

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

After facing protracted violence for more than a decade, Pakistan has achieved progressive and significant improvement in the country's overall security landscape in recent years. This has been achieved primarily due to comprehensive counter terrorism operation culminating with Zarb-e-Azb and Khyber-I-IV operations and counter-terrorism measure taken by the Government under the framework of the National Action Plan (NAP), and the sacrifices of the security forces. This has resulted in a major decline in the number of terrorist attacks as well as the casualties suffered.

Pakistan's success in countering-terrorism has been acknowledged in the recent Global Terrorism Index Report 2017 published by the Sydney-based Institute for Economics and Peace. According to this report, Pakistan ranked at 5th out of 163 countries with a score of 8.4 out of 10 on the Index, a marked improvement as it ranked 4th in 2007. Pakistan has shown improvement in its global terrorism index ranking with decline in the terrorism incidences and the deaths related to the terrorist activities. This is the third consecutive year that Pakistan has witnessed fewer terrorist attacks and deaths. Moreover, India ranked at 8th; Turkey ranked at 9th marking its entry into the top 10 countries affected by terrorism, Bangladesh at 21, Saudi Arabia 26, China 31, United States 32, Russia 33, and United Kingdom 35. Along with Pakistan, a positive trend was also noted in Afghanistan, Nigeria, and Syria. These current developments in Pakistan's fight against terrorism are benchmarks for not just regional countries but for the international community as well. While Pakistan is successfully fighting the terrorists on its soil,

it also expects the US, NATO and Afghan forces to do the same in Afghanistan.

However, Pakistan continues to be a target of terrorism, including state-sponsored terrorism from its immediate neighbours. The conflict and instability in Afghanistan remained an impediment for regional peace, security, and development. Pakistan, because of its proximity and historical connection faced the most serious consequences of war in Afghanistan ranging from security to socio-economic. Hosting of millions of Afghan refugees not only burdened Pakistan's economy but also put additional stress on its internal security situation. Pakistan continued to face terrorist attacks from terrorist hide-outs in Afghanistan.

The success in counter-terrorism has played a critical role in creating a conducive economic environment whose results have started to appear in terms of growth across various sectors of the economy. As a result of these efforts, the total losses incurred, both fiscal as well as human has declining. During 2016-17, it declined by 15.7 percent over the corresponding period of last year while it further declined during July-February 2017-18 by 62.2 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 FY2017 have been updated and FY2018 have been prepared in consultation with all relevant Ministries / Departments / Provincial Governments / Autonomous bodies etc. Summary of losses during FY 2017 and FY 2018 is presented in Table-1.

Table 1: Summary of losses due to War on Terror (US\$ million)

S.No	Organization	Years		Total
		2016-17	2017-18*	
1	Compensation to Affectees	90.64	39.25	129.89
2	Physical Infrastructure	272.32	111.61	383.93
3	Foreign Investment	1105.30	129.10	1234.40
4	Privatization	251.19	0.00	251.19
5	Industrial Output	594.300	449.600	1043.90
6	Tax Collection	2483.29	976.38	3459.67
7	Cost of Uncertainty	71.060	14.180	85.24
8	Expenditure Over run	593.72	345.65	939.37
9	Others	7.07	8.66	15.73
Total Losses		5,468.89	2,074.43	7543.32

Source: MoF, Mo Interior M/o Foreign Affairs Joint Ministerial Group

During the last 17 years, the direct and indirect cost incurred by Pakistan due to incidents of terrorism amounted to US\$ 126.79 billion

equivalent to Rs. 10,762.64 billion. Detail is given in Table-2.

Table 2: Summary of Year-wise losses Cost of War (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	5.47	572.60	-15.7
2017-18*	2.07	223.32	-62.2
Total	126.79	10,762.64	-

* Estimated on the basis of 8 months data

Source: MoF, Mo Interior M/o Foreign Affairs Joint Ministerial Group