



Impact of War in Afghanistan and Ensuing Terrorism on Pakistan's Economy

The conflict and instability in Afghanistan in the aftermath of 9/11 terrorist attacks and their regional implications had immense negative consequences for Pakistan. After the U.S. invasion of Afghanistan, Pakistan saw a huge influx of Afghan refugees as one of the main host countries. There was a sudden rise in the number and scale of terrorist attacks in the country. The cumulative impact of these developments adversely impacted the overall growth rate in all major sectors of the economy. Normal economic and trading activities were disrupted, resulting in higher costs of doing business and significant delays in meeting the export orders around the globe. As a result, Pakistani products gradually lost their market share to their competitors. Economic growth could not pick up as planned.

Pakistan continues to be a serious victim of terrorism, including foreign-sponsored terrorism from our immediate neighborhood. A substantial portion of precious national resources, both men and material, have been diverted to address the emerging security challenges and to repair damaged infrastructure during the last several years. In addition to economic losses, cross-border terrorism in Pakistan has also been responsible for untold human sufferings due to indiscriminate, brutal terrorist attacks against civilian population.

In order to address the menace of terrorism and violent extremism effectively, Pakistan has crafted a 20-point National Action Plan which outlines various kinetic and preventive measures. The comprehensive, all-out law enforcement action Zarb-e-Azb launched against all terrorist groups without any discrimination has been remarkably successful. "Zarb-e-Azb" has started paying dividend in terms of overall improved security situation in the country. This has created an enabling environment for business and investment in Pakistan. Moreover, both direct and indirect losses to the economy resulting from terrorism are on the decline. Pakistan's successful counter-terrorism efforts are result of strong domestic political consensus and unanimity on the need to eradicate terrorism in all its forms and manifestations. However, durable peace and stability in Afghanistan and the region is necessary, among other factors, for further promoting sustainable economic growth in Pakistan.

In order to assess the impact of the incidents of terrorism on the economy of Pakistan during the past several years, the estimates for FY 2015 and FY2016 has been prepared in consultation with all relevant Ministries/Departments/Provincial Governments/Autonomous bodies etc. Summary of year wise losses is presented in Table -1.

S.No	Organization	Years		Total
		2014-15	2015-16*	
1.	Exports	1.08	0.80	1.88
2.	Compensation to Affectees	0.04	0.01	0.05
3.	Physical Infrastructure	0.12	0.07	0.19
4.	Foreign Investment	4.56	2.04	6.60
5.	Privatization	0.01	0.00	0.01
6.	Industrial Output	0.02	0.01	0.03
7.	Tax Collection	2.94	2.32	5.26
8.	Cost of Uncertainty	0.03	0.01	0.04
9.	Expenditure Over run	0.40	0.28	0.68
10.	Others	0.04	0.02	0.06
Total Losses		9.24	5.56	14.80

*: Estimated on the basis of 9 months actual data (July-March)
Source: M/o Finance, M/o Interior, M/o Commerce, M/o Foreign Affairs, Joint Ministerial Group

Pakistan Economic Survey 2015-16

During the last 14 years, the direct and indirect cost incurred by Pakistan due to incidents of terrorism amounted to US\$ 118.31 billion

equivalent to Rs. 9869.16 billion. Detail is given in Table-2.

Table-2: Estimated Losses (2001-2016)

Years	Billion \$	Billion Rs.	% Change
2001-02	2.67	163.90	-
2002-03	2.75	160.80	3.0
2003-04	2.93	168.80	6.7
2004-05	3.41	202.40	16.3
2005-06	3.99	238.60	16.9
2006-07	4.67	283.20	17.2
2007-08	6.94	434.10	48.6
2008-09	9.18	720.60	32.3
2009-10	13.56	1136.40	47.7
2010-11	23.77	2037.33	75.3
2011-12	11.98	1052.77	-49.6
2012-13	9.97	964.24	-16.8
2013-14	7.70	791.52	-22.8
2014-15	9.24	936.30	20.0
2015-16*	5.55	578.20	-39.9
Total	118.32	9869.16	-

* Estimated on the basis of 9 months actual data

Source: M/o Finance, M/o Interior, M/o Commerce, M/o Foreign Affairs Joint Ministerial Group

