

Chapter 1

Pakistan in Brief

Historical Background

Pakistan gained independence on 14 August 1947 after a long struggle by Muslims of the sub-continent for a separate homeland consisting of Muslim majority provinces of undivided India. The Islamic Republic of Pakistan comprises four provinces, Punjab, Sindh, the North West Frontier Province (NWFP) and Baluchistan, besides the Federal Capital and Federally Administered Tribal Areas.

Geography & Climate

Pakistan is situated in Asia, forming part of sub-continent. Its borders are with China in the North, and towards West and Northwest are Iran and Afghanistan and towards East and South East its borders are with India. The coastline of Pakistan runs towards South along the Arabian Sea.

The country has an area of 796,095 square kilometres. The total cultivated area is 221,300 square kilometres, whereas the area under forest is 42,300 square kilometres.

The climate is generally classified as tropical. The Southern (Sindh) and Western (Baluchistan) regions are relatively dry, whereas the Northern (Punjab) and North-Eastern (NWFP) parts receive greater rainfall. Normal rainfall during the monsoon season (July – September) is 137.5 mm, whereas during the winter (January – March) it is 70.5 mm. The temperature varies greatly between seasons, and in the

plains it mostly ranges between a maximum of 49' centigrade in the summer to a minimum of 1' centigrade in the winter.

Population & Language

As per the current estimated population of 148.72 million, Pakistan is the 6th most populous country in the world with a growth rate of 1.9% per annum.

The national language is "URDU", which is gradually being introduced at all levels. It is written in the Persian script. Regional languages are Punjabi, Sindhi, Baluchi, Pushto etc. English is the official language and is widely spoken and understood in the country.

Transportation

Roads

The total length of roads in Pakistan is approximately 255,856 kilometres. This includes 8,845 kilometres of federalised roads, including seventeen National Highways and one Motorway (M-2) .

Following projects are in progress:

- Dualisation of National Highway (N-5) (1,762 km): a historical highway from Karachi to the Torkham border through Lahore;
- Pakistan Motorway Project: work on the second phase of the project, i.e., Peshawar – Islamabad Motorway (M-1) has been initiated.
- Main Karakoram Highway (N-35) (713 km): improvement to up-gradation of the road as per international standards.

Railways

Pakistan Railways has a well-developed system connecting virtually the entire country from north to south and east to west, catering to the large-scale movement of freight as well as passenger traffic. The Pakistan Railways Network comprises 11,515 kilometres of track and the induction of new and rehabilitated passenger coaches has considerably improved passenger services.

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Pakistan Railway has planned to meet the future demand of the country by introducing additional trains on main line under Lahore/Karachi, Rawalpindi/Karachi, Faisalabad/Karachi, Lahore/Rawalpindi and Lahore/Faisalabad route.

GOP is actively encouraging private sector participation in the railway sector to operate passenger and freight trains by paying track access charges.

Air transport

Pakistan has 5 international airports, linking it to the major airports worldwide.

Karachi, the gateway of Pakistan, is an important port of call on the world air and sea routes. Karachi's airport has been expanded by the construction of most modern Jinnah Terminal, which is catering to the passenger requirements for the 21st century. Construction of Allama Iqbal International Airport, Lahore, has also been completed whereas construction of a new airport at Islamabad is under consideration on Build Own and Transfer basis. The construction of Sialkot International Airport is to be completed by August 2004. The concept of SIAL is to attract investment and boost exports, as Sialkot is one of the major industrial areas, which had so far been using the Lahore Airport.

The Gwadar international airport is being upgraded for the operation of Boeing 737 aircrafts whereas the Turbat airport is being upgraded for wide-bodied aircraft operations. The airside facilities at Peshawar International Airport have also been upgraded for heavy aircrafts.

In addition to the national carrier PIA, two private carriers Shaheen Air International and Aero Asia are operating successfully on local and international routes. Another airline named Air Blue, has recently started its operations.

Ports

Karachi Port is the premier port of Pakistan and is being managed through Karachi Port Trust. Karachi port handles about 75% of the entire national cargo. The geographic position of Karachi Port places it in proximity to the main shipping routes.

In order to enhance facilities at the Karachi Port, further deepening of port has been planned which would enable Karachi Port to capture new markets.

KPT also plans to develop a trans-shipment terminal at Kiamari Groyne. Located at the outer tip of the harbour, the Groyne shall minimize turn around time for mother vessels. This project shall be launched on BOT basis in due course of time.

Port Qasim is Pakistan's first industrial and multi-purpose deep-sea port. The port has been developed on the coastal line of Arabian Sea. Located in Indus delta region at a distance of 50 km South East of Karachi, the port is well connected to all over the country through modern means of transportation and has been playing an important role in the economic uplift of the country.

The development of country's third deep-sea port at Gwadar has been initiated. Development of this port is a strategic as well as an immediate commercial need to handle national trade. The project, which started in March 2002 is on fast track and is expected to be completed on schedule in March 2005. The port will provide shipment facilities to China, Central Asian Republics and land locked Afghanistan. This project will not only boost development activities in Gwadar area but with the completion of Makran Coastal Highway, Gwadar project will give stimulus to economic activities and investments in the entire Makran coastal belt of Baluchistan.

Shipping

PNSC is the national flag carrier of Pakistan. Its main objective is to serve as an operating link between major trading partners of the country, maintain and stabilise the freight rates and provide strategic link in case of emergencies. PNSC operates a fleet of 14 vessels with a total dead weight capacity of 243.749 tons. It is also the major carrier of crude oil for the country. NTC, a subsidiary of PNSC has ensured smooth transportation of about four million tons of crude oil for the country annually at the most economical rates, resulting in large savings in foreign exchange.

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Energy

During the last thirteen years (1990 – 2003), the average consumption of the petroleum products showed an upward trend, increasing by 4.1% per annum. The consumption of gas was up by 3.7% per annum, electricity by 4.8% and coal by 2.2%. The consumption of gas, electricity and coal during the first nine months (July-March) of the current fiscal year increased by 14.9%, 8.6% and 15.6% respectively over the corresponding period last year. On average, over the last decade, the household sector has been the largest consumer of electricity, accounting for 41.4% of total electricity consumption, followed by industries (31.1%), agriculture (14.3%), other government sector (7.4%), commercial (5.5%) and street lights (0.7%)

Oil and gas

The recoverable reserves of crude oil as on 1 April 2004 have been estimated at 288 million barrels in the country.

Electric power

WAPDA, KESC, KANUPP and Chashma Nuclear Power Plant are the four main public sector organizations involved in power generation, transmission and distribution of electricity in the country.

Electricity generation and transmission has been opened to private sector. Various incentives have been provided to the investors in this sector, which have been described later in this booklet (Chapter 2, Power Policy). In order to facilitate the local and foreign investors, the Government has formed a Private Power Infrastructure Board and has established a policy framework, which covers the procedural aspects and fiscal and monetary incentives available for investment in power generation and power transmission projects.

Coal

Owing to the discovery of a large coalfield having 175 billion tonnes of reserves at Thar, the Government has framed a mineral policy, which covers the procedural aspects and fiscal and monetary incentives available for investment in mineral

extraction projects. The mineral policy has been discussed later in Chapter 2 of this booklet.

Economy

Pakistan's economy, ever since achieving independence, has witnessed an impressive transformation from purely an agrarian character to a semi-industrialized stage.

The sharp rise in per capita income which was witnessed last year continued during 2003-04, albeit at a relatively slower pace owing to a decline in net factor income from abroad (mainly workers' remittances). The per capita income in dollar terms has increased by 12% from \$ 582 last year to \$ 652 during the outgoing fiscal year. The growth of real GNP has decelerated from 7.9% in 2002-2003 to 5.2% in 2003-2004, which is also attributable to the decline in net factor income from abroad.

Inflation and interest rates, though rising, are still low from historical perspective. The borrower-friendly interest rate environment and renewed bank support for consumer financing have enlarged the private sector credit off-take to the exceptionally high proportion stimulating aggregate domestic demand. External demand has also remained robust. As a consequence the entire economy displays buoyancy and high level of economic activity. Hence, GDP growth in the next six months is expected to continue to be broad based.

Real GDP growth surpassed the target 5.3% with a headline number of 6.4% during 2003-04 compared to last year's 5.1%. This buoyant growth was aided by a 13.1% and 5.2% growth in the manufacturing and services sectors, respectively.

Pakistan's economy has undergone considerable diversification over the years, yet the agricultural sector is still the largest sector. With its present contribution to GDP at 23.3%, it accounts for 42.1% of the total employed labour force and is the largest source of foreign exchange earnings by serving as the base sector for the country's major industries like textile and sugar. Major crops, accounting for 34% of agricultural value added, grew by 2.8% against an impressive recovery of 6.9% last

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year. Minor crops, accounting for 12% in agricultural value added showed a 'weak' performance, growing by only 1.7%. Overall manufacturing grew by 13.4% in 2003-04 against a target of 7.8% and last year's 6.9%. This impressive growth was underpinned by the highest ever growth recorded in large-scale manufacturing which accounts for 68% of overall manufacturing, and exhibited broad-based growth of 17.1% against a target of 8.8% and last year's 7.2%. Overall the last four years, the large-scale manufacturing sector has grown at an average rate of almost 10% per annum, thereby increasing its share in GDP from 9.6% to 11.8%. Major industries that registered double-digit growth include: sugar, cement, cooking oil, jeeps and cars, motorcycles, motor tyres, etc.