**Thematic Description**

**Emerging Pakistan**

**Introduction**

Pakistan’s economy has tremendous strategic development potential as it is located at the crossroads of the South Asia, Central Asia, China and the Middle East and thus can serve the fulcrum of regional markets with a vast population, large and diverse resources and untapped potential of trade.

**China Pakistan Economic Corridor (CPEC)**

CPEC, the $60 billion China Pakistan Economic Corridor (CPEC) offers enormous opportunities to Pakistan to boost its economy, reduce poverty, spread benefits widely and help those likely to be affected by the new trade route. The project is expected to add 2% to 2.5% to the annual economic growth and it is forecasted that it will add 2 Million direct and indirect jobs to Pakistan economy between 2015 – 2030. Of the total outlay of project, $ 34 billion will be invested in energy projects, $ 16 billion in infrastructure (roads and railways) projects, $ 793 Million in Gawadar Port and nearly $ 44 Million in other projects.

**Logistic / Infrastructure**

The road infrastructure will see the development along Khuzdar – Basima Highway, Karakoram Highway – II, Karachi – Lahore Motorway and other projects. The development projects will enhance the connectivity between all the provinces of Pakistan, and allow for ease of access of goods. Pakistan railway is set to attract up to $ 5 billion investment for the purpose of upgrading and development of new railway infrastructure across Pakistan.

**Energy Projects**

Nearly $ 34 billion of investment under CPEC in the energy sector are expected to be constructed by private consortia to help alleviate Pakistan’s energy shortages. These investments include the Quaid – E – Azam Solar Park in Bahawalpur, Jhimpir Wind Energy Park, Suki Kinari Hydropower project and Kohala Hydropower project.

**Special Economic Zones**

Special Economic Zones (SEZ) are specialized zones with specific types of enterprises operating in a well-defined geographic area where certain economic activities are promoted by a set of policy. Successful SEZs offer immediate access to high quality infrastructure, uninterrupted power supply, public facilities and support services. KP will have the highest number of economic zones, eight, compared to three in Sindh, Balochistan and Punjab will have seven such economic zones respectively.

The first economic zone has been setup by KP government at Hattar with the aim to attract close to Rs. 300 bn of investment inflows over the period of 2016 – 2021. The special economic zones are attracting sectors like food, pharmaceuticals, engineering, auto and food packaging.

In Balochistan, the special economic zones are planned to be setup in Gawadar, Lasbela Industrial Estate, Turbat Industrial Estate, Dera Murad Jamali Industrial Estate, Winder Industrial Estate and Bostan Industrial Estate.

The three SEZs in Sindh would include an exclusive Chinese Industrial Estate near Karachi, Textile City near Port Qasim and Marble City Karachi.

Once implemented, these SEZs will be able to enhance the country’s productive capacity, expand its export base and help in import substitution.

**Human Resource Development**

Pakistan has the ninth-largest labor force in the world. Of an estimated total of 61 million workers, 94.1 percent are employed and 5.9 per cent unemployed. Pakistan Labor Force Survey has noted that the employment in Pakistani labor market is concentrated in the agriculture and services sectors 43.5 per cent and 34 per cent respectively. This huge labor force could be made beneficial with proper investment in the Human Resource Development and paying attention on the emerging trends in the labor markets.

The country has not received such a huge influx of investment before and this has caught its labor market short of qualified workers for many projects under CPEC. Chinese companies that are operating in Pakistan have introduced programs to train Pakistani labor force to work on their projects. Government of Punjab announced that the provincial government will sponsor the training of Pakistani engineers in China.

**Reality Sector**

Pakistan’s real estate market has posted 118% growth in last five years. The high growth rate can be attributed to the robust demand from seasonal investors, genuine buyers and overwhelmingly better security situation. This trend has been supported by the development under CPEC with property prices rising by nearly 70% in Gawadar.

**Financial Inclusion**

Since the early 1990’s, Pakistan’s financial sector has undergone considerable reforms that have significantly strengthened its soundness, profitability, efficiency and diversity. Until that time, it had been dominated by a handful of nationalized banks that suffered from poor performance and asset quality. By December 2013, the sector was comprised of 38 commercial banks; 10 regulated Microfinance Banks (MFBs); a number of unregulated microfinance institutions (MFIs); 46 nonbank finance corporations (NBFCs); 50 insurance companies of which, 40 non-life insurers, 9 life insurers and 1 non-life reinsurer; and 3 stock exchanges. Banks and MFBs are also involved in branchless banking in partnership with mobile network operators (MNOs). The banking sector, now 85% privately-owned, dominates financial services, representing approximately 90% of total financial sector assets. The banking sector is generally sound (Capital Adequacy Ratio of 15.1%) and profitable (after-tax return on assets and equity of 1.4% and 15.4% respectively, as of June 2014). Pakistan has been a pioneer in championing financial inclusion for over a decade under the committed leadership of State Bank of Pakistan (SBP). SBP and the Government of Pakistan (GoP) have also sponsored a number of guarantee facilities and subsidized lending schemes aimed at encouraging lending to the underserved.

Microfinance regulations were ranked best in the world by the Global Microscope report, and Pakistan was ranked in the top-ten internationally for its enabling environment for financial inclusion.

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