Digital Transformation in Pakistan

An Assessment of Domestic Resource Mobilization, Business and Investment Environment, Trade Facilitation, and International Cooperation

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Sector Assessment

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Executive Summary

Pakistan has built digital infrastructure faster than the institutions to use it. Adult identity registration reaches 97%[1] digital channels carry 88%[2] of retail payment transactions and an instant payment system moved from launch to roughly 2 billion transactions a year within four years. A domestically built single window processes 1.66 million customs declarations. Against that foundation, the country collects 10.3% of GDP in federal tax revenue, reaches 27.3% of adults with a financial account on survey measurement, ranks 136th of 193 on the United Nations E-Government Development Index, and carries logistics costs of 15.6% of GDP with port dwell times roughly two and a half times India's.

This assessment examines that divergence across four domains: domestic resource mobilization, the business and investment environment, trade facilitation, and international cooperation. It draws on published sources (government statistics, international financial institution documents, treaty-body databases, and regulator reports) with every quantitative claim referenced and recorded in the footnotes and traceable to a retrievable origin.

Domestic resource mobilization. Federal Board of Revenue collection grew 26.3% in FY2025[3] and the tax ratio crossed 10% for the first time in a decade. No published source decomposes that movement between digitalization, statutory rate changes, price effects, and enforcement drives. The digital instruments are in place: mandatory electronic invoicing extended to corporate and non-corporate registered persons during 2025, point-of-sale integration, real-time identity matching with the national database, and a compliance risk management framework committed under the IMF programme. What the record shows is that these instruments have worked against taxpayers already inside the system and have not yet reached the sectors holding the compliance gap; retail, transport, and real estate, which the IMF sizes at about 3.5% of GDP. The scheme aimed squarely at retail registered under 75,000 traders against a PRs50 billion projection before being replaced. The binding constraint is enforcement authority and assessment capacity. Data, systems and identity infrastructure are not the problem: Pakistan holds all three at a standard well above its revenue performance.

Business and investment environment. The rails are good and the economic response to them is thin. Company incorporation is 99.9% online[4], business entry scores 91.5 on the World Bank's current assessment, and the regulatory perimeter for digital finance now covers electronic money institutions, digital retail banks, and licensed digital lending. Yet the corporate registry holds only 258,000 companies in an enterprise population near 5.2 million, with 80.8% of employment informal; small and medium enterprise financing stands at 6.6% of private-sector credit, with 2.1% of

[1] National Database and Registration Authority. (2026). *Pakistan registration ecosystem*. Government of Pakistan. https://www.nadra.gov.pk/ecosystem

[2] State Bank of Pakistan. (2025). *Annual payment systems review: Fiscal year 2025*. https://www.sbp.org.pk/PS/PDF/Annual-Payment-Systems-Review-FY25.pdf

[3] Government of Pakistan, Finance Division. (2025). *Pakistan economic survey 2024-25*. Economic Adviser's Wing, Finance Division.

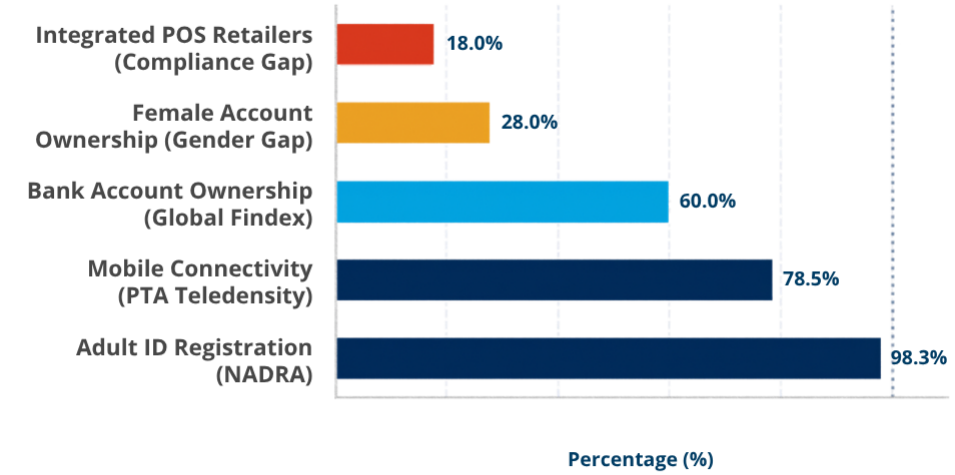
[4] Securities and Exchange Commission of Pakistan. (2025). *SECP annual performance statement, FY2024-25* [Press release]. SECP. https://www.secp.gov.pk

firms holding a bank loan against a South Asian average of 31.6%. Making registration frictionless did not enlarge the formal sector, because registration friction was never what constrained it. Two further constraints are structural: women's financial exclusion is set at the connectivity layer, where 47% of women hold a mobile connection in their own name against 78% of men, producing a 30-point account-ownership gap; and firms face data localization obligations without a data protection statute, an apex digital authority whose commission had not convened eighteen months after its enabling Act, and digital commerce tax policy that changed three times in one fiscal year.

Trade facilitation. This is where Pakistan has delivered most, and where the evidence for delivery is strongest. The single window was built domestically for about $67 million, satisfies a World Trade Organization obligation, and grew from roughly 69,000 users in 2024 to 104,792 subscribers in 2025, a figure counted in completed transactions rather than registrations. That basis sets it apart from most reform reporting assessed here. The faceless customs assessment system attacked the discretionary contact points where integrity risk concentrates and, uniquely in this evidence base, was measured six months after launch, found to have regressed, and halted rather than declared successful. The limits are calibration and reach. Green-channel clearance reaches 57% of import consignments against the 80% Customs targets, and closing that gap depends on a post-clearance audit function its own Chief Collector calls functionally weak, with advance declaration filing at 8% against a 50% target and the trusted-trader programme still at pilot scale. Cross-border paperless trade scores 55.56% against 88.89% for domestic paperless trade, and Pakistan has not joined the regional framework agreement that would let it recognise partners' electronic documents multilaterally. Eleven Trade Facilitation Agreement measures have been rescheduled to 2027 with no notified financing. Two published control failures show governance lagging platform consolidation; a decade without validation of declaration changes on the clearance platform, and a transit-tracking downgrade procured outside competition. And the Afghan transit corridor closed for roughly 300 days from October 2025.

International cooperation. Pakistan's treaty position is stronger than any other pillar and its published record of converting that position into domestic result is the thinnest. It has held World Customs Organization membership since 1955, the Revised Kyoto Convention since 2004, Transports Internationaux Routiers (TIR) since 2015, the multilateral tax convention since 2016, and Automatic Exchange of Information (AEOI) since 2018. Those exchanges delivered data on more than 152,000 offshore accounts holding roughly $7.5 billion in deposits. Eight years later, no published figure records assessments raised or revenue recovered from that data. Meanwhile four development partners finance overlapping reform through one capacity-constrained agency against four differently-constructed revenue targets: above 15%, 18%, about 15.4% on a general government basis, set against an actual 10.3%. No published reconciliation or joint sequencing framework ties them together.

Figure 1: Rails Against Results: Infrastructure and Outcome Indicators



Note: Identity registration stands at 98.3%, but financial inclusion and retail tax compliance lag significantly.
Source: NADRA (2026); SBP (2025); PTA (2026); World Bank Global Findex (2025).

The pattern. Three habits recur across all four pillars and explain more than any pillar-specific factor.

Registration counts overstate participation wherever an independent measure exists to check them: 39% of tax returns filed nil, 126.8 million registered mobile-money accounts against 27.3% of adults holding one, a corporate registry twenty times smaller than the enterprise population. The single window is the exception that identifies the mechanism: its indicators are transactions, and they do not carry the same discount.

Identification runs far ahead of assessment. Some 1.35 million potential taxpayers identified domestically, 152,000 offshore accounts identified internationally, and no published conversion rate for either.

And measurement infrastructure decayed as the reform effort intensified. Pakistan is unranked in the current Logistics Performance Index, the Doing Business series that supplied its compliance and border benchmarks was discontinued, no Time Release Study has ever been published, and business compliance burden was last measured in 2020, before the instruments that changed it. The clearest illustration is that three published official accounts of the same customs reform, at the same port, give pre-reform clearance baselines of 109, 25.6, and 53 hours respectively, with no published methodology available to adjudicate among them.

Against these sits one clear counter-example. Pakistan exited the Financial Action Task Force grey list in 2022 by completing 34 enumerated action items across two action plans. The standard was external, the assessment independent, the consequence priced in correspondent banking access, and the deadline not renegotiable. That is the only difficult multi-year institutional reform in this evidence base that Pakistan finished, and the four conditions that distinguish it are a design specification rather than an accident.

Priorities. The assessment makes ten recommendations. Four carry the weight.

- Restore the measurement base: a Time Release Study to World Customs Organization methodology, a reinstated compliance-cost survey, and published benefit realization for the single window. Several other recommendations cannot be monitored until this is done.
- Publish conversion metrics for every taxpayer information stream: identified, assessed, collected, annually, for domestic third-party data and automatic exchange alike.
- Rebuild the reform agenda on the external-standard template of enumerated items, independent assessment, a published schedule and a defined consequence, beginning with the eleven outstanding trade facilitation measures, which already carry three of the four conditions.
- Reconcile development partner targets to one basis and publish a joint sequencing framework, with absorptive-capacity assessment a condition of further operations.

Chapter 1 — Introduction, Scope, and Methodology

1.1 Purpose and scope

Pakistan spent the decade to 2024 building digital infrastructure faster than it built the institutions to use it. National identity coverage reached near-universality, an instant payment system moved from launch to mass adoption in four years, and a single window took cross-border trade off paper. Revenue collection stayed near the bottom of the regional distribution throughout. That gap between deployment and result is the subject of this assessment.

The report assesses the state of digital transformation in Pakistan across four domains: domestic resource mobilization, the business and investment environment, trade facilitation, and international cooperation. It covers the period from 2015, when Pakistan ratified the World Trade Organization (WTO) Trade Facilitation Agreement and entered the multilateral tax transparency architecture, with analytical weight on 2024–2026, the years in which the current policy stack, the International Monetary Fund (IMF) Extended Fund Facility, and the largest digitalization commitments took shape.

This is an assessment of digital transformation in the four named domains, not a general assessment of Pakistan's digital economy, and not an evaluation of any single reform program. Sector coverage stops where the four pillars stop: health, education, and social-protection digitalization enter only where they bear on revenue, firms, trade, or external cooperation. Federal administration is the primary unit of analysis, with provincial revenue administration treated where the federal–provincial boundary shapes outcomes.

1.2 The four-pillar frame

The pillars are not four separate subjects. They share one dependency structure, which the assessment makes explicit instead of leaving implicit.

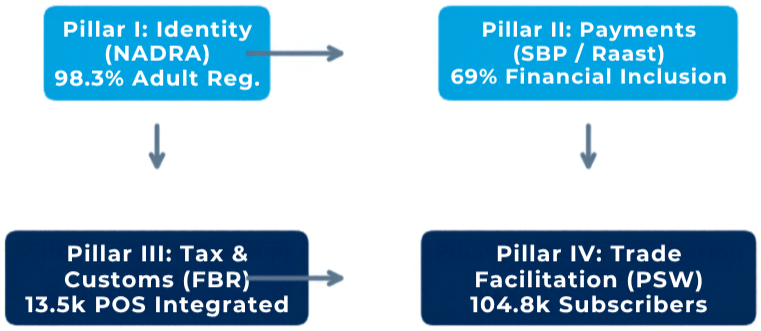
Domestic resource mobilization is the domain where digitalization has the clearest measurable objective and the weakest measured return. It covers taxpayer registration, filing, payment, risk-based audit selection, third-party data integration, and enforcement.

The business and investment environment covers the digital rails that firms actually transact on (payments, identity, company registration, digital service exports) and the compliance burden that revenue digitalization imposes or relieves. This pillar is where the state's digital reforms meet private decisions about formalization.

Trade facilitation covers customs clearance, the single window, cross-border paperless trade, and the transit corridors. It is the domain with Pakistan's strongest documented digital achievement and its most exposed operational infrastructure

International cooperation covers tax transparency and information exchange, customs cooperation instruments, financial-integrity standing, and the development-partner

Figure 2 : The Four-Pillar Frame and Its Dependencies



Note: Arrows show main dependency direction described in Section 1.2. Pillar III sits inside FBR; PSW is operated separately.
Source: Author's framework; NADRA (2026); SBP (2025); PTA (2026).

architecture financing much of the above. It is treated as an enabler and a constraint, not a separate reform track.

The dependency runs in one direction more than the other. Pillar II's rails (verified identity, instant payments, digital invoicing) are the precondition for Pillar I's analytics to work on real transaction data. Pillar IV's instruments supply the external data and the financing that Pillars I and III consume. Trade facilitation sits partly inside revenue administration, since the same institution runs both.

1.3 Methodology and standards

The assessment applies a published-source standard. Every quantitative claim in this report traces to a source that a reader can retrieve: government publications and official statistics, international financial institution documents, treaty-body databases, and regulator annual reports. Where a figure circulates widely but has no retrievable published origin, the assessment drops it rather than repeating it.

Claims are managed through a series of footnotes/ references that records, for each claim, the figure, the citation of record, the publication year, and a confidence grade. Grade H denotes a source retrieved and confirmed directly; grade M denotes a figure confirmed through a reliable secondary report of a primary source that could not itself be retrieved. Figures at grade M are identified in the text where the distinction affects interpretation.

The assessment draws on unpublished project preparation documentation made available to the author, including feasibility material for revenue administration investments under preparation. That documentation informed the analysis, the selection of issues, and the questions put to published sources. It is not cited, and no figure enters this report on its authority alone. Where such documentation and a published source disagree on a country-level fact, the published source governs and the divergence is noted.[5]

[5]One such divergence bears on the headline figure. Project preparation documentation reviewed for this assessment states a tax-to-GDP ratio of 11.1% for FY2025. FBR's own published Yearbook reports 10.3% on FBR collections (FBR 2025); a separate FBR briefing to the Prime Minister was reported at 10.6% (Profit 2025a). This report uses 10.3% throughout, on the

Three analytical rules apply throughout:

- Revenue is a transfer, not an economic benefit. Where the report discusses the returns to revenue digitalization, additional collection is treated as a fiscal outcome and a distributional shift, never as net economic gain. The economic case rests on compliance-cost savings, reduced distortion from selective enforcement, trade-time savings, and administrative efficiency.
- Deployment is not adoption. A system that exists, a portal that is live, and a regulation that is notified are inputs. The assessment reports usage, coverage, and behavioral response wherever published data allow, and says so plainly where they do not.
- Attribution is bounded. Aggregate outcomes such as the tax ratio, trade times, investment flows respond to macroeconomic conditions, statutory changes, and enforcement drives alongside digitalization. The report attributes movement to digital reform only where the evidence supports it.

1.4 Limitations

Pakistan's measurement infrastructure for three of the four pillars has thinned since 2020. The World Bank discontinued the Doing Business series, whose Trading across Borders and Paying Taxes indicators supplied the standard cross-country benchmarks for compliance burden and border times; the successor B-READY assessment covers Pakistan but on a different and not-yet-comparable basis Pakistan was not ranked in the 2023 Logistics Performance Index . No Time Release Study has been published by Pakistan Customs. The most recent World Bank Enterprise Survey for Pakistan dates from 2022

The consequence is a real one, and it is itself a finding developed in Chapter 7: several of the questions a reader would most want answered among them what a firm now spends on tax compliance, how long a container actually takes at Karachi cannot be answered from published sources at all. Where the assessment uses a dated figure, it states the vintage. Fiscal-year figures for FY2026 were provisional at drafting and are marked as such.

1.5 Structure

Chapter 2 sets the country context: the macro-fiscal position, the 2024–2026 policy architecture, the connectivity base, and the digital public infrastructure on which the pillars depend. Chapters 3 through 6 assess the four pillars in turn, each closing with a pillar verdict. Chapter 7 consolidates findings and recommendations. Annex A reproduces the Evidence Register.

published FBR collections basis, and notes that ratios above that figure generally reflect a wider revenue definition including non-FBR receipts.

Chapter 2 — Pakistan's Digital Transformation Context

2.1 The macro-fiscal setting

Pakistan's Federal Board of Revenue (FBR) collected PRs11,744 billion in FY2025, a 26.3% increase on the PRs9,299 billion collected in FY2024 and the largest single-year addition on record at PRs2.4 trillion.[6] The tax-to-GDP ratio on FBR collections reached 10.3%, up from 8.8%, the first double-digit reading after a decade averaging 8.7%.[7] Provisional figures put FY2026 collection at PRs12.957 trillion, with an FY2027 target above PRs15 trillion.[8]

The composition tells more than the total. Direct taxes contributed PRs5,791.7 billion, or 49.3% of collection; sales tax PRs3,901.4 billion (33.2%); customs duty PRs1,284.6 billion; and federal excise PRs766.6 billion.[9] A revenue base that leans this heavily on transaction taxes and on withholding at source is a base that digitalization can reach since the transaction data is exactly what digital systems capture. It is also one where headline growth can come from rate and withholding changes rather than from base broadening.

The reform is externally anchored. The IMF Executive Board approved a 37-month Extended Fund Facility of SDR 5,320 million, about $7 billion or 262% of quota, on 25 September 2024[10]. The program targets an increase in the tax ratio of roughly 3 percentage points over its life, toward about 15.4% of GDP on a general government basis, with first-year revenue measures of about 1.4% of GDP.[11] Program reviews have proceeded: the first completed on 9 May 2025 with a disbursement near $1 billion, and the third on 8 May 2026.[12]

What the program asks for is specifically digital. Its commitments include full rollout of a compliance risk management framework across the Karachi, Lahore, and Islamabad large-taxpayer operations using third-party data and automated cross-checks, digital invoicing rollout, strengthening of track-and-trace, and extension of the retailer registration scheme to 36 additional cities (IMF, 2024). The IMF puts Pakistan's tax compliance gap at about 3.5% of GDP, concentrated in retail at 1.1% of GDP, transport at 0.7%, and real estate.

2.2 The policy architecture, 2024–2026

Four instruments now govern the field, and all four postdate mid-2023.

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[6] Federal Board of Revenue. (2025). *Revenue Division yearbook 2024–25*. https://download1.fbr.gov.pk/Docs/20251029101050494 45FBRREVENUEDIVISIONYEARBOOK2024-25.pdf

[7] FBR collections are a narrower base than general government revenue. IMF program targets, which reference general government revenue, are not directly comparable to the FBR ratio and are identified as such wherever both appear.

[8] Pakistan Today. (2026, July 2). PM hails record Rs12.957tr FBR haul sets sights on rs15tr revenue target. https://www.pakistantoday.com.pk/2026/07/02/pm-hails-record-rs12957tr-fbr-haul-sets-sights-on-rs15tr-revenue-target

[9] Federal Board of Revenue (*supra* note 2)

[10] International Monetary Fund. (2024, September 27). *Press release No. 24/343* https://www.imf.org/en/news/articles/2024/09/27/pr-24343

[11] International Monetary Fund. (2024). *Country Report No. 24/310 — Pakistan: Request for EFF (MEFP)*. https://www.finance.gov.pk/mefp/extended_Fund_Facility_October_2024.pdf

[12] International Monetary Fund. (2025–2026). *Press releases No. 25/137, No. 26/147*.

The Digital Nation Pakistan Act 2025 entered into force on 29 January 2025, establishing the Pakistan Digital Authority and providing for a National Digital Commission chaired by the Prime Minister.[13] The Act is the first legal instrument to place digital transformation of governance, the economy, and citizen services under a single national authority rather than distributing it across sector regulators.

The FBR Transformation Plan, approved at prime-ministerial level in 2024, supplies the revenue-administration component.[14] Its first visible output was the Faceless Customs Assessment system launched at Karachi on 15 December 2024, which FBR identified as a key component of the plan.

The Special Investment Facilitation Council, established in June 2023, operates as a single-window facilitation body for priority-sector investment.[15] Its digital dimension is procedural rather than technological. It consolidates approvals rather than building systems.

Development-partner strategy has aligned to the same period. ADB launched a Country Partnership Strategy for Pakistan covering 2026–2030 on 18 March 2026, with digital transformation, governance, and regional cooperation as crosscutting themes.[16] The World Bank Group announced its first ten-year Country Partnership Framework for Pakistan, covering FY2026–FY2035, on 14 January 2025, with a tax-to-GDP ratio above 15% among its targets.[17]

An architecture this new is untested. Every instrument above is between eighteen months and three years old, which means the assessment can evaluate design and early implementation but not durability. Pakistan's record of institutional continuity through political transition is the risk that sits underneath all of it.

2.3 The connectivity base

Pakistan passed 200 million telecom subscribers and 150 million broadband connections in FY2025, with broadband penetration above 60%, population coverage above 92%, and cellular networks 95% enabled for 4G.[18] Sector revenue exceeded PRs1 trillion, up 12%, on investment of $838 million; data consumption reached 27,727 petabytes and international bandwidth 17.21 terabits per second. Fiscal contribution from the sector was PRs402 billion (PTA, 2025).

Two qualifications bound what those numbers support. Connections are not users: subscriber counts include multiple SIMs per person, and broadband penetration above 60% of population is consistent with a considerably lower share of adults online daily.

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[13] Government of Pakistan. (2025). *Digital Nation Pakistan Act, 2025* (Act No. of 2025). National Assembly of Pakistan.
[14] Federal Board of Revenue. (2024). *FBR Transformation Plan*. Government of Pakistan. https://hrms.fbr.gov.pk/Uploads/2024/Sep/2500-IR-I-20249272024_83717_PM.pdf
[15] United Nations Conference on Trade and Development. (2023). *Investment policy monitor: Special Investment Facilitation Council established in Pakistan*. UN.
[16] Asian Development Bank. (2026). *Pakistan: Country partnership strategy (2026–2030)*. https://www.adb.org/documents/pakistan-country-partnership-strategy-2026-2030
[17] World Bank. (2025). *Pakistan: Country partnership framework for the period FY26 up to FY35*. http://hdl.handle.net/10986/42688
[18] Pakistan Telecommunication Authority. (2025). *Annual report 2024–25*. Government of Pakistan. https://www.pta.gov.pk/category/annual-reports-1432096911-2023-05-30

And 4G is the ceiling: PTA reports 5G readiness, not commercial launch. For the four pillars, the practical implication is that the network supports mass mobile transaction services now, which is what payments and filing require, and does not yet support the latency-sensitive applications that a later stage of digitalization would want.

2.4 Digital public infrastructure: identity and payments

The identity layer is effectively complete. The National Database and Registration Authority (NADRA) reports registration of 98.3% of the adult population for the computerized national identity card, within a database of 227 million citizens, with 1.7% of adults unregistered.[19] Near-universal verified identity is the precondition that most developing revenue administrations lack and Pakistan has had for years.

The payments layer moved fast. Retail payments reached 9.1 billion transactions worth PRs612 trillion in FY2025, volumes up 38% and value up 12%.[20] Digital channels carried 88% of retail transactions, up from 85% in FY2024 and 78% in FY2023 (SBP, 2025). Mobile banking applications alone processed more than 6.2 billion transactions, growing 52%; internet banking handled 297 million, up 33%; e-money wallet transactions doubled in both volume and value (SBP, 2025). The point-of-sale network reached about 196,000 terminals across more than 159,000 merchants, carrying roughly one million card payments a day (SBP, 2025).

Raast, the instant payment system, more than doubled both transaction count and value in FY2025 (SBP, 2025). Calendar-year 2025 figures put it near 2 billion transactions worth about PRs50 trillion, serving 48 million individual users.[21]

Set the two layers against the revenue numbers in section 2.1 and the central puzzle of this assessment appears. Pakistan has verified identity for nearly every adult and a digital record for 88% of retail payment transactions. It also has 7.2 million income tax filers[22] against an employed labor force many times that size, and an IMF-estimated compliance gap of 3.5% of GDP concentrated in retail, the sector where point-of-sale and instant-payment data are most abundant. The binding constraint is not data availability. It is the institutional and legal capacity to convert available data into assessment, and the political economy of doing so.

2.5 Government's own digital maturity

Pakistan ranked 136th of 193 countries in the 2024 United Nations E-Government Development Index, with an index value of 0.5096, moving up 14 places from 150th in 2022 and entering the "High EGDI" group.[23] The improvement is real but the level

[19] National Database and Registration Authority. (2026). *Annual Report* [Data file and reports]. Government of Pakistan. https://www.nadra.gov.pk

[20] State Bank of Pakistan. (2025). *Annual report on payment systems (FY 2024–25)*. https://www.sbp.org.pk/PS/PDF/Annual-Payment-Systems-Review-FY25.pdf

[21] State Bank of Pakistan. (2026). *Financial stability review 2025*. https://www.sbp.org.pk/assets/document/publications/Financial-Stability-Review-2025.pdf

[22] Federal Board of Revenue. (2025). *Revenue Division yearbook 2024–25*. https://download1.fbr.gov.pk/Docs/20251029101050494 45FBRREVENUEDIVISIONYEARBOOK2024-25.pdf

[23] United Nations Department of Economic and Social Affairs. (2024). *UN e-government survey 2024: Accelerating digital transformation for sustainable development*. United Nations. https://publicadministration.un.org/egovkb/en-us/reports/un-e-government-survey-2024

is not good. A country with near-universal digital identity, majority-digital retail payments, and a trillion-rupee telecom sector ranks in the bottom third of the global e-government distribution.

That divergence between infrastructure and service delivery recurs across every pillar in this report. Pakistan's digital public infrastructure, the identity and payment rails built by NADRA and the State Bank of Pakistan, performs at or near frontier standard for a lower-middle-income economy. The government service layer built on top of those rails does not.

2.6 What the context carries into the pillar chapters

Four conditions frame the assessments that follow.

The fiscal constraint is binding and externally monitored. It gives revenue digitalization unusual political priority, and a deadline structure set outside the country. The digital foundation is strong at the infrastructure layer and weak at the service layer, which suggests that the return to reforms now depends more on institutional change than on further technology procurement. The policy architecture is comprehensive and very new, so what can be assessed is the implementation record, not the quality of the design. And the measurement base has thinned precisely as the reform effort intensified, limiting what can be verified which is itself a governance problem.

Chapter 3 — Pillar I: Domestic Resource Mobilization

3.1 Revenue performance and the size of the gap

This is the pillar with the clearest target for digitalization and, so far, the least conclusive evidence that the target has been met. FBR collection grew 26.3% in FY2025 to PRs11,744.3 billion, and the tax-to-GDP ratio on FBR collections crossed 10% for the first time in a decade, reaching 10.3% against 8.8% the year before.[24] Provisional FY2026 collection stands at PRs12.957 trillion.[25]

Attribution is the difficulty. Nominal collection growth of that magnitude incorporates price effects, statutory rate changes, expanded withholding, and enforcement drives alongside any contribution from digital systems, and the published record does not decompose it. What can be said is narrower and still useful: the ratio moved, it moved during the period of most intensive digitalization and heaviest IMF conditionality, and the movement was concentrated in the tax heads where digital reporting obligations were extended.

The gap that remains is measured three ways, and the three measurements do not agree because they answer different questions. FBR's Chairman put the total tax gap at PRs7.1 trillion in December 2024, of which PRs2.4 trillion is income tax:[26] that is a potential-revenue measure against full statutory compliance. The IMF estimates the compliance gap at about 3.5% of GDP, concentrated in retail at 1.1% of GDP, transport at 0.7%, and real estate:[27] that is a narrower measure, sector-attributed, and the one embedded in program design. Project preparation documentation reviewed for this assessment carries a third estimate on a different basis again.[28]

The sectoral attribution is the operationally important part. Retail, transport, and real estate are cash-intensive, geographically dispersed, politically organized, and, critically, already substantially visible in digital payment and property-registration data. The gap in these sectors is not primarily an information problem.

3.2 The base: filers, returns, and what registration means

[24] Federal Board of Revenue (supra note 2)
[25] Pakistan Today. (2026, July 2). PM hails record Rs12.957tr FBR haul sets sights on rs15tr revenue target. https://www.pakistantoday.com.pk/2026/07/02/pm-hails-record-rs12957tr-fbr-haul-sets-sights-on-rs15tr-revenue-target
[26] Geo News. (2024, December 26). *Pakistan's tax gap balloons to over Rs7 trillion, says FBR chief*. https://www.geo.tv/latest/581707-pakistan-faces-tax-gap-of-whopping-rs71tr-fbr-chief
[27] International Monetary Fund. (2024). *Pakistan: 2024 Article IV consultation and request for an extended arrangement under the extended fund facility—press release; staff report; and statement by the Executive Director for Pakistan* (IMF Country Report No. 24/310). https://www.elibrary.imf.org/view/journals/002/2024/310/article-A001-en.xml
[28] Project preparation documentation reviewed for this assessment states a compliance gap of about 26% of collectible taxes, approximately PRs1,289 billion or 2.9% of GDP. That estimate has no published origin the authors could retrieve and is not used in this report.

Income tax filers rose from 4.5 million in FY2024 to 7.2 million by June 2025, an increase of 2.7 million in a single year.[29] Returns for tax year 2024 reached 5.215 million by early November 2024, up 76% year on year.[30]

Roughly 39% of those returns, or 2.051 million, were nil returns (Dawn, 2024).

That single proportion should discipline how the filer surge is read. A nil return records a person inside the compliance system reporting no taxable income. Some are legitimately below threshold; many are filed to obtain the transactional benefits of filer status, which Pakistan's withholding regime prices heavily through differential rates on banking, property, and vehicle transactions. The withholding differential is an effective registration instrument and a weak assessment instrumentIt produces filers reliably, and taxable income declarations far less so.

Figure 3: Age of the Evidence Base Against the Main Reform Window



Note: Dots mark data year of latest published observation for Pakistan; labels give age at September 2026.
Source: World Bank DB2020, LPI 2023, Findex 2025; UN DESA (2024); UNESCAP (2025).

Base broadening, properly understood, means growth in returns declaring taxable income and in tax assessed from newly registered taxpayers. The published record reports registration and filing counts, not this. The distinction is not pedantic: a program that adds 2.7 million filers of whom a large share file nil has expanded the administrative population without proportionally expanding the revenue base, and the administrative cost of servicing that population is real.[31]

Compliance burden data is stale. The last published measure of Pakistani business tax-compliance time is about 283 hours a year across roughly 34 payments, from the discontinued World Bank Doing Business series.[32] That figure predates the e-filing improvements, the digital invoicing mandate, and the point-of-sale integration of the past five years, all of which cut in different directions: filing is easier, reporting

[29] Profit. (2025, July). *FBR tax filers surge to 7.2 million*. Profit Pakistan Today. https://profit.pakistantoday.com.pk

[30] Dawn. (2024, November 4). *Tax returns for TY24 cross 5.2 million as deadline passes*. https://www.dawn.com

[31] Project preparation documentation reviewed for this assessment reports about 8.3 million active income taxpayers, roughly 48% of 17 million registrants. No published source the authors could retrieve supports those figures, and they are not used. The published counts are 7.2 million filers at June 2025 (Profit 2025a) and 5.215 million returns for tax year 2024 (Dawn 2024), which are different measures and are kept distinct throughout this report.

[32] World Bank (2019). *Doing Business 2020: Comparing business regulation in 190 economies*. World Bank.

obligations are heavier. No published figure captures the net effect. This is a measurement gap with direct policy consequences, since compliance burden is the main channel through which revenue digitalization affects firm behavior.

3.3 The digitalization program in place

Four instruments carry most of the weight.

Digital invoicing. FBR extended mandatory electronic invoicing (real-time integration with FBR systems through licensed integrators) to all corporate registered persons from 1 June 2025 and to non-corporate registered persons from 1 July 2025.[33] The sequencing is orthodox and correct: corporate first, where record-keeping capacity exists, then non-corporate. The mandate's reach is its ambition and its risk, since extending real-time invoice integration to the non-corporate segment covers a population with limited accounting infrastructure and, in many cases, limited connectivity in business premises.

Point-of-sale integration. As of 31 July 2026, 13,586 retailers covering 37,378 branches were integrated with FBR's point-of-sale system, of which 11,900 were Tier-1 retailers.[34]

Read that against the gap estimate. The IMF puts the retail compliance gap at 1.1% of GDP (IMF 2024a); Pakistan's point-of-sale network runs to about 196,000 terminals across more than 159,000 merchants. FBR's integrated population is 13,586 retailers. The instrument is well designed for the organized top of the retail sector and reaches a small fraction of the merchants already accepting digital payment. The constraint is not the technology, and nor even the availability of the data. It is the legal scope of the integration obligation and the administrative capacity to enforce it against smaller operators.

Third-party data integration. FBR established real-time machine-to-machine integration with NADRA and identified approximately 1.35 million potential new taxpayers through third-party data integration by November 2024.[35] This is the highest-leverage instrument available to FBR, because it exploits the identity infrastructure Pakistan already has. Identification is not assessment, however, and the published record does not report how many of the 1.35 million were subsequently registered, assessed, or brought to payment.

Compliance Risk Management. The IMF program required full rollout of a compliance risk management framework — third-party data, automated cross-checks, analytics-driven case selection — across the Karachi, Lahore, and Islamabad operations by end-December 2024 (IMF, 2024). Risk-based selection is the mechanism that converts data into revenue; without it, additional data increases the number of

[33] Federal Board of Revenue. (2025). *Notification No. S.R.O. 709(I)/2025*. Government of Pakistan. https://fbr.gov.pk

[34] Federal Board of Revenue. (2026). *POS integrated retailers with FBR system (Upto 31-07-2026)* [Data file and report]. Government of Pakistan. https://www.fbr.gov.pk/pos-integrated-retailers/163085/163089

[35] Profit. (2024, November 27). *FBR identifies 1.35mn potential taxpayers through third-party data integration*. Profit Pakistan Today. https://profit.pakistantoday.com.pk/2024/11/27/fbr-incorporates-real-time-machine-to-machine-data-integration-with-nadra

cases an administration cannot process. CRM was implemented with support from REMIT, an FCDO funded Technical Assistance program.[36]

3.4 What the record shows: adoption is the binding constraint

Three instances from the published record make the same point from different directions.

Tajir Dost. The retailer registration scheme launched on 1 April 2024 and expanded to 42 cities registered roughly 70,000–75,000 retailers against a revenue projection of PRs50 billion, and was subsequently slated for replacement.[37] The scheme's failure was not technological. Registration was simple and digital. It failed because a voluntary scheme aimed at a politically organized, cash-intensive constituency offered no credible consequence for non-participation, and the constituency understood that.

Pakistan Raises Revenue. The World Bank's $400 million program (P165982) was restructured in January 2024. The restructuring extended closing to 30 June 2025, revised the tax-to-GDP outcome target to 8.8% on FBR collections by FY2025, and reduced the track-and-trace disbursement-linked indicator from ten sectors to five; $291.31 million, about 74%, had disbursed.[38] The program was subsequently expanded with $70 million in additional financing in May 2025, bringing it to $470 million, for FBR information technology, data analytics, and customs.[39]

The instructive detail is what happened next. FY2025 FBR collections came in at 10.3% of GDP, comfortably above the revised 8.8% target. That outcome tells us little about the program, because the revision had moved the target below the trajectory that macroeconomic conditions and statutory measures were already producing. A target set low enough to be met by factors outside the program's control stops functioning as an accountability instrument. Track-and-trace, meanwhile, was cut by half in sectoral scope, which is a direct reduction in the reform's coverage of exactly the cash-intensive sectors where the gap concentrates.

Faceless customs assessment. Treated fully in Chapter 5, this belongs here too because it is the clearest published case of a digital reform that worked, was measured, regressed, and was halted.[40] Its significance for revenue administration is

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[36] Mayo, A. A. (2025). The OECD compliance risk management framework's quiet reshaping of tax compliance in Pakistan. *Tax Notes Today International*, *7w6tl*. https://www.taxnotes.com/lr/resolve/tax-notes-today-international/the-oecd-compliance-risk-management-frameworks-quiet-reshaping-of-tax-compliance-in-pakistan/7w6tl?highlight=Akbar%20Mayo

[37] Profit. (2025). *FBR considers new registration scheme for shopkeepers after Tajir Dost failure*. Profit Pakistan Today. https://profit.pakistantoday.com.pk

[38] World Bank. (2024). *Pakistan: Second Review of the Extended Fund Facility and Request for Modification of Performance Criteria* (World Bank Report No. P-4321-PK). World Bank Group. https://documents.worldbank.org

[39] World Bank. (2025). *Pakistan Raises Revenue Project: Additional financing and restructuring* (Report No. P165982). World Bank Group. https://documents.worldbank.org/curated/en/099031125113533122/pdf/P165982-2ab3a3f5-3b5f-4f36-bcd2-0fcb1ae9c21e.pdf

[40] Federal Board of Revenue. (2025, September 15). *Press statement regarding allegations on Faceless Customs Assessment (FCA) system* [Press release]. Government of Pakistan. https://www.fbr.gov.pk/press-statement/174310

that measurement caught the regression. That is the exception in this record, not the rule.

Set against these, the provincial comparison is worth registering. The Punjab Revenue Authority collected a record PRs 368 billion in FY2026, up 36% year on year, crediting its electronic tax system and pursuing full digitalization and e-billing.[41] The Sindh Revenue Board collected PRs370.06 billion, up 20.2%, with accelerated digitalization planned.[42] Two subnational authorities administering services taxation with far smaller systems, smaller staffs, and narrower mandates are posting growth rates at or above the federal administration's. The comparison should not be pushed too hard (the bases differ, services taxation is structurally easier to capture, and the absolute sums are a fraction of federal collection) but it does suggest that scale of system is not what separates good from poor revenue digitalization outcomes.

The pattern across all four is consistent. Where Pakistan has deployed digital revenue instruments against organized, already-visible taxpayers, they have worked. Where the same instruments have been pointed at the cash-intensive, politically organized sectors that hold the gap, they have been scaled back, replaced, or left voluntary.

3.5 The institutional constraint

Three constraints appear consistently in the published and preparatory record. Technical capacity inside the revenue administration is thin relative to the scale of systems being procured: project preparation documents indicate that FBR's in-house transformation team numbers in the low tens of staff, and that its principal technology partner carries a skills gap against the platforms it is being asked to build and maintain. Management turnover breaks reform continuity, a general feature of Pakistani federal administration rather than a revenue-specific one, and one that no procurement can fix. And the training commitment attached to the investment pipeline, which project preparation documents put in the thousands of officers, is a precondition for the systems to function rather than a benefit flowing from them.

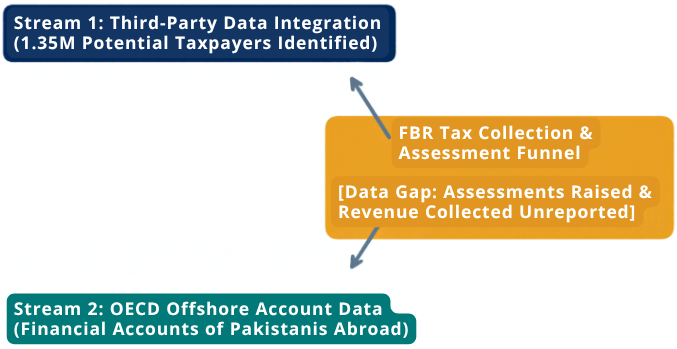
Legal authority is the second constraint, and it is more tractable. Pakistan's revenue administration can see far more than it can assess. Digital payment records, point-of-sale data, property registrations, and NADRA identity matching supply an evidentiary base that the assessment powers, appeal structures, and evidentiary standards were not designed to absorb. The 1.35 million taxpayers identified through third-party data illustrate the asymmetry precisely: identification is automated and cheap, assessment is manual and contested, and the published record does not report the conversion rate between them.

The third constraint is jurisdictional. Services taxation sits with the provinces, and the Punjab and Sindh authorities are building their own digital systems and collecting at growth rates comparable to the federal administration's. Two consequences follow. Taxpayer-facing digital services are fragmented across four provincial systems and one federal system, which raises compliance cost for any firm operating across

[41] Associated Press of Pakistan. (2026, July 2). *PRA sets historic record with Rs 368b tax collection* [Press release]. https://www.app.com.pk/business/pra-sets-historic-record-with-rs-368b-tax-collection/
[42] Sindh Revenue Board. (2026, July 1). *SRB achieves highest-ever annual revenue collection of Rs370.064 billion in FY 2025-26, surpassing target* [Press release]. Government of Sindh. https://srb.gos.pk

provinces. And the data that would make risk-based selection work best, a consolidated view of a taxpayer's federal and provincial activity, sits behind an

Figure 4 : From Identification to Collection: Two Taxpayer Information Streams



institutional boundary that no system procurement crosses on its own.

3.6 The forward pipeline

ADB has a proposed $200 million concessional ordinary capital resources loan for the Transforming and Digitalizing Revenue Administration project (58390-001), with concept clearance on 12 December 2025, fact-finding conducted 3–7 August 2026, and approval pending.[43] Project preparation documents indicate a multi-package design covering replacement of FBR's core tax platform, an enterprise analytics and data capability spanning inland revenue and customs, extension of digital invoicing to smaller enterprises, customs data-center resilience, and institutional capacity building.

Two observations follow from the assessment above rather than from the project's own documentation.

First, the design addresses the correct constraint only where the analytics and risk-management components are matched by legal authority and administrative capacity to act on what they produce. FBR's experience with third-party data integration is that identification runs ahead of assessment.[44] Adding analytical capacity to an administration that already identifies more non-compliance than it processes raises the return only at the margin where processing capacity binds.

Second, the pipeline is crowded. Pakistan Raises Revenue runs to $470 million with additional financing through 2025; the World Bank's ten-year Country Partnership Framework targets a tax ratio above 15% (World Bank 2025b); the UK's Revenue Mobilisation, Investment and Trade programme provides technical assistance toward an 18% ambition;[45] and the IMF program supplies the conditionality frame

[43] Asian Development Bank. (2025). *Transforming and Digitalizing Revenue Administration Project (Project 58390-001)*. https://www.adb.org/projects/58390-001/main

[44] Mayo, A. A. (2025). The OECD compliance risk management framework's quiet reshaping of tax compliance in Pakistan. *Tax Notes Today International*, *7w6tl*. https://www.taxnotes.com/lr/resolve/tax-notes-today-international/the-oecd-compliance-risk-management-frameworks-quiet-reshaping-of-tax-compliance-in-pakistan/7w6tl?highlight=Akbar%20Mayo

[45] Foreign, Commonwealth & Development Office. (2026). *Revenue Mobilisation, Investment and Trade Programme - ReMIT* (IATI Identifier: GB-GOV-1-300134). UK Government Development Tracker. https://devtracker.fcdo.gov.uk/programme/GB-GOV-1-300134/summary

throughout. Four partners, overlapping instruments, one executing agency with an acknowledged capacity constraint. Sequencing and division of labor across these programs is a first-order risk to all of them, and is developed as a finding in Chapter 7.

3.7 Pillar verdict

Pakistan's domestic resource mobilization digitalization has produced a functioning technical base and a documented improvement in headline collection, with the mechanism of that improvement unverified in published sources.

The strengths are real. Near-universal digital identity gives FBR a taxpayer-matching capability most comparable administrations lack. Digital invoicing now has legal force across the registered corporate and non-corporate population. Third-party data integration is live and has demonstrated identification at scale. The tax ratio moved.

The weaknesses are structural rather than technical. Base broadening is measured by filer counts that a 39% nil-return share substantially discounts. Point-of-sale integration reaches 13,586 retailers in an economy with more than 159,000 card-accepting merchants and a retail compliance gap of 1.1% of GDP. The one scheme aimed squarely at the retail gap registered under 75,000 participants against a PRs50 billion projection and was abandoned. The flagship donor program had its outcome target revised below the prevailing trajectory and its track-and-trace scope halved. And the compliance-burden measure that would show whether any of this is making formalization easier or harder for firms is six years old and from a discontinued series.

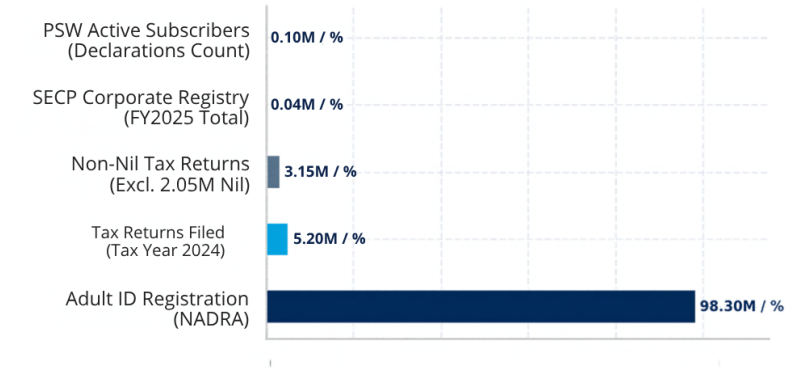
The assessment for this pillar: digitalization has improved FBR's capacity to collect from taxpayers already inside the system, and has not yet demonstrably reached the sectors that hold the compliance gap. The constraint is institutional authority and enforcement follow-through, not data, systems, or identity infrastructure, all three of which Pakistan possesses at a standard well above its revenue performance.

Chapter 4 — Pillar II: Business and Investment Environment

4.1 The rails firms transact on

Where Chapter 3 asked what digitalization collects, this chapter asks what it changes for the firms on the other side of the counter. Pakistan's digital payment infrastructure now carries the majority of retail commerce. Retail payments reached 9.1 billion transactions worth PRs 612 trillion in FY2025, with digital channels accounting for 88% of transaction volume against 78% two years earlier (SBP, 2025). The point-of - sale network runs to about 195,849 terminals across 159,284 merchant locations, carrying

Figure 5 Registration Counts Against Independent Measures



Note: Administrative and survey measures differ in date and definition. Returns filed include 2.051 million nil returns. Source: NADRA (2026); SBP (2025); Dawn (2024); SECP (2025); PSW (2026).

roughly one million card payments daily (SBP, 2026). Raast, the instant payment system, processed close to 2 billion transactions worth about PRs 50 trillion in calendar 2025 (SBP, 2026).

E-commerce sits on those rails. Digital e-commerce transactions reached 152 million worth PRs193 billion in the second quarter of FY2025 alone, up 30% by volume year on year, with 92% of volume moving through wallets and bank accounts rather than cards (SBP, 2026). ADB puts total Pakistani e-commerce spending at $10.5 billion, against $115 billion in India — a ratio of roughly one to eleven between economies whose populations differ by a factor of six.[46]

For a firm deciding whether to formalize, these rails change the calculus in two directions at once. Digital acceptance lowers the cost of collecting revenue and builds a transaction record that supports credit applications. That same record is visible to the revenue administration. The remainder of this chapter examines whether Pakistani firms have responded to the first effect, the second, or neither.

4.2 Inclusion: what the registration counts do and do not measure

[46] Asian Development Bank. (2025). *Digital economy report: Comparative e-commerce metrics and regional growth across South Asia*. Asian Development Bank. https://www.adb.org/publications

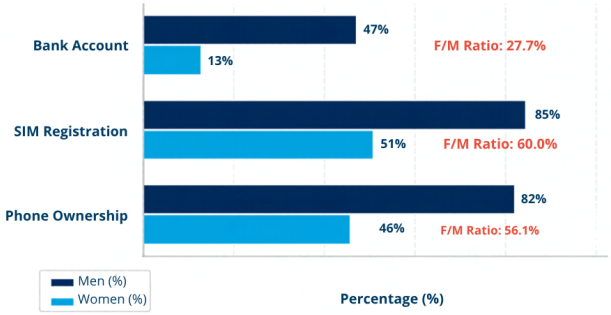
Two published figures on financial inclusion differ by a factor of two and a half, and the difference matters more than either number.

The World Bank's Global Findex, surveying Pakistani adults between May and December 2024, records account ownership at a financial institution or mobile-money provider at 27.3% of adults aged 15 and over, up from 21.0% in 2021.[47] The State Bank of Pakistan reports financial inclusion at 69% as of Dec 2025, against 47% in 2018.[48]

Both are published; they are not measures of the same thing. The IMF's Financial Access Survey records 126,765,048 registered mobile-money accounts in Pakistan for 2024[49], a stock of registrations that cannot be reconciled with a survey finding that just over a quarter of adults hold any account. Registered-account stocks count accounts, including dormant, duplicate, and multiple holdings across providers. Survey measures count people. The assessment uses the Findex survey figure where the question is how many Pakistanis participate in the formal financial system, and treats registration stocks as a measure of product distribution rather than inclusion.[50]

The same distinction ran through Chapter 3, where a 2.7 million increase in tax filers was accompanied by a 39% nil-return share. Pakistan's digital reforms generate registration counts efficiently. Registration counts are not participation, and the two

Figure 6: The Gender Gap at Each Layer: Phone, SIM, and Account



Note: The gender gap widens sharply at the account layer, where women's rate drops to 28% of men's.
Source: Karandaaz K-FIS (2025); World Bank Global Findex (2025).

diverge systematically in the direction that flatters reported progress.

The gender dimension is where the survey data is least ambiguous and most serious. Findex records account ownership at 42.3% for men and 11.9% for women, a gap of 30.4 percentage points, among the widest measured anywhere (SBP, 2026). Karandaaz's 2024 survey, on its own definition, finds overall inclusion at 35% with men at 56% and women at 14%, and reports that 47% of women hold a mobile connection registered in their own name against 78% of men (SBP, 2026). A woman without a SIM in her own name cannot hold a mobile wallet in her own name, cannot

[47] World Bank. (2025). *Global Findex Database 2024: Financial inclusion, digital payments, and resilience in the age of digital transformation*. World Bank Group. https://www.worldbank.org/en/publication/globalfindex
[48] State Bank of Pakistan. (2025, May 5). *Financial Stability Review 2025*. State Bank of Pakistan. https://www.sbp.org.pk/assets/document/publications/Financial-Stability-Review-2025.pdf
[49] nternational Monetary Fund. (2025). *Financial Access Survey (FAS)*. IMF Statistics Department. https://data.imf.org/?sk=e5bcab95-d8a0-4f6b-9508-544cf72b0d65
[50] The divergence is definitional rather than a dispute about facts. Administrative measures count registered accounts and wallets, including inactive and duplicate holdings across providers; survey measures count individual adults reporting an account. Where this report cites inclusion as a share of adults, it uses the survey basis and says so. Both figures are published and neither is presented here as an error.

be independently verified for digital onboarding, and cannot build a transaction record. The constraint operates one layer below financial services, in the identity and connectivity layer, which is where a remedy would have to start.

The National Financial Inclusion Strategy 2024 –28 targets 75% inclusion and a gender gap reduced to 25% by 2028 (SBP, 2025). Against the Findex baseline rather than the administrative one, that target requires roughly tripling the share of adults holding accounts in four years.

4.3 Firm entry is easy; the formal firm population is small

In digital terms, company registration in Pakistan is a solved problem. The Securities and Exchange Commission of Pakistan registered more than 35,000 new companies in FY2025, a record, with 99.9% of incorporations completed online; the corporate registry exceeds 258,000 companies.[51] Registration runs through the eZfile portal, takes about a week, and costs a few thousand rupees in aggregate fees. Pakistan scores 91.5 on Business Entry in the World Bank's B-READY assessment for data year 2024.[52]

Now the denominator. Pakistan has roughly 5.2 million small and medium enterprises[53], and 80.8% of employed Pakistanis work in informal employment on the current Labour Force Survey measure, 72.1% on the narrower non-agricultural definition.[54]

A corporate registry of 258,000 companies sits inside an enterprise population of some 5.2 million and a labor market that is four-fifths informal. Making registration easier, faster, and fully digital has not made the formal sector large. That finding should discipline expectations for every digital formalization instrument discussed in this report: the friction of registration was not the binding constraint on formalization, so removing it did not move the aggregate.

What plausibly does bind is the expected cost of being formal (tax liability, labor and regulatory obligation, and exposure to enforcement) against the benefits of formality, principally credit access and the ability to contract with formal buyers. The next section shows that the credit benefit largely has not materialized.

4.4 SME finance: the rails have not reached the credit constraint

[51] Securities and Exchange Commission of Pakistan. (2025, July 8). *SECP achieves record-breaking milestones in corporate registry during FY 2025* [Press release]. Government of Pakistan. https://www.app.com.pk/business/secp-achieves-record-breaking-milestones-in-corporate-registry-during-fy-2025/

[52] World Bank Group. (2024). *Business Ready 2024 (B-READY)* [Data file and report]. https://www.worldbank.org/en/publication/business-ready

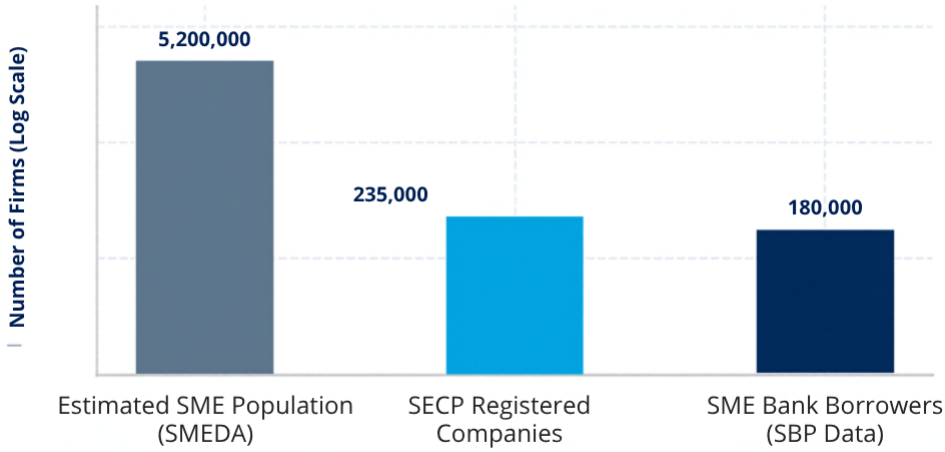
[53] Small and Medium Enterprises Development Authority. (2025). *SME sector overview and enterprise count data*. Government of Pakistan. https://smeda.org

[54] Pakistan Bureau of Statistics. (2026). *Labour Force Survey 2024–25*. Government of Pakistan. https://www.pbs.gov.pk

SME financing stood at 6.6% of private-sector credit in June 2025, with SME borrowers at a peak of 276,593.[55] Only 2.1% of Pakistani firms hold a bank loan, against a South Asian average of 31.6%. SMEs account for roughly 40% of GDP and about 80% of non-agricultural employment.[56]

Set that against the payments data in section 4.1. Pakistan has 159,284 merchant locations accepting card payments and 126.8 million registered mobile-money

Figure 7: Firm Populations and Access to Bank Credit



Note: SME borrowers outnumber registered corporate entities, but represent under 4% of total SME population.
Source: SMEDA (2022); SBP (2025); SECP (2025).

accounts, and 276,593 SME borrowers. The transaction data that would support cash-flow-based lending is being generated at scale and is not being converted into credit.

Movement is visible at the margin. SECP-licensed digital lending non-bank financial companies have extended credit to about 350,000 borrowers, under a nano-lending framework capping individual loans at PRs25,000 per platform and PRs75,000 in aggregate with a 90-day maximum tenor.[57] Those caps make the instrument a consumption and micro-working-capital product, not SME finance.

The State Bank targets PRs1.5 trillion in SME financing and 750,000 SME borrowers by June 2028.[58] Reaching it requires roughly tripling the borrower count in under three years, from a base that grew about 75% over the preceding four and a half.

Licensing has moved faster than lending. The State Bank issued five digital retail bank no-objection certificates in January 2023;[59] Easypaisa Bank became the first authorized to commence commercial operations on 28 January 2025, with Mashreq Bank Pakistan receiving a pilot licence on 20 February 2025. The revised Electronic

[55] State Bank of Pakistan. (2025). *Quarterly Performance Review of the Banking Sector (June 2025)*. State Bank of Pakistan. https://www.sbp.org.pk
[56] World Bank Group. (2025). *Enterprise Surveys: Pakistan country profile*. World Bank. https://www.enterprisesurveys.org
[57] Securities and Exchange Commission of Pakistan. (2025). *Regulatory framework for digital lending and non-bank financial companies: Annual performance and sector review*. SECP. https://www.secp.gov.pk
[58] State Bank of Pakistan. (2026, July 8). *SBP Governor urges banks to develop specialized products for financing priority sectors* [Press release]. Government of Pakistan. https://www.app.com.pk/business/sbp-governor-urges-bank-to-develop-specialized-products-for-financing-priority-sectors/
[59] State Bank of Pakistan, "SBP Issues NOCs to Five Applicants for Establishing Digital Banks" (press release, January 13, 2023), https://www.sbp.org.pk/press/2023/Pr1-13-Jan-2023.pdf.

Money Institution regulations of June 2023 expanded permitted activities into payment aggregation, payment initiation, escrow for domestic e-commerce, and inward cross-border remittances.[60] The regulatory perimeter for digital finance is now broadly adequate. The lending has not followed it.

4.5 The digital economy as an investment story

Information technology and IT-enabled services exports reached $3.8 billion in FY2025, up 18%, and a record $4.6 billion in FY2026, up 20%.[61] IT is the third-largest foreign exchange earner and about 45% of services exports.[62] Freelance and remote-work exports contributed $1.1 billion in FY2026, from a freelancer population the industry association puts near 3 million.[63] Startup funding recovered to $74.23 million across 16 deals in 2025, up 121% on 2024, though $66 million of that total was hybrid financing concentrated in two transactions.

Two qualifications belong beside those numbers.

The FY2026 export figure fell roughly $400 million short of the government's $5 billion target[64], with reporting on the State Bank data attributing the shortfall in part to slow internet speeds and power outages.[65] And startup funding at $74 million, concentrated in two hybrid deals, is not a functioning venture market at the scale of the freelancer and IT-services base. It points to a digital economy that is growing through service exports and individual earnings rather than through equity-financed firm formation.

4.6 Connectivity reliability as an investment-climate variable

This is the part of Pakistan's digital investment environment where published estimates are largest and official and industry accounts diverge most, so the evidence is set out by source.

Industry position. The Pakistan Software Houses Association stated in August 2024 that internet disruptions represented "a direct, tangible and aggressive assault on the industry's viability," with estimated losses reaching $300 million (PaSHA, 2026). In November 2024 the association's chairman warned that virtual private network blockages would raise industry operating costs by an estimated $100–150 million annually if firms relocated infrastructure overseas, and that companies could be "forced to close or significantly restrict their operations in Pakistan." The Pakistan Business Council stated in August 2024 that internet speeds had fallen 30–40% and

[60] State Bank of Pakistan. (2023, June 21). *Regulations for Electronic Money Institutions (PSP&OD Circular No. 02 of 2023)*. State Bank of Pakistan. https://www.sbp.org.pk/circulars/pspod-circular-no-03-of-2023
[61] State Bank of Pakistan. (2026, July 17). *Balance of payments: Information technology and telecom export remittances for fiscal year 2025–26*. SBP. https://www.sbp.org.pk
[62] State Bank of Pakistan. (2026). *Annual Report 2025–2026: State of Pakistan's economy*. State Bank of Pakistan. https://www.sbp.org.pk
[63] Pakistan Software Export Board. (2026, July 24). *PSEB IT Export Awards 2026: Recognizing top-performing freelancers and industry milestones* [Press release]. Ministry of Information Technology and Telecommunication, Government of Pakistan. https://www.pseb.org.pk
[64] State Bank of Pakistan. (2026). *Balance of payments: Information technology and telecom export remittances for fiscal year 2025–26*. State Bank of Pakistan. https://www.sbp.org.pk
[65] Pakistan Software Houses Association. (2026). *Industry impact assessment: Digital infrastructure constraints and IT export performance*. P@SHA. https://www.pasha.org.pk

that "there are many MNCs planning to relocate their offices and some have already done so."[66]

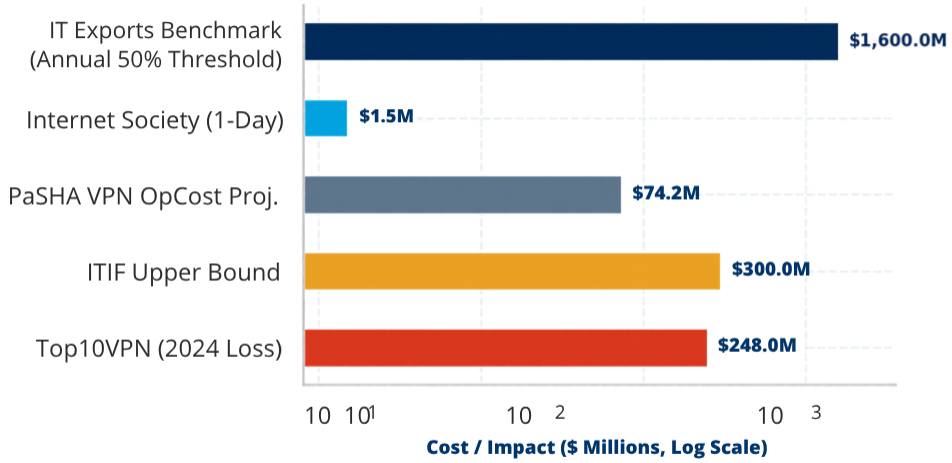
Third-party estimates. Top10VPN assessed Pakistan as the country most affected by internet shutdowns globally in 2024, with $1.62 billion in economic losses across 9,735 hours and 18 shutdown events affecting 82.9 million users.[67] The Information Technology and Innovation Foundation put the 2024 cost at $892 million to $1.6 billion over the same 9,735 hours, of which the large majority derived from social-media restrictions rather than full blackouts.[68] The Internet Society estimated $18.5 million in lost output from the roughly ten-hour nationwide mobile suspension on election day, 8 February 2024.[69] Freedom House scored Pakistan 27 of 100, status "Not Free," in both its 2024 and 2025 assessments.[70]

Official position. The Pakistan Telecommunication Authority attributed the August 2024 slowdown to faults in two of the seven international submarine cables serving Pakistan, and its chairman stated that the web management system "has been in place for a long time," that upgrading it "is a matter of routine," and that the authority had no role in the slowdown.[71] In February 2026 the IT Secretary told a parliamentary committee that the system "is fully operational" and denied that it caused service delays, with the PTA chairman describing the system as operational since 2006 with four upgrades.[72] At a Senate Standing Committee hearing in January 2025, members

[66] Pakistan Business Council. (2024, August). *Impact of internet slowdown and infrastructural constraints on multinational corporations and business operations* [Press release]. PBC. https://www.pbc.org.pk
[67] Top10VPN. (2025). *Global cost of internet shutdowns 2024*. Top10VPN. https://www.top10vpn.com/research/cost-of-internet-shutdowns/
[68] Information Technology and Innovation Foundation. (2025). *The economic cost of internet shutdowns and social media restrictions in Pakistan*. ITIF. https://itif.org
[69] Internet Society. (2024). *Economic impact of the mobile internet suspension on election day in Pakistan*. Internet Society. https://www.internetsociety.org
[70] Freedom House. (2025). *Freedom in the world 2025: Pakistan*. Freedom House. https://freedomhouse.org/country/pakistan/freedom-world/2025
[71] Pakistan Telecommunication Authority. (2024, August). *Press briefing on international submarine cable faults and internet performance in Pakistan*. PTA. https://www.pta.gov.pk
[72] Ministry of Information Technology and Telecommunication. (2026, February). *Briefing to the National Assembly Standing Committee on Information Technology and Telecommunications regarding web management systems and internet performance*. Government of Pakistan. https://www.moitt.gov.pk

questioned the legal basis for network-level disruptions and the committee sought legal opinions from the Law and Interior Ministries.

Figure 8: Published Estimates of Internet Disruption Costs



Note: PaSHA figure is a projected operating cost; Internet Society estimate covers a single day.
Source: Top1 VPN (2025); ITIF (2025); PaSHA (2024); Internet Society (2024).

Trajectory. Pakistan does not appear among the top-ranked countries in Top10VPN's 2025 assessment, where Russia, Venezuela, and Myanmar lead the cost table (Top10VPN 2026). Access to X was restored in May 2025 after a restriction of roughly fifteen months (NetBlocks 2025). PTA opened free VPN registration for software houses, call centres, banks, and freelancers in November 2024, reporting more than 20,000 companies and freelancers registered, and the 30 November 2024 deadline was extended without a replacement date announced , and Freedom House records that authorities concluded they lacked legal standing to block VPNs.

The assessment's reading: 2024 was an outlier year whose disruption costs, on every published estimate, exceeded the entire year's startup funding by an order of magnitude and approached half the value of annual IT exports; conditions improved measurably in 2025; and the underlying issue for investors is not the outage record but the absence of a settled legal framework governing network-level disruption, which the parliamentary record shows was contested by legislators and unresolved between agencies. Predictability, not average uptime, is what a services exporter contracts on.

4.7 The regulatory framework: gaps and instability

Pakistan has no comprehensive data protection law in force. The Personal Data Protection Bill remains a draft, with the most recent published text dated May 2023 and passage by both houses still outstanding as of 2026. That draft would, if enacted, require critical personal data to be processed on infrastructure located inside Pakistan.[73]

[73] Ministry of Information Technology and Telecommunication. (2025). *Personal data protection bill: Regulatory framework for data localization and critical personal data processing*. Government of Pakistan. https://www.moitt.gov.pk

For a country exporting $4.6 billion in IT services, largely to clients in jurisdictions with binding data protection regimes, the absence of a domestic framework is a commercial constraint rather than only a rights question. Adequacy determinations, client data-processing agreements, and enterprise procurement all reference the exporter's home-country regime.

Localization is arriving ahead of protection. The Cloud First Policy of February 2022 governs public-sector cloud adoption and, in its 2026 implementation, requires sensitive data to be stored on servers physically located in Pakistan.[74] The National Data Governance Policy 2026, announced in June 2026, would mandate domestic hosting of sensitive government and personal data and create data registers, a national data exchange, and privacy impact assessments; it remained awaiting cabinet approval and gazette notification at the time of drafting.[75] Localization mandates without a data protection statute give firms the compliance cost of a data regime without the market-access benefit that adequacy recognition would bring.

Institutional implementation lags the legislation. The Digital Nation Pakistan Act entered into force on 29 January 2025[76] ; the Pakistan Digital Authority was constituted by notification in August 2025;[77] and the National Digital Commission, the Act's apex body chaired by the Prime Minister, had still not met by 29 July 2026, when the Prime Minister directed[78] that a meeting be convened. Eighteen months from commencement to an unconvened apex body is the implementation record against which the Act's design should be judged.

Tax policy toward the digital economy has been active and unstable. The Finance Act 2025 introduced e-commerce withholding: 1% of gross on digitally ordered goods and services paid through banking channels, collected by payment intermediaries, and 2% collected by couriers on cash-on-delivery, rising to 2% and 4% respectively where the vendor is not on the Active Taxpayer List, alongside a 2% sales tax collection obligation; unregistered vendors are barred from online marketplaces.[79] Separately, the Digital Presence Proceeds Tax Act 2025 imposed a 5% levy on foreign vendors with significant digital presence[80], and was withdrawn on 30 July 2025, retroactive to 1 July 2025[81], before it effectively applied.

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[74] Ministry of Information Technology and Telecommunication. (2022). *Cloud First Policy*. Government of Pakistan. https://www.moitt.gov.pk

[75] Ministry of Information Technology and Telecommunication. (2026). *National Data Governance Policy 2026 (Draft)*. Government of Pakistan. https://www.moitt.gov.pk

[76] Ministry of Information Technology and Telecommunication. (2025). *The Digital Nation Pakistan Act, 2025* (Act No. I of 2025) [Legislative act]. Government of Pakistan. https://www.pda.gov.pk/downloads/Digital-Nation-Pakistan-Act-1-of-2025.pdf

[77] Government of Pakistan. (2025). *Notification of the constitution of the Pakistan Digital Authority* [Cabinet Division notification]. The Gazette of Pakistan. https://www.pakistan.gov.pk

[78] Prime Office of Pakistan. (2026, July 29). *Directives of the Prime Minister regarding the convening of the National Digital Commission* [Press release]. Government of Pakistan. https://www.pmo.gov.pk

[79] Parliament of Pakistan. (2025). *The Finance Act, 2025* (Act No. of 2025) [Legislative act]. Government of Pakistan. https://www.na.gov.pk

[80] Parliament of Pakistan. (2025). *The Digital Presence Proceeds Tax Act, 2025* (Act No. of 2025) [Legislative act]. Government of Pakistan. https://www.na.gov.pk

[81] Federal Board of Revenue. (2025, July 30). *Exemption of foreign digital service providers from the Digital Presence Proceeds Tax Act 2025* (S.R.O. 1366(I)/2025) [Statutory notification]. Government of Pakistan. https://www.fbr.gov.pk

The e-commerce withholding regime deserves note as the most consequential formalization instrument enacted in the period. It conscripts payment intermediaries and courier companies as withholding agents and makes Active Taxpayer List status a condition of competitive participation in online commerce. That is a genuine link between the payment rails of section 4.1 and the revenue objectives of Chapter 3. It also raises the cost of digital selling for small vendors relative to cash trade, which cuts against formalization at the margin where informality is thickest. Whether the net effect broadens the base or pushes small vendors off platforms is an empirical question that no published evaluation yet answers.

The withdrawal of the digital presence tax within a month of taking effect is the clearer signal. Policy toward digital commerce changed three times in one fiscal year.

4.8 Compliance burden: what is known

Early formalization evidence from the revenue side is more encouraging than the aggregate figures suggest. FBR data reported in August 2026 records 17,337 large retailers integrated with the point-of-sale system in FY2026, up 31% year on year, contributing PRs132 billion in tax, up 16%; and 46,813 branches on the digital invoicing system as of July 2026.[82] Approximately 13,000 shops and restaurants integrated since 2019 raised their sales tax payments from PRs5.8 billion to PRs10.4 billion, an increase of 78%, with restaurants roughly tripling (Express Tribune, 2026).

That is a before-and-after comparison on integrated firms, not an impact evaluation, and it cannot separate the effect of integration from selection into integration or from concurrent enforcement. It is nonetheless the strongest published evidence in Pakistan that digital reporting obligations change declared revenue at firm level.

What remains unmeasured is the cost side. The last published estimate of Pakistani business tax-compliance time is about 283 hours annually across roughly 34 payments, from the discontinued Doing Business series. Since that measurement, firms have gained electronic filing and lost paper-based discretion, while acquiring real-time invoice integration, point-of-sale reporting, and e-commerce withholding obligations. No published figure captures the net burden. For an assessment of the business environment this is the single most consequential measurement gap, because compliance burden is the mechanism through which revenue digitalization either encourages or deters formalization.

4.9 Pillar verdict

Pakistan has built digital rails of genuine quality and has not yet converted them into a wider formal economy.

The infrastructure achievement is real: 88% of retail transactions digital, an instant payment system at scale, near-universal digital identity, fully digital company incorporation scoring 91.5 on business entry, and a regulatory perimeter for digital finance that now covers electronic money institutions, digital retail banks, and licensed digital lending.

[82] Express Tribune. (2026, August 30). Retailers on tax net jump 31%. *The Express Tribune*. https://tribune.com.pk/story/2626437/retailers-on-tax-net-jump-31

The economic response is thin. Account ownership reaches 27.3% of adults on survey measurement, with a 30.4-point gender gap. The corporate registry holds 258,000 companies against 5.2 million enterprises and 80.8% informal employment. SME credit stands at 6.6% of private-sector lending, with 2.1% of firms holding a bank loan against a regional average fifteen times higher. Registration counts, whether of accounts, of companies, of filers, have grown considerably faster than participation on every measure where an independent survey exists to check them.

Three constraints explain more of that gap than infrastructure does. Financial inclusion is limited at the identity and connectivity layer for women before it is limited at the product layer. Credit provision has not followed payment data, so formalization delivers its main private benefit only to a small minority of firms. And the regulatory environment presents firms with localization obligations without a data protection statute, an apex digital authority that had not convened eighteen months after its enabling Act, and digital-commerce tax policy that changed three times in a single fiscal year.

The assessment for this pillar: Pakistan's digital business environment is infrastructure-rich and institution-poor, and the returns to further infrastructure investment are lower than the returns to enacting the data protection framework, closing the connectivity-and-identity gap for women, and converting transaction data into SME credit.

Chapter 5 — Pillar III: Trade Facilitation

5.1 Commitments and the state of the trade

On the four-pillar logic of Chapter 1, this is the domain of Pakistan's strongest digital delivery, and of the weakest measurement of what that delivery has achieved. Pakistan ratified the WTO Trade Facilitation Agreement on 27 October 2015[83] and has notified a commitment coverage of 97.5%, with 11 measures in Category C[84] — those requiring transition time and, in most cases, technical assistance. Those commitments now run to 31 December 2027. Two notifications are overdue, six requests for extension of implementation dates are pending[85], and donor or technical-assistance arrangements are unnotified for all 11 measures.

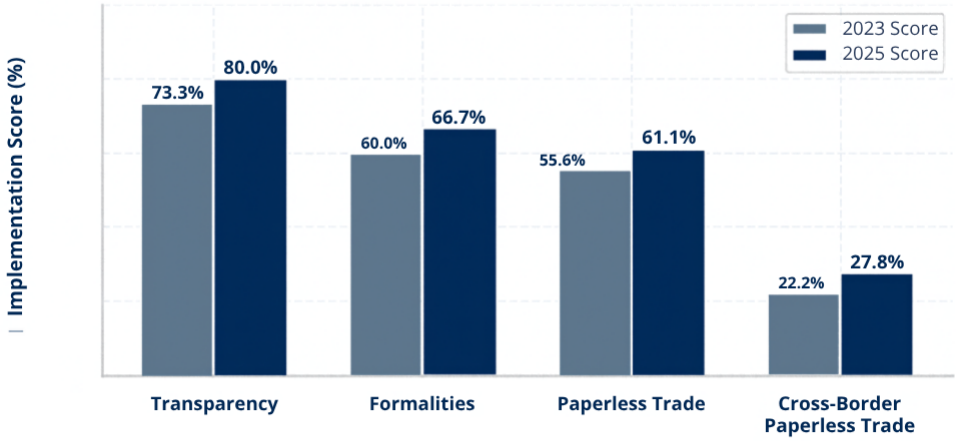
The slippage record matters more than the deadline. A commitment coverage of 97.5% describes what Pakistan has notified, not what it has implemented; the residue is the hard part, it has already been rescheduled, and no financing has been notified against any of it.

The trade this system serves contracted on the export side. FY2026 exports fell 5.97% to $30.126 billion while imports rose 7.89% to $69.597 billion, widening the deficit 21.57% to $39.471 billion; exports missed the government target by $5.2 billion.[86] Customs duty collected PRs1.331 trillion in FY2026, up 4% and PRs18 billion below the revised target, after PRs1,284 billion in FY2025.[87]

Independent measurement records improvement with one persistent weakness. Pakistan scored 69.89% in the 2023 United Nations Global Survey on Digital and Sustainable Trade Facilitation and 74.19% in 2025.[88] Paperless trade, digitalization inside Pakistan's own border, rose from 85.19% to 88.89% (UNESCAP, 2025). Cross-border paperless trade, the electronic exchange of trade data with partner administrations, rose from 44.44% to 55.56% (UNESCAP, 2025).

[83] World Trade Organization. (2015). *Pakistan: Ratification of the Trade Facilitation Agreement*. WTO Trade Facilitation Agreement Database. https://tfadatabase.org/members/pakistan
[84] World Trade Organization. (2019). *Category C notification by Pakistan under the Trade Facilitation Agreement* (G/TFA/N/PAK/1/Add.2). WTO. https://tfadatabase.org/members/pakistan
[85] World Trade Organization. (2026). *Extension of implementation dates: Pakistan* (G/TFA/N/PAK/1/Add.6). WTO Documents Portal. https://docs.wto.org
[86] FY2026 External Trade Performance: Provisional external trade aggregates for fiscal year 2026 are compiled and maintained officially by the Pakistan Bureau of Statistics.
[87] **FBR Fiscal Operations & Revenue Measures**: Statutory interpretations, tax withholding mechanisms for e-commerce, and administrative circulars regarding tax collection frameworks are formally published by the Federal Board of Revenue.
[88] United Nations Economic and Social Commission for Asia and the Pacific. (2025). *Digital and sustainable trade facilitation in Pakistan: Global survey report*. United Nations. https://www.untfsurvey.org/economy?id=PAK

Figure 9: Trade Facilitation Implementation Scores, 2023 and 2025



Note: Cross-border paperless trade score lags paperless trade by 33.3 percentage points in 2025.
Source: UNESCAP et al. (2023, 2025), UN Global Survey on Digital and Sustainable Trade Facilitation.

Pakistan has digitized its side of the border faster than the border itself, and section 5.6 identifies the specific instrument it has not joined.

5.2 The single window

The Pakistan Single Window is the strongest documented digital achievement in this assessment, and the evidence for it is of a better class than most of what the preceding chapters had to work with.

PSW reports 104,792 subscribers, 1,658,678 declarations processed, 1,074,217 licences, permits, certificates and other regulatory documents processed, and 29 integrated banks.[89] Adoption grew from about 69,000 users in August 2024.It won the ADB and UNESCAP Asia-Pacific Trade Facilitation Innovation Award in June 2026 for its integrated risk management system[90], and through 2025 and 2026 added a port community system for Karachi, a trader mobile application, a price verification portal for banks, digital stamp-duty collection with the Board of Revenue Sindh, and air-cargo charge digitalization with the Pakistan Airports Authority.

Declarations and regulatory documents processed are transaction counts, not registration counts. Chapters 3 and 4 documented a persistent pattern in which Pakistani digital reform reports registration — filers, accounts, incorporations — that survey or usage data then substantially discounts. PSW's headline numbers are not vulnerable to that discount.

The institutional design is sound. PSW operates as a not-for-profit company under a 15-member governing council chaired by the Minister for Finance and Revenue, meeting at least four times a year, with accounts subject to audit by the Auditor-General under section 7(3) of the Pakistan Single Window Act 2021. It is self-

[89] Pakistan Single Window. (2026). *Live Operational Dashboard Metrics*. Government of Pakistan. https://psw.gov.pk/ (accessed on 7th Sep, 2026)
[90] Pakistan Single Window. (2026, June 17). *Pakistan Single Window wins prestigious Asia-Pacific Trade Facilitation Innovation Award 2026* [Press release]. Government of Pakistan. https://www.psw.gov.pk/media/Press%20Release/PSW%20APTFF%20Award%20-%20PR.pdf

sustaining on fee revenue (a PRs 500 subscription plus PRs 500 to PRs1,000 per goods declaration — with expenditure rising from PRs 244.92 million in FY2021 to PRs 4,331 million in FY2024 (UNECE 2024)). A cost-recovering operator with statutory audit and ministerial-level governance is a stronger institutional footing than most digital platforms assessed in this report.

Three qualifications follow. All three concern measurement rather than delivery.

The benefit figure has never been validated. Transaction times reduced by more than half and projected annual savings of $430 million in trade transaction costs are PSW's own published projections, alongside further projected savings of $5 million on information security, $20 million on operational efficiency, and $53 million on data solutions.[91] The author located no independent evaluation, audit, or cost-benefit study by any partner or oversight body. The only third-party quantification is generic benchmarking — 20% to 40% processing-time and 10% to 20% transaction-cost reductions "based on global benchmarks."[92] Five years into operation, with 1.66 million declarations processed, a projection could by now have been replaced by measurement.

The build cost is reported two ways that differ by an order of magnitude. About $67 million, reported in 2021[93], against PRs1.8 billion — roughly $5.5 million — in the UNECE repository entry[94]. The figures plausibly measure different things, total programme cost against the operating entity's build outlay, but no published source reconciles them.[95]

And the integration count is inconsistent in the operator's own reporting: 15 agencies on the PSW portal, 20 in its knowledge base. No published document establishes the target against which either should be read.

External financing for PSW is frequently misdescribed and should be stated plainly: ADB's $300 million Loan 4018-PAK of November 2020 was a policy-based operation supporting institutional strengthening (ADB 2020). No standalone investment loan financed the platform.

5.3 The customs core beneath the platform

Customs is a revenue function as well as a facilitation one, and in Pakistan the two sit in the same institution. Customs duty contributed PRs1.331 trillion in FY2026[96], alongside the substantial share of sales tax and withholding collected at the import stage. An administration whose clearance decisions carry that revenue weight faces a

[91] Pakistan Single Window. (2025). *Pakistan Single Window: Transforming trade facilitation in Pakistan* [Knowledge base article]. Government of Pakistan. https://www.psw.gov.pk/knowledge-base/pakistan-single-window-transforming-trade-facilitation-pakistan-blog

[92] United Nations Economic Commission for Europe. (2024). *Global benchmarks for trade facilitation and single window implementation*. United Nations. https://unece.org

[93] Dawn. (2021, July 14). *Pakistan Single Window project implementation cost estimated at $67 million*. Dawn. https://www.dawn.com

[94] United Nations Economic Commission for Europe. (2024). *Case study: Pakistan Single Window implementation and repository data*. United Nations. https://unece.org

[95] Recorded as discrepancy D6 in the Evidence Register. Both figures are published; neither is presented here as the cost.

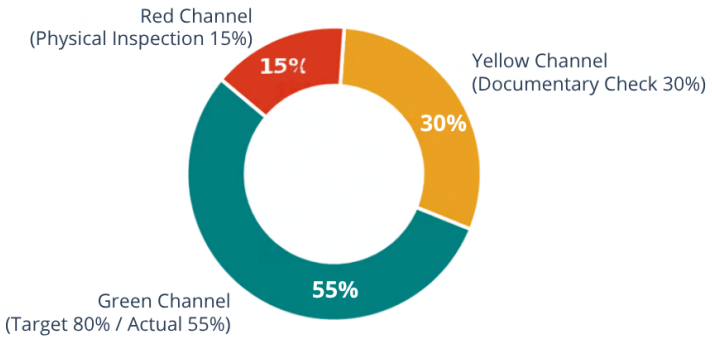
[96] Federal Board of Revenue. (2026, July 1). *Pakistan Customs posts record revenue* (Press Release PR No. 05). Government of Pakistan. https://pid.gov.pk/site/press_detail/33124

standing tension between releasing consignments quickly and scrutinising them for valuation and classification, a tension risk-based selection exists to resolve.

The single window is a front end. Behind it sits WeBOC, which began as a pilot at Port Muhammad Bin Qasim in May–June 2011 and remains the core customs management system: PSW states that WeBOC "continues to be used for Customs processes," and FBR's 2026 Transformation Plan names both as parallel platforms. The work on the development and roll out of WeBOC 2.0 is underway.[97]

Risk selection has improved substantially from the position often cited. FBR's customs reforms reporting puts green-channel clearance at 57% of import consignments and

Figure 10: Customs Clearance Channels and Where Control Sits



Note: Channel shares reflect 2023 published baseline. PCA coverage and recovery details remain unpublished.
Source: Sarfraz (2023); FBR (c.2023); Business Recorder (2025).

85% of export consignments , against an earlier split routing only 30% of consignments to green.[9899] Pakistan Customs targets 80% green channel for imports, explicitly tied to strengthening post-clearance audit.[100]

That target identifies the binding constraint precisely. Green-channel clearance transfers control from the border to post-clearance audit, so an administration can only widen the green channel as fast as its audit capability grows. Pakistan's post-clearance audit directorate has existed since 2008;[101] in August 2025 the Chief Collector Appraisement South described it publicly as "functionally weak with less strength"[102], and no coverage or recovery statistics are published. Advance goods

[97] Pakistan Single Window. (2026). *Half-yearly report: FY 2025-26 with financial statements*. Government of Pakistan. https://psw.gov.pk/media//Legal/Compliance/half-yearly-report-fy-2025-26-with-fin-st.pdf
[98] Federal Board of Revenue. (2023). *Report on FBR's customs reforms and Risk Management System performance* [Press release coverage]. Business Recorder. https://www.brecorder.com/news/40276343
[99] The earlier figure — 30% green, 49% yellow, 21% red — appears in an undated FBR tabulation that appears to predate 2021 and remains in circulation. This report uses the 2023 reporting. The full current green, yellow and red breakdown is not published.
[100] VATupdate. (2025, September 4). *Pakistan Customs aims for 80% green channel clearance to boost trade efficiency*. https://www.vatupdate.com/2025/09/04/pakistan-customs-aims-for-80-green-channel-clearance-to-boost-trade-efficiency/
[101] Federal Board of Revenue. (2008). *Establishment of the Directorate General of Post Clearance Audit* [Notification S.R.O. 503(I)/2009]. Government of Pakistan. https://www.fbr.gov.pk/directorate-general-of-post-clearance-audit-islamabad-about/594
[102] Business Recorder. (2025, August 7). *PCA is 'functionally weak with less strength': Chief Collector Customs*. https://www.brecorder.com/news/40376701

declaration filing — the mechanism that allows risk assessment before arrival — runs at 8% of filings against a target above 50% (APP 2026b).

The 23-point gap between 57% and the 80% target is therefore not a software problem. It is an audit-capacity problem with a software front end.

5.4 Faceless assessment: the reform that was measured

FBR launched the Faceless Customs Assessment system at Karachi in December 2024, through a Central Appraising Unit covering South Asia Pakistan Terminals, identifying it as a key component of the FBR Transformation Plan. The design separates the assessing officer from the trader and from knowledge of the consignment's origin, an integrity measure before it is an efficiency measure, addressing the discretionary contact points where customs corruption concentrates.

In January 2025 the Chief Collector Appraisement South reported average clearance time falling from 109 hours to 18 hours, goods declarations processed rising from 48,000 to 52,000, and a PRs61 billion revenue increase in December 2024, with expansion to Lahore and Islamabad announced for February 2025.[103]

In June 2025 an FBR review committee halted the countrywide rollout. It found average clearance time had risen 57%, from 25.6 hours in November 2024 to 40.2 hours, peaking at 46 hours in April 2025; assessment-plus-examination cases moving from 74 to 81 hours; the share cleared within 48 hours falling from 84% to 70%; importer appeals rising from 6% to 14%; referrals to senior officers doubling to 11%; and duties and taxes falling between 2% and 23% from February to April 2025.[104] The committee "does not recommend implementation of further phases or rollout of FCA unless its efficacy is confirmed through other means or with larger datasets, or its design is reviewed" (Express Tribune, 2025).

In July 2026 FBR stated that clearance time had fallen from 53 hours to 18 hours, targeting 12 hours within one to two years.[105]

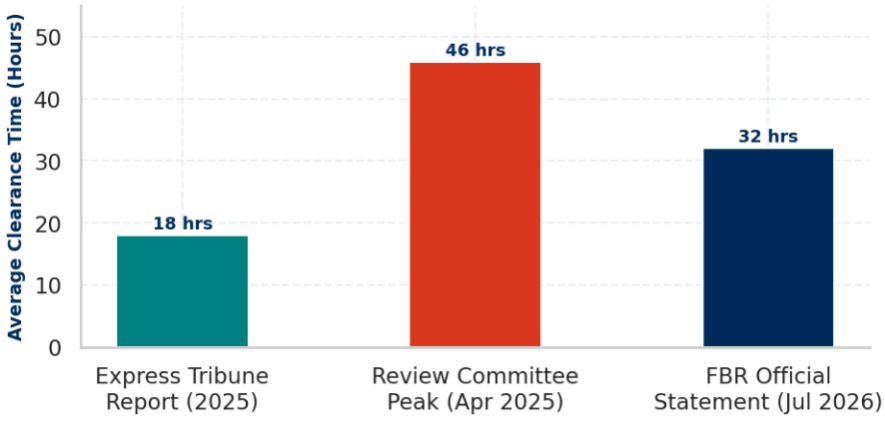
[103] Business Recorder. (2025, January 23). *Faceless Customs System slashes clearance time to 18 hours, adds Rs61bn to revenue* [Reporting on statements by Chief Collector Customs Appraisement South]. https://www.brecorder.com/news/40404042

[104] Rana, S. (2025, June 15). *Faceless customs system rollout halted on flaws*. The Express Tribune. https://tribune.com.pk/story/2550879/faceless-customs-system-rollout-halted-on-flaws

[105] Associated Press of Pakistan. (2026, July 9). *Maritime Task Force reforms boost customs efficiency, trade facilitation: FBR*. https://www.app.com.pk/business/maritime-task-force-reforms-boost-customs-efficiency-trade-facilitation-fbr/

Three published baselines for the same reform at the same port: 109 hours, 25.6 hours, and 53 hours.[106] No published source reconciles them, none states measurement start and stop points, and the June 2025 review committee report does not appear to have been published. The absence of a Pakistan Time Release Study conducted to World Customs Organization methodology — none has been published, announced, or referenced in WCO, FBR or partner sources — is what allows three

Figure 11: Official Accounts of Faceless Customs Assessment at Karachi



Note: Discrepancies exist across official reporting. Review committee baseline peaked at 46 hours before rollout was halted.
Source: The Express Tribune (2025); FBR Statement (July 2026).

institutional actors to report incompatible numbers for the same system without contradiction being resolvable.

What became of the reform can now be stated. Faceless assessment and examination remain in force at the Karachi International Container Terminal and South Asia Pakistan Terminals as of July 2026.[107] No published record establishes that it was ever extended to Lahore, Islamabad, or Port Qasim despite the February 2025 announcement. The FBR Chairman restated in August 2026 that Customs "would increasingly become technology-driven and faceless," announcing no port expansion and giving no clearance-time data.[108] The Budget 2026-27 extends the faceless principle to adjudication through virtual proceedings.[109]

So the reform was neither abandoned nor scaled. It runs where it started, eighteen months after a review recommended against further phases pending design review or better evidence. It dropped out of public reporting after September 2025.

The halt itself deserves credit. A review that measured a digital reform six months after launch, found performance regression, and stopped the national rollout is functioning governance, and on the evidence assembled for this report it is the only instance in Pakistan's digital reform record where that sequence is documented.

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[106] All three figures are published and attributed to Pakistan Customs or FBR sources; none is presented here as an error. The assessment reports the divergence rather than selecting between the accounts.

[107] Radio Pakistan. (2026, July 18). *Maritime Reforms boost Karachi Port operations*. https://www.radio.gov.pk/18-07-2026/maritime-reforms-boost-karachi-port-operations

[108] Radio Pakistan. (2026, August 20). *Pakistan Customs to increasingly become technology-driven, faceless: Chairman FBR*. https://www.radio.gov.pk/20-08-2026/pakistan-customs-to-increasingly-become-technology-driven-faceless-chairman-fbr

[109] Government of Pakistan. (2026). *The Finance Act, 2026 (Act No. XLIII of 2026)* [Published in the Gazette of Pakistan, Extraordinary, June 26, 2026]. Federal Board of Revenue. https://download1.fbr.gov.pk/Docs/20266291261044366FinanceAct2026.pdf

Chapter 3 recorded the opposite pattern: a retailer registration scheme abandoned after minimal uptake with no published review, and a donor programme whose outcome target was revised downward rather than whose design was revisited.

5.5 System integrity and continuity

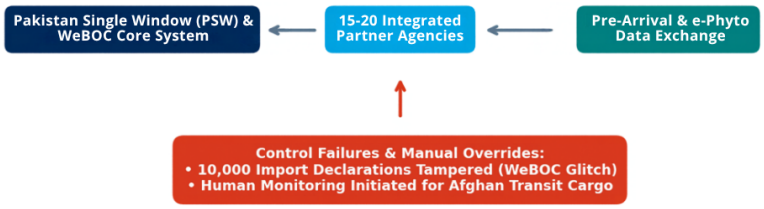
Two published incidents establish that the control environment around Pakistan's customs platforms has not kept pace with their consolidation.

More than 10,000 goods declarations were altered because WeBOC carried no backend validation of changes to submitted declarations, a gap present allegedly since 2015 and discovered only in March 2025.[110] The PSW chief executive recommended criminal referrals; the Prime Minister's Inspection Commission accepted the matter as a technical malfunction (Express Tribune, 2025).

Separately, when FBR replaced the incumbent electronic tracking licensee for Afghan transit cargo in December 2024, the four replacement firms were selected without competitive bidding from evaluations conducted four years earlier.[111] FBR's own Director General acknowledged that the firms "specialise in vehicle tracking, not container monitoring" and lack container security devices, installing prime mover devices instead (Express Tribune, 2025). The outgoing operator attributed the disruption in part to a cyberattack on its systems in mid-2024 (Express Tribune, 2025).

Neither incident is a systems-failure story in the ordinary sense. The first is a decade-long absence of an application control on the national clearance platform; the second is a documented downgrade in tracking capability procured outside competition. Both concern governance of digital systems rather than the systems themselves.

Figure 12 : National Trade Platforms: Connections, Control Failures, and Continuity



Note: No published source states disaster recovery or business continuity arrangements for either platform.
Source: PSW Portal (2026); Profit (2025, 2026); The Express Tribune (2025).

On continuity, the published record is silent. The author found no statement of disaster recovery, business continuity, or resilience arrangements for WeBOC or PSW in FBR, PRAL, PSW, Auditor-General, or partner project documents. Pakistan clears essentially all of its formal international trade through two platforms processing over 1.5 to 2 million declarations, and the WTO records the single window as the implementing

[110] Rana, S. (2025, July 24). 10,000 import declarations tampered due to WeBOC 'glitch'. *The Express Tribune*. https://tribune.com.pk/story/2557569/10000-import-declarations-tampered-due-to-weboc-glitch
[111] Rana, S. (2025, January 9). FBR opts for human monitoring of Afghan cargo. *The Express Tribune*. https://tribune.com.pk/story/2520903/fbr-opts-for-human-monitoring-of-afghan-cargo

mechanism for its Article 10.4 obligation.[112] Concentration of a national trade function in unified digital platforms converts a formerly distributed manual process into a single operational dependency. That the resilience posture of that dependency is not publicly verifiable is the finding.

5.6 Cross-border digitalization: what exists and what is missing

The 2025 gap between domestic paperless trade at 88.89% and cross-border paperless trade at 55.56%[113] is narrower in substance than it was when this assessment began, because Pakistan has more operating cross-border exchange than the earlier record showed.

Electronic certificates of origin are issued through a PSW module with the Trade Development Authority, carrying digital signature and QR code, extended in 2025 to export processing zones and to EU-REX registration.[114] Electronic phytosanitary certification operates in both directions: over 10,000 ePhytos transmitted for exports since November 2023, and import ePhytos received from 77 countries, with release orders issued on the ePhyto number alone.[115] And in February 2026 Pakistan and Uzbekistan launched electronic pre-arrival customs data exchange — the first such arrangement Pakistan operates — extended in August 2026 to transit data, risk management cooperation, and discussion of authorized economic operator mutual recognition.[116]

One instrument is conspicuously absent. Pakistan is not a party, signatory, or acceding state to the UNESCAP Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific, in force since February 2021, whose 15 parties include China, Bangladesh, Iran, the Republic of Korea, and Thailand. The framework is the region's principal legal instrument for mutual recognition of trade-related electronic data and documents. Building bilateral exchanges one partner at a time, as the Uzbekistan arrangement does, is slower than acceding to a multilateral framework designed for the purpose. Pakistan's cross-border score sits below its regional peers in roughly the pattern that difference would predict.

The trusted-trader agenda remains the other gap. The authorized economic operator programme's published pilot covered a single company for export operations, and no accreditation count has been published for 2025 or 2026. No Pakistan AEO mutual

[112] World Trade Organization. (n.d.). *Operation of the single window - Pakistan*. Trade Facilitation Agreement Database. Retrieved September 7, 2026, from https://tfadatabase.org/members/pakistan/article-10-4-3
[113] United Nations Economic and Social Commission for Asia and the Pacific, United Nations Economic Commission for Africa, United Nations Economic Commission for Europe, United Nations Economic Commission for Latin America and the Caribbean, & United Nations Economic and Social Commission for Western Asia. (2025). *United Nations global survey on digital and sustainable trade facilitation 2025*. United Nations. https://www.untfsurvey.org
[114] Pakistan Single Window. (2025). *Enhancing trade efficiency: PSW introduces E-CO for EPZs & EU-REX registration*. The View - PSW Quarterly Newsletter January to March 2025. https://www.psw.gov.pk/view-psw-quarterly-newsletter-March-2025-ECO
[115] Business Recorder. (2024, January 31). PSW starts receiving e-Phytos on imports of agri goods. Business Recorder. https://www.brecorder.com/news/40286547
[116] Pakistan Today. (2026, August 3). *Pakistan, Uzbekistan expand digital customs ties*. https://www.pakistantoday.com.pk/2026/08/03/pakistan-uzbekistan-move-to-widen-digital-customs-cooperation

recognition arrangement with any country could be verified. AEO is the instrument that makes a wide green channel safe; section 5.3 showed why that matters.

5.7 Transit: the corridor that closed

Pakistan's transit position deteriorated sharply during the assessment period, and no amount of digitalization addresses the cause.

Pakistan closed the Torkham and Chaman crossings to Afghan trade and transit in October 2025 following armed clashes.[117] Commercial traffic remained suspended for roughly 300 days, with only United Nations humanitarian cargo authorised after about 50 days. Afghanistan has conditioned reopening on guarantees against future closures.[118]

Border performance was weak before the closure. The most recent CAREC corridor dataset, covering 2023 and published in August 2025, records Torkham outbound border-crossing time at 30.0 hours, up 24% year on year, inbound at 19.0 hours, up 22%, and Chaman outbound at 48.3 hours, the third most time-consuming road border crossing point in the CAREC network, driven by a high incidence of full physical examination.[119]

The digital capability at those crossings moved backwards, as section 5.5 records. Against that, FBR contracted the design of a National Cargo Tracking System and e-Bilty in March 2026,[120] World Bank financed under the Pakistan Raises Revenue programme and led by the National Targeting Centre, with full implementation stated at up to three years. The instrument is the right one. It arrives after the tracking capability it replaces was degraded, and after the corridor it would serve closed.

The wider corridor picture is mixed. The Islamabad–Tehran–Istanbul TIR corridor, launched in 2021, cut transit from 25 to 40 days by sea to as little as six days (IRU 2021),[121] though no carnet or operator volumes have been published since. Khunjerab Pass opened for year-round operation[122] in April 2025 with no bilateral electronic data exchange announced. Gwadar entered transhipment at negligible scale in early 2026. Pakistan Railways launched[123] its first digital manifest system in May 2026 with no

[117] Arab News. (2025, October 12). Pakistan-Afghan border crossings closed after heavy clashes. *Arab News*. https://www.arabnews.pk/pakistan/pakistan-afghan-border-crossings-closed-after-heavy-clashes-2618607

[118] Arab News. (2025, December 4). Afghanistan ties reopening of Pakistan trade routes with guarantees against future closures. *Arab News*. https://www.arabnews.pk/pakistan/afghanistan-ties-reopening-of-pakistan-trade-routes-with-guarantees-against-future-closures-2625024

[119] Asian Development Bank & Central Asia Regional Economic Cooperation Program. (2025). *CAREC corridor performance measurement and monitoring annual report 2023*. https://cpmm.carecprogram.org/resources/carec-corridor-performance-measurement-and-monitoring-annual-report-2023/

[120] Dawn. (2026, March 6). Pakistan moves to digital cargo tracking. *Dawn*. https://www.dawn.com/news/1978938

[121] International Road Transport Union. (2021, October 8). *TIR slashes 80% off transit time with new Pakistan-Iran-Turkey corridor*. https://www.iru.org/news-resources/newsroom/tir-slashes-80-transit-time-new-pakistan-iran-turkey-corridor

[122] Dawn. (2025, April 23). Khunjerab Pass opens for year-round trade and travel. *Dawn*. https://www.dawn.com/news/1906063/khunjerab-pass-opens-for-year-round-trade-and-travel

[123] The Express Tribune. (2026, May 25). Railways launches digital transformation drive. *The Express Tribune*. https://tribune.com.pk/story/2609944/railways-launches-digital-transformation-drive

stated customs or single-window integration. ADB approved a $400 million[124] regional border facility covering 11 CAREC countries including Pakistan in August 2026, with digital systems components and no published Pakistan allocation, adding to its 2015 border services project modernising Chaman, Torkham and Wagah.

5.8 What the numbers now show, and what they still cannot

The measurement position improved during this assessment and remains uneven.

Port and corridor performance can now be stated. Pakistan's logistics sector accounts for 15.6% of GDP, against about 8.2% in the United States and 8.5% in Singapore and Japan.[125] Port dwell time runs at 6.4 days for imports and 5.7 days for exports, against India's 2.6 and 4.6 (FPCCI, 2025). Karachi Port handled 55.44 million tonnes and 2.75 million TEUs in FY2026, up 2.76% and 3.67%[126] , against capacity utilisation reported at about a third. Border crossing times are published through CPMM, if only to 2023.

Clearance time cannot be stated. Three official baselines differ by a factor of four, no methodology is published, and no Time Release Study exists. Pakistan remains unranked in the Logistics Performance Index, its last reading being 2018, and the Doing Business series that supplied border-compliance times was discontinued. PSW's savings remain projected rather than measured. The green-channel split is published as a single 2023 figure without the yellow and red breakdown, and no annual goods-declaration volume is published.

For a reform agenda whose economic justification rests on trade-time and transaction-cost savings with revenue effects being transfers and not economic benefits, the missing measure is precisely the one the case depends on.

5.9 Pillar verdict

Trade facilitation is where Pakistan's digital transformation has delivered most, where the institutional design is soundest, and where the measurement failure is most consequential.

The single window is a genuine national achievement: statutorily grounded, governed at ministerial level with Auditor-General oversight, self-sustaining on fees, satisfying a WTO obligation since June 2022, internationally recognised in 2026, and processing 1.5 to 2.0 million declarations for 104,792 subscribers on transaction-based indicators that do not carry the registration discount running through the rest of this assessment. Cross-border exchange is further advanced than the earlier record showed — electronic certificates of origin, ePhyto in both directions with 77 countries, and a first

[124] The Express Tribune. (2026, August 28). ADB okays $400m regional border plan. *The Express Tribune*. https://tribune.com.pk/story/2626129/adb-okays-400m-regional-border-plan

[125] Federation of Pakistan Chambers of Commerce and Industry. (2025). *Pakistan's logistics performance and its impact on trade competitiveness* [Policy brief]. Policy Advisory Board, FPCCI. https://fpcci.org.pk/fpcci-calls-for-urgent-reforms-to-modernize-pakistans-logistics-sector-and-boost-trade-competitiveness-atif-ikram-sheikh-president-fpcci/

[126] Business Recorder. (2026, August 1). KPT handles 55.44mt of cargo in FY26. *Business Recorder*. https://www.brecorder.com/news/40432804/kpt-handles-5544mt-of-cargo-in-fy26

pre-arrival customs data exchange with Uzbekistan. Green-channel clearance at 57% of imports is a substantial improvement on the position usually cited.

The limits are specific and mostly institutional. Widening the green channel to the 80% Customs targets requires a post-clearance audit function its own Chief Collector calls functionally weak, and advance declaration filing at 8% against a 50% target. The trusted-trader programme remains at pilot scale with no mutual recognition anywhere. Pakistan has not joined the regional framework agreement that would let it recognise partners' electronic documents multilaterally instead of one bilateral arrangement at a time. Eleven Category C commitments have been rescheduled to 2027 with no notified financing. The flagship faceless assessment reform runs at its original two terminals eighteen months after a review recommended against expansion, having left public reporting. Two published control failures show a governance lagging platform consolidation; a decade without validation of declaration changes, and a transit-tracking downgrade procured outside competition. No published statement establishes continuity arrangements for either platform.

And the corridor that gives Pakistan its transit rationale has been closed for roughly 300 days.

The assessment for this pillar: strong platform delivery on sound institutional foundations, constrained by audit capacity rather than technology, undermined by a measurement vacuum at the one point where the economic case must be proved, and overtaken on the transit side by events that no digital system addresses.

Chapter 6 — Pillar IV: International Cooperation

6.1 Tax transparency: instruments in place, follow-through unmeasured

Chapter 1 treated international cooperation as an enabler and a constraint for the other three pillars, not a separate reform track. This chapter tests how much of that enabling potential the published record can show has been used. Pakistan joined the international tax transparency architecture early relative to its administrative capacity. It signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters on 14 September 2016, having been rated Largely Compliant in its first-round peer review on exchange of information on request.[127] It signed the Multilateral Instrument and the Common Reporting Standard Multilateral Competent Authority Agreement in 2017[128], and participates in the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting, including Action 13 country-by-country reporting peer reviews.[129] The Global Forum published Pakistan's second-round combined peer review in November 2023.[130]

Automatic exchange began in September 2018. The early yield was substantial: through the first exchange rounds Pakistan received data on more than 152,000 offshore bank accounts held by 57,450 persons, involving approximately $7.5 billion in deposits, with 44 jurisdictions sharing data by October 2019.[131]

What Pakistan did with that data is not established in published sources. The author found no published figure for assessments raised, revenue recovered, or cases concluded from automatic exchange information in the eight years since exchanges began.

That gap is the same one Chapter 3 identified in the domestic third-party data programme, where 1.35 million potential taxpayers were identified through data integration with no published record of how many were subsequently assessed. The pattern now appears in both the domestic and international data streams: Pakistan has built or joined the mechanisms that generate taxpayer information at scale, and publishes nothing on the conversion of that information into assessment. For automatic exchange the omission is more consequential, because the data concerns high-value offshore holdings, precisely the population where assessment capacity, legal authority, and political will are most tested, and where $7.5 billion in identified deposits sets a measurable expectation.

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[127] OECD/Global Forum on Transparency and Exchange of Information for Tax Purposes. (2016). *Global Forum on Transparency and Exchange of Information for Tax Purposes: Pakistan 2016 (Phase 2): Implementation of the standard in practice*. OECD Publishing. https://doi.org/10.1787/9789264258839-en

[128] OECD. (2017). *Signatories and parties to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting*. OECD/G20 Base Erosion and Profit Shifting Project. https://www.oecd.org/en/topics/sub-issues/beps-multilateral-instrument.html

[129] OECD. (2019). *Country-by-country reporting – compilation of peer review reports (phase 2): Inclusive framework on BEPS: Action 13*. OECD Publishing. https://doi.org/10.1787/f9bf1157-en

[130] Organisation for Economic Co-operation and Development. (2023). *Global Forum on Transparency and Exchange of Information for Tax Purposes: Pakistan 2023 (Second Round, Combined Review): Peer review report on the exchange of information on request*. OECD Publishing. https://doi.org/10.1787/c1pieaaqbaj

[131] The Express Tribune. (2019, October 5). OECD gives data of Pakistanis' offshore accounts. *The Express Tribune*. https://tribune.com.pk/story/2072566/oecd-gives-data-pakistanis-offshore-accounts

One structural tension deserves recording. Participation in automatic exchange obliges a jurisdiction to meet confidentiality and data-safeguard standards. Pakistan meets those obligations for exchanged tax data while having no comprehensive domestic data protection statute in force, the Personal Data Protection Bill remaining a draft as of 2026, and while moving toward data localization requirements through the Cloud First Policy implementation and the draft National Data Governance Policy. Tax-specific confidentiality regimes and general data protection law are distinct instruments, and the former does not require the latter. The combination nonetheless leaves Pakistan exchanging sensitive financial data internationally under a domestic legal framework that its own draft legislation has, for three years, proposed to replace.

6.2 Customs cooperation: old accessions, current deficits

Pakistan has been a member of the World Customs Organization since 16 November 1955 and acceded to the Revised Kyoto Convention on 1 October 2004. Its Authorized Economic Operator programme rests on section 212A of the Customs Act 1969 and implements a core pillar of the WCO SAFE Framework of Standards. It acceded to the TIR Convention in July 2015, joined the CAREC Program in 2010 with its network on Corridors 5 and 6, and pursues paperless trade through the single window.

The instruments are long-standing. The operational deficit is current and specific: cross-border paperless trade scored 55.56% in the 2025 United Nations Global Survey against 88.89% for domestic paperless trade (UNESCAP, 2025), and 11 Trade Facilitation Agreement measures remain in Category C with commitments rescheduled to 31 December 2027, two notifications overdue, six extension requests pending, and no technical assistance notified against any of them.

Accession is not implementation, and the distinction operates differently here than elsewhere in this report. Pakistan's customs cooperation instruments were signed decades ago and give it standing to negotiate the electronic exchange arrangements that would close the cross-border gap. Some now operate: electronic certificates of origin issued through the single window, electronic phytosanitary certification exchanged with 77 countries, and a first pre-arrival customs data exchange with Uzbekistan launched in February 2026 (Chapter 5). What is missing is the multilateral instrument. Pakistan is not a party, signatory, or acceding state to the UNESCAP Framework Agreement on Facilitation of Cross-border Paperless Trade, in force since February 2021, whose 15 parties include China, Bangladesh, Iran, the Republic of Korea, and Thailand. That agreement is the region's principal legal vehicle for mutual recognition of trade-related electronic data. Building exchanges one bilateral arrangement at a time, as Pakistan does, is the slower path to the same destination, and no AEO mutual recognition arrangement with any country could be verified.

6.3 Financial integrity: the counter-example

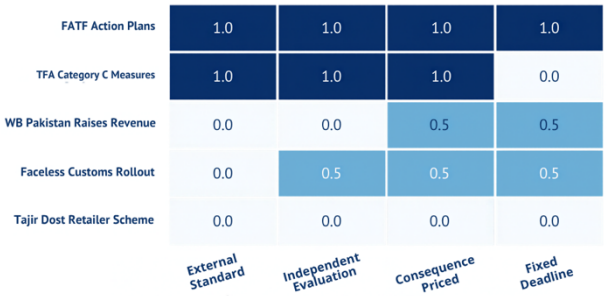
The Financial Action Task Force removed Pakistan from its list of jurisdictions under increased monitoring on 21 October 2022, after Pakistan completed 34 action items across two action plans agreed in 2018 and 2021.[132]

[132] Financial Action Task Force. (2022). *Outcomes FATF Plenary, 20-21 October 2022*. FATF. https://www.fatf-gafi.org/en/publications/Fatfgeneral/Outcomes-fatf-plenary-october-2022.html

This is the clearest documented case in the entire evidence base of Pakistan completing a difficult, multi-year institutional reform against an external standard. It is worth stating why it worked, because the contrast with the domestic record is instructive.

The FATF process had four features absent from most of the reforms assessed in Chapters 3 to 5. The criteria were defined externally and specifically: 34 enumerated items, not a headline ratio. Progress was assessed by an outside body on a published schedule. The consequence of failure was concrete and priced by markets, in correspondent banking access and transaction costs. And the deadline could not be renegotiated downward.

Figure 13 : Conditions Present in Selected Reforms



Note: Key: 1.0 present; 0.5 partial; 0.0 absent/not established. FATF reform met all 4 conditions successfully.
Source: FATF (2022); WTO (2026); World Bank (2024); Express Tribune (2025).

Compare the domestic record. The retailer registration scheme was voluntary, carried no credible consequence for non-participation, and registered under 75,000 traders against a PRs50 billion projection. The World Bank revenue programme's outcome target was revised downward at restructuring rather than its design revisited. The faceless customs rollout was halted on measured regression, which was the correct response, but the measurement baseline itself proved unsettled.

Pakistan delivers institutional reform when the standard is external, the assessment independent, the consequence real, and the deadline fixed. That finding shapes the recommendations in Chapter 7 more than any other in this report, and it applies directly to the 11 outstanding Category C trade facilitation measures which have three of those four features, lacking only a concrete consequence.

6.4 The partner architecture

Four external programmes now finance or condition Pakistan's revenue and digital government reform, and a fifth is under preparation.

The IMF Extended Fund Facility, approved 25 September 2024 at SDR5,320 million over 37 months, supplies the conditionality frame[133], with reviews completed in May

[133] International Monetary Fund. (2024, September 27). *IMF Executive Board concludes 2024 Article IV consultation for Pakistan and approves 37-month extended arrangement* [Press release No. 24/343]. https://www.imf.org/en/news/articles/2024/09/27/pr-24343-pakistan-imf-concludes-2024-aiv-consultation-pakistan-approves-37-mo-extended-arr

2025[134] and May 2026[135]. The World Bank's Pakistan Raises Revenue programme runs to $470 million following additional financing in May 2025[136], and its Digital Economy Enhancement Project was approved at $78 million in March 2024[137]. The World Bank Group's ten-year Country Partnership Framework for FY2026–FY2035, announced 14 January 2025, targets a tax-to-GDP ratio above 15%, with an indicative $20 billion in lending over the decade as reported.[138] The United Kingdom's Revenue Mobilisation, Investment and Trade programme provides technical assistance toward an 18% of GDP ambition (FCDO 2026). ADB launched its Country Partnership Strategy for Pakistan 2026–2030 on 18 March 2026 with digital transformation, governance, and regional cooperation as crosscutting themes[139], has a proposed $200 million concessional loan for revenue administration digitalization pending approval[140], and in August 2026 approved a $400 million regional border facility covering 11 CAREC

[134] International Monetary Fund. (2025, May 9). *IMF Executive Board completes first review of the Extended Fund Facility arrangement with Pakistan and approves the request for an arrangement under the Resilience and Sustainability Facility* [Press release No. 25/137]. https://www.imf.org/en/news/articles/2025/05/09/pr-25137-pakistan-imf-completes-1st-rev-of-eff-arrang-and-approves-req-for-arrang-under-rsf

[135] International Monetary Fund. (2026, May 8). *IMF Executive Board completes third review of the Extended Arrangement under the Extended Fund Facility and second review of the arrangement under the Resilience and Sustainability Facility with Pakistan* [Press release No. 26/147]. https://www.imf.org/en/news/articles/2026/05/08/pr-26147-pakistan-imf-completes-3rd-rev-of-extended-arrangement-under-eff-and-2nd-rev-arrang-rsf

[136] World Bank. (2025, June 11). *Pakistan: World Bank expands support for tax revenue project to boost fiscal sustainability* [Press release]. https://www.worldbank.org/en/news/press-release/2025/05/29/pakistan-world-bank-expands-support-for-tax-revenue-project-to-boost-fiscal-sustainability

[137] World Bank. (2024, March 21). *Pakistan: Two new World Bank projects to support the digital economy and increase resilience to floods* [Press release]. https://www.worldbank.org/en/news/press-release/2024/03/21/pakistan-two-new-world-bank-projects-to-support-the-digital-economy-and-increase-resilience-to-floods

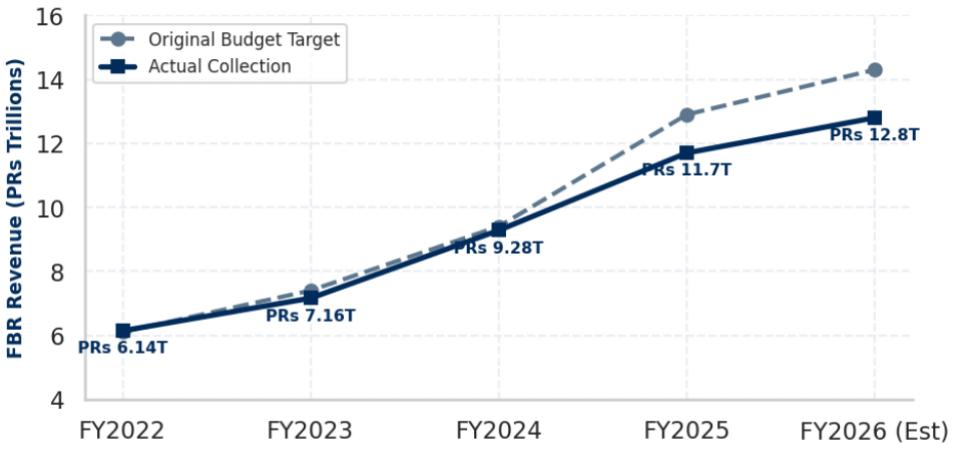
[138] Dawn. (2025, January 15). World Bank pledges $20bn to Pakistan under 10-year partnership framework. *Dawn*. https://www.dawn.com/news/1885337

[139] Asian Development Bank. (2026, March 18). *ADB launches new country partnership strategy for Pakistan to promote sustainable and inclusive growth* [News release]. https://www.adb.org/news/adb-launches-new-country-partnership-strategy-pakistan-promote-sustainable-and-inclusive

[140] ProPakistani. (2026, September 4). ADB announces $200 million more loan to modernize Pakistan's revenue administration. *ProPakistani*. https://propakistani.pk/2026/09/04/adb-announces-200-million-more-loan-to-modernize-pakistans-revenue-administration/

countries including Pakistan, with digital systems components and no published Pakistan allocation (Express Tribune 2026d).

Figure 14 : Revenue Targets and Actuals on One Axis



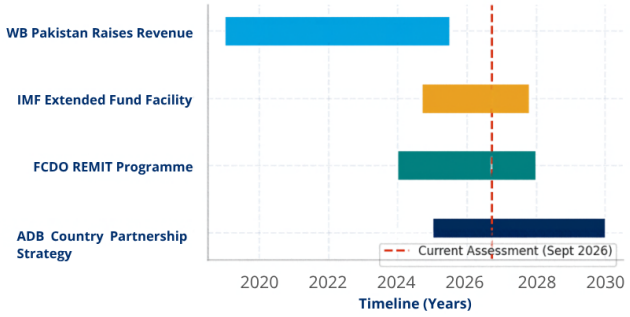
Note: Shows recurring shortfall between ambitious original budget projections and actual tax collection.
Source: FBR Revenue Division Yearbooks; IMF Country Reports (2024-2026).

Two problems follow from that list, and neither is about the quantity of assistance.

The first is target incoherence. The World Bank framework targets above 15%, the UK programme works toward 18%, the IMF programme targets roughly 15.4% on a general government basis, and FBR collections stood at 10.3% of GDP in FY2025. These are not all the same measure, the IMF figure covers general government revenue while the FBR ratio covers FBR collections only, but they are presented to the same government, for the same reform agenda, without a published reconciliation. Chapter 3 recorded what happens when a target is set without regard to the trajectory: the World Bank programme's revised 8.8% target was exceeded by factors outside the programme's control, and stopped functioning as an accountability instrument. A reform agenda anchored to four differently-constructed targets is exposed to the same failure at larger scale.

The second is absorptive capacity. Every one of these programmes executes principally through FBR. The capacity constraint documented in Chapter 3, a technology partner short of current skills, an in-house transformation team in the low tens of staff, and management turnover breaking reform continuity, is the same constraint for all of them simultaneously. Sequencing across programmes is therefore not a coordination nicety but the determinant of whether any of them delivers, and the authors found no published joint sequencing framework among the partners.

Figure 15 : Partner Programmes Supporting Revenue and Digital Reform, 2024-2030



Note: Bars show active operating windows. IMF facility runs for 37 months from September 2024 approval.
Source: IMF (2024); World Bank (2024, 2025); FCDO (2026); ADB (2026).

6.5 Pillar verdict

Pakistan's international cooperation position is stronger on paper than any other pillar in this assessment, and its published record of converting that position into domestic result is the thinnest.

The instruments are comprehensive and mostly long-held: WCO membership since 1955, the Revised Kyoto Convention since 2004, TIR since 2015, the multilateral tax convention since 2016, the BEPS Inclusive Framework and CRS exchanges since 2017–2018, CAREC since 2010, and a completed FATF action programme in 2022. Few economies at Pakistan's income level hold a comparable set.

The deficits are operational. Eight years of automatic exchange data, including 152,000 offshore accounts and $7.5 billion in identified deposits, have produced no published record of assessment or recovery. Cross-border paperless trade sits 33 percentage points below domestic paperless trade, and Pakistan has not joined the regional framework agreement that would let it recognise partners' electronic documents multilaterally. Eleven Category C trade facilitation measures have been rescheduled to 2027 with no notified financing. And the partner architecture financing the reform anchors to four differently-constructed revenue targets, all executing through one capacity-constrained agency, with no published sequencing framework.

The FATF episode establishes that the constraint is not capability. When the standard was external, the assessment independent, the consequence priced, and the deadline fixed, Pakistan completed 34 action items across two action plans in four years. The assessment for this pillar: Pakistan's international commitments are an underused asset, and the binding constraint on realizing them is domestic follow-through, for which the FATF process supplies a working template that the tax transparency and trade facilitation agendas have not adopted.

Chapter 7 — Findings and Recommendations

7.1 How these findings are constructed

Each finding below draws on at least two pillars and rests on published sources cited throughout the report. Findings about what Pakistan has built are separated from findings about what the published record can demonstrate, because in several places the two diverge and the divergence is itself the finding.

Four findings form the spine. F1 and F2 concern a measurement habit and an institutional gap that recur in every pillar. F3 concerns the evidentiary base itself and conditions everything else. F4 identifies the one pattern in the record that reliably distinguishes reforms Pakistan completes from reforms it abandons, and it supplies the organizing logic for the recommendations.

7.2 Findings

F1 — Registration counts systematically overstate participation, in every domain where an independent measure exists to check them.

Tax filers rose from 4.5 million to 7.2 million in a year, while 39% of tax year 2024 returns were nil. Registered mobile-money accounts number 126.8 million; survey-measured account ownership is 27.3% of adults. The corporate registry holds 258,000 companies against roughly 5.2 million enterprises and 80.8% informal employment. Administrative financial inclusion is reported at 67% against the same survey's 27.3%.

The gap runs in the flattering direction every time. Where the indicator is transaction-based rather than registration-based, it does not: the single window's 1,658,678 processed declarations are completed transactions by construction. The problem is the choice of indicator, not the honesty of the reporting.

F2 — Identification runs far ahead of assessment, and the conversion rate is unpublished in every stream.

Third-party data integration identified about 1.35 million potential taxpayers by November 2024, with no published record of how many were assessed. Automatic exchange of information has delivered data on more than 152,000 offshore accounts held by 57,450 persons, involving roughly $7.5 billion in deposits, since 2018 with no published record of assessments raised or revenue recovered in eight years. The compliance risk management framework that would convert both was an IMF structural commitment for end-December 2024 (DR, and its implementation outcome is likewise unpublished.

Pakistan's revenue administration can see considerably more than it can assess. Further analytical capacity raises revenue only at the margin where assessment capacity binds, and that margin is where the constraint currently sits.

F3 — Measurement infrastructure decayed precisely as the reform effort intensified. This finding conditions all the others.

Pakistan was not ranked in the 2023 Logistics Performance Index; its last available reading is 2018. Doing Business, which supplied the trade-time and compliance-burden benchmarks, was discontinued . No Time Release Study to World Customs

Organization methodology has been published. Business tax compliance was last measured at about 283 hours annually in a discontinued 2020 series, before digital invoicing, point-of-sale integration, and e-commerce withholding changed it in opposing directions. The customs channel split is published as a single 2023 figure without the yellow and red breakdown, and the undated pre-2021 tabulation remains in circulation. The single window's $430 million annual savings figure remains an unvalidated projection five years into operation, with no partner or oversight evaluation located and only generic benchmark ranges available from third parties ; its build cost is published two ways differing by an order of magnitude, and its integration count is inconsistent in the operator's own reporting.

Three published Pakistan Customs and FBR accounts of the same reform at the same port give pre-reform clearance baselines of 109 hours, 25.6 hours, and 53 hours. No published source reconciles them, none states measurement start and stop points, and no Pakistan Time Release Study to World Customs Organization methodology has ever been published, announced, or referenced.

Several recommendations below cannot be monitored until this is addressed. That is why it is stated third rather than tenth.

F4 — Pakistan completes institutional reform when the standard is external, the assessment independent, the consequence priced, and the deadline fixed. It does not otherwise.

Pakistan exited the Financial Action Task Force grey list in October 2022 after completing 34 enumerated action items across two action plans agreed in 2018 and 2021. All four conditions held.

Where they did not: the retailer registration scheme was voluntary and carried no credible consequence, registering under 75,000 traders against a PRs50 billion projection before being replaced; and the flagship donor revenue programme had its outcome target revised down at restructuring to 8.8%, a level subsequently exceeded by factors outside the programme's control, with its track-and-trace indicator cut from ten sectors to five.

The variable that separates these cases is not political will, capacity, or technology. It is the design of the accountability structure around the reform.

F5 — Digital public infrastructure operates at frontier standard; the government service layer built on it does not.

Adult identity registration reaches 98.3% . Digital channels carry 88% of retail payment transactions . Raast processed close to 2 billion transactions in 2025. Networks are 95% 4G-enabled across more than 200 million subscribers.

Against that: Pakistan ranks 136th of 193 on the UN E-Government Development Index, collects 10.3% of GDP in FBR revenue, reaches 27.3% of adults with a financial account on survey measurement, files 8% of goods declarations in advance against a target above 50%, and carries logistics costs of 15.6% of GDP with port dwell times roughly two and a half times India's.

The returns to further infrastructure procurement are lower than the returns to institutional change, and the evidence for that proposition is the distance between those two lists.

F6 — Cross-border digitalization lags domestic digitalization by roughly 30 points, and closing it requires negotiation rather than procurement.

Domestic paperless trade scored 88.89% in 2025; cross-border paperless trade scored 55.56%. Eleven Trade Facilitation Agreement measures remain in Category C, rescheduled to 31 December 2027, with two notifications overdue, six extension requests pending, and technical assistance unnotified for all eleven.

Some exchange now operates: electronic certificates of origin through the single window, ePhyto in both directions with 77 countries, and a first pre-arrival customs data exchange with Uzbekistan from February 2026. What is missing is the multilateral instrument. Pakistan is not a party to the UNESCAP Framework Agreement on Cross-border Paperless Trade, in force since 2021, whose parties include China, Bangladesh, Iran, the Republic of Korea and Thailand, and no AEO mutual recognition arrangement with any country could be verified.

F7 — Four development partners finance overlapping reform through one capacity-constrained agency, against four differently-constructed revenue targets.

The World Bank's country framework targets a ratio above 15%; the UK programme works toward 18%; the IMF programme targets roughly 15.4% on a general government basis; FBR collections stood at 10.3%. These measure different things and are presented to one government for one agenda without published reconciliation. Programmes include an IMF facility of SDR5,320 million, a World Bank revenue programme at $470 million, a digital economy project at $78 million, UK technical assistance, and a proposed ADB revenue operation at $200 million.

All execute principally through FBR, against the capacity constraint documented in Chapter 3. No published joint sequencing framework exists. F4 predicts the consequence: where targets are numerous and differently constructed, the binding one becomes whichever is easiest to report against.

F8 — Data localization obligations are advancing ahead of the data protection statute, and the apex digital institution has not convened.

Pakistan has no comprehensive data protection law in force; the Personal Data Protection Bill has been a draft since May 2023. Localization is nonetheless proceeding through Cloud First Policy implementation and the draft National Data Governance Policy 2026. The Digital Nation Pakistan Act took effect on 29 January 2025 and the Pakistan Digital Authority was constituted in August 2025, but the National Digital Commission had not met as of 29 July 2026. Digital commerce tax policy changed three times in FY2026, including a digital presence tax enacted and withdrawn retroactively within a month.

Firms bear localization compliance costs without the market-access benefit an adequacy-recognized protection regime would carry — a direct constraint on a $4.6

billion IT services export sector. Pakistan also exchanges sensitive financial data internationally under this framework.

F9 — Women's financial exclusion is determined at the identity and connectivity layer, below the financial product layer.

Account ownership stands at 42.3% for men and 11.9% for women, a gap of 30.4 percentage points and among the widest measured anywhere. Underneath it: 47% of women hold a mobile connection registered in their own name against 78% of men, and female phone ownership is 46% against 82%. A woman without a SIM in her own name cannot hold a wallet in her own name or build an independent transaction record.

The national strategy targets 75% inclusion and a 25-point gap by 2028, which on the survey basis requires roughly tripling the participating adult base in four years.

F10 — Registration friction was never the binding constraint on formalization, and the principal private benefit of formalizing is largely absent.

Business entry is effectively solved: a B-READY entry score of 91.5, 99.9% of incorporations completed online, and registration in about a week. The formal sector remains small regardless — 258,000 companies against roughly 5.2 million enterprises, in a labor market 80.8% informal.

Credit, the main private return to formalizing, has not followed the payment data. SME financing is 6.6% of private-sector credit and 2.1% of firms hold a bank loan, against a South Asian average of 31.6% , while 159,284 merchant locations generate transaction records daily and licensed digital lending remains capped at nano scale.

One countervailing data point deserves recording: sales tax payments from about 13,000 integrated retailers rose 78% between 2019 and 2026 . It is a before-and-after comparison on a selected population, not an impact evaluation.

7.3 Recommendations

Each recommendation names the finding it addresses, the addressee, and a horizon. Immediate means within the current fiscal year.

R1 — Publish conversion metrics for every taxpayer information stream. Report annually, by stream, the number of taxpayers identified, assessed, and collected from, covering third-party domestic data and automatic exchange information. Addresses findings F2, F1. *Addressee: FBR. Horizon: immediate.*

R2 — Restore the trade and compliance measurement base. Commission and publish a Time Release Study to World Customs Organization methodology — the absence of which is what allows three official clearance baselines to stand unreconciled; reinstate a periodic business tax compliance-cost survey; commission an independent evaluation of single window benefit realization against the $430 million projection, and publish the reconciled build cost and agency integration count. Addresses finding F3. *Addressee: FBR and Pakistan Customs, Pakistan Single Window, Pakistan Bureau of Statistics. Horizon: immediate for the Time Release Study; within two years for the survey cycle.*

R3 — Move headline indicators from registration to activity. Require every registration-based indicator in reform reporting to be published alongside an activity or usage rate, and adopt survey-based measurement as the headline for financial inclusion and taxpayer base. Addresses finding F1. *Addressee: Government of Pakistan (Finance, Planning), FBR, State Bank of Pakistan. Horizon: immediate.*

R4 — Rebuild the domestic reform agenda on the external-standard template. Structure remaining commitments as enumerated items with independent assessment, a published schedule, and a defined consequence for non-completion. Apply first to the eleven outstanding Trade Facilitation Agreement Category C measures, which already carry three of the four features. Addresses findings F4, F6. *Addressee: Government of Pakistan, FBR, development partners. Horizon: immediate.*

R5 — Join the multilateral paperless trade framework and scale trusted-trader recognition. Accede to the UNESCAP Framework Agreement on Cross-border Paperless Trade rather than continuing to build bilateral exchanges one partner at a time; move the authorized economic operator programme beyond pilot scale and negotiate mutual recognition with the largest trading partners; publish an inventory of exchange arrangements in operation. Addresses finding F6. *Addressee: FBR and Pakistan Customs, Ministry of Commerce. Horizon: immediate to two years.*

R6 — Reconcile partner targets and publish a joint sequencing framework. Agree one target basis across programmes, publish the reconciliation, and make an absorptive-capacity assessment of the executing agency a condition of approving further operations. Addresses findings F7, F4. *Addressee: Government of Pakistan, IMF, World Bank, ADB, FCDO. Horizon: immediate.*

R7 — Enact data protection before extending localization, and convene the apex institution. Pass the Personal Data Protection Bill ahead of further localization mandates; convene the National Digital Commission; adopt a minimum notice period for changes to digital commerce taxation. Addresses finding F8. *Addressee: Parliament, Ministry of IT and Telecommunication, FBR. Horizon: immediate for convening and the notice period; within two years for the statute.*

R8 — Sequence women's inclusion at the connectivity layer first. Prioritize independent SIM registration and device access for women ahead of product-layer financial inclusion measures, and publish gender-disaggregated progress on the survey basis. Addresses findings F9, F1. *Addressee: Pakistan Telecommunication Authority, NADRA, State Bank of Pakistan. Horizon: two years.*

R9 — Convert transaction data into credit, and evaluate the e-commerce withholding regime. Establish open banking and cash-flow-based lending frameworks that let payment records support SME credit decisions, and commission an independent impact evaluation of the e-commerce withholding regime within twelve months of operation, covering both base broadening and vendor exit from platforms. Addresses finding F10. *Addressee: State Bank of Pakistan, SECP, FBR. Horizon: two years.*

R10 — Publish continuity and control arrangements for the national trade platforms. State publicly the disaster recovery and business continuity arrangements for the customs clearance and single window platforms, and complete and publish the

remediation of the declaration-validation control failure. Addresses findings F3, F5. *Addressee: FBR and Pakistan Customs, Pakistan Single Window. Horizon: immediate.*

R11 — Reweight public digital investment toward institutions. Shift the balance of public digital spending from platform procurement toward assessment capacity, legal authority, and service redesign, and condition further platform investment on published adoption and conversion metrics for platforms already in service. Addresses findings F5, F2. *Addressee: Government of Pakistan, ADB and development partners. Horizon: two to five years.*

7.4 What this assessment cannot conclude

Three limits are material to how the findings should be used.

The assessment cannot attribute Pakistan's FY2025 revenue improvement to digitalization. Nominal FBR collection grew 26.3% and the ratio moved from 8.8% to 10.3%, during a period of intensive digitalization, heavy conditionality, statutory rate and withholding changes, and enforcement drives. No published source decomposes the movement.

It cannot state whether trade clearance has become faster or slower. The two published accounts of the flagship customs reform differ by a factor of four on the baseline, no Time Release Study exists, Pakistan is unranked in the current Logistics Performance Index, and the Doing Business series was discontinued.

Several gaps closed during the assessment and are reported in Chapter 5: faceless assessment continues at its two original terminals without expansion; port dwell times and border-crossing times are published; cross-border exchange arrangements have been identified. Five gaps remain open and are stated as unestablished rather than inferred. The material one is continuity: no published source establishes disaster recovery or business continuity arrangements for either of the two platforms through which Pakistan clears essentially all of its formal international trade, and the authors searched FBR, PRAL, single window, Auditor-General and partner project documents. Two published control failures on those platforms make that silence consequential rather than merely incomplete.

The others are the legal status of the Afghanistan transit agreement, current trusted-trader accreditations, TIR volumes since 2021, and the full current channel split. R2 and R5 are the recommendations that would close them.

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