Economic Trends in Pakistan: Implications for India

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Pakistan has faced political and environmental setbacks recently that have significantly affected the state and health of its economy. This paper reviews the state of Pakistan's economy and the performance of its social sectors over the period Financial Year (FY) 2008–FY 2015. The paper also examines the policy measures taken to accelerate economic growth and the implications of the current state of Pakistan's macro-economy for India. The first section examines the key macro-economic trends in Pakistan, including the state of external balances. The second section reviews developments in the social sectors, and compares expenditures on defence with those on education and health, to highlight Pakistan's rather lop-sided development priorities. The penultimate section outlines the foreign investment regulatory framework. The final section highlights the challenges faced by Pakistan and suggests measures to address them.

Pakistan is the second largest economy in South Asia[1] after India. The rate of growth of its Gross Domestic Product (GDP) was 4.2 per cent in 2014-15[2], which is projected to increase to 4.5 per cent in 2015-16.[3] The growth momentum in Pakistan is stimulated by the government's steady reform efforts and favourable external market conditions such as low oil prices, growth in remittances, rising Foreign Direct Investment (FDI) and privatisation proceeds that have helped maintain the fiscal balance.

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More recently, the government has pushed forward a reform agenda to overcome the economic setback caused by political instability and the devastating floods in 2014. These reforms are focussed on encouraging foreign investments from the United States (US), China, Saudi Arabia and Singapore.[4] Expectedly, there has been no policy initiative to improve bilateral economic ties with India despite the well-established finding that Pakistan and India both could make significant welfare gains for their people by enhancing bilateral economic cooperation.[5] Against this background, this paper reviews the developments in the macro-economic and social sectors in Pakistan, and draws the implications for India.[6]

After a prolonged period of sluggish growth after the 2008 global crisis, Pakistan's economy has shown a gradual improvement with a 4.2 per cent GDP growth rate in FY 2015.

Macro-Economic Key Trends and Developments

Growth of Real GDP

After a prolonged period of sluggish growth after the 2008 global crisis, Pakistan's economy has shown a gradual improvement with a 4.2 per cent GDP growth rate in FY 2015,[7] which was, however, below the targeted GDP growth rate of 5.1 per cent[8] (see Table 1). The growth has been fuelled by a growing service sector and stability in the growth rate of the agriculture sector. Agriculture, which contributed nearly 20.8 per cent to the GDP, grew by 2.9 per cent, while the services sector, which accounted for 58.8 per cent of the GDP, recorded a growth of 5 per cent in FY 2015.[9] Industry disappointed with a low 3.6 per cent growth in FY 2015 and will have to perform better if Pakistan is to achieve its growth targets. The improvement in GDP growth, though marginal, combined with on-going reform measures, holds out the promise of better economic prospects in the coming years.

Table 1: Trend in Macro-Economic Indicators, FY 2008–FY 2015

Macro-Economic Indicators	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Real GDP Growth (in %)	5.0	0.4	2.6	3.6	3.8	3.7	4.1	4.2
Agriculture Growth (in %)	1.8	3.5	0.2	2.0	3.6	2.7	2.7	2.9
Industry Growth (in %)	8.5	-5.2	3.4	4.5	2.6	0.6	4.5	3.6
Services Growth (in %)	4.9	1.3	3.2	3.9	4.4	5.1	4.4	5.0
CPI Inflation (in %)		17.0	10.1	13.7	11.0	7.4	8.6	4.5
Fiscal Deficit (as % of GDP)	7.3	5.2	6.2	6.5	6.8	8.2	5.5	3.6 [1]
Expenditures (as % of GDP)	21.4	19.2	20.2	18.9	19.6	21.5	20.0	12.8 [1]
Revenues (as % of GDP)	14.1	14.0	14.0	12.3	12.8	13.3	14.5	9.2 [1]
National Savings (as % of GDP)	11.0	12.0	13.6	14.2	13.0	13.9	13.7	14.5 [2]
Total Investment (as % of GDP)	19.2	17.6	15.8	14.1	15.1	15.0	15.0	15.1 [2]

Source: Compiled data from Asian Development Outlook, 2015, Ministry of Finance, Pakistan, State Bank of Pakistan and Economic Survey of Pakistan, 2014-15
*This provisional figure is for the period July-March 2015

Inflation

Inflation, as measured by the Consumer Price Index (CPI)[10] was recorded at 4.5 per cent in FY 2015, which was significantly lower than 8.6 per cent in FY 2014 (see Table 1).[11] Inflation in food and non-food prices[12] was in a modest range of 3–6 per cent during July 2014-April 2015. In the non-food category, transport prices, driven by low global oil prices, actually declined by nearly 3 per cent[13] over the period July 2014–April 2015. The government has established the National Price

Monitoring Committee (NPMC), to keep a constant check on price movements and supply of essential commodities in Pakistan. This demonstrates the importance given to reining in inflation, which can otherwise lead to widespread discontent.

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Fiscal Deficit, Savings and Investment

Pakistan's economy has been running large fiscal deficits since FY 2008, which has raised serious concerns among the policy-makers. Fiscal deficit peaked at the end of FY 2013 (see Table 1) amounting to US $ 18.89 billion, which represented 8.2 per cent of the GDP.[14] This was attributed to low tax collection by an inefficient and corrupt tax department; increase in untargeted subsidies, especially energy-related subsidies, higher interest payments and rise in the number of loss-making public sector enterprises. However, with prudent expenditure management policies and sector-specific reforms[15], along with increase in the government revenues, the fiscal deficit was reduced to 5.5 per cent of the GDP in FY 2014. The deficit for the period July 2014–March 2015 was recorded at an even lower 3.6 per cent of the GDP, holding out the promise of achieving the desired fiscal balance in the current fiscal year.

There has also been a rise in the national savings and investments. Savings accounted for 14.5 per cent of the GDP in FY 2015, which was higher than 13.7 per cent of the GDP in the previous year (see Table 1). The total investment in Pakistan increased from US $ 36.43 billion in FY 2014 to US $ 40.57 billion in FY 2015, thus, amounting to about 15.1 per cent of the GDP.[16] This surge in total investment of 11.4 percent is indicative of improved investor confidence in Pakistan's economy due to the favourable business policies of the government.

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Balance of Payment (BOP)

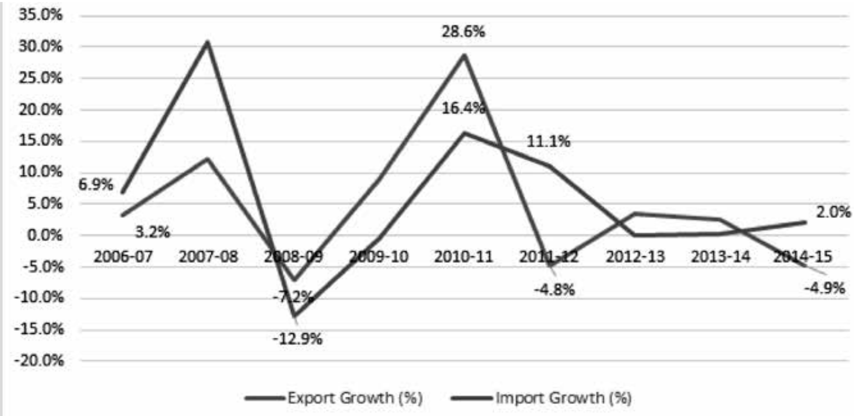
Trade Balance

Pakistan's trade deficit had increased from FY 2006 until FY 2012, with FY 2009 and FY 2010 being the exceptions. The deficit has subsequently narrowed in the last few years owing to faster growth of exports. Due to rapid growth of imports relative to exports in FY 2014 and FY 2015, there was a deficit of US $ 22.1 billion in FY 2015. The exports experienced a decline of 4.9 per cent whereas imports increased by 2 per cent in FY 2015 (see Fig 1).

It has been noted that due to improved domestic economic activity and lower world oil prices witnessed since FY 2014, there was a rise in the demand and import of petroleum, crude oil and different types of machinery. The imports of iron and steel and its scrap also witnessed a surge, indicating increased construction activity in Pakistan in the subsequent year.

The growth in exports in FY 2014 was due to higher demand for textiles (especially cotton yarn and fabric) from China and the US, coupled with the continuation of the Generalised System of Preferences (GSP-Plus)[17] status to Pakistan by the European Union (EU). The trend reversed in FY 2015 because of the poor performance of the textile and clothing sector[18] that accounted for a majority of Pakistan's exports. The major commodities in Pakistan's export basket included textiles, leather goods and sports goods while petroleum products dominated the import basket, followed by agriculture and chemical, machinery and food, among others.

Fig 1: Trend in Exports and Imports Growth in %, FY 2007–2015



Source: Author's own calculations using data from the Pakistan Bureau of Statistics (PBS)

Invisible Trade (Services and Remittances)

The invisible trade balance shows the state of services and remittances for Pakistan. The service exports increased at a Compound Annual Growth Rate (CAGR) of 4.3 per cent to reach US $ 5.7 billion in FY 2015 from US $ 4.1 billion in FY 2007. This is attributed to rapidly growing exports of the Information Technology (IT) and communication sector, which is one of the largest contributors to the total service exports of Pakistan. On the other hand, workers' remittances received by Pakistan surged from US $ 8.9 billion in FY 2010 to $15.8 billion in FY 2014. Saudi Arabia, United Arab Emirates (UAE), the United States of America (USA) and the United Kingdom (UK) are the major sources of remittances to Pakistan.

Current Account Balance

The current account deficit fell by 16.1 per cent in FY 2015 as compared to FY 2014 and was recorded at US $ 2.6 billion or 1 per cent of the GDP.[19] On the other hand, the capital and financial account showed a surplus of US $ 5.4 billion in FY 2015, which was 27.0 per cent lower than the surplus in the previous fiscal period. However, the overall Balance of Payment (BOP)

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account showed a surplus of US $ 2.6 billion in FY 2015 that represented a share of 1 per cent of the GDP (see Table 2). This was due to increased net foreign investment inflows, increase in workers' remittances and exports, and lower freight charges on imports. Pakistan has been a strong beneficiary of the decline in global oil prices. As per the estimates of the World Bank, the current account deficit is likely to increase to 1.6 per cent of the GDP by FY 2017.[20] This will be a very comfortable level as it can be surely made up by foreign capital receipts. There is, therefore, no danger of Pakistan falling into an external financial crisis in the coming years.

Table 2: BOP Account Balance in US $ Billion and in %, FY 2012–2015

	FY 2012	FY 2013	FY 2014	FY 2015 (P)
Current Account Deficit (in US $ Billion)	-4.8	-2.5	-3.1	-2.6
Current Account Deficit (as % of GDP)	-2.1	-1.1	-1.3	-1.0
Capital & Financial Account Surplus (in US $ Billion)	1.5	0.8	7.4	5.4
Capital & Financial Account Surplus (as % of GDP)	0.7	0.4	3.0	2.0
BOP Balance (in US $ Billion)	-3.3	-2.0	3.9	2.6
BOP Balance (as % of GDP)	-1.4	-0.9	1.6	1.0

Source: Compiled by data from World Bank, Economic Survey of Pakistan 2014-15 and State Bank of Pakistan; P-provisional

Foreign Direct Investment (FDI) and Foreign Aid

Pakistan permits foreigners to invest in almost all sectors, except for a few strategic ones like arms and ammunition; high explosives; radioactive substances; securities, currency and mint; and consumable alcohol. The latest Investment Policy of 2013 aimed at removing impediments for foreign investment by providing a favourable business environment to foreign investors.[21] Despite a forward-looking investment policy that opened up all sectors for foreign investment, the net FDI inflows in Pakistan have shown a declining trend over the last eight years. The net FDI inflows in FY 2008 were US $ 5.4 billion, which plunged to US $ 0.7 billion in FY 2015. This decline is attributed to energy shortages, political events and an unstable business environment. This declining trend in FDI inflows could reverse with greater political and macro-economic stability.

Pakistan received foreign aid worth US $ 7.9 billion in FY 2015 in the form of concessional foreign loans, and grants (Plan and non-Plan) provided to the governments at federal, provincial and local levels by friendly nations and specialised international agencies.[22] This has increased at an average compound rate of 2.3 per cent since FY 2010. China (64.9 per cent)[23], Saudi Arabia (11.8 per cent), Japan (11.7 per cent) and the US (5.1 per cent) are the largest sources of foreign aid and they have been providing a huge amount of financial, technical and military assistance to Pakistan. This level of foreign assistance can be expected to continue in the future as well.

Foreign Exchange (FOREX) Reserves

Pakistan's foreign exchange reserves were US $ 16.7 billion in FY 2010, which increased to US $ 14.1 billion in FY 2014. During the period July 2014 – May 2015, the reserves grew by 24 per cent and reached US $ 17.5 billion. This growth is driven primarily by the decline in the world oil prices that reduced the import bill substantially, and the increase in workers' remittances from abroad. The higher level of FOREX reserves

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indicates greater exchange rate stability, thereby improving investors' confidence in Pakistan. To summarise, Pakistan seems to have emerged from the downward economic cycle that had gripped it until FY 2009. Not only has GDP growth picked up, both inflation and fiscal imbalances have been reined in. This will hopefully provide greater impetus to both foreign and domestic investors. Therefore, it will be quite inappropriate to assume an economic implosion any time soon in Pakistan as is often asserted by some Indian observers.

Social Sector Overview

With a rank of 146 among 187 countries, Pakistan is placed in the lowest tier of human development as per the United Nations (UN) Human Development Index (HDI).[24] Pakistan has been ranked lower than its South Asian neighbours such as India and Bangladesh.

Education

Pakistan's overall literacy rate improved marginally by 5 per cent points during FY 2005–FY 2014 but was still a lowly 58 per cent in FY 2014. A closer look at the literacy data suggests that there is great gender disparity in Pakistan, with over 70 per cent of literate males relative to only 47 per cent of literate females.[25] The gender disparity in terms of school enrolments is even more pronounced at the provincial level and widens with the level of education (see Table 4). High dropout rates at the primary level are most common among girls in Pakistan. As per the report by the United Nations Educational, Scientific and Cultural Organisation (UNESCO), nearly 35 per cent of girls aged 15 and above remain out of school in Pakistan.[26] The dismal condition of the education sector in Pakistan is attributed to the lower government spending (merely 2.18 per cent of the GDP in FY 2015)[27] and other factors like poverty that push more children towards the labour market, unavailability of proper schools for girls in remote areas, improper sanitation facilities, shortage of qualified teachers, conservative attitude of the people, and terrorist threats against women's education.[28] The Pakistan government has been spending a lower amount for the development of the education sector as compared to other South Asian countries.[29]

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Table 3: School Enrolments by Type of Schools, Provinces and Gender in %, 2013

Type of Schools	Balochistan	Khyber Pakhtunkhwa	Punjab	Sindh	Total Pakistan
Primary Schools	3.8	17.0	51.9	21.7	66.2
Male	60.1	59.9	53.4	57.7	55.9
Female	39.9	40.1	46.6	42.3	44.1
Middle Schools	2.7	17.2	56.8	17.7	23.1
Male	64.8	65.8	54.2	55.5	57.0
Female	35.2	34.2	45.8	44.5	43.0
High Schools	2.5	15.0	56.4	20.5	10.7
Male	65.9	68.0	55.1	57.6	58.1
Female	34.1	32.0	44.9	42.4	41.9

Source: Compiled by data from Pakistan Education for All Review Report 2015

Health

Pakistan has failed to achieve its Millennium Development Goals (MDGs) target of 2015 for infant and child mortality. The World Bank data shows that the under-five child mortality rate was 85.5 deaths per

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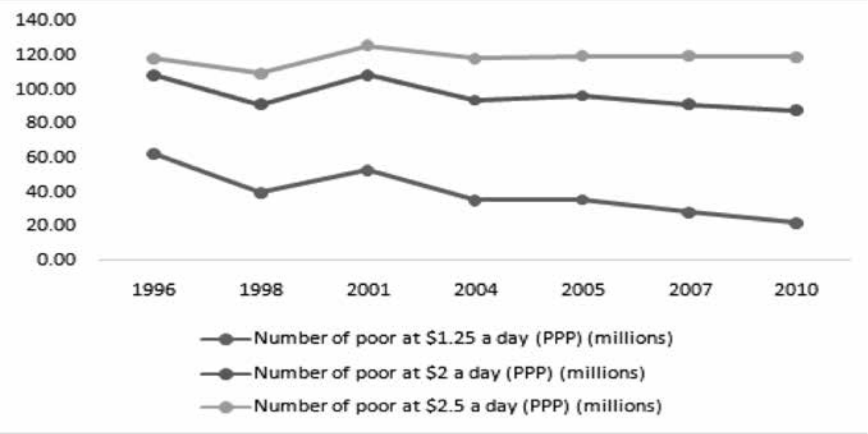
1,000 live births in 2013, which is significantly above the MDG target of 52 deaths per 1,000 live births. Also, the infant mortality rate in 2013 was recorded at 69 deaths per 1,000 live births against the MDG target of 40 deaths per 1,000 live births. Recently, the Government of Pakistan has adopted several measures to improve the health care sector in the country. A number of health care programmes that are categorised under federally sponsored schemes are presently operative in the country like Food and Nutrition Programmes, AIDs, HIV and malaria control programmes and Lady Health Worker Programmes. Pakistan's efforts are commendable for certain parameters like reducing the percentage of children under 5 who suffered from diarrhoea in the last 30 days.[30] Yet, other factors such as low public expenditure on health care activities (0.5 per cent of the GDP in FY 2015—lower than the expenditure of 0.6 per cent of the GDP in FY 2008), illiteracy of the child-bearing mothers, poor sanitation facilities and unavailability of the basic health care facilities are the major obstacles leading to poor performance of Pakistan on several health indicators.

Poverty and Inequality

The recent poverty-related statistics of the World Bank show that the number of people living on less than $ 1.25 a day at 2005 international prices has declined drastically over the period 1996-2010. However, by raising the poverty line to $ 2 per day, which is at par with the international standards for middle income countries, the data show that the number of poor has declined marginally from 108.3 million in 1996 to 87.7 million in 2010. The number of poor increased at $ 2.5 per day poverty line during 1996-2010 (see Fig 2). However, the cross-country comparison within the South Asian region suggests that at $ 1.25 per day, the incidence of poverty is lower in Pakistan than in India and Bangladesh.

Fig 2: Number of Poor in Pakistan, 1996–2010



Source: Compiled by data from Poverty and Equity Database, World Bank

The Government of Pakistan is presently engaged in the "Social Safety Net Project", which aims at reducing poverty and inequality and promoting inclusive growth through regular cash or kind transfers to poorer sections of the society.[31] However, the public sector spending on pro-poor sectors has declined from 9.8 per cent of the GDP in FY 2008 to 7.7 per cent of the GDP in FY 2014 due to higher spending on security and border issues and military welfare. Of all the provinces, Punjab has spent the highest amount on the development of its social sectors (see Table 4).

Table 4: Pro-Poor Expenditure for Different Provinces in %, FY 2008–2015

Years	Punjab (as % of total pro-poor spending)	Sindh (as % of total pro-poor spending)	Khyber Pakhtunkhwa (as % of total pro-poor spending)	Balochistan (as % of total pro-poor spending)	Pro-poor Expenditure (as % of GDP)
FY 2008	23.0	12.5	6.0	4.3	9.8
FY 2009	30.9	15.4	8.7	4.2	7.4
FY 2010	27.9	15.6	9.8	4.5	7.5
FY 2011	31.3	14.3	7.3	5.6	8.3
FY 2012	27.3	15.7	8.8	5.0	9.9
FY 2013	32.6	16.5	9.9	5.5	8.5
FY 2014	33.4	16.2	11.0	5.9	7.7
FY 2015 (July – March)	32.0	17.8	11.0	6.0	4.7

Source: Compiled by data from PRSP Budgetary Reports, Ministry of Finance, Pakistan and State Bank of Pakistan

To summarise, Pakistan has been experiencing a robust growth in recent years due to stable progress in the agriculture and services sectors. The steady reform measures of the government have contained inflation and the fiscal deficit in FY 2015. Pakistan has undertaken reforms related to foreign investment to encourage foreign investors to invest in all sectors. The foreign aid received by Pakistan has surged over the years, thereby showing its huge dependence on foreign funds and assistance. The social sectors are in a dismal state, with low HDI ranking, and education and health sector indicators failing to achieve the MDG targets. It is, therefore, important to understand the key issues that are impeding Pakistan's economic and social sector development.

Key Economic Issues Facing Pakistan

The key issues and challenges concerning Pakistan's macro and social sector are as follows:

> **Pakistan has undertaken reforms related to foreign investment to encourage foreign investors to invest in all sectors. The foreign aid received by Pakistan has surged over the years, thereby showing huge dependence on foreign funds and assistance.**

- **Uneven Distribution of Public Spending:** The inclusive growth agenda of Pakistan has been compromised due to uneven distribution of public expenditure amongst defence and social sectors like education and health over the past years. It is well acknowledged that the defence sector is the most important sector in Pakistan and plays an active role in the state's internal affairs. The government spent 2.14 per cent of the GDP on education and 0.81 per cent of the GDP on health in FY 2014.[32] The public spending on defence, however, was 3.1 per cent in FY 2014 (SIPRI 2014), which was higher than the social sector spending. The increasing trend of Pakistan's military spending is attributed to growing security concerns, geo-political tensions and frequent political and other internal factors. The major activities undertaken by utilising the defence budget involved purchase of weapons from abroad, setting up, and renovation of, military training institutions, pay and allowances of the military personnel, and maintenance of civil administration.[33]
- **Energy Crisis:** The energy sector in Pakistan has been in a dismal phase due to increasing energy demands and the government's ineffectiveness in using the available installed power capacity. The recent energy crisis emanated from the inability of the Ministry of Power and Water to pay its outstanding debts to the Pakistan State Oil (the only public-sector company supplying nearly 80 per cent of the total country's

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fuel) and other independent private producers of energy in Pakistan.[34] The interrupted, irregular and unreliable power supply has affected the output of sectors like agriculture and manufacturing (especially fertilisers and textiles), thereby constraining the economic growth in Pakistan. The surging energy demand in Pakistan is met through increased oil imports[35], which will increase the debt burden of the government, thus, further straining its BOP account and budget. The power infrastructure in Pakistan is poor and needs to accommodate the rising energy requirements of the consumers. Due to an under-developed energy transmission mechanism, the sector suffers from huge transmission and distribution losses (nearly 30-40 per cent) and energy thefts (emanating from high electricity tariff).[36] The inefficiencies of the energy sector in Pakistan are widespread due to poor management and coordination among the energy generators, distributors and transmitters.[37]

- **Poor Performance in the Education Sector:** The education sector in Pakistan is in a deplorable state and faces several challenges in terms of constantly increasing numbers of out-of-school children, poor quality of education, gender disparities—more female illiterates at higher levels of education—and financial and infrastructure bottlenecks. The sector has failed to achieve the MDG target of universal access to primary level education to date. There were nearly

6.7 million, out-of-school children at the primary level in FY 2013 of whom 55 per cent were girls.[38] The appalling condition of the education sector is likely to impede the quality of human resources in Pakistan and, thus, adversely affect the economic growth of the country.

Pakistan needs to utilise its abundant resources like hydel, coal and wind to generate electricity. There are some unexploited coal reserves in Thar, Pakistan (approximately 33 trillion tons), which can be used for power generation.

Conclusion and Implications for India

The Pakistan government has been unable to achieve a robust growth rate due to various environmental, political and structural challenges faced by the country in the recent fiscal period. However, with a slew of reforms undertaken by the government, Pakistan has tactfully managed to escape an implosion in the near future. It has recorded improvement in several macro-economic indicators like economic growth and external balance, coupled with a narrowing fiscal deficit and a large stock of foreign exchanges reserves. Pakistan's performance on the social front, however, needs due attention as it is lagging on several MDG targets. There exists a mismatch between the government's defence and social-sector spending, which has led to poor performance in the social sectors in Pakistan. It is time for the Pakistan government to look beyond pursuing its defence interests and focus on expediting the social development process in the country.

The rapidly rising energy demand and inability of the government to provide uninterrupted power supply has affected the growth of all sectors in Pakistan. Pakistan needs to utilise its abundant resources like hydel, coal and wind to generate electricity. There are some unexploited coal reserves in Thar, Pakistan (approximately 33 trillion tons), which can be used for power generation.[39] Since India has a long history in coal mining and exploration, both nations could collaborate on the energy front and, thus, help meet the power demands of consumers on both sides. India and Pakistan could cooperate to upgrade the power infrastructure in Pakistan. Due to geographical proximity between the two nations, it will be economically viable to construct an economic corridor between them for easy exchange of goods, services and energy. Presently, only one land route (by rail) has been operational for trade between the two countries, that is through the Wagah-Attari border. The other available trade route is the sea route between Mumbai and Karachi. Due to the unavailability of direct connecting routes between India and Pakistan, there has been a rise in "grey markets", as the trade of "otherwise excluded products" through the official route generally takes place through the illegal route, i.e., Dubai.[40] This leads to an increase in transaction costs for traders. Thus, it will be beneficial for both India and Pakistan if direct trade routes are opened up. Education fairs, research workshops and seminars, student exchange programmes and skill development programmes should be organised to develop the education sector. The government needs to focus on improving access to basic education for girls. There is a need to increase school enrolments and reduce the dropout rates and the number of out-of-school children at all levels of education by providing basic education infrastructure to students.

Notes

1. The South Asian economies include Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. *World Bank Data*, available at http://data.worldbank.org/topic/poverty last accessed on September 21, 20.15
2. "Asian Development Outlook 2015", Asian Development Bank, available at http://www.adb.org/sites/default/files/publication/154508/ado-2015.pdf
3. "Asian Development Outlook: Financing Asia's Future Growth", p. 287, available at http://www.adb.org/sites/default/files/publication/154508/ado-2015.pdf
4. These countries are the major suppliers of strategic inputs like crude oil, cotton, dairy products and military equipment to Pakistan.
5. Nisha Taneja and Sanjib Pohit, *India-Pakistan Trade: Strengthening Economic Relations*

(New Delhi: Springer, 2014).

6. The paper is based on an analysis of the secondary data compiled from the World Bank, Asian Development Bank (ADB), the Economic Survey of Pakistan and India, Stockholm International Peace Research Institute (SIPRI) and several other national and international sources.
7. In Pakistan, the fiscal year runs from July 01 of the current year to June 30 of the next year.
8. n. 2. This was due to certain unforeseen circumstances such as floods, heavy rains, terrorist activities, energy shortages and protests by political groups.
9. As per the *Economic Survey of Pakistan,* 2014-15.
10. CPI in Pakistan is based on prices of 487 items out of which 139 are food items and the remaining are non-food items.
11. n. 2.
12. As per the data from Pakistan Bureau of Statistics (PBS), food inflation was 3.6 percent and non-food inflation was 5.7 percent for the period July–April 2015.
13. n.9.
14. The figures are taken from Fiscal Operations documents, Ministry of Finance, Pakistan, and then converted into US $ using the market exchange rate for FY 2013, available at http://www.finance.gov.pk/fiscal/July_June_13.pdf
15. For detailed information, see, http://www.finance.gov.pk/survey/chapters_15/04_Fiscal%20Development.pdf
16. n.9.
17. GSP-Plus status to Pakistan will provide duty-free access to Pakistani products into the EU market. Around 20 per cent of the Pakistani products will enter the EU at zero-tariff and over 70 per cent products will enter at a preferential rate, *Dawn*, December 2013. Available at http://www.dawn.com/news/1072051
18. As per a report in *Dawn,* June 28, 2015, available at http://www.dawn.com/news/1190899
19. State Bank of Pakistan (SBP), available at http://www.sbp.org.pk/ecodata/Balancepayment_BPM6.pdf
20. “Making the Most of Cheap Oil,” *South Asia Economic Focus*, Spring 2015, The World Bank Group, p. 60, available at https://openknowledge.worldbank.org/bitstream/handle/10986/21735/9781464806148.pdf?sequence=1
21. *Investment Policy 2013,* Board of Investment, Pakistan.
22. Federal Budget Publications, Ministry of Finance, Pakistan.
23. China has been regularly providing aid to Pakistan for the development of its infrastructure. In FY 2015, the projects aided by China included Neelum Jhelum Hydro Power Project, China-Pakistan Economic Corridor, Nawab Shah Sangar Road Project, machinery for irrigation infrastructure, Karachi Coastal Power Projects and a few others. As per the Federal Budget Publication (2014-15), Ministry of Finance, Pakistan.
24. United Nations Human Development Report, 2014.
25. Pakistan Social and Living Standards Measurement Survey (PSLM), 2013-14, Pakistan Bureau of Statistics.

26. "Pakistan Education for All Review Report 2015," United Nations Educational, Scientific and Cultural Organisation (UNESCO), available at, http://unesdoc.unesco.org/images/0022/002297/229718E.pdf
27. It is argued that the education sector in Pakistan does not have an absorptive capacity beyond 1.8 per cent of the GDP. Moreover, the low spending on education is due to higher defence spending, interest payments and energy shortages, available at http://unesdoc.unesco.org/images/0022/002297/229718E.pdf
28. n. 26.
29. The public sector spending on education (as a percentage of GDP) in Bangladesh, India, Bhutan and Maldives is 2.1 percent, 3.2 percent, 4.9 percent and 8.0 percent respectively, available at, http://www.finance.gov.pk/survey/chapters_15/10_Education.pdf
30. In 2013, the percentage of children under-5 who suffered from diarrhoea in the last 30 days was 8 per cent, much less than the MDG target of 10 per cent, Ministry of Planning, Development and Reform, Pakistan, available at http://pc.gov.pk/PMDGR-2013/PMDGR2013_Summary.pdf
31. *Economic Survey of Pakistan*, 2014-15.
32. "PRSP Budgetary Report, 2013-14", Ministry of Finance, Pakistan, available at, http://www.finance.gov.pk/poverty/PRSP_Expenditure_2013_14_2014_15_provisional.pdf
33. H. Askari Rizvi, *Military, State and Society in Pakistan* (UK: Macmillan Press Ltd.,) 2000, pp. 62-63.
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