

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

Despite the conflict and continuing instability in Afghanistan that has been an impediment to regional peace and development, Pakistan has achieved progressive and significant improvement in the country's overall security landscape in recent years. This has been accomplished largely due to successful counterterrorism efforts of the Government under the framework of the comprehensive National Action Plan, backed by an extensive and highly effective counterterrorism operation Zarb-e-Azb by the armed forces, and actions by other security and law enforcement agencies and intelligence-based operations across the country. After successful completion of Zarb-e-Azb, a country-wide operation Radd-ul-Fassad has been launched for eliminating any residual or latent threats.

Due to the war in Afghanistan, Pakistan has faced the most serious consequences - from political to security, socio-economic and environmental - over the decades. From hosting millions of refugees to being a major victim of terrorism, the cumulative impact has been enormous, with adverse overall growth rate in all major sectors of the economy. Normal economic and trading activities were disrupted, resulting in higher costs of doing business including cost of insurance 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 during the last decade.

Pakistan continues to be a target of terrorism, including foreign-sponsored terrorism from its immediate neighbourhood. A substantial portion of precious national resources, both men and material, had to be diverted to address the security challenges and to repair the damaged infrastructure during the last many years. In addition to economic losses, cross-border terrorism in Pakistan has inflicted untold human suffering resulting from indiscriminate and brutal terrorist attacks against the civilian population.

In this backdrop, success in counter-terrorism has played a critical role in creating a conducive economic environment whose results have now started appearing in terms of growth across different segments of the economy. As a result of these efforts, the total losses incurred due to incidents of terrorism are declining. The direct and indirect cost incurred has been gradually declining. During 2015-16, it declined by 29.8 percent while during July-March 2016-17, it declined by 40.2 percent which clearly reflects the effectiveness of the Government's efforts to eliminate terrorism and extremism from the country.

In order to assess the impact of the incidents of terrorism on the economy of Pakistan during the past several years, the estimates for FY2016 have been updated and FY2017 have been prepared in consultation with all relevant Ministries / Departments / Provincial Governments / Autonomous bodies etc. Summary of year wise losses is presented in Table-1.

Pakistan Economic Survey 2016-17

Table-1: Summary of Losses Due to Terrorist Attacks				(US\$ million)
S.No	Organization	Years		Total
		2015-16	2016-17*	
1.	Exports	0.503	-	0.503
2.	Compensation to Affectees	13.82	8.06	21.88
3.	Physical Infrastructure	777.83	150.92	928.75
4.	Foreign Investment	1437.20	559.10	1996.30
5.	Privatization	24.15	238.58	262.73
6.	Industrial Output	17.49	11.89	29.38
7.	Tax Collection	3440.00	2480.00	5920.00
8.	Cost of Uncertainty	7.78	7.04	14.82
9.	Expenditure Over run	768.58	428.53	1197.11
10.	Others	1.15	0.75	1.90
Total Losses		6,488.50	3,884.86	10,373.36

*: Estimated on the basis of 9 months data (July-March)

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

During the last 16 years, the direct and indirect cost incurred by Pakistan due to incidents of terrorism amounted to US\$ 123.13 billion

equivalent to Rs. 10,373.93 billion. Detail is given in Table-2.

Table-2: Estimated Losses (2001-2017)			
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	6.49	675.76	-29.8
2016-17*	3.88	407.21	-40.2
Total	123.13	10,373.93	-

* Estimated on the basis of 9 months data

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