier and faster by streamlining the approval process and also made construction safer by ensuring that building quality inspections take place regularly. Pakistan (Lahore) also made obtaining a construction permit easier and faster by streamlining the approval process and by improving the operational efficiency of its one-stop shop for construction permitting.

**Getting Electricity**

This topic measures the procedures, time and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse. Additionally, the reliability of supply and transparency of tariffs index measure’s reliability of supply, transparency of tariffs and the price of electricity. Pakistan is at 112th position on the getting electricity topic Index with score of 64.0. There are 6 procedures to be completed which take 113 days, according to the DB Report. Regional comparison ranks India at 22nd position (89.4), Bhutan at 78th (77.5), Nepal at 135th (60.9), and Bangladesh at 176th (34.9)). Pakistan made getting electricity easier by enforcing service delivery time frames and by launching an online portal for new applications. Pakistan also increased the transparency of electricity tariff changes. This reform applies to both Karachi and Lahore.

**Registering Property**

This topic examines the steps, time and cost involved in registering property, assuming a standardized case of an entrepreneur who wants to purchase land and a building that is already registered and free of title dispute. In addition, the topic also measures the quality of the land administration system in each economy. The quality of land administration index has five dimensions: reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution, and equal access to property rights. The registering property topic ranks Pakistan at 151 with a score of 48.6. There are 8 procedures to go through which take on average 105 days to complete. India with a score of 89.4 performed much better in this regard which ranked her at 22, Bhutan 78 (77.5), Nepal135 (60.9) and Bangladesh176 (34.9). Pakistan (Karachi) made property registration faster by making it easier to execute and register a deed at the Office of the Sub-Registrar. Pakistan (Lahore) made registering property easier by increasing the transparency of the land administration system.

**Paying Taxes**

This topic records the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year, as well as the administrative burden of paying taxes and contributions and complying with post filing procedures (VAT refund and tax audit). With a score of 52.9 (0-100), Pakistan made it to 161st position on the paying tax criteria. Pakistan made paying taxes easier by introducing online payment modules for value added tax and corporate income tax, and less costly by reducing the corporate income tax rate. This reform applies to both Karachi and Lahore. Bhutan is better placed at 15th position (score 89.2), India at 115(67.6), Bangladesh 151(56.1) and Nepal at 175 (47.1).

**Trading across Borders**

Doing business records the time and cost associated with the logistical process of exporting and importing goods. Doing business measures the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance and domestic transport—within the overall process of exporting or importing a shipment of goods. Pakistan is at 111th position with its score of 68.8 (0-100). The time for documentary compliance to export is recorded at 55 hours and border compliance 58 hours; whereas documentary compliance for import takes 96 hours and border compliance 120 hours. Pakistan made trading across borders easier by enhancing the integration of various agencies in the Web-Based One Customs (WEBOC) electronic system and coordinating joint physical inspections at the port. This reform applies to both Karachi and Lahore. Bhutan is at 30(94.2), Nepal at 60 (85.1)), India 68 (82.5), and Bangladesh at 176 (31.8)

**Getting Credit**

This topic explores two sets of issues—the strength of credit reporting systems and the effectiveness of collateral and bankruptcy laws in facilitating lending. With a score of 45.0, the Doing Business Index ranks Pakistan at 119th position with weak performance on the strength of legal index i.e., 2 (0-12). India with a score of 80.0 is at 25th position, Nepal at 37th (75.0), Bhutan at 94 (55.0) and Bangladesh 119th (45.0).

**Enforcing Contract**

The enforcing contracts indicator measures the time and cost for resolving a commercial dispute through a local first-instance court, and the quality of judicial processes index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system. Pakistan is at 156 with 43.5 score (0-100). The time involved is 1071 days to enforce contract which costs 20.5 percent of the claim value. Quality of judicial process is indicated at 5.7 (0-18). Bhutan is at 29th position (70.0), Nepal 151(46.0), India 163(41.2), and Bangladesh 189(22.2).

**Regional Comparison of DB 2020**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicator** | **Pakistan** | **Bhutan** | **Bangladesh** | **Nepal** | **India** |
| **Rank**  | **Score** | **Rank**  | **Score** | **Rank**  | **Score** | **Rank**  | **Score** | **Rank**  | **Score** |
| Overall Doing Business | 108 | 61.0 | 89 | 66.0 | 168 | 45.0 | 94 | 63.2 | 63 | 71.0 |
| Starting a Business | 72 | 89.3 | 103 | 86.4 | 131 | 82.4 | 135 | 81.7 | 136 | 81.6 |
| Dealing with Construction Permits | 112 | 66.5 | 91 | 68.9 | 135 | 61.1 | 107 | 67.3 | 27 | 78.7 |
| Getting Electricity | 123 | 64.0 | 78 | 77.5 | 176 | 34.9 | 135 | 60.9 | 22 | 89.4 |
| Registering Property | 151 | 48.6 | 53 | 72.6 | 184 | 29.0 | 97 | 63.6 | 154 | 47.6 |
| Getting Credit | 119 | 45.0 | 94 | 55.0 | 119 | 45.0 | 37 | 75.0 | 25 | 80.0 |
| Protecting Minority Investors | 28 | 72.0 | 111 | 46.0 | 72 | 60.0 | 79 | 58.0 | 13 | 80.0 |
| Paying Taxes | 161 | 52.9 | 15 | 89.2 | 151 | 56.1 | 175 | 47.1 | 115 | 67.6 |
| Trading Across Borders | 111 | 68.8 | 30 | 94.2 | 176 | 31.8 | 60 | 85.1 | 68 | 82.5 |
| Enforcing Contracts | 156 | 43.5 | 29 | 70.0 | 189 | 22.2 | 151 | 46.0 | 163 | 41.2 |
| Resolving Insolvency | 58 | 59.0 | 168 | 0.0 | 154 | 28.1 | 87 | 47.2 | 52 | 62.0 |

**Source: World Bank’s Doing Business Report 2020**

# National Domestic Commerce Policy

The domestic commerce sector has been termed as the ***“front end”*** of the economy. It is through this vital link that production of goods and services as well as the gains from international trade reach the consumer. Irrespective of the fact that the domestic commerce sector contributes roughly one third to the national GDP and 10 % of the aggregate employment, it has not been the subject of research and explicitly of policy planning. It was perhaps assumed that the development and proliferation of domestic commerce was endogenous to expansion in the commodity producing sectors and international trade.

# Rationale and Need for a Domestic Commerce Policy

The scope of the domestic commerce is wide and all-encompassing; therefore, it plays a significant role in providing strong foundations for a country’s international trade. With the devolution of powers under the 18th Constitutional Amendment the role of the provinces has increased manifold in the area of domestic commerce, which demands coordinated approach to achieve the synchronization of policies, planning and strategies at every step-in order to achieve synergy in materializing the objectives of the state policy. Given the newness of the mandate, provinces find themselves in greater need of a strong capacity to cope with new role.

The urgency of meeting the requirements of a growing population has forced the provinces and as such the federation to step more vigorously into area of the domestic commerce preparing their respective domestic commerce strategies to address the issues and challenges that are hampering economic growth and development. Since aim of the domestic commerce, which mainly concerns the provinces, is to facilitate and support international trade an area constitutionally assigned to the federation, there has to be coherence and synergy in approaches to support and reinforce the overall endeavors.

Moreover, the issues of domestic commerce are cross cutting and complex in structure and effects, having profound ramifications for the smooth exchange of goods and services within the country. Goods produced in one province need safe delivery in far flung areas of another province, an activity which covers a wide array of services ranging from storage and warehousing, a network of efficient communication system of air, rail and road transportation, availability of skilled labor, availability of capital and insurance services with the simultaneous desire for reducing the cost of doing business by reducing the regulatory burden on businesses. One province may be more efficient to produce agricultural or manufactured goods, but may be desperate to find a berth on ship for onward transportation abroad. These activities are beyond the capacity of the provinces and the emerging challenges cannot be coped single handedly.

In the devolved domains of the provinces, the Federal Government acts as facilitator to build capacity of the provinces to see these issues resolved promptly and holistically, as a laid-back approach in introducing the needed reforms may retard the pace growth and development. Thus, there is a greater need to act jointly to remove the regulatory inconsistencies, ensure a level playing field for all stakeholders, and develop a critical mass of trained human resource and needed physical infrastructure which could act as catalyst for growth.

### Vision, principles and objectives

### Vision Statement

***“To provide strong foundations for growth in Pakistan’s trade by increase domestic market efficiencies, thus paving the way for a sustainable growth and development of the economy and improving economic security and well‐being of the people”***.

### Mission

The Mission is to transform Pakistan from an emerging economy to a developed economy by fostering and developing domestic markets through policy interventions to induce efficiency in their operations.

### Goals

To realize the vision, the strategic objective is to achieve market efficiency by enhancing competitiveness through raising productivity, lowering cost of production, ensuring the availability of input and required services for development of -- firms. It is aimed to spur economic growth, boost trade and improve domestic industrial sector efficacy. In view of the vision and strategic objectives, the policy identifies 16 objectives, covering each priority areas of the policy.

1. To achieve institutional strengthening to provide for an effective regulatory infrastructure to meet legitimate policy objectives of enhancing quality, improving procedures and processes without increasing regulatory burden on businesses.
2. To enhance the competitiveness of enterprises by improving their efficiency and productivity to make them compete in the domestic and international markets.
3. To develop and streamline sales and distribution channels of goods connecting consumers and producers across the country.
4. To modernize the wholesale and retail sector by leveraging IT &ITs/e-commerce.
5. To provide meaningful support to domestic enterprises to develop local brands and the acquisition of international certification.
6. To ensure the availability of dynamic and demand driven skilled human resource.
7. To build institutional capacity of the Federal and Provincial Governments to implement laws, rules and regulations.
8. To strengthen the existing linkages between the Federal and Provincial Governments bring coherence in domestic commerce policies and develop synergies in activities to avoid duplication and enhance efficiency.
9. To create awareness about different aspects of domestic commerce and the development Policy, and how best to promote consumer welfare.
10. To facilitate enterprises to adapt to the principles of sustainable trade.
11. To further the urgency of gender mainstreaming by encouraging and facilitating women entrepreneurs.
12. To encourage product development and diversification though technology upgradation and modernization.
13. To improve the state of doing business environment in the country which could further producer and consumer welfare.
14. Promoting efficient use of business enablers like logistics, land use, transportation and communications services.
15. Raise awareness among enterprises including SMEs to raise funds from the capital market resources.
16. To improve quality and standards of the goods and services produced in the country at par with the international requirements.

# Key Features of the National Domestic Commerce Policy

To handle multiplicity of complex issues requires multi-pronged strategy and concerted efforts in line with the needs of dynamic and vibrant economy, which could further build on the reform process. Therefore, this policy is fashioned to cover the following key areas of domestic commerce that aims to create conducive environment for growth by jointly addressing the inherent issues and challenges faced by the country:

1. Enterprise Productivity & Modernization
2. SME/firm Development
3. Retail & Wholesale Sector
4. Local Brand Development
5. Transport
6. Storage & Warehousing
7. Real Estate
8. Skill Development

These areas were identified as a result of long-drawn-out consultative process with the public and private sector stakeholders, grass root sector specific, investigative surveys conducted by the Ministry of Commerce over the areas and the work of the academia and research institutes.

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## Enterprise Productivity & Modernization

According to World Economic Forum (WEF), competitiveness is a set of institutions, policies, and factors that determine the level of productivity of a country, which sets the level of prosperity that can be achieved by an economy. Pakistan is currently ranked 110 out of 141 economies on the Global Competitiveness Report 2019, which shows that the country is deficient in productivity and competitiveness. The index is an annual yardstick for policy-makers to look beyond short-term and unreceptive measures and instead assess their progress against the full set of factors that determine productivity. These are organized into 12 pillars and Pakistan’s performance on each count is quite poor.

**Pakistan’s Performance Overview-GCI 2019**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **S. No.** | **Pillar** |  | **Rank** | **Score** |
| 1. | **Overall**  |  | **110** | **51.4** |
| 2. | Institution | **Enabling Environment**  | 107 | 47.7 |
| 3. | Infrastructure | 105 | 55.6 |
| 4. | ICT adaptation | 131 | 25.2 |
| 5. | Macroeconomic stability | 116 | 68.7 |
| 6. | Health | **Human Capital** | 115 | 56.3 |
| 7. | Skills | 125 | 40.8 |
| 8. | Product market | **Markets** | 126 | 45.5 |
| 9. | Labor Market | 120 | 51.3 |
| 10. | Financial System | 99 | 55.0 |
| 11. | Market size | 29 | 71.2 |
| 12. | Business dynamism | **Innovation Ecosystem** | 52 | 63.3 |
| 13. | Innovation capability | 79 | 35.8 |

 **Source: Global Competitiveness Report 2019**

Pakistan is classified as a factor-driven economy, a country that competes on the basis of its factor endowments—primarily unskilled labor and natural resources. In such an economy, companies compete on the basis of price and sell basic products or commodities, with their low productivity reflected in low wages. Pakistan is committed to graduating to a higher level of competitiveness and become an efficiency-driven economy. In such an economy, the factors of production have a high productivity, and there is abundant supply of skilled labor. Production processes are efficient and product quality is constantly improving. Competitiveness is increasingly driven at this stage by higher education and training, efficient goods market, well-functioning labor markets, sophisticated financial markets, a large domestic and foreign market, and ability to harness the benefits of existing technologies, particularly those relating to ICT. Countries with efficient goods markets are well positioned to produce the right mix of products and services given their particular supply-and-demand conditions, as well as to ensure that these goods can be most effectively traded in the economy. Healthy market competition, both domestic and foreign, is important in driving up market efficiency, and thus business productivity, by ensuring that the most efficient firms, producing goods demanded by the market, thrive.

A country’s competitiveness is defined as the “ability of an economy to compete and grow in the global trading system and pass on the benefits to the domestic consumer”. This definition is all encompassing and includes all factors that might reduce the ability of the economy to participate in an increasingly globalized world. Competitiveness policy must therefore measure all aspects of life that might affect costs, productivity and quality in the economy and attempt to keep these factors in the line with global condition. Competitiveness is more than the cost of doing business since it is also concerned with the quality of the product and service offered by the country.

**Issues & Challenges**

The current literature on competitiveness stresses that primarily it is firms that compete and not nations. Firms should have their own strategies for cutting cost, improving product quality and finding marketing networks. In order to compete successfully, enterprises must use new technologies and organizational methods and link up to global value chains. The rapid technical changes are rendering older technologies obsolete even in low wage economies. The ability to compete depends vitally on the ability to move up the technology scale in all activities. Almost all countries, such as China and South Korea, which have maintained high rates of export growth, have improved the technological composition of exports. This does not mean that low technology and resource-based products should be neglected in competitiveness strategy. Instead, such products are the starting point for building industrial competitiveness in developing countries like Pakistan.

In addition, the role of the government remains of crucial significance, particularly in developing economies, where competitive market structures are yet to develop and market failure in critical areas, such as under investment in research and development and capacity building of the workforce, are common. The government should provide the right macro-economic and institutional environment, which is conducive to corporate development and reduced cost of doing business. The role of institutions in regulating and facilitating businesses is very important.

Potential entrepreneurs are often discouraged from setting up businesses if the requirements to do so are overly burdensome. When this is the case, entrepreneurs often resort to operating within the informal sector which has less protection for labor right and is more vulnerable to economic shocks. Therefore, government action to create a sound, predictable and business-friendly regulatory environment is central to whether or not economies perform well and whether that performance is sustainable in the long run.

Efficient protection of property rights is essential for smooth working of a market economy. In Pakistan, land market issues are complex and involve a multitude of public agencies at the federal, provincial, and local levels which own, manage, tax, and regulate commercial land. The inherent weaknesses of the system in registration prevent certainty of property rights. These include the multiple agencies involved in land registration, complex and opaque records keeping, and sale transactions taking place without valid documents. These legal inadequacies and procedural deficiencies prevent indisputable land title and are among the primary causes of lingering commercial disputes. Without clear property rights, lenders will be reluctant to consider collateral as loan security. The resulting “dead capital” hinders investment, firm entry, and efficient resource allocation.

The case of advanced economies shows that the graduation from a factor-driven to an efficiency- and then to an innovation-driven economy was made possible by the rise of dynamic entrepreneurship. Entrepreneurship does not mean having a lot of capital at an enterprise’s disposal. Instead, it entails a willingness to take risk, innovate and venture into new products, processes or new ways of managing the business.

The ICT revolution, which is also known as the 4th Industrial Revolution, has provided tremendous impetus for the growth of e-Commerce. According to the United Nations Conference on Trade & Development (UNCTAD), global e-Commerce sales registered 13% growth in 2017 to reach $ 29 trillion. The number of online shoppers went up by 12% to reach 1.3 billion people, which constitutes one quarter of the world’s total population. The e-Commerce platform is particularly important for the growth of entrepreneurship in developing countries like Pakistan, because internet-based enterprises can be operated at a very small scale and can reach a global market at low real cost. In view of the challenges and opportunities thrown up by the ICT revolution and the growth of e-Commerce, the first ever e-Commerce Policy Framework of Pakistan has recently been approved by the Federal Cabinet. The Policy provides guidelines for facilitation, promotion and regulation of e-Commerce in different areas including regulatory environment, financial inclusion and digitization through payment infrastructure, empowering youth and SMEs, consumer protection, taxation, ICT infrastructure, logistics and data protection and investment.

**Policy Outcomes**

Keeping the aforementioned in view, in order to promote enterprise productivity and achieve modernization, the following suggestions are made:

1. Over past one and a half decade Pakistan has faced deindustrialization, as the share of manufacturing in the GDP has come down from 17.5% in 2005 to 12.1% in 2020. Therefore, a new industrial policy, anchored by supportive tariff and fiscal policies, is needed to reverse the deindustrialization and promote high value-added manufacturing. The Tariff policy shall be geared towards promoting industrialization, while fiscal policy will contribute to capital formation and promoting increasing returns to scale.
2. Enhanced product market efficiency shall be achieved through a judicious mix of fiscal, trade, industrial and competition policies. However, such protection should be time bound to discourage the culture of rent seeking in the country. Protection and government support shall be linked to performance.
3. A coherent policy to promote entrepreneurship shall be put in place by Ministry of Industries & Production in consultation with Ministry of Finance, Ministry of Law, Ministry of Information Technology and Telecommunication, Federal Board of Revenue, Board of Investment, Ministry of Science and Technology and provincial governments, which will cover area such as effective protection of intellectual and land property rights, easing the barriers to entry for new firms through simplification of the incorporation/registration process, easing the barriers to exit by reviewing the insolvency law, rationalizing the regulatory burden, promoting skill development and digital connectivity, and ensuring expeditious resolution of commercial disputes by promoting alternative dispute resolution.
4. To improve the state of doing business environment, SECP will be tasked to establish of one-window facility to reduce the time for registration of companies from 17.5 days to one week. Development of online procedure for issuance of construction permit will be put in place with simulation approval for electricity connection.
5. A study will be conducted to review the hurdles in contract enforcement and to formulate recommendations.
6. Enhancing competitiveness of enterprises by improving their productivity shall be achieved through the announcement of an incentive package for technology upgradation in the Strategic Trade Policy framework 2020-25. The Tariff Policy will ensure reduction of import duties on import of machinery and equipment used in the export-oriented industry, besides rationalizing import duties on the imported raw material/input.
7. The policy will endeavor to enhance Labor-market efficiency by investing substantially in human resource development, reviewing and modernizing labor laws, ensuring compliance with labor laws and standards, and encouraging and subsidizing the corporate sector in skill development. Restrictive regulations impact bilateral market relationships and cause real wages to diverge from productivity levels. The informal nature of the labor market stifles incentives and retards investment in workers’ skills, both by the employer and the worker himself.
8. Although Pakistan’s ranking on Ease of Doing Business has recently gone up to 108 from 136during the previous years, there is still a lot of room for improvement. Simpliﬁcation, uniﬁcation and digitization of procedures with regard to setting up and running up businesses with one-window facilities will go a long way in reducing the cost of doing business.
9. The national quality infrastructure including product standards, certification, metrology conformity assessment and accreditation procedures shall be upgraded, which will help the manufacturers in meeting global standards as well as benefit consumers. The Pakistan Standards and Quality Control Authority (PSQCA) and Pakistan National Accreditation Council (PNAC), National Physical Standards Laboratory (NPSL), Pakistan Council for Scientific and Industrial Research (PCSIR) working under the Ministry of Science & Technology will be strengthened to help industry meet global standards.
10. PSQCA and PNAC to conduct nationwide workshops on awareness creation regarding standards accreditation and certifications.
11. One-window facility for various Industrial Estates /SEZs across the country will be established to facilitate the industry.

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## Small & Medium Enterprise (SME) Development

There are some 3.3 million SMEs in Pakistan, which constitutes nearly 90% of all the enterprises in Pakistan and employs 80% of the non-agricultural labor force, with a share of gross domestic product (GDP) close to 40%. The development of the SME sector is thus vital for the industrial growth of Pakistan and development of domestic commerce. The SMEs by virtue of their size have some inherent problems. They have limited financial resources and have limited access to credit. They also face constraints in access to inputs and markets and availability of skilled labor and lack an effective business information infrastructure. Due to these constraints, SMEs focus on producing low value-added products. These inherent characteristics of SMEs make it imperative that there should be a mechanism through which they will get support in different functions of business including technical upgradation, marketing, financial and human resource training & development.

Micro and Small Enterprises (MSEs) in particular face constraints in accessing formal finance and thus need support from the government. MSEs, especially the startups, are considered highly risky ventures by the banks; therefore, both private and public sectors’ role is critical in providing access to finance and enterprise development activities. In this regard, banks shall be provided comfort by sharing their risk through some sort of a guarantee cover, while MSEs will get relief through mark-up subsidy.

**Policy Outcomes**

To further facilitate and develop the SMEs sector, the following initiatives will be taken accordingly:

1. A cluster-based approach shall be adopted to develop Special Economic Zones and Industrial Estates for SMEs along the China Pak Economic Corridor (CPEC) route.
2. With the establishment of the SME Business Centres, the need for technological, skill development and business consultation, and facilitation to SMEs will be addressed.
3. Import of machinery for modernization and upgradation of SMES in surgical instruments, food processing, cutlery, leather, sports goods, minerals and mining, gems & jewelry shall be granted exemption from duty and sales tax.
4. There is a need to provide an incentive package to promote new enterprise creation at SME level in the country. It is proposed that an exclusive package aiming to promote new enterprise creation at SME level may be made part of SME policy. The package may include:
* Tax exemption for 5 years.
* One window registration for start-ups
* One stop shop for tax payment
* Simplify IP Regime for start-ups
* No capital gain tax on sale of start-up company’s shares
* Easy requirements for project financing of start-ups
* Easy exit policy
1. Federal Board of Revenue (FBR) shall develop a mechanism for providing special and differential treatment in matters of taxation and rules for promoting the Small to Medium Enterprises (SMEs). The number of taxes and frequency of paying taxes shall be reduced. New entrants shall be allowed for the duration of the policy to pay taxes on quarterly bases instead of monthly. FBR will start special training program to facilitate the SMES in mandatory electronic filing.
2. Exclusive financial schemes at low interest rates are proposed to be made available to SMEs. The SBP shall also develop a mechanism to improve credit information sharing between public and private sector to make getting credit easier for small and medium enterprises. The Credit Information Bureau (CIB) may offer credit scores to the banks as a value-added service to help them in assessing the credit worthiness of borrowers. Start-ups falling in any supply chain shall be provided financing on easy terms under an arrangement with manufacturer in the up or down stream of the chain.
3. Credit guarantee scheme are proposed in the policy to cover full or partial risk of banks or alternatively such arrangement may be made with an insurance company of good repute. Banks shall be provided comfort by sharing their risk through some sort of a guarantee cover, while MSEs will get relief through mark-up subsidy. Financing new business starters without collateral shall be secured against personal guarantee of individual enjoying good credit worthiness.
4. E-Commerce offers an enormous opportunity to bring SMEs to the mainstream and connect them with international markets. The e-Commerce Policy has a specific pillar on SME empowerment through enhanced digital connectivity, capacity building of the SMEs, and creating an e-Business facilitation hub in TDAP. Since Pakistan is the 4th fastest supplier of Internet-based free-lance services, the e-Commerce Policy also recognizes the need to develop and utilize the potential of this segment of the economy. The free-lancers’ working in the country will be facilitated to get registered with SECP/ Provinces and form a representative association of their own duly registered with the Directorate General of Trade Organizations to help organize the sector.

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## Retail & Wholesale Sector

Retail and wholesale trade is the largest sub sector of the services sector. It currently accounts for 18.50 % of GDP and nearly 40% of the services sector. The retail and wholesale sector has registered average annual growth of 5.4% over last five years. Pakistan’s retail sector is fragmented and under-developed. Most of the retail outlets are family owned and single store operations. Although super-markets are gaining popularity in urban centers, their growth is constrained by congested nature of commercial areas in big cities. Chain stores are mostly limited to fashion and apparel industry, footwear and food items. Consumer protection is neglected and product quality is highly variable. Counterfeit items are readily available throughout the country. Some markets are known for selling good quality counterfeit items. Availability of counterfeit items is also an obstacle to local brand development. High rental of shops in commercial areas is an obstacle to retail growth. Absence of waxing/preserving technologies and refrigerated vehicles leads to a lot of wastage in vegetable and fruit wholesale and retail markets interface.

The growth of e-Commerce, which provides a direct channel between the producer and the consumer thus eliminating the need for intermediaries, is likely to adversely affect retailers. However, the retailers which develop their brands—retail branding—and establish on-line stores can derive benefits from the growth of e-Commerce.

**Policy Outcomes**

Keeping in view the foregoing, the following proposals are made:

1. The SBP will encourage banks to address financing needs of trading community by devising a scheme to accept goods inventory of the chain stores as collateral.
2. Islamic instruments of finance, which may be more acceptable to traders, shall be encouraged to help businesses to expand and grow.
3. Taxation laws and registration procedures for small wholesale and retail will be simplified in order to enhance formalization of the sector. FBR shall devise a policy to allow the newly registered retailers/wholesalers pay taxes at low rate in their initial phase of establishment. It will promote the documentation of the economy as well.
4. Provincial governments shall review their respective zoning laws to increase share of commercial use in residential areas.
5. Ministry of Commerce will publish an annual report on Retail & Wholesale sector to assess the state of the policy affecting growth in the sector.
6. To facilitate growth of business support services, a database of such services shall be prepared in consultation with chambers of commerce and sectoral associations. This will also help export-oriented enterprises.
7. SMEDA and TDAP will jointly organize exclusive training programs focusing on international standards of managing and operating wholesale & retails units, customer services and product distribution techniques to enhance overall sector growth.
8. To modernize the wholesale and retail sector by leveraging IT &ITs/e-commerce. Retailers shall be encouraged to go on-line and develop their brands.

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## Local Brand Development

If producers and manufacturers in Pakistan are to move from being providers of raw materials and low value-added products at low profit margins to suppliers of high value-added goods with high profit margins, local brand must be developed. The presence of competitive markets is prerequisite for brand development, where consumer preferences are vividly expressed and market information is readily available. This is also called goods/product market efficiency, where Pakistan is ranked 126 out of 141 countries by the Global Competitiveness Report 2019. Development of efficient and competitive domestic markets will help to promote brand development for high margin exports.

The crucial factors for developing brand names are: Superior quality of products, sustained and continuous improvement in quality, constant innovation and development, improved selling practices and return policies, and uniformity of prices, inventory and selling techniques. Since local products have to face stiff competition from multinationals, a lot of finance will be required for local brand development. At present local brand development is hindered by the presence of the multinational companies which have massive financial support for production and distribution whereas local companies do not have that kind of financial support.

**Policy Outcomes**

In order to enable domestic businesses to compete in the domestic and international market against big multinationals, the following measures will be taken:

1. Local companies shall be encouraged through a scheme of incentives to develop inhouse facilities for R&D intended to improve product quality and brand promotion activities abroad. The academia/ software houses shall be taken on board for modernizing the business sector and to develop products and processes which can be locally branded and promoted.
2. Halal Certification regime shall be strengthened. Pakistan Halal Authority (PHA) has been established in Ministry of Science and Technology as a statutory body to promote trade and commerce in Halal articles and processes. Pakistan Standards and Quality Control Authority (PSQCA) working under administrative control of Ministry of Science and Technology has so far developed 17 Halal Standards, while Pakistan National Accreditation Council (PNAC) has certified eight Halal Certification Bodies. Accreditation shall also be used as a tool for promoting local brand development and mainstreaming the same for export.
3. Trade Mark application/registration shall be used as one of the criteria for financial support to SMEs. The IPO-Pakistan shall nominate focal persons from all its offices in Islamabad, Lahore, Karachi to guide SMEs for trademark registration at national and international level.
4. In order to make the business community aware of the associated benefits of registration/protection of IPR, the IPO-Pakistan shall develop a program of extensive awareness and training session.
5. SPB to introduce easy financing schemes to support businesses to go for brand development.
6. The current efforts by customs to stop the smuggling and sale of counterfeit foreign goods, which are a hindrance to local brand development, shall be shored up.

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## Transport

Transport and logistics being important component of supply chain management play a vital role in modern economy. The sector in Pakistan, however, faces severe challenges owing to the lack of innovative policies and a clear-cut vision. Pakistan’s logistics and transport sector is consisted of railways, roads, ports, and air cargo. Railway – despite its growth at snail’s pace – is the single major mode of transport for the public sector. Recently it was discovered that as many as 141 out of a total 474 diesel-electric locomotives of Pakistan Railways are not in working condition and thus it creates difficulties in smooth train operation across the country.

In addition to that lack of sufficient railway track coverage and old, slow trains with poor quality freight containers, rail freight today makes up only 6 percent of all goods carried in Pakistan. Roads by comparison cover the entire area.

Pakistan stood at 122 out of 160 countries on the Logistics Performance Index report in 2018. According to the Economic Survey 2018-19, the National Highway Authority network consists of 47 national highways, motorways, expressways, and strategic roads. The total length of this network is 12,743 Km. Pakistan has more than 493,088 kilometers of road networks on which 90 percent of all internal freight movement occurs. Roads carry a major chunk of it which is almost 94 percent of the freight traffic in the country while the railways carry around 6 percent, and airports are inconsequential owing to the higher freight cost.

This burden on road channels has caused traffic congestion, pollution and, wear & tear of roads which is compounded by over laden old trucks used by the majority of truck owners. Road transport service bears a huge cost to the economy due to imported fuel. Almost 35% of the fuel is consumed by the transport sector.

Policies pursued in the past have miserably failed to develop the railways’ sector and other alternatives to lessen the burden on road transport. Over 0.3 million trucks are operating in Pakistan and the majority of these are outdated old trucks with rigid suspensions, limited speeds, and less economical in fuel consumption which makes them highly unproductive in terms of time and cost. Most of the truck owners have undocumented trucks who do not meet obligatory regulations, and owners are forced to opt for overloading.

This soaring number of road accidents and spoilage owing to time holdups causes damage to roads, bridges, and highway infrastructure. This poor quality of fleet trucks and the absence of a comprehensive regulatory system has not only reduced the exports but has resulted in a poor ranking of Pakistan’s Logistic Performance Index. Similarly, the fleet carriers are dominated by small firms. The relative size of firms in the road transport industry is 68 % for small, 25 % for medium, and 7% for large size firms.

Pakistan’s transport supply chain stands below par with respect to providing the value-added services that have become the benchmark of modern logistics, such as multimodal systems, that combine the different transport modes into an integrated cohesive system.

**Policy outcomes**

The following proposals are made to improve the transport and logistics:

1. Gradual implementation of Axle Load Regime shall be pursued to protect the roads from continuous decay and avoid the loss of precious human lives and at the same time allow the businesses to adjust to new regulations.
2. Movement of heavy vehicles in urban areas increases cost of businesses, clogs supply chains and compounds pollution in such areas. Pakistan’s freight transport system shall be therefore need to shift towards a balanced mix of rail and trucking to improve efficiency and decrease environmental impacts. Effective implementation of the National Freight & Logistic Policy will address the issue.
3. Integration of all areas through road and rail connectivity is needed. Ministry of Communication shall formulate strategies for improving the quality of logistics services in the country. Infrastructural improvement on two sectors would be a great step towards creating an enabling environment for domestic commerce. Firstly, rail connectivity throughout Pakistan may be ensured. Secondly, road infrastructure for transport and logistic purposes may be strengthened.
4. Road cargo and transport is almost 40-50% more in terms of cost in comparison to rail cargo facility. Lack of an efficient rail cargo system across Pakistan is not only hindering growth of domestic commerce, it also leads to heavy dependence on road transport, which is the main cause of damage road infrastructure. The Railway Ministry will develop a scheme that will promote railway cargo, which is associated with reduction of cost and time for domestic trade.
5. Different borders are being regulated by different agencies, which complicate the process for traders. The policy will address the issue and unnecessary inspections at provincial borders shall be eliminated or curtailed in order to reduce border compliance cost to improve domestic and international trade. Border agency coordination shall be strengthened.
6. SBP will launch easy financing scheme for the transport sector modernization and upgradation in order to enable the transport sector comply with the Axle Load Regime.

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## Storage & Warehousing

Agriculture contributes 19.3% to GDP and absorbs 42% of labor force. Pakistan’s industrial structure is also agro-based. The sector fetches sizeable foreign exchange through export of agro-based products. According to the Economic Survey 2019-20, there was no significant impact of COVID-19 on the agriculture sector. The agriculture sector grew by 2.67 percent. According to the 6th Population and Housing Census of Pakistan 2017, the country’s population is growing at the rate of 2.4% per annum. This rapid increase in population is raising demand for agricultural products. The agriculture sector is characterized by low productivity.

Storage and warehousing form a very important part of the supply chain of the economy. With significant issues related to transport and logistics still unresolved, having optimal level of inventory and using inventory drawdown and buildups as a way of smoothing manufacturing as well as wholesale and retail process is an important way of dealing with cost of business issues. Storage of agricultural grains is seen as a key way of maintaining prices of important items like wheat, rice and sugar, and storage of cotton is important for both domestic textiles as well as direct and indirect exports. Similarly, storage of seasonal fruits and vegetables is essential for entering processing of such items for paste and juice for domestic and external markets and requires a robust system of cold chain in the country.

Storage and warehousing sector got scanty attention of the government policies in the past. Government has almost complete monopoly as buyer of grains and so nearly all large-scale storage of grain used to be in the public sector. The government has allowed the private sector to enter grain markets, but still, most of the storage continues to be with the public sector. Fruit and vegetable storage, though in the private sector, was mostly restricted to storage for only short periods, which needs to be transported from the farms and orchards to factories and wholesale and retail markets. Storage for industrial, consumer and non-perishable items has mostly been done by individual factories, wholesalers and retailers.

**Policy Outcomes**

To facilitate domestic trade of agricultural products, the followings are proposed:

1. Commissioning of study to explore the prospects for the development state of the art warehouses and cold storage infrastructure in the private sector.
2. Agricultural products along with fruits and vegetables incur huge losses due to lack of cold chain infrastructure in Pakistan. The Federal Government in consultations with the provinces will roll out a Policy with meaningful incentive package to develop the state-of-the-art modern warehouses and cold storage infrastructure to minimize post-harvest losses and enhance trade of agriculture products.
3. Cold storage facilities, keeping in line with developments in the IT sector, may incorporate a documentation system, which would serve to certify the freshness of the stored product. This data can then be linked to Halal food certifications which can in turn be used to comply with the standards of high end packaged food in the domestic market and export requirements. Such facilities would also have positive spill-over effects for value addition in the export of agri–produce and halal food.
4. Warehousing & storage and cold chain facilities are required to be developed at the seaports, airports and near production houses to promote international and domestic supply of perishable products. These facilities may be established on Public-Private Partnership basis. Inland transportation infrastructure and clearance of goods at provincial borders needs to be improved.

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## Real Estate

Well-functioning real estate markets are important for reducing and streamlining the
cost of doing business for firms in manufacturing, retail, transport as well as construction. Real estate costs form a significant part of the fixed costs of doing business in Pakistan. Since the formal sector financial market depends heavily on physical collateral for advancing funds, secure land titles could allow firms, especially small and medium sized firms as they have limited assets, to acquire funds from commercial formal sector providers.

Construction sector is a significant contributor to the overall GDP of the country as well as to year-to-year growth of GDP. It is a labor-intensive industry so that the potential for creating gainful employment through construction activity is also significant. Well-functioning real estate markets are a very important ingredient for allowing construction industry to take off. Pakistan faces significant shortages in availability of housing units (more than 5 million) alone, and if commercial spaces are added to it, the shortages are much more severe.

Major difficulties in identifying property (time and search cost), getting clear titles, and then getting it transferred to the company, enhance both time and money costs significantly. Urban land is very expensive and makes a lot of commercial activity non-viable. Rents for commercial property are too high beside there are not enough markets and market space around, and height and other restrictions in construction creates significant distortions. Apart from foreclosure laws, most of the regulatory issues pertaining to real estate and construction markets are related to the provincial and local levels.

**Property Registration**

Pakistan does not have an efficient and transparent system for property registration. What is registered is the transfer of property and not the title (ownership right). So, establishing title is a process of following up on previous transfers to establish current rights. The cost of ensuring property title, in terms of finding previous transfers, getting the search certificate, issuing notices in papers and paying for lawyers and other mediators, and possession, can be substantial. Even after due caution, the risk of costly litigation remains. This distorts the outcomes from the real estate markets in a number of ways. Getting property, for housing as well as commercial activity is costly and tedious and fraught with risks. Clear titles command significant premiums in real estate markets and can slow down expansion of cities and hence raise prices of existing plots. Unclear records lead to excessive and often frivolous litigation, and they limit the use of real estate as collateral for loans too. Land records are inaccurate complex and opaque, which encourages corruption as well as fraud, and it also leads to excessive litigation.

**Taxation on Registration and Property**

There is a one percent registration fee and 5 percent (on value of property) provincial stamp duty on property transfer registration. Other fees, in the form of court fees, brokerage fees, search costs etc. are in addition to this. High levels of taxes on registration encourage informal titling and non-registered transactions. These can be on the basis of power of attorney-based transactions as well as *benami* transactions. But these transactions, though they may be cheaper for the transacting parties, create significant distortions in the market by making it more opaque and non-transparent.

**Commercialization and Other charges**

Commercialization fee for change of use of property (from residential to commercial) is 20 percent of the value of the plot. In addition, there are very high development charges by water and sanitation authorities as well. These charges apply to areas that have been declared as commercial areas already.

**Construction**

Building and zoning codes regarding heights of buildings, plot to covered area ratio, rules for space utilization, etc. remain the responsibility of local governments, but there is a multiplicity of agencies involved here with multiple rules and procedures. There is no rationalization of the codes across the cities. In some of the smaller cities clear building codes do not exist, in other cases, some of the provisions of the codes are archaic and need change. There is as yet no realization of possible environmental impacts of construction and expansion of urban areas into rural areas. These need explicit recognition so that the impacts can be planned for.

**Rental Property**

Rent restriction ordinance continues to distort incentives for the development of property for rental purposes. Limits on rents and how much rents can go up by reduce incentives for construction of property for rental purposes as well as incentives for maintaining rented property. Tenant eviction procedures are costly and lengthy, and strong tenant rights again weaken incentives for owners to develop property for rental purposes. High rate of stamp duty and registration fee also discourage registration of rental contracts. Property tax on rented property' is still almost 10 times that on owner occupied property. This differential also discourages property rentals.

**Policy Outcomes**

1. A transparent and efficient cadastral system for property' title registration shall be established by the provinces on priority basis for maintaining proper record of the real estate.
2. Stamp duties on property related transactions and registration fees shall be rationalized.
3. Non-registered transactions shall be banned.
4. Development charges by water/sanitation authorities need rationalization on the basis of costs.
5. Building and zoning codes need to be modernized and harmonized across the country.
6. Enabling real estate sector to raise funds from capital market by issuance of Mortgage-Backed Securities (MBS) by adopting SPV structure
7. Deploying legal framework to support complex needs of diverse domestic commerce development. This would include the provision of secure and transparent property rights including intellectual property such as brand name protection.
8. Rental property laws need to be revised. Market distorting effects of rent control, excessive tenant rights and differential taxation (registration, stamp duty and property tax) have to be rationalized

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## Skill Development

Skill development is one of the major challenges that Pakistan faces in its attempts to enhance competitiveness by raising labor productivity and to graduate from a factor driven to an efficiency driven economy. Skill development needs to be demand driven; otherwise, the trained labor force will find it difficult to get jobs. Since several regions in Pakistan have a comparative advantage in terms of factor endowment, targeted skill development can help develop domestic brands capable of successfully competing with foreign products at both home and abroad. Along with developing new skill development institutions in priority areas, the existing institutions shall be revamped to make them financially sustainable as well as capable of imparting training as per international standards.

Ministry of Commerce in collaboration Ministry of Industry & Production, provincial governments and Federal Government agencies including National Vocational and Technical Training Commission (NAVTTC) can play a central role in establishment of a demand-driven framework for skill development calculated to promoting domestic commerce and exports.

**Policy Outcomes**

1. SMEDA shall be tasked to undertake the mapping of commercial and industrial activities in the country to know the existing status of domestic commerce targeting existing infrastructure of manufacturing industry, raw material, available labor force, wholesale markets and retail markets on regional level. Regions can be classified on the basis of resources and manufacturing activities where more than one categorization can be done for one regional area.
2. NAVTTC and Skill Development Councils shall identify targeted training sectors and existing labor force requirements be determined. Customized training modules will be accordingly developed for every region to build skilled labor force. Demand based training would ensure employment opportunities as well as cater to the needs of businesses.
3. Skill building needs to commensurate with the needs of our industries and markets. An investor’s guide portal shall be set up initially as a pilot project in provincial capitals. The portal will be a storehouse of data pertaining to availability of skilled manpower, business environment, conditions of power supply, infrastructure availability, supply of inputs and raw materials, capital requirement and government facilitation. The portal would help existing and potential investors of different sectors in making investment decisions ranging from land purchase to credit facilities. In this way, it will promote entrepreneurship.
4. Meaningful facilitation will be provided to the business community to offer internship programs for the newly graduates to enable them achieve hands on experience of actual working.
5. Strengthening of institutional capacity of the Federal and Provincial Governments’ TVET Institutes

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# Implementation-Governance Structure

The National Domestic Commerce Policy will be implemented through a three‐tiered structure. The tasks assigned to each of the main groups are described in the table below:

|  |  |  |
| --- | --- | --- |
| **S. No** | **Group/Committee** | **Task** |
| 1. | **Top Level**Technical Committee to be Chaired by the Advisor with Provincial Ministers for Commerce & Industry as members | Adopt the policy to ensure political support of the domestic commerce reforms |
| 2. | High Level to be chaired by the Secretary Commerce | 1. Mobilize resources for the implementation of the policy
2. Supervise the creation of technical groups for the implementation of the activities
3. Review and monitor implementation
4. Prepare and present midterm and final evaluations
5. Approve/recommend mid-course correction (if any)
 |
| 3. | Implementation Level (Working Groups) | 1. Implement the different activities under the policy
2. Draft specific project plans
3. Liaise with technical experts and consultants
4. Report to top level management groups on implementation progress
5. Provide suggestions for mid-course correction
 |

## Activities

**Annex-I**

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## Annex-I

**ACTIVITIES AND ACTIVITY PERFORMANCE INDICATORS**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Milestones/Goals** | **Activity** | **Leading Agency** | **Stakeholders** | **Timeline** | **Risk and Assumptions** | **Activity Performance Indicators** |
| **Starting** | **Completion** |
| 1. **Enterprise Productivity & Modernization**
 |
| Promotion of Industrialization  | Time bound protection to nascent industry | Tariff Policy Wing | FBR/NTC | 2021 | 2025 | Delay in announcing the policy new industrial policy | Tariff rationalization by end June 2021 |
| Announcement of Tax Breaks/ concession | FBR | MoC | June 2021 | June 2021 | Financial constraints | Tax concessions are approved |
| Soft Loans schemes | SBP | Finance | 2021 | 2021 | Deterioration in monitory conditions | Announcement of the scheme |
| Entrepreneurship promotion | Announcement of the Policy | MoIP | Finance/Law/SECP/FBR/MoC | 2021 | December 2021 | Delay in consensus  | Entrepreneurship Policy announced |
| To improve the state of doing business environment | Establishment of one-window facility to reduce the time for registration of companies from 17.5 days to one week.  | SECP | FBRBoIProvincial Governments | July 2021 | December 2021 | Coordination to ensure full compliance with legal intricacies may take longer time  | One Window Facility is established |
| Development of online procedure for issuance of construction permit | Provincial Authorities /CDA | Provincial Governments MoC | July 2021 | December 2021 | Budgetary constraints and lack of coordination may cause delay | Online issuance of construction permit initiated |
| Connection getting Electricity with the issuance of construction permit | Power Division | WAPDA/ DESCOs | July 2021 | December 2021 | Lack of availability of infrastructure and budget may cause delay | No backlog of applications for connection |
| Contract Enforcement— To conduct a study to review the hurdles in contract enforcement and to formulate recommendations | Law Division | SECPFBRBOIMoC | July 2021 | December 2021 | Developing TORs may take time | Finalization of the study |
| Establishment of an Inquiry Point | BOI | SECPMOIPProvincial Boards of Investment | July 2021 | December 2021 | Difficulty in arranging finances  | Establishment of the Inquiry Point |
| Publication of Guidelines for registration and dissemination | SECP | BOIMOIPProvincial Boards of Investment | July 2021 | December 2021 | Ongoing process of modification of the guidelines | Publication of the guidelines |
| Development of incentive scheme for soft loans for start up  | SBP | Finance DivisionMOCMinistry of IT | July 2021 | June 2021 | Budgetary constraints | Launch of the incentive package.Access to affordable finances ensured. |
| To enhance competitiveness of enterprises by improving their productivity | Development of an incentive package for technology upgradation | MoC | FBRSBPFinance DivisionMoIP | June 2021 | December 2021 | Delay in approval of the STPF | Announcement of STPF 2020-25 |
| Reduction of import duties on import of machinery and equipment used in the export-oriented industry | MOC | FBRMOIPNTC | June 2021 | June 2021 | Delay in finalizing impact study on local industry  | Duties are reduced on machinery and equipment. |
| Rationalization of import duties on the imported raw material/input | MOC | FBRMOIPNTC | June 2021 | June 2021 | Delay in finalizing impact study on local industry | Duties are reduced on machinery and equipment. |
| Labor Market Efficiency | Proposals for Human Resources Development | MOPHRD | MOFEPTProvincial TEVTAsSMEDA | July 2021 | December 2021 | Data availability of industrial needs. difficulty in coordination  | Proposals are finalized  |
| Reviewing of labor laws for developing  | MOPHRD | Provincial labor departments | July 2021 | December 2021 | Resistance from labor union.Compliance with international labor laws | New labor law(s) is put in place. |
| Institutional strengthening  | Capacity building/strengthening of PNAC/PSQCA | MoST | PNAC/PSQCA | July 2021 | December 2021 | Capacity constraintsFinancial constraints | Upgradation of national quality infrastructure (product standards, certification, and conformity assessment and accreditation procedures) at par with international standards. |
| To reduce regulatory burden and making governance and regulatory framework more business friendly | Simplification of rules and regulations to reduce regulatory burden | Law Division | FBRSECPProvincial GovernmentsBoI | July 2021 | December 2022 | Difficulty in access to data | Reduction in the regulatory cost |
| Revision of Fees and taxes for the startup companies | SECP | FBRProvincial Governments | July, 2021 | June 2022 | Budgetary constraintLoss of revenue | Launch of the scheme |
| **2. Small and Medium Enterprise Development** |
| Cluster Development along CPEC route | To develop a proposal for cluster development | SMEDA | MoIP/MOC | July 2021 | December 2021 | Consensus on incentive packageCoordination with provinces | Proposal is developed |
| Incentive package | Announcement of SME Policy | SMEDA | MOIP/MoC | July 2021 | June 20222 | Consensus on incentive packageCoordination with provinces | Policy finalized |
|  |  |  |  |  |  |  |  |
| Facilitation in payment of taxes | Training program for SMEs | FBR | MoC/MOIP | July 2021 | Ongoing | Financial constraintsReluctance on the part of SMEs | Training schedule announced. |
| Soft loans for SMEs | Announcement of scheme of loan at reduced interest rate.  | SBP | Finance/MOIP/MOC | July 2021 | December 2021 | Monitory policy constraints  | Scheme of incentives is announced. |
| Credit Guarantee scheme  | Development of scheme of risk sharing for extending loans to new start-ups, SMEs | SBP | Finance/MOIP | July 2021 | December 2021 | Monitory policy constraints  | Scheme of incentives is announced. |
| **3. Retail & Wholesale** |
| Availability of Finance | Scheme for accepting goods inventory of chains store as collateral  | SBP | Finance/MOIP | July 2021 | December 2021 | Involvement of Risk of bad loans | Announcement of the scheme |
| Launching of Islamic financial products | SBP | Finance/MOIP | July 2021 | December 2021 | Involvement of Risk of bad loans | Announcement of the scheme |
| Increasing share of commercial use in residential areas | Review of the zoning laws  | Provincial Governments | MoC/MOIP | July 2021 | December 2021 | Resolving Legal complexities may prove a hindrance | Updation of the zoning laws |
| Policy review through collection of data | Publication of Annual report on the state of Retails & Wholesale sector | MoC | MoIP/Finance | July 2021 | Ongoing  | Difficulty in designing questionnaire and adopting survey techniques | Publication of Annual Report |
| Facilitation | Development of data base of business support services | MOIP | TDAP/ Finance | July 2021 | December 2021 | Problems in collection of data | IT based data base developed. |
| Training/Awareness creation  | Training /awareness creations programs focusing on international standards of managing and operating wholesale & retails units, customer services and product distribution techniques to enhance overall sector growth | SMEDA | TDAP,PITAD | July 2021 | Ongoing  | Financial constraints | Training conducted |
| To modernize the wholesale and retail sector by leveraging IT &ITs/e-commerce. | Incentive for the Retailers to go on-line  | MoC | Finance DivisionFBRPower DivisionProvincial Government | July 2021 | June 2021 | Determining the size of incentive package may cause a delay | Announcement of the incentive package. |
| **4. Local Brand Development** |
| Product & Quality development | Incentivization of inhouse R&D to develop quality of products, constant innovation and development, improved marketing techniques acquisition of international certification. | MOC | MOIP/Finance | Juley 2021 | December 20221 | Financial constraints | Announcement of the scheme  |
| Strengthening of Halal Certification Regime | Development of Halal standards | MoIP/Halal Authority  | PSQCA/PNAC | July 2021 | June 2022 | Capacity constraints | Development of Halal Standards |
| Facilitation  | Appointment of focal person for trade mark registration at local and international level. | IPO-Pakistan | MoC | July 2021 | December 2021 | HR contraints | Appointment of focal persons at regional offices of IPO |
| IPO-Pakistan to develop a program of awareness and training  | IPO-Pakistan | MoC | July 2021 | December 2021 | Financial constraints | Awareness/training programs are held |
|  | Strengthening of the enforcement mechanism to stop the smuggling and sale of counterfeit goods  | FBR | MoI | July2021 | Ongoing  | Porous borders may create hurdles. | Smuggling and sale of counterfeit foreign goods are checked. |
| Product Development. | Soft loan for brand development to reducing the cost of doing business  | SBP | Finance  | July 2021 | December 2021 | Monitory policy constraints  | Announcement of the scheme  |
| **5. Transportation** |
| Maintenance and upgradation of Infrastructure  | Implementation of Axle Load Regime | Mo Communication | MoI | July 2021 | June 2022 | Private sector financial constraints to ensure compliance | Implementation of Axle Load Regime |
| Improvement of infrastructure | Implementation of National Freight & Logistic Policy | Mo Communication |  | July 2021 | June 2025 | Financial constraints | Implementation of the policy  |
| Reduction of cost and time for domestic trade | Development of scheme to promote railway cargo | Ministry of Railway | Finance/ Planning Division | July 2021 | December 2021 | Financial constraints  | Implementation of the scheme  |
| To develop sales and distribution channels of goods connecting consumers and producers across the country.  | Implementation of National Freight & Logistics Policy, which provides for Re-alignment of institutions, and effective regulatory mechanism; stimulation of private investment, transit trade, multi-modal linkages and encouragement of freight by railways, modern trucking fleets, urban rural connectivity, e-logistics, training and capacity building, intelligent transport system, capacity building. | Ministry of Communication | MoCMOIP | July 2021 | 2025 | Private sector capacity constraints for compliance  | Policy implemented  |
| Commissioning of study to explore the prospects for the development state of the art warehouses and cold storage infrastructure in the private sector. | MoC | Finance DivisionMOIPM/o CommunicationMNFS&RM/o H& W | July, 2021 | June 2021 | Development of ToRs, and ensuring financing for the study may take time | Commissioning of study |
| Facilitation | Development of an improved mechanism for clearance of goods at provincial borders. | MoC | FBRProvincial Governments | July 2021 | December 2021 | The development of the requisite infrastructure may take time to materialize | Prompt clearance of goods at provincial borders |
| Modernization of transport Sector  | Easy financing scheme to enable the transport sector comply with the Axle Load Regime. | SBP | Finance | July 2021 | December 2021 | Monitory Policy constraints | Launch of the scheme |
| **6. Storage & Warehousing** |
|  | Commissioning of study to explore the prospects for the development state of the art warehouses and cold storage infrastructure in the private sector. | MoC | Finance DivisionMOIPM/o CommunicationMNFS&RM/o H&W | July 2021 | December 2021 | Development of ToRs, and ensuring financing for the study may take time | Commissioning of study |
| Private sector role in modern infrastructure development  | Incentive package for private sector  | MoC | Finance DivisionMOIPM/o CommunicationMNFS&RM/o H&W | July 2021 | December 2021 | Financial constraints  | Announcement of the scheme  |
| Facilitation  | Development of Model Cotton Trading House in cotton growing region of Southern Punjab to help cotton growers to sell their cotton at better rates | MMNFSR | Provincial Agri department  | July 2021 | December 2022 | Financial constraints | Model cotton trading house developed. |
| **7. Real Estate**  |
| Regulatory modernization | efficient cadastral system for property' title registration shall be established | Provincial Governments | Finance/ | July 2021 | December 2022 | Financial constraints | Implementation of the registration system |
| Reduction in cost of doing business  | Rationalization of Stamp duties on property related transactions and registration fees. | Provincial Governments | Finance/ | July 2021 | June 2022 | Financial constraints | Implementation of the registration system |
| Development charges by water/sanitation authorities need rationalization on the basis of costs. | Provincial Governments | Finance/ | July 2021 | June 2022 | Financial constraints | Implementation of the registration system |
| Formalization of the sector | Non-registered transactions shall be banned. | Provincial Governments | Finance/ | July 2021 | June 2022 | Financial constraints | Implementation of the registration system |
| Facilitation  | Building and zoning codes need to be modernized and harmonized across the country | Provincial Governments | Finance/ | July 2021 | June 2022 | Financial constraints | Implementation of the registration system |
| Investment promotion | Rental property laws need to be revised. Market distorting effects of rent control, excessive tenant rights and differential taxation (registration, stamp duty and property tax) have to be rationalized | Provincial Governments | Finance/ | July 2021 | June 2022 | Financial constraints | Implementation of the registration system |
| **8. Skill Development**  |
| To ensure the availability of dynamic and demand driven skilled human resource | Mapping of commercial and industrial activities to know the existing status of domestic commerce, manufacturing industry, raw material, available labor force  | MoIP | SMEDA/ Provincial GovernmentsMinistry of Education/NAVTTC | July 2021 | December 2021 | Gathering of data may cause a delay | Finalization of Report |
| Identification of sectors for targeted training and development of customized modules | SMEDA/NAVTTC | MOIPSDCsProvincial Government | July 2021 | June 2021 | Lack of data may delay | Finalization of the Module and initiation of training |
| Strengthening of institutional capacity of the Federal and Provincial Governments’ TVET Institutes  | Schedule trainings for the officers of provincial departments on various aspects of domestic commerce by PITAD | MoC | PITADProvincial Governments | July 2021 | Ongoing  | Budgetary constraints | Initiation of capacity building training |

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