PAKISTAN BUSINESS TASK FORCE

Position Paper on Key Requirements of the Private Sector for an Enabling Environment to Promote SDGs in Pakistan

EMPLOYERS' FEDERATION OF PAKISTAN

Pak Business Task Force for SDGs

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BACKGROUND

The Pakistan Business Task Force (PBTF), an initiative of the Employers' Federation of Pakistan (EFP), emerged from the need of enhancing the private sector involvement in United Nations Sustainable Development Cooperation Framework (UNSDCF) 2023-27 for Pakistan), a compact between the United Nations and the Government of Pakistan. This strategic undertaking aims to actively engage with the office of the UN Resident Coordinator (UNRC), in partnership with ILO's Bureau for Employers' Activity (ACT/EMP) and the ILO Country Office (CO) for Pakistan, towards more effective contribution of the private sector in the process of UNSDCF implementation towards achievement of the Sustainable Development Goals (SDGs) in Pakistan.

When UNSDCF 2023-27 was formalised, ILO Pakistan, under the directive of the UNRC, took the lead in engaging the business sector, which is playing a central role in meeting several SDGs but has no or little voice in driving the agenda of SDGs. Moreover, the private sector's contribution goes un- or under-reported with respect to the country's progress on SDG milestones.

The ILO helped to constitute the PBTF under the aegis of EFP with eleven founding members in April 2022. These members include: Business Associations (BAs), EFP, the Federation of Pakistan Chambers of Commerce and Industry (FPCCI), the Overseas Investors Chamber of Commerce and Industry (OICCI) and the UN Global Compact Network (UNGCN) of Pakistan.

With technical assistance from ILO, the PBTF has become functional. It was formally launched on 24 January 2024 and now has a 3-year Road Map (RM) for Business Engagement in the UNSDCF Process. The RM calls for active stakeholders' engagement and advocacy towards an enabling environment for private sector to promote SDGs in Pakistan.

Understanding the **UNSDCF** for Pakistan

UNSDCF 2023–2027 for Pakistan "articulates the collective framework of UN support for Pakistan's achievement of the Sustainable Development Goals (SDGs). It is nationally owned and reflects national development priorities. It is a compact between the UN and the Government of Pakistan to work together, and in partnership with others – including non-governmental organizations, academia, **the private sector** and development partners – towards an increasingly resilient Pakistan. A Pakistan where all people, particularly those most disadvantaged, enjoy rights, opportunities and well-being". UNSDCF 2023-27 has identified five priority areas of development in Pakistan: 1) basic social services, 2) gender equality and women's empowerment, 3) climate change and the environment, 4) sustainable inclusive economic growth and decent work, and 5) governance.

PBTF: **GOAL** and **CORE FUNCTIONS**

The goal for the PBTF is to encourage and enable the business community to support the UN in achieving the SDGs as envisioned in the UNSDCF for Pakistan. The PBTF is a platform that connects the private sector with the UN to advance sustainable development. The PBTF performs four core functions:

POLICY ADVISORY: The PBTF advises the Government on how to support sustainable development and engage the private sector in the SDGs. The PBTF organises dialogues and cooperation between the Government, private sector and the UN to enhance knowledge exchange leading to better policy outcomes.

SUSTAINABLE INVESTMENT: The PBTF mobilises the private sector to invest in sustainable development and green jobs by fostering public-private partnerships.

CAPACITY BUILDING: The PBTF translates the SDGs into Environment, Social and Governance (ESG) standards and promotes them among the private sector and its members in general and the small and medium enterprises (SMEs) in particular by making the ESG standards easy-to-implement for the SME sector, the backbone of economy and employment in Pakistan.

RESEARCH, REPORTING AND COMMUNICATIONS: The PBTF tracks and reports on the private sector's impact on the SDGs, gathering data on investments, jobs, workers' rights, employment of women and the disadvantaged, and sustainability, and highlighting challenges faced by the private sector in their efforts to contribute to SDGs in Pakistan. The PBTF also provides feedback on UNSDCF progress, finding opportunities for private sector involvement in its key outcome areas.

By bridging the gap between the private sector, government, and the UN, the PBTF ensures the private sector's optimal participation in the UNSDCF 2023-27. To play this role the PBTF interacts with multiple stakeholders and at all possible levels of cooperation with the UN to become an effective voice for the private sector. One such interaction took place from June to October 2024. A series of consultative meeting with key stakeholders and EFP members, who are expected to spearhead SDG-related actions within their businesses, led EFP to identify their expected challenges and mitigation measures in terms of key requirements of an enabling environment for private sector contribution to SDGs. The musings, insights and recommendations of the private sector are captured in this Position Paper by the PBTF.

SDGs and the **ROLE** of Private Sector in Pakistan

In 1987, the United Nations (UN) embarked on a journey towards global sustainability with the establishment of the Commission on Environment and Development. This pivotal initiative culminated in the birth of the Sustainable Development Goals (SDGs) at the RIO+20 Conference in 2012, enshrined in the political outcome document, "The Future We Want." This vision materialized in 2015 as the 2030 Agenda for Sustainable Development, encompassing 17 ambitious goals, 169 targets, and 232 indicators. The Agenda 2030 recognizes private business activities, investment, and innovation as vital drivers of productivity, inclusive economic growth, and job creation, building upon the UN Global Compact's pioneering efforts in 2000 to engage the private sector in sustainable development.

Pakistan demonstrated its commitment by becoming the first country to adopt the 2030 Agenda through a unanimous parliamentary resolution. The Ministry of Planning, Development and Special Initiatives (MPDSI), along with provincial SDG Support Units in Punjab, Sindh, Balochistan, Khyber Pakhtunkhwa (KP), and Gilgit Baltistan, spearhead SDG implementation, providing crucial entry points for EFP to advocate for an enabling environment. The UNSDCF 2023-2027 for Pakistan (abridged version) further contextualizes the private sector's role, with the UN support, in addressing the nation's needs specifically under priority outcomes 2, 3 and 4 covering women's empowerment, inclusive economic growth, decent work, innovation, and climate action.

EFP, through its SDG-focused initiative, the PBTF, seeks to catalyse this envisioned private sector contribution. Representing over 900 employers across Pakistan, EFP recognizes the challenges faced by its members, particularly SMEs, in contributing to the SDGs. These include the increasing difficulties of doing business, the burden of SDG reporting, limited organizational capacity, and a lack of facilitative policies by the national and provincial governments.

To address these challenges and align with the UNSDCF's expectations, the PBTF articulates its position on the key requirements of an enabling environment (EE), setting clear expectations and prioritizing actions for both the private sector and the government.

PBTF's Stance on **ENABLING ENVIRONMENT**

The World Bank rightly points out that while *"the private sector development is driven by the efforts and ingenuity of private entrepreneurs it is critically affected by a range of public policies and regulations that create a conducive or enabling business environment"*.

An "enabling environment" refers to the set of conditions outside a firm's control that have a significant influence on how businesses behave throughout their life cycle to successfully operate, grow, and achieve their objectives. When considering the promotion of SDGs by the private sector, EE involves creating the conditions that make it easier for businesses, and incentivises them, to contribute to these goals effectively (Box 1).

Key Requirements of an Enabling Environment for Private Sector's Contribution to SDGs

1. **Policy and Regulatory Framework:**
   - Supportive policies: Government policies need to be in place that encourage and incentivize businesses to invest in sustainable practices and contribute to the SDGs.
   - Clear regulations: Predictable and transparent regulations help businesses understand their obligations and create a level playing field for competition.
   - Streamlined processes: Administrative procedures need to be simple and efficient, minimizing bureaucracy and red tape for businesses.
2. **Policy and Regulatory Framework:**
3. **Policy Coherence:**
   - Alignment with national development strategies: Ensuring that business contributions to SDGs are aligned with the country's national development policies and strategies, fostering collaboration between government and the private sector.
   - Cross-sector collaboration: Promoting coherence between different sectors (health, environment, education) to ensure integrated approaches toward SDG achievement.
4. **Institutional Capacity:**
   - Strong institutions: Government agencies and other relevant institutions need the capacity and resources to effectively implement and enforce policies and regulations related to the SDGs.
   - Coordination and collaboration: Different government departments, private sector organizations, and civil society groups need to work together effectively to achieve the SDGs.
   - Knowledge and expertise: Access to information, research, and best practices is essential to guide decision-making and support the implementation of SDG initiatives using ESG standards.

- Awareness and understanding: Businesses and the general public need to be aware of the SDGs and understand their importance.

5. Financial Resources:

- Access to finance: Businesses need access to affordable financing to invest in sustainable projects and technologies.
- Innovative financing mechanisms: Refers to new ways to mobilize private sector investments for the SDGs, such as blended finance and impact investing.
- Fiscal incentives: Government tax breaks or other fiscal incentives can encourage businesses to adopt sustainable practices.

6. Technological Infrastructure:

- Access to technology: Businesses need access to the latest technologies and innovations to support sustainable development.
- Digital connectivity: Reliable and affordable internet access is essential for businesses to participate in the digital economy and access information and resources.
- Technology transfer and innovation: Encourage the development and transfer of new technologies that can accelerate progress towards the SDGs.

Box 1: Key Requirements of an Enabling Environment

The PBTF has chosen to highlight and take a position on the policy, regulatory and institutional requirements of an EE, as these factors call for immediate attention, offer the potential for maximum positive contribution by the private sector towards SDGs and related priority outcomes for Pakistan.

Supportive Policies

Government policies play a crucial role in steering businesses towards sustainable development. Financial incentives, such as tax breaks and subsidies for adopting green technologies or implementing sustainable supply chain practices, can significantly encourage businesses to prioritize sustainability. Public-private partnerships are also vital, fostering collaboration and shared responsibility between the government and private sector in achieving sustainability goals. Furthermore, regulatory support for research and development in sustainable technologies and practices can drive innovation and create a competitive advantage for Pakistani businesses in the global market. This support can be in the form of grants, funding for research institutions, and promoting collaboration between universities and businesses. On the heels of Vision 2025, MPDSI has developed a 5Es Framework to turn around Pakistan in the short to medium term. There is ample room for supportive policies under each of the five pillars, Exports, E-Pakistan, Environment and Climate Change, Energy and Infrastructure, and Equity and Empowerment. Clearly last three out of the five are more directly linked with SDGs and all depend on the dynamism of the private sector.

Clear Regulations

Clear and transparent regulations are essential for businesses to understand their obligations and operate with confidence. Regulations should be easily accessible, consistently applied, and communicated effectively to avoid ambiguity and ensure compliance. Consistent regulations, which avoid frequent changes, are crucial for long-term planning and investment in sustainable practices. Policy stability allows businesses to factor in environmental and social considerations into their long-term strategies without the fear of sudden regulatory shifts. Moreover, clear regulations promote fair competition by establishing a level playing field for all businesses, fostering innovation and discouraging unsustainable practices that could provide a short-term competitive edge. In our viewpoint, regulations are a provincial matter. EFP members, domiciled in all five provinces, have to deal with provincial departments when it comes to their role in the priority areas like social services, gender equality and women's empowerment, environment protection, inclusive economic growth, and decent work. The more well-defined and corruption-free regulations provincial governments make the easier it would be for the private sector to promote SDGs.

Stability and Certainty

A stable and predictable policy environment is crucial for businesses to make long-term investments in sustainable practices. When policies and regulations are subject to frequent changes, as has been in our country's history, businesses become hesitant to commit resources to sustainability initiatives due to the uncertainty surrounding their returns. Policy stability builds investor confidence, attracting both domestic and foreign investment in sustainable projects. A predictable regulatory landscape allows businesses to effectively manage risks associated with sustainability initiatives, such as changes in environmental regulations or consumer preferences. This predictability encourages businesses to integrate sustainability into their core operations rather than treating it as a peripheral concern. EFP/PBTF welcomes recently constituted high-powered Special Investment Facilitation Council (SIFC), designed to provide 'inclusive decision-making and leadership oversight' for a stable policy environment for economic growth. Ever since its creation in 2022, SIFC has infused confidence among the investors and business community. The PBTF expects SIFC would continue to ensure a stable and predictable policy environment.

Policy Coherence

While a robust policy and regulatory framework, as discussed above, is crucial, the private sector in Pakistan often faces a significant hurdle: lack of policy coherence. This incoherence arises from discrepancies and contradictions between policies at different levels of government and across various sectors, creating confusion and hindering private sector efforts to contribute to the SDGs.

A prime example is the dual policy layer at the federal and provincial levels. Businesses often struggle to align with both due to distinctive and often conflicting compliance requirements. The case of sales tax on services illustrates this challenge. With Punjab, Sindh, KP, and Balochistan having different tax rates and regulations, national businesses must navigate four provincial Boards of Revenues, significantly increasing their compliance burden. This situation arose in the wake of fiscal decentralization, where provinces established their own tax collection entities and enacted sales tax laws. This experience makes the private sector wary of similar complexities arising from SDG collaborations, potentially requiring them to deal with multiple provincial and federal entities.

Furthermore, the government's policy for NGO regulations, enacted in response to the Financial Action Task Force (FATF) requirements on preventing the abuse of non-profits, has severely restricted civil society space. This restriction has made cross-sector collaborations between businesses and NGOs, crucial for achieving many SDGs, exceedingly difficult. NGOs play a vital role in implementing SDG-related initiatives on the ground, particularly in areas such as basic social services, gender equality, and inclusive growth. The current regulatory environment, however, creates barriers to such partnerships, limiting the private sector's ability to leverage the expertise and reach of NGOs.

These concerns raised by the private sector are genuine and reflect the reality on the ground. Of the five UNSDCF priorities, all except climate change fall under exclusive provincial domains. This division necessitates that businesses engage with multiple provincial ministries in addition to the federal ministry for climate change. The lack of alignment between inter-governmental policies further complicates the situation. The private sector, already grappling with these challenges, is expected to contribute to the SDGs despite the lack of coherence and the mounting difficulties in engaging in cross-sector collaborations, especially with NGOs.

Addressing this policy incoherence is critical for unlocking the private sector's potential in contributing to the SDGs. Harmonizing policies across different tiers of government and promoting seamless cross-sector collaboration will create a more conducive environment for businesses to align their operations with national sustainable development priorities. Without such coherence, private sector efforts will remain fragmented and their impact diluted, hindering Pakistan's progress towards achieving the SDGs.

Institutional Capacity

The third key pillar of an enabling environment for private sector contribution to the SDGs is institutional capacity. This encompasses the ability of both government agencies and private sector organizations to effectively implement and contribute to SDG-related initiatives. Strong institutions, equipped with the necessary resources and expertise, are essential for translating policy commitments into tangible action on the ground.

On the government side, institutional capacity entails having dedicated agencies or departments with the mandate and resources to oversee SDG implementation. These institutions need to be staffed with personnel who possess the knowledge and skills to develop and implement relevant policies, regulations, and monitoring frameworks. Furthermore, they must have access to adequate financial and technological resources to effectively carry out their functions. Capacity building programs for public officials on SDG-related issues, including data analysis, stakeholder engagement especially with the private sector, and impact assessment, are crucial for strengthening institutional effectiveness.

However, institutional capacity is not solely a government concern. Businesses themselves need to develop internal capacities to understand and integrate the SDGs into their operations. This includes raising awareness of the SDGs among employees, incorporating ESG considerations into decision-making processes, and building the capacity to measure and report on SDG-related performance via ESG. Many businesses, particularly SMEs, lack the resources and expertise to undertake these tasks.

Therefore, support mechanisms, such as training programs, mentorship initiatives, and access to relevant tools and resources, are crucial for enhancing the institutional capacity of businesses, particularly SMEs. Securities and Exchange Commission of Pakistan (SECP) has issued, in 2022, an ESG Regulatory Roadmap. In line with SECP's roadmap, Pakistan Stock Exchange offers comprehensive ESG reporting guidelines. While these suit large corporates, SMEs find it hard to understand and customize them. This is where the PBTF sees itself playing a proactive role to build the organizational capacity SMEs and thus enable them to become part of UNSDCF implementation process in Pakistan.

Addressing this capacity gap requires a multi-faceted approach. In the short term, leveraging the support of international donors, think tanks, and development agencies can provide much-needed resources and expertise. These actors can assist in developing training programs for both government officials and business leaders, providing technical assistance for SDG integration, and facilitating knowledge sharing and best practice dissemination. For instance, collaborating with organizations experienced in implementing ESG standards can help businesses align their operations with sustainable practices and reporting requirements.

In the long term, investing in education and skills development is crucial for building sustainable institutional capacity. This includes incorporating SDG-related topics into educational curricula at all levels, promoting research and development in sustainability-related fields, and fostering a culture of lifelong learning within both government and private sector organizations. By fostering a knowledgeable and skilled workforce, Pakistan can ensure that both public and private institutions are well-equipped to contribute effectively to the achievement of the SDGs.

CONCLUSION and Policy Asks

This paper has outlined the critical requirements for creating an enabling environment that empowers the private sector to actively contribute to the SDGs in Pakistan. We have emphasized the need for a robust policy and regulatory framework characterized by supportive policies, clear regulations, and stability to foster private sector confidence and investment in sustainable practices. Furthermore, we have highlighted the importance of policy coherence across different levels of government and sectors to avoid conflicting requirements and facilitate seamless collaboration. Finally, we have stressed the need to strengthen institutional capacity, both within government agencies and private sector organizations, to effectively implement SDG-related initiatives.

A supportive environment for private sector engagement is crucial for Pakistan to achieve the SDGs. The private sector possesses the innovation, resources, and expertise to drive sustainable development solutions, create jobs, and foster inclusive economic growth. By creating a conducive policy environment and strengthening institutional capacity, Pakistan can unlock the full potential of the private sector in contributing to a more sustainable and prosperous future for all its citizens.

We urge all stakeholders, particularly the government and the UN, to collaborate in establishing and strengthening this enabling environment. This includes harmonizing policies, streamlining regulations, promoting cross-sector partnerships, and investing in capacity building initiatives. By working together, we can create a shared vision and a roadmap for sustainable development, where the private sector plays a central role in driving positive change and achieving the SDGs in Pakistan.

Based on the key requirements for an enabling environment discussed in the position paper, the PBTF proposes the following policy asks:

1. **Harmonize policies and regulations across federal and provincial levels:** Eliminate conflicting requirements and streamline compliance procedures, particularly in areas such as taxation and environmental regulations, to reduce the burden on businesses and foster a predictable operating environment.

2. **Promote cross-sector collaboration:** Facilitate partnerships between businesses, NGOs, and government agencies by creating platforms for dialogue, knowledge sharing, and joint initiatives. Review and revise regulations that hinder such collaborations, particularly those related to NGO operations.

3. **Strengthen institutional capacity:** Invest in government agencies responsible for SDG implementation by providing adequate resources, training, and technical expertise. Support capacity building programs for businesses, particularly SMEs, to enhance their understanding of and contribution to the SDGs.

4. **Ensure policy stability and predictability:** Maintain consistent policies and regulations related to sustainable development to encourage long-term investments and foster investor confidence. Avoid frequent changes that create uncertainty and discourage businesses from adopting sustainable practices.

5. **Enhance access to information and resources:** Develop online platforms and knowledge hubs to disseminate SDG-related information, best practices, and resources to businesses. Support research and development in sustainable technologies and practices to drive innovation and competitiveness.

6. **Raise awareness and understanding of the SDGs:** Launch public awareness campaigns and integrate SDG education into curricula to promote broader understanding of sustainable development. Encourage businesses to incorporate SDG awareness into their corporate social responsibility initiatives and employee training programs.

By addressing these policy asks, the government can create an enabling environment that empowers the private sector to actively contribute to the achievement of the SDGs in Pakistan. This will not only drive sustainable economic growth but also promote social inclusion and environmental protection, ensuring a prosperous and resilient future for all.

Acronyms and ABBREVIATIONS

A&SES	Advocacy and Stakeholder Engagement Strategy
ACT/EMP	Employers' Activities/Bureau for Employers' Activities
BA	Business Association
CO	Country Office
DWT	Decent Work Team
EE	Enabling Environment
EFP	Employers' Federation of Pakistan
EMBO	Employer and Business Member Organization
ESG	Environment, Social and Governance
FPCCI	Federation of Pakistan Chambers of Commerce and Industry
GOP	Government of Pakistan
ILO – CO	International Labour Organisation – Country Office
OICCI	Overseas Investors Chamber of Commerce and Industry
P&D	Planning and Development
PBTF	Pakistan Business Task Force
RM	Road Map
SDGs	Sustainable Development Goals
SECP	Securities and Exchange Commission of Pakistan
SES	Stakeholder Engagement Strategy
SME	Small and Medium Enterprise
UNCF	UN Cooperation Framework
UNGCN	UN Global Compact Network
UNRC	UN Resident Coordinator
UNSDCF	United Nations Sustainable Development Cooperation Framework

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