

Media Update

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PRESS RELEASE

ILO and SMEDA join forces to promote formalisation of SMEs in Pakistan

ILO and SMEDA will develop tools and solutions to advance the formalisation of small and medium-sized enterprises in Pakistan.

Islamabad, Pakistan (ILO News) – Together with Small and Medium Enterprises Development Authority (SMEDA), the International Labour Organization (ILO) launched a new project on “Facilitating the Transition to Formal Enterprises for Small and Medium-sized Enterprises (SMEs) and Home-Based Workers in Pakistan” that will develop a comprehensive roadmap to drive regulatory changes and simplify process to facilitate enterprise formalization.

The initiative will engage with large enterprises in the textile and automotive sectors to create tools that ensure their suppliers formalize their operations. Additionally, it will provide capacity-building opportunities for suppliers to adapt to evolving market conditions associated with digitalization and just transition.

The launch event was attended by representatives from the federal and provincial governments, chambers of commerce, SME representatives, private sector and International Trade Center. The event served as a platform to identify key bottlenecks that the project will address and encouraged collaboration among all agencies to support enterprise formalization.

Pakistan’s large informal economy leaves many SMEs operating without access to markets, finance, or the means to provide workers with social

protection and other essential labour rights. Studies by ILO and SMEDA indicate that while formalization can be cumbersome and costly for businesses in the short term, it offers long-term advantages that many enterprises are unable to access independently.

Geir Tonstol, Country Director, ILO Pakistan, said, “With over 80% of Pakistan’s workforce engaged informally, it is clear that the informal economy presents both tremendous opportunities and significant obstacles. Informality often restricts access to resources, social protection, and markets, creating barriers to a sustainable and equitable future. This project is built to support the transition to formal employment for SMEs and home-based workers, aligning with Pakistan’s aspirations for sustainable development, global competitiveness, and environmental responsibility.”

“SMEDA is actively pursuing the agenda of enterprise formalization in Pakistan. The collaboration with ILO on the Enterprise Formalization Project is a crucial initiative aimed at strengthening Pakistan’s economy by formalizing the country’s informal SME sector,” said Socrat Aman Rana, Chief Executive Officer SMEDA. He further said, the collaboration with ILO and the Ministry of Industries and Production underscores our collective commitment to a sustainable and inclusive economy.

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