

# Zero Time to Start-up Policy for No Objection Certificates (NOCs) 2021



Planning & Development Board, Government of the Punjab

## Table of Contents

<b><u>Definitions:</u></b> .....	3
<b>1 <u>Preamble:</u></b> .....	4
<b>2 <u>Policy Vision and Scope:</u></b> .....	5
<b>3 <u>Policy Objectives:</u></b> .....	5
<b>4 <u>Guiding Principles:</u></b> .....	5
<b>5 <u>Compliance Verification Process:</u></b> .....	6
5.1 <u>Risk-Based Classification:</u> .....	7
5.2 <u>CVP for Low-Risk Business Activities:</u> .....	7
5.3 <u>CVP for Medium-Risk Business Activities:</u> .....	8
5.4 <u>CVP for High-Risk Business Activities:</u> .....	8
<b>6 <u>Electronic Compliance Verification Process (eCVP):</u></b> .....	9
<b>7 <u>Capacity Building and Training:</u></b> .....	9
<b>8 <u>Policy Implementation, Institutional and Legal Frameworks:</u></b> .....	10
<b><u>Annexures:</u></b> .....	12
<b>Annex-1 - <u>Risk Classification Methodology</u></b> .....	12
<b>Annex-2 - <u>Business Activity Risk List (Preliminary)</u></b> .....	15
<b>Annex-3 - <u>Provincial Working Group Composition (Notified)</u></b> .....	22
<b>9 <u>References:</u></b> .....	23
.....	23

## Definitions:

- **Ex-ante regulations:** Ex-ante regulations broadly aim to identify problems beforehand and shape stakeholder behaviour and responses through regulatory intervention. Ex-ante regulations standardise certain practises and policies that solve sector-specific problems by specific predetermined outcomes. In short: ex-ante regimes guide businesses precisely how to behave or “what to do.”
- **Ex-post regulations:** Ex-post regulations aim to “rectify” problems and behaviour through regulatory intervention after a business activity has started.
- **Compliance Verification Process (CVP):** An interagency mechanism whereby the responsibility of obtaining proof of compliance is on the regulators and administered using a risk-based approach.
- **Concerned Regulatory Agency (CRA):** Also referred to as the concerned agency within the context of this policy document, is the agency/authority/government department that grants a certificate of no-objection (NOC) required as supporting document(s) for a regulatory approval/instrument/authorisation issued by another agency/authority/government department.
- **No Objection Certificates (NOCs):** NOCs are issued by government agencies, departments, or individuals to declare that they have no objection to the mentioned details in the document. NOCs are usually used as requirements for employment, trade, litigation, immigration, and other purposes to nullify any objection by the parties concerned in the process. NOCs are not authorizations themselves, but just requirements for authorizations that might need the involvement of more than one administrative or regulatory unit. They have no regulatory function, but just an administrative role.
- **Primary Regulatory Agency (PRA):** The Industries, Commerce and Investment Department (ICID) of the Government of Punjab is designated as the primary regulatory agency. The CVP node established within ICID Punjab will act as a ‘single window’ to facilitate the related compliance verification required for any regulatory approval.
- **Regulatory Approvals:** It means approval of business registrations, licenses, permits, and certificates, etc. required for investing and doing business in Punjab.
- **Risk Assessment:** A key analytical tool to identify and assess the extent of a likely hazard and to estimate the probability and consequences of negative outcomes on life, property, or environment.
- **Risk Management:** Refers to the design and implementation of actions and remedies to address risks by considering potential treatments and selecting the most appropriate course, or combination of courses, of action.
- **Regulatory Requirements:** All applicable statutes, statutory instruments, orders, regulations, and codes of practice (whether having the force of law or legal backing) applicable to manufacturing, handling, using, storing, importing, exporting, transporting, distributing, or selling of products. Regulatory requirements need to be fulfilled for a grant of a regulatory instrument.
- **Zero-Time to Start:** Means the primary regulatory agency grants necessary approvals for a business start application the same day.

## **1 Preamble:**

The private investments in Pakistan, standing at 11 per cent of gross domestic product (GDP), remain low compared to 29.1 per cent in India, 35.2 per cent in China and 21.2 per cent in Uzbekistan (World Bank, 2018, 2019). Foreign direct investment (FDI) into Pakistan is also low at 0.9 per cent of GDP as compared to 1.7 per cent in India, 0.99 per cent in China (excluding Hong Kong and Macao) and 4.1 per cent in Uzbekistan (UNCTAD, 2019).

The low levels of investment can be attributed to a complex, multi-layered, and opaque regulatory regime that involves enforcement by federal, provincial, and municipal government agencies. Regulatory instruments used under this regime consist of various registrations, licenses, permits, and certificates, including NOCs. These regulatory requirements significantly increase the cost of doing business. In the Ease of Doing Business Index (2020), Pakistan is considerably behind peer economies, ranking 108 out of 190.

The Government of Pakistan (GoP) launched the Pakistan Regulatory Modernization Initiative (PRMI) as a national investment climate reform programme to address these regulatory challenges. It aims to reduce the regulatory barriers to investment entry and doing business in Pakistan through a structured process for reviewing, eliminating/simplifying, reengineering, reforming, and digitalizing the delivery of business registrations, licenses, and permits.

Punjab, the largest and most industrialized province of Pakistan, aims to be the friendliest destination for investment and doing business. The Government of Punjab (GoPb) is taking meaningful steps to implement the PRMI in Punjab under the supervision of a Working Group co-chaired by the Minister of Finance, Punjab, and the Chief Secretary, Punjab with Planning & Development (P&D) Board as its secretariat. The reform effort will complement the Punjab Growth Strategy 2023 for attracting investments into the province. It will also contribute to the federal government's drive to create an overall conducive business environment in Pakistan.

One of the significant regulatory barriers to investment and doing business in Punjab is compliance with business NOCs which are commonly considered regulatory barriers and hassle factors in obtaining regulatory approvals to investment and doing business. NOCs are not authorizations in themselves to do business. NOCs are required in the present regulatory regime to prove that relevant agencies or government departments have no objection to an entity starting a business activity. Consequently, a business first needs to obtain all related NOCs from various agencies before it can obtain the required approval to start a business. NOCs significantly increase compliance time and cost, especially for micro, small & medium enterprises (MSMEs) that lack resources to comply with these requirements.

The Government of Punjab, through this policy, intends to replace the business NOCs regime with a system of compliance verification through an effective inter-agency mechanism. The transition to this reformed compliance verification process (CVP) will follow a risk-based approach. Following this approach, NOCs for low-risk business activities will be eliminated to facilitate immediate start (zero-time to start-up - ZTTS). For medium-risk business activities which can also be started immediately (ZTTS), the ex-post CVP will replace NOCs, and be undertaken by the regulatory agency to which an application for regulatory approvals is made (hereafter called the primary regulatory agency). NOCs for high-risk business activities will be replaced by ex-ante compliance verification undertaken by the primary regulatory agency once it receives the completed application. High-risk business activities can only be started after the completion of CVP.

Furthermore, the policy intervention will replace NOC nomenclature with compliance verification. All regulatory agencies requiring NOCs as supporting documents for any regulatory approval will amend the concerning laws, regulations, rules, and administrative

orders to introduce compliance verification as the new nomenclature and its underlying mechanism.

## **2 Policy Vision and Scope:**

To reform the NOC regime by adopting a risk-based and inter-agency compliance verification mechanism to facilitate investments and doing business in Punjab.

The scope of this policy intervention, in line with its vision, is limited to NOCs required for starting a business activity.

## **3 Policy Objectives:**

- Facilitate investment and business activities by reducing the burden of regulatory compliance.
- Adopt a transparent and business-friendly risk-based approach to drive verification of regulatory compliance.
- Facilitate regulatory compliance by adopting an ex-post approach to compliance verification undertaken by the regulator and after it has received the completed application for regulatory approval.
- Promote digitalization of regulatory compliance verification with time-bound and trackable approval workflows.

## **4 Guiding Principles:**

The guiding principles are designed to achieve the policy objectives for ensuring that regulatory processes are transparent, foster interagency coordination and collaboration, and create a conducive regulatory environment for investing and doing business in Punjab.

Given the negative perception of NOCs in the private sector, this policy intervention intends to introduce a clear, business-friendly, and function-centric nomenclature replacing the term NOC with compliance verification.

- i. **A concurrent, interagency compliance verification mechanism as a part of the regulatory approval process:** The responsibility to verify compliance with regulatory requirements under NOCs shall be placed on concerned agencies. It shall be the responsibility of the primary regulatory agency to initiate concurrent CVP for all required NOCs by directly contacting all concerned agencies. The CVP, following a risk-based approach, will fast-track verification of compliance with regulatory approvals for investing and doing business in Punjab. The CVP shall reduce duplication of information and documentation from applicants, thus curtailing the regulatory ‘hassle factor’ for investing and doing business in Punjab. Each primary regulatory agency shall act as a single window for obtaining CVP on behalf of the business applicant.
- ii. **Risk-based regulatory administration:** Identify environmental, occupational, social, and public health and safety risks associated with each business activity. The compliance verification for each activity shall be linked to the risk level associated with the business activity.
- iii. **Ex-post compliance facilitation for medium-risk business activities:** Ex-ante administration of regulatory requirements linked to NOCs shall be replaced with ex-post compliance verification after the grant of regulatory approval the same day (zero-time).

Sufficient ex-post compliance guidance shall be provided to assist the businesses in ongoing compliance.

- iv. **Ex-ante compliance verification for high-risk business activities:** The administration of regulatory requirements linked to NOCs shall be conducted through an ex-ante inter-agency coordination mechanism. It involves the primary regulatory agency sharing essential information and documents with all concerned regulatory agencies for CVP before approving the application for regulatory approvals to invest and do business in Punjab. Necessary inspections by the concerned regulatory agency to complete the CVP will be coordinated through the primary regulatory agency.
- v. **Proportionality:** It shall be the responsibility of the primary regulatory agency to seek compliance verification from concerned regulatory agencies only when necessary, such as may be the case with medium and high-risk business activities, with remedies/sanctions for non-compliance proportionate to the risks posed.
- vi. **Transparency:** Ensure full transparency by disseminating in the public domain the operative rules, relevant procedures, and requirements for compliance verification at the time of applying for regulatory approvals. A complete checklist of information and documents necessary for compliance verification shall be provided to the applicants as part of the application package required for regulatory approvals to invest and do business in Punjab.
- vii. **Efficiency and effectiveness:** Ensure regulators monitor data and performance indicators to assess impacts and review regulations periodically in a systematic manner to ensure that they meet their desired objectives relating to mitigating risks – environmental, occupational, social, public health and safety without restricting investment and opportunities to do business in Punjab.
- viii. **Promote digitalisation for compliance verification:** In managing the risks associated with business activities (concerning the environment, occupational, public health and safety, and others that may appear), online solutions shall be introduced to reduce the compliance verification burden.

## **5 Compliance Verification Process:**

The key objective of this policy intervention is to create a business friendly CVP that encourages regulators to adopt a unified risk classification approach (see section 5.1 below). The CVP shall aim to facilitate the business community to comply with regulatory requirements as per the level of risk associated with business activity. The CVP will be initiated by the primary regulatory agency that receives an application for regulatory approvals. The primary regulatory agency will share the information and documents – provided by the applicant for regulatory approvals – to the relevant agencies to complete the CVP. Where compliance verification is required from multiple concerned agencies, the primary regulatory agency shall ensure they are processed concurrently and time effectively.

To complete CVP, primarily when multiple agencies are involved, the applicant requesting regulatory approvals must provide adequate information and supporting documents. It shall be the responsibility of the primary regulatory agency to provide applicants seeking regulatory approvals with a comprehensive application pack consisting of, among other things, the following:

- a) a consolidated application form with risk classification of a business activity

- b) a clearly defined checklist of information and documentary requirements for initiating CVP as necessary
- c) application procedures, timeline, and related fees/charges (deposited either in branch or online) in a bank account designated by the primary regulatory agency, which will then transfer the share of fees/charges collected from the applicants to the concerned agencies to facilitate CVP
- d) schedule of inspections (if any) and required compliance checklist of issues that require compliance verification
- e) a guidebook on how to remain compliant with rules and regulations for dealing with risks associated with the business activity
- f) a guidebook containing frequently asked questions
- g) applicants' feedback form to assess the quality of service including inspections for CVP

The complete application pack with risk classification shall be available in the public domain – online on the websites of all primary regulatory agencies responsible for approving business registrations, licenses, and permits. The application pack shall also be made available in paper form for the applicants.

#### 5.1 Risk-Based Classification:

In Punjab, all regulatory agencies will adopt a rigorous risk classification approach to determine risks associated with undertaking a business activity. This approach is based on classification of risk associated with a business activity as a product of the potential magnitude and likelihood of the risk materialising (World Bank, 2013):

$$\text{RISK LEVEL} = \text{MAGNITUDE} \times \text{PROBABILITY}$$

The methodology for the risk-based classification of business activities is explained in Annex-1. A preliminary list of risks associated with business activities has also been annexed with this document at Annex-2. The approach to the risk classification of business activities is summarized below:

- If starting and undertaking the business activity represents a **significant or immediate danger** to life (people, animals, environment), property, health, or infrastructure, it is classified as a **high-risk activity**.
- If starting and undertaking the business activity represents a danger to life (people, animals, environment), property, health, or infrastructure **that can be readily predicted, prevented or mitigated**, it is classified as a **medium-risk activity**.
- If starting and undertaking the business activity represents **minor, negligible or no threat at all** to life, property, health or infrastructure, it is classified as a **low-risk activity**.

As the sections below explain, the primary and concerned regulatory agencies shall adopt a unified risk-based business activity list for proportionate enforcement through CVP.

#### 5.2 CVP for Low-Risk Business Activities:

There shall be no compliance verification for low-risk business activities. Regulatory requirements relating to NOCs for low-risk business activities shall be eliminated and the primary regulatory agency will grant the necessary approval for an application to start a business the same day (ZTTS).

### 5.3 CVP for Medium-Risk Business Activities:

Medium-risk business activities will have all required NOCs replaced with **ex-post interagency compliance verification through CVP**:

- i. Once the primary regulatory agency receives the completed application pack from the applicant, **it will issue the required regulatory approval in principle the same day (ZTTS) to start the business**, to be confirmed after successful completion of CVP.
- ii. The primary regulatory agency, acting as a single window for applicants, will initiate at the receipt of a complete application, a CVP by sharing relevant information and documents with the concerned regulatory agencies.
- iii. In case an inspection is required for regulatory compliance, the primary regulatory agency will coordinate with the concerned regulatory agencies and ensure that checks are held jointly, where possible. The application pack will ensure the applicant is made aware of the purpose, schedule, and checklist of issues for compliance verification. As part of CVP, all applicants of regulatory approvals will be requested to provide feedback on inspection quality.
- iv. The concerned regulatory agencies will complete the CVP within five working days, extendable to another five days in consultation with the primary regulatory agency. It will be the responsibility of the primary regulatory agency to inform the applicant of the extended CVP. **The overall CVP timeline will not be more than ten days.** In case the CVP is not completed within the stipulated time and the applicants are not contacted for further information, it shall be deemed completed.
- v. Once the primary regulatory agency receives compliance verification from concerned regulatory agencies, it will inform the applicant and provide proof of compliance for their record.
- vi. In case an objection is raised by the concerned regulatory agencies due to non-compliance by the applicant, the primary regulatory agency will:
  - a. immediately inform the applicant with guidance on remedial measures for compliance
  - b. offer enhanced facilitation and guidance for compliance, which may require third-party technical support, with cost paid by the applicant
  - c. complete CVP once the applicant certifies compliance
- vii. In case of failure in compliance verification, the primary agency will suspend or revoke the regulatory approval it had granted to the applicant until full compliance is confirmed by CVP.

### 5.4 CVP for High-Risk Business Activities:

For high-risk business activities, the CVP will follow an **ex-ante interagency coordination and collaboration mechanism**. It will also fast-track the CVP for FDI. The completion of ex-ante CVP will be necessary for regulatory approvals of high-risk business activities. The primary regulatory agency will initiate the ex-ante CVP once it receives a complete application. The primary regulatory agency will share the required information and documents with all concerned agencies to process compliance verification in a time-bound manner. This will shift the burden of proof of compliance verification from the business to the regulatory agencies (both primary and concerned), following the steps defined below:



- i. The primary regulatory agency will initiate the CVP for high-risk business activities upon receiving the complete application by sharing the relevant information and documents with the concerned regulatory agencies. The primary regulatory agency will act as a single window for the applicants.
- ii. In case an inspection is required for regulatory compliance, the primary regulatory agency will coordinate with the concerned regulatory agencies and ensure that inspections are held jointly, where possible. The application pack will ensure the applicant is made aware of the purpose, schedule, and checklist of issues for compliance verification. As part of CVP, all applicants of regulatory approvals will be requested to provide feedback on inspection quality.
- viii. The concerned regulatory agencies will complete the CVP within fifteen working days, extendable to another fifteen days in consultation with the primary regulatory agency. It will be the responsibility of the primary regulatory agency to inform the applicant of the extended CVP. **The overall CVP timeline will not be more than thirty days.** In case the CVP is not completed within the stipulated time and the applicants are not contacted for further information, it shall be deemed completed.
- iii. Once the primary regulatory agency receives compliance verification from the concerned regulatory agencies, it will grant the required regulatory approval.
- iv. In case an objection is raised by the concerned regulatory agencies due to non-compliance by the applicant, the primary regulatory agency will:
  - a. immediately inform the applicant with guidance on remedial measures
  - b. offer enhanced facilitation and guidance for compliance, which may require third-party technical support, with cost paid by the applicant
  - c. complete CVP once the applicant certifies compliance
- v. **The regulatory approvals will only be granted once the CVP is completed.**

## **6 Electronic Compliance Verification Process (eCVP):**

This policy envisages digital compliance verification in the future. The P&D Board, Government of Punjab, with the Punjab Information Technology Board (PITB), is leading a regulatory automation and digitalization drive. It aims to develop Punjab Business Portal (PBP) as a one-stop online shop (OSS) for businesses to apply, renew, and pay for regulatory approvals.

The PBP will be the online OSS for dealing with compliance verification with transparent workflows and alerts to keep the primary and concerned regulatory agencies and the business applicant informed throughout the regulatory approvals process. However, the PBP is still in the development phase. During the transition period, both the primary and concerned regulatory agencies can initiate and complete CVP offline.

## **7 Capacity Building and Training:**

The implementation of this policy intervention to introduce a CVP in place of NOCs will require the significant capacity building of regulators and businesses. This policy will be supported by the following multi-channel capacity building and communication efforts for both the public and private sector:

- a) mandatory capacity building of all relevant regulatory agencies dealing with business registrations, licenses, and permits and related compliance verification
- b) develop toolkits for all relevant regulatory agencies to administer CVP efficiently and effectively
- c) development of practical and straightforward guidance documents and visuals to assist the applicants of business registrations, licenses, and permits to comply with the related regulatory requirements and risk from undertaking the business activity with ease
- d) launch an active outreach campaign to ensure the business community is aware of the NOC reforms and the introduction of CVP

## **8 Policy Implementation, Institutional and Legal Frameworks:**

Since the policy intervention is designed to replace existing NOCs regime with CVP, it is pertinent that the policy intervention is supported by a legal framework or regulatory changes / amendments / revisions to sustain CVP and prevent the NOCs from being practiced.

The implementation and periodic performance reviews of this policy will be the responsibility of the P&D Board, Punjab, in collaboration with the concerned provincial regulators and under the guidance of the Provincial Working Group on Ease of Doing Business and Pakistan Regulatory Modernization Initiative co-chaired by the minister for finance and chief secretary Punjab. The constitution of the Working Group may be viewed at Annex-3.

Following steps shall be taken to support and manage change towards a smooth transition to CVP:

- The policy contours shall be shared with the concerned regulatory agencies.
- The policy shall be presented to the Cabinet for approval and have a subsequent Gazette notification.
- A sub-working group for ZTTS 2021 has been notified which is headed by Secretary Industries with representation from all relevant heads of the department. The Program Implementation Unit (PIU), P&D Board serves as the Secretariat of this group. The working group will develop and notify a unified classification for low, medium, and high-risk business activities shall be notified within four weeks after the approval of the policy. This list shall be updated periodically, with approval from the ZTTS's working group, to introduce changes and updates to ensure its usefulness. These updates may include NOCs and business activities that have not been discovered at the time of approval of this policy. Any new NOC or business activities identified subsequently shall be submitted to the ZTTS's working group for due approval and notification.
- CVP node shall be established in primary regulatory agency (ICID Punjab) to facilitate the policy implementation and ensure collaboration between primary and concerned regulatory agencies.
- Detailed application packs for obtaining regulatory approvals as per risk classified shall be developed within four weeks after the approval of the policy and be updated periodically.
- All relevant regulatory agencies involved in dealing with regulatory approvals shall be identified, and necessary training be provided to these agencies to administer CVPs smoothly.

- All relevant primary and concerned regulatory agencies shall collect applicants' real-time feedback and publish bi-annual performance reports to highlight regulatory service delivery issues.
- Introduce a risk-based reform policy to improve predictability, transparency, efficiency and effectiveness of regulations and procedures relating to business inspections.
- Conduct an annual regulatory delivery performance survey in all districts of Punjab to evaluate the experience of private sector in dealing with CVP.
- CVP is automated and integrated with the Punjab E-Biz Digital Platform. Executive dashboards are made for the Chief Minister Punjab, Chief Secretary Punjab, Finance Minister Punjab, Minister ICID Punjab and Chairman P&D Board Punjab. The dashboard provides all necessary performance measurement and monitoring tools for the leadership to observe, analyse and offer course correction measures.

## Annexures:

### Annex-1 - Risk Classification Methodology

Regulators worldwide now use regulatory impact assessment or benefit-cost analysis to structure decision-making and anticipate the consequences of different regulatory options. For regulators that manage risks, decision-making depends on techniques to analyse the probabilities and harmful effects associated with risky regulated activities. With the benefit of careful risk assessments, regulators can understand more precisely – with less uncertainty – what the actual risks of different actions might be, enabling them to make better decisions about how to prioritise the allocation of regulatory resources and ultimately how to manage the risks. The more a regulator conducts and relies upon risk analysis, and the more rigorous that analysis is, the more “risk-based” the regulator can be.

Global good practices in applying a risk-based approach start with regulators adopting risk scales or classifications such as the below:

1. **Low-risk** business activities or use of objects require less stringent authorisation requirements, fewer ex-post checks, less frequent renewal requirements and less regular inspections. In some jurisdictions, self-reporting, information provision, and voluntary certification could suffice.
2. **Medium-risk** business activities or the use of objects would have moderate requirements compared to low-risk business activities. It may include a compliance audit, third-party certification, and a reasonable number of inspections.
3. **High-risk** business activities may require stringent requirements, strict enforcement, and the fulfilment of ex-ante requirements, frequent renewals, and regular inspections.

A well-designed risk-targeting approach would distinguish between business activities and the use of objects and build on scientific evidence. It could also be subject to expert judgement, previous experiences, and information on incidents. These approaches must be assessed and reviewed periodically to introduce updates and changes to ensure relevance and usefulness.

The following diagram illustrates the relationship between the likelihood of a hazard, potential harm, and risk classification:

Potential harm	Likelihood of a hazard		
	Low	Medium	High
High	Medium risk	High risk	High risk
Medium	Medium risk	Medium risk	High risk
Low	Low risk	Medium risk	Medium risk

Potential risk factors that affect both the magnitude and probability of occurrence and have a direct bearing on risk levels include:

- Type of activity (some are inherently more hazardous than others, as it is more likely that accidents can occur; also, some can lead to particularly severe damage, meaning the seriousness of impact is higher) => affects magnitude and probability.
- Size of the establishment (a larger establishment will have a proportionally higher negative effect if an accident takes place) => affects the magnitude.

- Location of the establishment (proximity to sensitive natural resources or densely populated areas will increase effects) => affects the magnitude.
- Compliance history (are violations frequent or repeated, or on the contrary, is this a “model establishment,” meaning in the first case that an accident is more likely, in the second less so) => affects probability.

### **How to identify hazards and assess probabilities of occurrence?**

Hazards cause damages (harm). The correct approach for the identification of hazards is reviewing historical data on what generated harm. As the availability of reliable data might be potentially limited, hazard identification can be performed only through analysis of plausible scenarios in well-defined situations. It is essential to use only plausible scenarios because otherwise, the list of hazards would become too detailed and unmanageable. There is no fully reliable scientific method to assess plausibility. Even actual historical data analysis might provide an underestimation of plausible hazards scenarios.

A well-defined situation for hazard identification requires that for regulatory mitigation of risks associated with business activities or use of objects, hazards are identified for each sector or business activity or use of objects. Generic examples of hazards, among many other, include fire, explosions, spill or release of poisonous materials, structural failure, terrorism, disease, utility outage, mechanical breakdown, cyber-attack, critical supply interruption, theft, and transportation interruption.

The probability assessment (likelihood) of a hazard can be performed through in-depth plausible scenarios assessment and, where possible, use of historical data collected by regulatory agencies and made available through the provincial bureau of statistics. International data on the risk of hazards associated with business activities may also be used with the domestic one to increase analytical capacity. It is generally recommended to use three to five probability categories. Using three probability categories is usually sufficient and provides a more fast and straightforward overall risk assessment and design of regulatory mitigation policies.

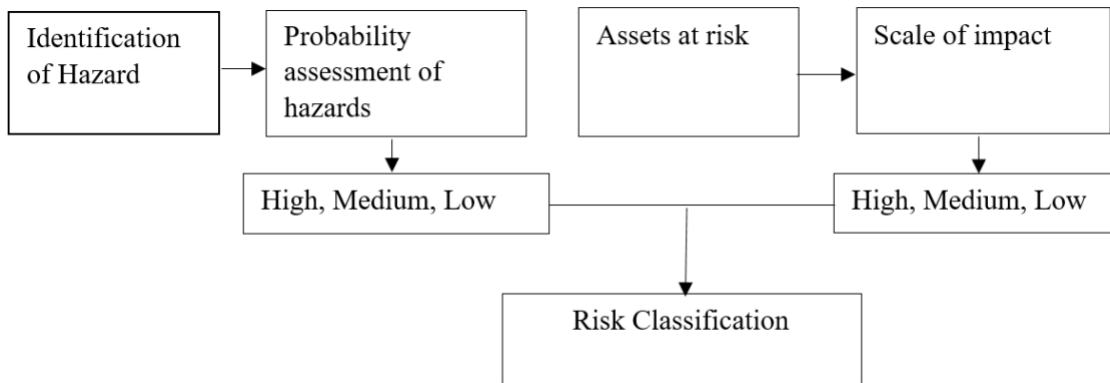
### **How to assess the potential harm involved in specific risks?**

There could be several “assets” at risk from the occurrence of hazards. First and foremost, the potential harm to people’s life and health should be the first consideration of the risk assessment. Hazard scenarios that could cause deaths, significant injuries, or diseases, should be highlighted and prioritised.

Many other assets also may be at risk. These include, among others, buildings, information systems, utility infrastructure, machinery, raw materials, and finished goods. Environmental services provided by nature are an essential asset to consider. Finally, there are “soft” assets such as comfort and wellbeing of the community, material wellbeing of people, broader state security, religious and societal norms. All in all, all these assets directly or indirectly affect the safety and wellbeing of people. It is the function of society and government to identify these assets and determine if they are sufficiently important to warrant risk mitigation.

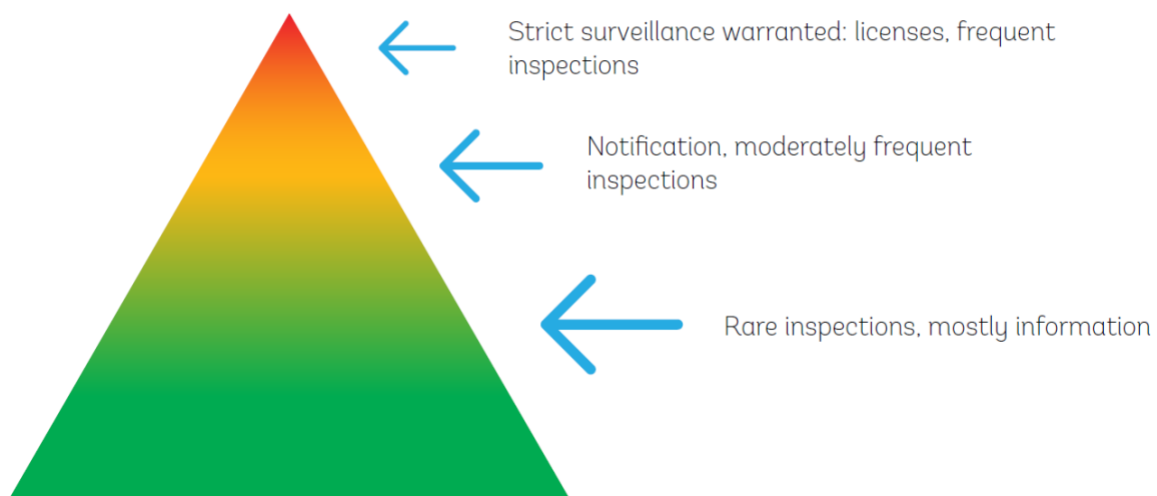
A critical component in determining risk levels relates, thus, to the assessment of the potential scale of hazard impact on the identified assets. This relates to the scale of possible casualties, property damage, financial loss, business interruption, and environmental contamination.

Risk assessment follows a logical sequence, as explained in the following diagram, which is adjusted to represent the risk-classification introduced in this policy document:



Experience shows that risk profiles usually follow a pyramid shape that shows the distribution of establishments according to their risk scoring/rating. The pyramid base, usually including the most considerable portion of businesses, is constituted by low-risk activities. In contrast, medium and high-risk activities are less prevalent and might conform to the top pyramid diagram. Jurisdictions or agencies that fail to achieve a similar, pyramid-like distribution profile may indicate a poorly designed risk-targeting approach that does not distinguish well among risks of business activities or the use of objects.

## Lowens Burdens on Most Businesses



Source: World Bank Group. 2020c.

Identification of risk profiles and their organization along a risk matrix should guide the decision-making on instruments to use for regulating activities or objects, as shown below. Low-risk activities or use of objects require less stringent requirements, less frequent or no license renewal conditions and less regular inspection visits. Even in some jurisdictions, self-reporting, information provision and voluntary certification could suffice.

Medium-risk activities or the use of objects have moderate requirements compared to low-risk. These may include compliance audits, third-party certification, and a reasonable number of inspection visits. High-risk activities or use of objects may require stringent requirements, strict enforcement, fulfilment of ex-ante requirements, frequent license renewal and frequent inspection visits.

## **Annex-2 - Business Activity Risk List (Preliminary)**

The following business activity risk list, provided for consultation purposes only, is applied to Pakistan Standard Industrial Classification (PSIC) codes after examining and learning from the examples of similar exercises completed by:

- ✓ Nordic Investment Bank for European Union Statistical Classification Codes (Council Regulation EEC No 3037/90).
- ✓ European Bank for Reconstruction and Development.
- ✓ Local Government and Community Development (LG&CD) Department, Punjab.

The P&D Board, in consultation with all concerned regulatory agencies, shall notify a comprehensive business activity risk list learning from the input provided by the above example and those shared within the references section.

PSIC Code	Description	Risk Classification
016	Support activities to agriculture and post-harvest crop activities	Low Risk
017	Hunting, trapping and related service activities	Low Risk
021	Silviculture and other forestry activities	High Risk
022	Logging	High Risk
023	Gathering of non-wood forest products	Low Risk
024	Support services to forestry	Medium Risk
031	Fishing	Low Risk
032	Aquaculture	Low Risk
051	Mining of hard coal	High Risk
052	Mining of lignite	High Risk
061	Extraction of crude petroleum	High Risk
062	Extraction of natural gas	High Risk
071	Mining of iron ores	High Risk
072	Mining of non-ferrous metal ores	High Risk
081	Quarrying of stone, sand and clay	High Risk
089	Mining and quarrying N.E.C.	High Risk
091	Support activities for petroleum and natural gas extraction	High Risk
099	Support activities for other mining and quarrying	High Risk
101	Processing and preserving of meat	Medium Risk
102	Processing and preserving of fish, crustaceans, and mollusks	Medium Risk
103	Processing and preserving of fruit and vegetables	Medium Risk
104	Manufacture of vegetable and animal oils and fats	Medium Risk
105	Manufacture of dairy products	Medium Risk
106	Manufacture of grain mill products, starches and starch products	Medium Risk
107	Manufacture of other food products	Medium Risk
108	Manufacture of prepared animal feeds	Medium Risk
110	Manufacture of beverages	Medium Risk

PSIC Code	Description	Risk Classification
120	Manufacture of tobacco products	Medium Risk
131	Spinning, weaving and finishing of textiles	Medium Risk
139	Manufacture of other textiles	Medium Risk
141	Manufacture of wearing apparel, except fur apparel	Medium Risk
142	Manufacture of articles of fur	Medium Risk
143	Manufacture of knitted and crocheted apparel	Medium Risk
151	Tanning and dressing of leather; manufacture of luggage, handbags, saddlery and harness; dressing and dyeing of fur	Medium Risk
152	Manufacture of footwear	Medium Risk
161	Sawmilling and planning of wood	Medium Risk
162	Manufacture of products of wood, cork, straw and plaiting materials	Medium Risk
170	Manufacture of paper and paper products	High Risk
181	Printing and service activities related to printing	Low Risk
182	Reproduction of recorded media	Low Risk
191	Manufacture of coke oven products	High Risk
192	Manufacture of refined petroleum products	High Risk
201	Manufacture of basic chemicals, fertilizers and nitrogen compounds, plastics and synthetic rubber in primary forms	High Risk
202	Manufacture of other chemical products	High Risk
203	Manufacture of man-made fibers	High Risk
210	Manufacture of pharmaceuticals, medicinal chemical and botanical product	High Risk
221	Manufacture of rubber products	High Risk
222	Manufacture of plastics products	High Risk
231	Manufacture of glass and glass products (except leaded)	Low Risk
239	Manufacture of non-metallic mineral products N.E.C.	Medium Risk
241	Manufacture of basic iron and steel	High Risk
242	Manufacture of basic precious and other non-ferrous metals	High Risk
243	Casting of metals	High Risk
251	Manufacture of structural metal products, tanks, reservoirs and steam generators	High Risk
252	Manufacture of weapons and ammunition	High Risk
259	Manufacture of other fabricated metal products; metalworking service activities	High Risk
261	Manufacture of electronic components and boards	Medium Risk
262	Manufacture of computers and peripheral equipment	High Risk
263	Manufacture of communication equipment	Medium Risk
264	Manufacture of consumer electronics	Medium Risk



PSIC Code	Description	Risk Classification
265	Manufacture of measuring, testing, navigating and control equipment; watches and clocks	Medium Risk
266	Manufacture of irradiation, electro medical and electrotherapeutic equipment	High Risk
267	Manufacture of optical instruments and photographic equipment	Low Risk
268	Manufacture of magnetic and optical media	Medium Risk
271	Manufacture of electric motors, generators, transformers and electricity distribution and control apparatus	Medium Risk
272	Manufacture of batteries and accumulators	High Risk
273	Manufacture of wiring and wiring devices	Medium Risk
274	Manufacture of electric lighting equipment	Medium Risk
279	Manufacture of other electrical equipment	Medium Risk
281	Manufacture of general-purpose machinery	Medium Risk
282	Manufacture of special-purpose machinery	Medium Risk
291	Manufacture of motor vehicles	Medium Risk
292	Manufacture of bodies (coachwork) for motor vehicles; manufacture of trailers and semi-trailers	Medium Risk
293	Manufacture of parts and accessories for motor vehicles	Medium Risk
301	Building of ships and boats	High Risk
302	Manufacture of railway locomotives and rolling stock	High Risk
303	Manufacture of air and spacecraft and related machinery	High Risk
304	Manufacture of military fighting vehicles	High Risk
309	Manufacture of transport equipment N.E.C.	Medium Risk
310	Manufacture of furniture	Medium Risk
321	Manufacture of jewelry, bijouterie and related articles	Low Risk
322	Manufacture of musical instruments	Low Risk
323	Manufacture of sports goods	Low Risk
324	Manufacture of games and toys	Low Risk
325	Manufacture of medical and dental instruments and supplies	Medium Risk
329	Other manufacturing N.E.C.	-
331	Repair of fabricated metal products, machinery and equipment	Low Risk
332	Installation of industrial machinery and equipment	Medium Risk
351	Electric power generation, transmission and distribution	High Risk
352	Manufacture of gas; distribution of gaseous fuels through mains	High Risk
353	Steam and air conditioning supply	Low Risk
360	Water collection, treatment and supply	Medium Risk
370	Sewerage	High Risk
381	Waste collection	High Risk

PSIC Code	Description	Risk Classification
382	Waste treatment and disposal	High Risk
383	Materials recovery	Medium Risk
390	Remediation activities and other waste management services	High Risk
410	Construction of buildings	High Risk
421	Construction of roads and railways	High Risk
422	Construction of utility projects	High Risk
429	Construction of other civil engineering projects	High Risk
431	Demolition and site preparation	Low Risk
432	Electrical, plumbing, and other construction installation activities	Low Risk
433	Building completion and finishing	Low Risk
439	Other specialized construction activities	Low Risk
451	Sale of motor vehicles	Low Risk
452	Maintenance and repair of motor vehicles	Low Risk
453	Sale of motor vehicle parts and accessories	Low Risk
454	Sale, maintenance and repair of motorcycles and related parts/ accessories	Low Risk
461	Wholesale on a fee or contract basis	Low Risk
462	Wholesale of agricultural raw materials and live animals	Low Risk
463	Wholesale of food, beverages and tobacco	Low Risk
464	Wholesale of household goods	Low Risk
465	Wholesale of machinery, equipment and supplies	Low Risk
466	Other specialized wholesale	Low Risk
469	Non-specialized wholesale trade	Low Risk
471	Retail sale in non-specialized stores	Low Risk
472	Retail sale of food, beverages and tobacco in specialized stores	Low Risk
473	Retail sale of automotive fuel in specialized stores	High Risk
474	Retail sale of information and communications equipment in specialized stores	Low Risk
475	Retail sale of other household equipment in specialized stores	Low Risk
476	Retail sale of cultural and recreation goods in specialized stores	Low Risk
477	Retail sale of other goods in specialized stores	Low Risk
478	Retail sale via stalls and markets	Low Risk
479	Retail trade not in stores, stalls or markets	Low Risk
491	Transport via railways	Low Risk
492	Other land transport	Low Risk
493	Transport via pipelines	High Risk
501	Sea and coastal water transport	Medium Risk
502	Inland water transport	Medium Risk

PSIC Code	Description	Risk Classification
511	Passengers air transport	Medium Risk
512	Freight air transport	Medium Risk
521	Warehouses and storage (except chemicals)	Low Risk
522	Support activities for transportation	Low Risk
531	Postal activities	Low Risk
532	Courier activities	Low Risk
551	Short term accommodation activities	Low Risk
552	Camping grounds, recreational vehicle parks and trailer parks	Low Risk
559	Other accommodation	Low Risk
561	Restaurants and mobile food service activities	Low Risk
562	Event catering and other food service activities	Low Risk
563	Beverage serving activities	Low Risk
581	Publishing of books, periodicals and other publishing activities	Low Risk
582	Software publishing	Low Risk
591	Motion picture, video and television programme activities	Low Risk
592	Sound recording and music publishing activities	Low Risk
601	Radio broadcasting	Low Risk
602	Television programming and broadcasting activities	Low Risk
611	Wired telecommunications activities	Low Risk
612	Wireless telecommunications activities	Low Risk
613	Satellite telecommunications activities	Low Risk
619	Other telecommunications activities	Low Risk
620	Computer programming, consultancy and related activities	Low Risk
631	Data processing, hosting and related activities; web portals	Low Risk
639	Other information service activities	Low Risk
641	Monetary intermediation	Low Risk
642	Activities of holding companies	Low Risk
643	Trusts, funds and similar financial entities	Low Risk
649	Other financial service activities, except insurance and pension funding activities	Low Risk
651	Insurance	Low Risk
652	Reinsurance	Low Risk
653	Pension funding	Low Risk
661	Activities auxiliary to financial service activities, except insurance and pension funding	Low Risk
662	Activities auxiliary to insurance and pension funding	Low Risk
663	Fund management activities	Low Risk

PSIC Code	Description	Risk Classification
681	Real estate activities with own or leased property	Low Risk
682	Real estate activities on a fee or contract basis	Low Risk
691	Legal activities	Low Risk
692	Accounting, bookkeeping and auditing activities; tax consultancy	Low Risk
701	Activities of head offices	Low Risk
702	Management consultancy activities	Low Risk
711	Architectural and engineering activities and related technical consultancy	Low Risk
712	Technical testing and analysis	Low Risk
721	Research and experimental development on natural sciences and engineering	Low Risk
731	Advertising	Low Risk
732	Market research and public opinion polling	Low Risk
741	Specialized design activities	Low Risk
742	Photographic activities	Low Risk
749	Other professional, scientific and technical activities N.E.C.	Low Risk
750	Veterinary activities	Low Risk
771	Renting and leasing of motor vehicles	Low Risk
772	Renting and leasing of personal and household goods	Low Risk
773	Renting and leasing of other machinery, equipment and tangible goods	Low Risk
774	Leasing of intellectual property and similar products, except copyrighted works	Low Risk
781	Activities of employment placement agencies	Low Risk
782	Temporary employment agency activities	Low Risk
783	Other human resources provision	Low Risk
791	Travel agency and tour operator activities	Low Risk
799	Other reservation service and related activities	Low Risk
801	Private security activities	Low Risk
802	Security systems service activities	Low Risk
803	Investigation activities	Low Risk
811	Combined facilities support activities	Low Risk
812	Cleaning activities	Low Risk
813	Landscape care and maintenance service activities	Low Risk
821	Office administrative and support activities	Low Risk
822	Activities of call centers	Low Risk
823	Organization of conventions and trade shows	Low Risk
829	Business support service activities N.E.C.	Low Risk
851	Pre-primary and primary education	Low Risk

PSIC Code	Description	Risk Classification
852	Secondary education	Low Risk
853	Higher education	Low Risk
854	Other education	Low Risk
855	Educational support activities	Low Risk
861	Hospital activities	Medium Risk
862	Medical and dental practice activities	Medium Risk
869	Other human health activities	Medium Risk
871	Residential nursing care facilities	Medium Risk
872	Residential care activities for mental retardation, mental health and substance abuse	Medium Risk
881	Social work activities without accommodation for the elderly and disabled	Low Risk
889	Other social work activities without accommodation	Low Risk
900	Creative, arts and entertainment activities	Low Risk
910	Libraries, archives, museums and other cultural activities	Low Risk
931	Sports activities in public spaces	Low Risk
932	Other amusement and recreation activities	Low Risk
941	Activities of business, employers and professional membership organizations	Low Risk
942	Activities of trade unions	Low Risk
949	Activities of other membership organizations	Low Risk
951	Repair of computers and communication equipment	Low Risk
952	Repair of personal and household goods	Low Risk
960	Other personal service activities	Low Risk
970	Activities of households as employers of domestic personnel	Low Risk
981	Undifferentiated goods-producing activities of private households for own use	Low Risk
982	Undifferentiated service-producing activities of private households for own use	Low Risk
990	Activities of extraterritorial organizations and bodies	Low Risk

Sources used to classify:

- NIB Business Activity Risk List: [https://www.nib.int/filebank/a/1447253208/f6ea706641395fd6e5d07e9f940ad6b7/4929-Business\\_Activity\\_Risk\\_List.pdf](https://www.nib.int/filebank/a/1447253208/f6ea706641395fd6e5d07e9f940ad6b7/4929-Business_Activity_Risk_List.pdf)
- Pakistan Standard Industrial Classification (same as for global SICs)
- UK Companies House Standard Industrial Classification: <http://resources.companieshouse.gov.uk/sic/>
- Punjab LG&CD risk-classification presented in 3<sup>rd</sup> Steering Committee Meeting on Pakistan Regulatory Modernization Initiative
- US Fisheries and Wildlife Service Risk Assessment System defined by Department of Interior in 485 DM 6

### **Annex-3 - Provincial Working Group Composition (Notified)**

The Provincial Working Group was reconstituted and notified on 09<sup>th</sup> December, 2020 to oversee the implementation of Ease of Doing Business (EODB) Reforms Pakistan Regulatory Modernization Initiative (PRMI) and comprised of the following composition:

1	<b>Minister for Finance, Government of the Punjab, GoPb</b>	<b>Chairman</b>
2	<b>The Chief Secretary, Government of the Punjab, GoPb</b>	<b>Co-Chairman</b>
3	Senior Member, Board of Revenue, GoPb	Member
4	The Chairman, Planning & Development Board, GoPb	Member
5	The Secretary, Finance Department, GoPb	Member
6	The Secretary, Local Government & Community Development, GoPb	Member
7	The Secretary, HUD & PHE Department, GoPb	Member
8	The Secretary, Industries Department, GoPb	Member
9	The Secretary, Excise & Taxation Department, GoPb	Member
10	<b>The Secretary, Planning &amp; Development Board, GoPb</b>	<b>Member/Secretary</b>
11	The Secretary, Law Department, GoPb	Member
12	The Secretary, Labor & Human Resource Department, GoPb	Member
13	The Chairman, Punjab Information Technology Board, GoPb	Member
14	The Chairman/Chief Executive Officer, Punjab Board of Investment & Trade, GoPb	Member
15	The Director General, Lahore Development Authority, GoPb	Member
16	The Director General, Punjab Land Records Authority, GoPb	Member
17	The Chief Executive Officer, Lahore Electric Supply Company	Member
18	Representative of Board of Investment, GoP	Member
19	Any additional member to be co-opted with permission of the chair	Member

## 9 References:

- Federal Bureau of Statistics, Ministry of Economic Affairs and Statistics, Government of Pakistan. (2010). *Pakistan Standard Industrial Classification of All Economic Activities (PSIC) Revision 4 (2010)*. [https://www.pbs.gov.pk/sites/default/files/other/PSIC\\_2010.pdf](https://www.pbs.gov.pk/sites/default/files/other/PSIC_2010.pdf)
  - Blanc, F., & Franco-Temple, E. (2013). *Introducing a risk-based approach to regulate businesses: how to build a risk matrix to classify enterprises or activities* (No. 90754, pp. 1-8). The World Bank.
  - United Kingdom's Better Regulation Delivery Office, Common Approach to Risk Assessment [http://www.bis.gov.uk/brdo/resources/risk-basedregulation/risk-assessment](http://www.bis.gov.uk/brdo/resources/risk-basedregulation/risk-assessment-model-matrix) - model matrix can be found on page 13
  - United Kingdom's Food Standards Agency, Food Law Code of Practice for England <http://www.food.gov.uk/multimedia/pdfs/codeofpracticeeng.pdf> - detailed explanation of risk ratings system can be found in Annex 5, pages 125-137
  - Netherlands' State Supervision of Mines, 2012-2016 Strategy and Programme <http://www.sodm.nl/sites/default/files/redactie/Strategy%20and%20Programme%20for%202012-2016.pdf> - risk assessment approach detailed on pages 29-31
  - OECD (2020), *Regulatory Impact Assessment*, OECD Best Practice Principles for Regulatory Policy, OECD Publishing, Paris, <https://doi.org/10.1787/7a9638cb-en>.
  - Prime Minister's Office, Board of Investment, Government of Pakistan. (2021). *Pakistan Regulatory Modernization Initiative: Strategy and Implementation*. <https://business.gov.pk/prmi-strategy-implementation-document-june-2021/>
  - "EBRD Environmental and Social Risk Categorisation List." *European Bank for Reconstruction and Development*, <https://www.ebrd.com/downloads/about/sustainability/ebd-risk-english.pdf>.
-