Economy Of Pakistan: An Overview

contents:

Introduction:
An economy is the system of human activities related to the production, distribution, exchange, and consumption of goods and services of a country or other area.
The composition of a given economy is inseparable from technological evolution, civilization's history and social organization, as well as from Earth's geography and ecology, e.g. ecoregions which represent different agricultural and resource extraction opportunities, among other factors.Economy refers also to the measure of how a country or region is progressing in terms of product.

Pakistan, a rapidly developing nation, has a diverse economy that include textiles, chemicals, food processing, agriculture and other industries.The economy has suffered in the past from decades of internal political disputes, a fast growing population, mixed levels of foreign investment, and a costly, ongoing confrontation with neighboring India. However, IMF-approved government policies, bolstered by foreign investment and renewed access to global markets, have generated solid macroeconomic recovery the last decade. Substantial macroeconomic reforms since 2000, most notably at privatizing the banking sector have helped the economy. Pakistan has seen a growing middle class population since then and poverty levels have decreased by 10% since 2001. GDP growth, spurred by gains in the industrial and service sectors, remained in the 6-8% range in 2004-06. In 2005, the World Bank named Pakistan the top reformer in its region and in the top 10 reformers globally.
The salient features of Pakistan's economic history are:

• Pakistan is self sufficient in most food production.

• Per capita incomes have expanded more than six-fold in US Dollar terms.

• Pakistan has emerged as one of the leading and successful producers of cotton and cotton textiles.

• Pakistan has developed a highly diversified base of manufactured products for domestic and world markets.

• Physical infrastructure network has expanded with a vast network of gas, power, roads and highways, ports and telecommunication facilities.

Economic history
Pakistan was a very poor and predominantly agricultural country when it gained independence in 1947. Pakistan's average economic growth rate since independence has been higher than the average growth rate of the world economy during the period. Average annual real GDP growth rates.were 6.8% in the 1960s, 4.8% in the 1970s, and 6.5% in the 1980s. Average annual growth fell to 4.6% in the 1990s with significantly lower growth in the second half of that decade.Industrial-sector

growth, including manufacturing, was also above average. In the late 1960s Pakistan was seen as a model of economic development around the world, and there was much praise for its economic progression. Later, economic mismanagement in general, and fiscally imprudent economic policies in particular, caused a large increase in the country's public debt and led to slower growth in the 1990s.However condition improved gradually after 2000.

Economic resilience:

Historically, Pakistan's overall economic output (GDP) has grown every year since a 1951 recession. Despite this record of sustained growth, Pakistan's economy had, until a few years ago, been characterized as unstable and highly vulnerable to external and internal shocks. However, the economy proved to be unexpectedly resilient in the face of multiple adverse events concentrated into a four-year period —

* the Asian financial crisis;
* economic sanctions — according to Colin Powell, Pakistan was "sanctioned to the eyeballs"
* global recession;
* severe rioting in the port city of Karachi;
* a severe drought — the worst in Pakistan's history, lasting four years;
* heightened perceptions of risk as a result of military tensions with India — with as many as a million troops on the border, and predictions of impending (potentially nuclear) war;
* the post-9/11 military action in neighboring Afghanistan, with a massive influx of refugees from that country;
* the 2005 Pakistan earthquake

Despite these adverse events, Pakistan's economy kept growing, and economic growth accelerated towards the end of this period. This resilience has led to a change in perceptions of the economy, with leading international institutions such as the IMF, World Bank, and the ADB praising Pakistan's performance in the face of adversity.

Recent economic history:

Pakistan's economic outlook has brightened in recent years in conjunction with rapid economic growth and a dramatic improvement in its foreign exchange position as a result of its current account surplus and a consequent rapid growth in hard currency reserves.The state-owned firm in early 2002 signed agreements with five international telecom companies for terminating additional international incoming traffic to capture the grey market by using voice over Internet protocol (VoIP) technology from the US and Europe into Pakistan.The conditionality of the IMF program, which was suspended in July 1999 and resumed later during the administration of Pervez Musharraf. Having improved its finances, Pakistan's government announced in 2004 that it would no longer require IMF assistance, and the assistance program ended in that year.With accelerating economic growth, economists are now emphasizing a different range of problems. According to Ahmed Rashid, the World Bank Country Director for Pakistan,

"Now Pakistan faces higher quality problems—the problems of success. Demand has risen faster than supply. This has shown up in high inflation and a zooming trade deficit. The “tight fiscal, easy money” formula to get growth going needs to be “tight fiscal, tight money and credit” to sustain rapid growth. Idle domestic production capacity allowed the rising demand to be accommodated by rising capacity utilization in cement, steel, fertilizer, textiles, automobiles and motorcycles. Now that capacity is more than fully utilized, resulting in backlogs and imports."
Musharraf's economic agenda continues to include measures to widen the tax net, privatize public sector assets, and improve its balance of trade. Pakistan has made governance reforms, privatization, and deregulation the cornerstones of its economic revival.The Economic Survey of Pakistan for 2006-2007 has concluded the country's economy recorded 7.3 percent growth, . Former Prime Minister Shaukat Aziz said that Pakistan's economy should continue to grow every year at about seven percent and he also assured that many measures will be taken to give the economy a further boost. He promised privitization of companies and he also invested in the economy by allowing free education for under 16's and also came up with a scheme to pay girls two hundred rupees a month as an incentive to attend school. Also in the next five years many foreign universities from different European nations have announced they will be opening campuses in Pakistan

Structure of Pakistan's economy:
From modest beginnings, Pakistani economy has moved successfully to a low-inflation high-growth trajectory since 2000. The central bank has controlled inflation at around 3% per annum in recent years - a record since 1980.Over 1,081 patent applications were filed by non-resident Pakistanis in 2004 revealing a new-found confidence. Agriculture accounted for about 53% of GDP in 1947. While per-capita

agricultural output has grown since then, it has been outpaced by the growth of the non-agricultural sectors, and the share of agriculture has dropped to roughly one-fifth of Pakistan's economy.In recent years, the country has seen rapid growth in industries (such as apparel, textiles, and cement) and services (such as telecommunications, transportation, advertising, and finance).
Commodity producing sector:

1-Agriculture: Pakistan is one of the world's largest producers and suppliers of the following according to the 2005 Food and Agriculture Organization of The United Nations and FAOSTAT given here with ranking:

* Chickpea (2nd)
* Apricot (4th)
* Cotton (4th)
* Sugarcane (4th)
* Milk (5th)
* Onion (5th)
* Date Palm (6th)
* Mango (7th)
* Tangerines, mandarin orange, clementine (8th)
* Rice (8th)
* Wheat (9th)
* Oranges (10th)

Pakistan ranks fifth in the Muslim world and twentieth worldwide in farm output. It is the world's fifth largest milk producer.
Pakistan's principal natural resources are arable land and water. About 25% of Pakistan's total land area is under cultivation and is watered by one of the largest irrigation systems in the world. Pakistan irrigates three times more acres than Russia. Agriculture accounts for about 23% of GDP and employs about 44% of the labor force.he most important crops are wheat, sugarcane, cotton, and rice, which together account for more than 75% of the value of total crop output.
Pakistan's largest food crop is wheat. In 2005, Pakistan produced 21,591,400 metric tons of wheat, more than all of Africa (20,304,585 metric tons) and nearly as much as all of South America (24,557,784 metric tons).The economic importance of agriculture has declined since independence, when its share of GDP was around 53%. Following the poor harvest of 1993, the government introduced agriculture assistance policies, including increased support prices for many agricultural commodities and

expanded availability of agricultural credit. From 1993 to 1997, real growth in the agricultural sector averaged 5.7% but has since declined to about 4%. Agricultural reforms, including increased wheat and oilseed production, play a central role in the government's economic reform package.
2-Livestock:
ccording to the Economic Survey of Pakistan, the livestock sector contributes about half of the value added in the agriculture sector, amounting to nearly 11 per cent of Pakistan's GDP, which is more than the crop sector.The leading daily newspaper Jang reports that the national herd consists of 24.2 million cattle, 26.3 million buffaloes, 24.9 million sheep, 56.7 million goats and 0.8 million camels. In addition to these there is a vibrant poultry sector in the country with more than 530 million birds produced annually. These animals produce 29.472 million tons of milk (making Pakistan the 5th largest producer of milk in the world), 1.115 million tons of beef, 0.740 million tons of mutton, 0.416 million tons of poultry meat, 8.528 billion eggs, 40.2 thousand tons of wool, 21.5 thousand tons of hair and 51.2 million skins and hides.The Food and Agriculture Organization reported in June 2006 that in Pakistan, the world's fifth largest milk producing country, government initiatives are being undertaken to modernize milk collection and to improve milk and milk product storage capacity
The Federal Bureau of Statistics provisionally valued this sector at Rs.758,470 million in 2005 thus registering over 70% growth since 2000

3-Fisheries:
Fishery plays an important role in the national economy. It provides employment to about 400,000 fishermen directly. In addition, another 500,000 people are employed in ancillary industries. It is also a major source of export earning. In July-May 2002-03 fish and fishery products valued at US $ 117 million were exported from Pakistan. Federal Government is responsible for fishery of Exclusive Economic Zone of Pakistan.
The major fish harbours of Pakistan are:

* Karachi Fisheries Harbour is being operated by Provincial Government of Sindh.
* Karachi Fish Harbour handles about 90% of fish and seafood catch in Pakistan and 95% of fish and seafood exports from Pakistan.

* Korangi Fish Harbour is being managed by Federal Ministry of Food, Agriculture and Livestock.
* Pasni Fish Harbour being operated by Provincial Government of Balochistan.
* Gwadar Fish Harbour being operated by Federal Ministry of Communication.

The Federal Bureau of Statistics provisionally valued this sector at Rs.18,290 million in 2005 thus registering over 10% growth since 2000

4-Forestry:

The Federal Bureau of Statistics provisionally valued this sector at Rs.25,637 million in 2005 thus registering over 3% decline since 2000

5-Industry:

Pakistan ranks forty-first in the world and fifty-fifth worldwide in factory output.Pakistan's industrial sector accounts for about 24% of GDP. Cotton textile production and apparel manufacturing are Pakistan's largest industries, accounting for about 66% of the merchandise exports and almost 40% of the employed labour force. Other major industries include cement, fertilizer, edible oil, sugar, steel, tobacco, chemicals, machinery, and food processing.The government is privatizing large-scale parastatal units, and the public sector accounts for a shrinking proportion of industrial output, while growth in overall industrial output (including the private sector) has accelerated. Government policies aim to diversify the country's industrial base and bolster export industries.

6-Mining and quarrying:

Important minerals found in Pakistan are gypsum, limestone, chromites, iron ore, rock salt, silver, gold, precious stones, gems, marble, copper, coal, graphite, sulphur, fire clay, silica. The salt range in Punjab Province has large deposits of pure salt. Balochistan province is a mineral rich area having substantial mineral, oil and gas reserves which have not been exploited to their full capacity. The province has significant quantities of copper, chromite and iron, and pockets of antimony and zinc in the south and gold in the far west. Natural gas was discovered near Sui in 1952, and the province has been gradually developing its oil and gas projects over the past fifty years.Major reserves of copper and gold in Balochistan's Rekodiq area have been discovered in early 2006. The Rekodiq mining area has proven estimated reserves of 2 billion tons of copper and 20 million ounces of gold. According to the current market price, the value of the deposits has been estimated at about $65 billion, which would generate thousands of jobs.The discovery has ranked Rekodiq among the world's top seven copper reserves. The Rekodiq project is estimated to produce 200,000 tons of copper and 400,000 ounces of gold per year, at an estimated value of $1.25 billion at current market prices. The copper and gold are currently traded at about $5,000 per ton and $600 per ounce respectively in the international market. North West Frontier Province accounts for at least 78% of the marble production in Pakistan. The Federal Bureau of Statistics provisionally valued this sector at Rs.211,851 million in 2005 thus registering over 99% growth since 2000.

7-Fuel extraction industry:
Pakistan's first oil field was discovered in the late 1952 in Baluchistan near a giant gas field at Sui in Balochistan. The Toot oilfield was discovered in the early 1960's the Islamabad in the Punjab. Production has steadily increased since then. Pakistan's first gas field was the giant gas field at Sui in Balochistan which was discovered in the late 1952.Pakistan is also a major producer of Bituminous coal, Sub-bituminous coal and Lignite. Coal mining started in the British colonial era and has continued to be used by Pakistani industries after independence in 1947. Pakistan produced about 45 tonnes of Uranium in 2006.

8-Electricity, gas and water supply:
Pakistan has extensive energy resources, including fairly sizable natural gas reserves, some proven oil reserves, coal (Pakistan has the fourth-largest coal reserves in the world), and a large hydropower potential. However, the exploitation of energy resources has been slow due to a shortage of capital and domestic political constraints. Domestic petroleum production totals only about half the country's oil needs, and the need to import oil has contributed to Pakistan's trade deficits and past shortages of foreign exchange.The current government has announced that privatization in the oil and gas sector is a priority, as is the substitution of indigenous gas for imported oil, especially in the production of power. Pakistan is a world leader in the use of compressed natural gas (CNG) for personal automobiles.
The short-term national energy demand has expanded significantly since 2001 due to massive rise in sales of durable goods like refrigerators, washing machines, split air conditioners, et al. In 2004, Access Group International announced plans to invest $1 billion over the next 5 years in solar cell

manufacture and wind farms. MOUs have been signed with Alternate Energy Development Board.In early 2005, the government approved a 25-year Energy Security Plan to boost electric capacity eightfold. The Canadian conglomerate Cathy Oil and Gas signed a memorandum of understanding in late 2006 to invest $5 billion in oil and gas exploration, development, production and commercialisation in Pakistan. The World Bank estimates that it takes about 32 days only to get an electrical connection in Pakistan.
The Federal Bureau of Statistics provisionally valued this sector at Rs.215,662 million in 2005 thus registering over 62% growth since 2000.
B)Services sector:
Pakistan's service sector accounts for about 53.3% of GDP. Transport, storage, communications, finance, and insurance account for 24% of this sector, and wholesale and retail trade about 30%. Pakistan is trying to promote the information industry and other modern service industries through incentives such as long-term tax holidays.The government is acutely conscious of the immense job growth opportunities in service sector and has launched aggressive privatisation of telecommunications, utilities and banking despite union unrest.
1-Transport, storage and communication:
Pakistan Telecommunication Company Ltd has emerged as a successful Forbes 2000 conglomerate with over $1 billion in sales in 2005. Cellphone market has exploded almost fourteen fold since 2000 to reach a subscriber base of over 60 million in 2007. In addition, there are over 6 million landlines in the country. As a result, Pakistan won the prestigious Government Leadership award of GSM Association in 2006.
he World Bank estimates that it takes about 50 days only to get a phone connection in Pakistan.
In Pakistan, following are the top mobile phone operators:

1. Mobilink
2. Ufone
3. Telenor
4. Warid
5. Instaphone
6. Paktel (recently been acquired by China Mobile for US$ 450 million)

The cellular base in Pakistan is growing at around 14% per year and already the cellular customer has outpaced the fixed line customers. Wireless revolution has swept Pakistan, and competition among the mobile operators is pulling the prices down. Its as cheap as Rs.2 to call to USA per minutes (that is 3-4 cents per minutes). Sony Ericsson, Nokia and Motorola along with Samsung and LG remain to be the popular brands among customers. Though Nokia has a strong market presencethis has been somewhat taken over by Sony Ericsson, through aggressive marketing and advertisement.Pakistan is on the verge of Telecom revolution and it is by far the most attracted sector in Pakistan in terms of Foreign Direct investment coming in Pakistan. It s estimated alone that this year 2006-07, FDI attracted by Telecom will be US$ 2 Billion out of the total FDI of US$ 6 Billion, the highest in Pakistan history.Pakistan International Airlines, the flagship airline of Pakistan's civil aviation industry, has turnover exceeding $1 billion in 2005. The government announced a new shipping policy in 2006 permitting banks and financial institutions to mortgage ships. A massive rehabilitation plan worth $1 billion over 5 years for Pakistan Railways has been announced by the government in 2005.

Private sector airlines in Pakistan include Airblue, Aeroasia and Shaheen Air International. Many private airlines are in pipeline including Air Mahreq, Dewan Air and Pearl Air.Airblue is using the state of the art A-320 and A-321 aircraft for flying across Pakistan and will soon commence UK operation. Airblue has recently ordered 6 New A-321 aircraft, while 2 aircraft will be taken on lease which will be added to the existing fleet of 4-5 aircraft, making it the second biggest fleet behind PIA which has 42 aircraft. The Government of Pakistan has, over the last few years, granted numerous incentives to technology companies wishing to do business in Pakistan. A combination of decade-plus tax holidays, zero duties on computer imports, government incentives for venture capital and a variety of programs for subsidizing technical education, are intended to give impetus to the nascent Information Technology industry. This in recent years has resulted in impressive growth in that sector. Pakistan saw an increase in IT export cash inflows of 50% from 2003-4 to 2004-5, with total export cash inflows standing at $48.5 million. In 2005-6 export cash inflows increased to greater than $73 million. This year the government has set a goal of $108 million. Exports account for 11% of the total revenues of the IT sector in Pakistan. Compared to India, Pakistan's IT sector is relatively small, but recent growth has been extremely high leading economists to be optimistic about the IT industries future prospects in Pakistan. Gartner, one of the world’s leading information technology research and advisory companies has placed Pakistan amongst the top countries of the world in terms of suitability for offshore outsourcing.

Paging and mobile (cellular) telephone were adopted early and freely. Cellular phones and the Internet were adopted through a rather laissez-faire policy with a proliferation of private service providers that led to fast adoption. Both have taken off and in the last few years of the 1990s and first few years of the 2000s. With a rapid increase in the number of internet users and ISPs, and a large English-speaking population, Pakistani society has seen major changes.

* Pakistan has more than 20 million internet users as of 2005. The country is said to have a potential to absorb up to 50 million mobile phone Internet users in the next 5 years thus a potential of nearly 1 million connections per month.
* Almost all of the main government departments, organizations and institutions have their own websites.
* The use of search engines and instant messaging services is also booming. Pakistanis are some of the most ardent chatters on the Internet, communicating with users all over the world. Recent years have seen a huge increase in the use of online marriage services, for example, leading to a major re-alignment of the tradition of arranged marriages.
* As of 2007 there were 6 cell phone companies operating in the country with nearly 60 million mobile phone users in the country.
* Wireless local loop and the landline telephony sector has also been liberalized and private sector has entered thus increasing the teledensity rate from less than 3% to more than 10% in span of two years.

The Federal Bureau of Statistics provisionally valued this sector at Rs.982,353 million in 2005 thus registering over 91% growth since 2000.

2-Finance and insurance:

A reduction in the fiscal deficit has resulted in less government borrowing in the domestic money market, lower interest rates, and an expansion in private sector lending to businesses and consumers. Foreign exchange reserves continued to reach new levels in 2003, supported by robust export growth and steady worker remittances.Credit card market continued its strong growth with sales crossing the 1 million mark in mid-2005

3-Investment:

oreign direct investment (FDI) in Pakistan soared by 180.6 per cent year-on-year to US$2.22 billion and portfolio investment by 276 per cent to $407.4 million during the first nine months of fiscal year 2006, the State Bank of Pakistan (SBP) reported on April 24. During July-March 2005-06, FDI year-on-year increased to $2.224 billion from only $792.6 million and portfolio investment to $407.4 million, whereas it was $108.1 million in the corresponding period last year, according to the latest statistics released by the State Bank Pakistan has achieved FDI of almost $7 billion in the financial year 06/07, surpassing the government target of $4 billion.Pakistan is now the most investment-friendly nation in South Asia. Business regulations have been profoundly overhauled along liberal lines, especially since 1999. Most barriers to the flow of capital and international direct investment have been removed. Foreign investors do not face any restrictions on the inflow of capital, and investment of up to 100% of equity participation is allowed in most sectors (local partners must be brought in within 5 years and contribute up to 40% of the equity in the services and agriculture sectors). Unlimited remittance of profits, dividends, service fees or capital is now the rule. Business regulations are now among the most liberal in the region. This was confirmed by a World Bank report published in late 2006 ranking Pakistan (at 74th) well ahead of neighbors like China (at 93rd) and India (at 134th) based on ease of doing business

4-Foreign trade:
Pakistan is member of the World Trade Organization, and has bilateral and multilateral trade agreements with many nations and international organizations.Fluctuating world demand for its exports, domestic political uncertainty, and the impact of occasional droughts on its agricultural production have all contributed to variability in Pakistan's trade deficit.In the six months to December 2003, Pakistan recorded a current account surplus of $1.761 billion, roughly 5% of GDP. Pakistan's exports continue to be dominated by cotton textiles and apparel, despite government diversification efforts. Exports grew by 19.1% in FY 2002-03. Major imports include petroleum and petroleum products, edible oil, chemicals, fertilizer, capital goods, industrial raw materials, and consumer products.While the country has a current account surplus and both imports and exports have grown rapidly in recent years, it still has a large merchandise-trade deficit. The budget deficit in fiscal year 2004-2005 was 3.4% of GDP. The budget deficit in fiscal year 2005-06 is expected to be over 4% of GDP. Economists believe that the soaring trade deficit would have an adverse impact on Pakistani rupee by depreciating its value against

dollar (1 US $ = 60 Rupees (March 2006)) and other currencies.
5-Exports:
Pakistan's exports at $17.011 billion in the financial year 2006-2007, up by 3.4 percent from last year's exports of $16.451 billion.Pakistan exports rice, furniture, cotton fiber, cement, tiles, marble, textiles, clothing, leather goods, sports goods (renowned for footballs/soccer balls), surgical instruments, electrical appliances, software, carpets, and rugs, ice cream, livestock meat, chicken, powdered milk, wheat, seafood (especially shrimp/prawns), vegetables, processed food items, Pakistani assembled Suzukis (to Afghanistan and other countries), defense equipment (submarines, tanks, radars), salt, marble, onyx, engineering goods, and many other items. Pakistan now is being very well recognized for producing and exporting cements in Asia and Mid-East. Starting August 2007, Pakistan will be exporting Cement to India
6-Imports:
Pkistan's imports stood at $30.54 billion in the financial year 2006-2007, up by 8.22 percent from last year's imports of $28.58 billion.Pakistan's single largest import category is petroleum and petroleum products. Other imports include: industrial machinery, construction machinery, trucks, automobiles, computers, computer parts, medicines, pharmaceutical products, food items, civilian aircraft, defense equipment, iron, steel, toys, electronics, and other consumer items.
Sales tax is levied at 15 percent both on imports and domestically produced products. The income withholding tax is levied at 6 percent on imports and at 3.5 percent on the sales of domestic taxpayers.

Recent Structural Reforms:

A)Privatization, Deregulation, Liberalization:
The Musharraf Government actively pursued an aggressive andtransparent privatization plan whose thrust was sale of assets in the oil and gasindustry as well as inthe banking, telecommunications and energy sectors, tostrategic investors, with foreign investors encouraged to participate in the privatization process. This plan was followed by the elected Government underPrime Minister Jamali and by the present Prime Minister Shaukat Aziz.
To demonstrate the seriousness of the government in encouraging foreigninvestment flows in Pakistan; there has been a major and perceptible.
liberalization of the foreign exchange regime. Foreign investors can now

bring inand take back their capital, remit profits, dividends and fees etc., without any
restrictions. Foreign Portfolio Investors (FPI) can also enter and exit the marketwithout any restrictions or prior approvals. In the Karachi Stock Exchange with a
market capitalization of US$33 billion, over 650 listed companies showed average returns of 15 per cent that were higher than those in most emergingcountries. This makes Pakistan an attractive place to invest for foreign portfolio
investors. As part of this liberalization, non-residents and residents are allowed tomaintain and operate foreign currency deposit accounts, and a market-based
exchange rate in the inter-bank market is at work.The financial sector too, has been restructured and opened up tocompetition. Foreign and domestic private banks currently operating in Pakistanhave been able to increase their market share to more than 80 percent of assets
and deposits. The interest rate structure has been deregulated and monetarypolicy uses indirect tools such as open market operations, discount rates etc.
Domestic interest rates on lending have dropped to as low as 5 percent from 20percent substantially reducing financial costs of businesses.
Central to the economic reforms process has been a clear progressiontowards deregulation of the economy. Prices of petroleum products, gas,
energy, agricultural commodities and other key inputs are determined by market.Imports and domestic marketing of petroleum products have been deregulated
and opened up to the private sector. The markets do not always functioneffectively. Independent regulatory agencies have been set up to protect the
interests of consumers and end-users of utilities and public services.

B)Tax Reforms:
Taxation reform has figured prominently on the government's agenda, as th is another area where the business community has innumerable grievances and dissatisfaction with the arbitrary nature of tax administration. Tax reforms areaimed at broadening the tax base, bringing in tax evaders under the tax net,
minimizing personal interaction between tax payer and tax collector, eliminatingthe multiplicity of taxes and ultimately reducing the tax rate over

time. A massivesurvey and documentation drive was undertaken to widen the tax base, extendincidence to all sectors of the economy and develop the data for purposes of
assessment. Universal self assessment system has been introduced for taxcollection whereby the returns submitted by the tax payers are taken as final
settlement of their tax liabilities. Only a random sample of returns is picked upfor audit. This system has been welcomed by the tax payers. The Central Board
of Revenue (CBR) is being restructured to improve tax administration including tax payer facilitation.

C)Financial sector reforms:
Financial sector has made the farthest progress by transforming itself intoa market oriented, private sector dominated sector performing efficient intermediation. The regulatory and supervision functions of the State Bank ofPakistan have been significantly strengthened, and strict enforcement of prudential regulations have led to widespread recapitalization and a consequentimprovement in the efficiency and profitability of banking system. More than 80
percent of banking assets are now owned and managed by the private sector.The ratio of net Non-Performing Loans (NPLs) to total advances in Pakistan has been brought down to less than 5 percent through a variety ofstrategic measures. An asset management company, the Corporate and Industrial Restructuring Corporation (CIRC), has taken over a large volume ofnon-performing loans of NCBs and DFIs at a discount and disposed them off to
third party buyers.Development Financial Institutions (DFIs) have been restructured throughmergers and acquisitions, closure, liquidation and reorganization. Auction ofPakistan Investment Bond (PIB) for tenures of five to ten years governmentpaper and a burgeoning corporate bond market has begun to emerge bringing
together long term institutional investors and borrowers interested in long termsources of financing.

Concluding Remarks:
Pakistan today meets most of the essential requirements that the foreignbusinesses and investors are looking for. Macroeconomic stability, deep-rooted
structural reforms, high standards of economic governance, outward

lookingorientation, liberalized trade and investment regime, easy access to policy
makers, low production costs, sophisticated financial sector and its location as aregional hub make it a highly attractive country for business and investment.
Investors' concerns about security, law and order are being addressedand the situation is improving gradually. But the negative perception that prevails
about Pakistan abroad due to the hype created by the median can only beremoved if the potential businessmen and investors visit Pakistan and make onthe-
spot assessment for themselves.It is now hoped and prayed that Pakistan will see her brighter and prospective economic future in the coming days.

COMMITMENT IS ESSENTIAL FOR ACHIEVEMENT!
ROAD TO SUCCESS IS COLD & LONELY!!
WHERE THERE'S A WILL,THERE'S A WAY!!!