

## The First OECF Loan to Education Sector in Pakistan

The OECF ( the Overseas Economic Cooperation Fund, Japan : President, Chairman of the Board, Akira Nishigaki ) is providing the Islamic Republic of Pakistan with loans for the Ghazi Barotha Hydropower Project (II) and other two projects amounting to 29,651 million yen in total.

The related Loan Agreements were signed today at the OECF's Head Office in Tokyo by Mr. Akira Nishigaki, President, Chairman of the Board, and H. E. Mr. Mujahid Husain, Ambassador, Embassy of Pakistan.

The amounts and conditions of the loans, with a description of each projects, are as follows.

Project	Amount (Million Yen)	Interest Rate (%)	Repayment Period/ Grace Period(years)	Tying Status
Ghazi Barotha Hydropower Project (II)	14,902	2.3	30/10	General Untied
Balochistan Middle Level Education Project	3,917	2.3	30/10	General Untied
National Drainage Program Project	10,832	2.3	30/10	General Untied
Total ( 3 projects )	29,651			

### 2. Economic Situation in Pakistan

Pakistan's Economy is heavily dependent on agricultural sector, which account for approximately 27 % of GDP and 50% of total employment. As a consequence of this, Pakistan has a typical trade pattern in which primary products of agricultural sector are exported, and fossil fuels and industrial commodities are imported in return. Current Account has been consistently negative for these years, and this trade imbalance has been compensated by capital transfers from foreign countries and remittances from overseas Pakistani workers.

Since Mrs. Benajir Bhutto took office as Prime Minister in October, 1993, the Government eagerly pursued Structural Adjustment Program and economic performance improved temporarily, with reduction of fiscal deficits and the increase of foreign currency reserves. However, frequent large scale of floods have brought a serious damage on agricultural output, and as a result, fiscal and current account deficits has expanded. To improve this critical situation, the Government proposed an emergent financial package including a tax increase, but any positive sign was not seen in economic indicators. These failures in economic policies of the Government became a trigger of the anti-government movement. In January 15, 1997, President Leghari removed Prime Minister Benajir Bhutto from her position and a caretaker cabinet was organized.

As the result of the general election called on February, 1997, Mr. Nawaz Sharif returned to power after 5 years' interval since he resigned his position in 1992. New government is requested to tackle several urgent and crucial issues taken over from the previous government, such as to establish sound financial position, to stabilize macro-economy and to ensure political transparency. Now Pakistan attracts a great deal of attention to its actions.

In this Yen Loan package to Pakistan, OECF extends its first loan to educational sector titled "Balochistan Middle Level Education Project". This credit is to assist the extension of secondary education in Pakistan in view of efforts made by the Government for creating better climate in primary and secondary education throughout the country. OECF also extends credits to "National Drainage Program Project" for improvement of irrigation and drainage systems which have been damaged by salinity and water logging, and to "Ghazi Barotha Hydropower Project II" which forms the second phase of the same project committed last year.

### 3. Outline of the Projects

#### (1) Ghazi Barotha Hydropower Project(II)

Construction of a New Hydropower Station to Meet the Power Generation Gap

Shortage of electricity is serious in Pakistan. There exists a large gap between demand and supply of about 1,800 MW in the peak hour of the day. Currently, power cut is imposed with a period of 2 to 4 hours a day on urban area, 6 to 8 hours on rural area.

The Government of Pakistan, in its 8th five year plan ( 1993-98 ), estimates the average annual increase rate of power demand by 8.8 % in five years. In order to meet the ever increasing demand, they are targeting to enhance the power generation capacity by improving effectiveness of the existing facilities as well as to conduct demand side control through energy savings.

The current power generation capacity of the existing facilities in Pakistan stands at 11,729 MW ( as of June, 1994 ). The government sets out its goal to increase the capacity by 4,500 MW by the end of this century, balancing the composition between thermal and hydropower generation methods. Furthermore, the Government has decided on a policy to utilize private investment in any future construction of thermal power plants. In accordance with this policy, the Hub River Thermal Power Project is being implemented ( OECF decided to provide equity investment of up to 30 million US dollar in this project in October 1994 ).

In this context, the Water and Power Development Authority ( WAPDA ), the executing agency of the Project, has a plan to increase its capacity from the existing 9,618 MW in fiscal year 1994 to 13,190 MW in fiscal year 2001. Among other things, WAPDA gives the Ghazi Barotha Hydropower Project the highest priority.

The project aims to construct a new hydropower plant with a capacity of 1,450 MW ( 290 MW x 5 ) on gap and the future increase of demand. This project will consist of a barrage at 7 km downstream of the **Tarbela Dam**1 ( upstream of the Indus River, Northern part of Pakistan ) diverting water from the Indus River into power channel of about 52 km leading to power house.

The total project cost is about 260 billion Japanese Yen, and will be financed by the World Bank, the Asian Development Bank, Kreditanstalt fur Wiederaufbau ( Germany ) , European Investment Bank, Islamic Development Band and OECF.

With regard to environmental aspect of the Project, environmental impact assessment was already carried out, and according to the assessment, no critical impact to the environment was reported.

The project signed this time is the phase II of the same project ( total amount is 20,000 million yen ) signed in March, 1996. The amount of loan is allocated to Civil Works, Procurement of materials and equipment, and other items related to the scope of the project.

The executing agency is the Water and Power Development Authority ( WAPDA, address : 7th floor, LDA Plaza, Lahore, Pakistan, TEL : 92-42-586462, FAX : 92-42-5839659 ).

1 a hydropower plant constructed through the financial assistance of the World Bank, Asian Development Bank, and other agencies. It now produces 3,478 MW, combined with the electricity generated by the second Tarbela Dam constructed following the completion of the first dam.

#### (2) Balochistan Middle Level Education Improvement Project

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In 1994, only 37 % of people in Pakistan are literate ( 49 % of male and 24 % of female ). This indicates approximately 2 out of 3 are illiterate in Pakistan and also the gap between education for males and females remains very wide. The enrollment rate in Primary and Secondary schools still remains very low, only 70 % of children participates in primary school and less than 50 % in secondary school. Especially females are disadvantaged due to Pakistan's cultural background which is reluctant to admit female's social advance and enrollment. There is a shortage of qualified female teachers, and in general, girls are provided education separately from boys through a female administrated system of primary schools. These factors are one of the reasons which hinder the spread of education among females.

The Government of Pakistan, in view of this situation, considers the education sector as one of top priority sectors in the Eighth Five Year Plan ( 1992-93 thru. 1997-98). It has pursued some programs for improvement of education with focus on the spread of primary education especially among girls. Above all, a comprehensive social development program titled "Social Action Program ( SAP )" is the key for Pakistan's positive social development.

The project forms a part of assistance to Pakistan's effort for education, and is provided for contributing the spread of primary education in Balochistan where participation rate for

children in primary schools is especially low in comparison with other provinces in Pakistan.

The components of the project are:

1. Construction of 200 new middle schools, establishment of 52 technical trade centers in the selected middle schools, renovation of existing school buildings and establishment of 25 accommodations for female middle school teachers
2. Provision of relevant furniture and equipment
3. Training of teachers for the technical and vocational education
4. Establishing 25 hotels and providing relevant furniture for female middle school teachers

The amount of loan is allocated to Procurement of materials, equipment and services, Training Services and Consulting Services.

The executing agency is Education Department, Government of Balochistan ( address : 2031, Block 3, Sattalite Town, Quetta, Pakistan ).

### (3) National Drainage Program Project

The Project to Prevent Salinity and Water Logging Throughout Pakistan

Agriculture, which accounts for 27% of GDP and 48% of employment, is the most important sector in Pakistan. Pakistan's agriculture depends heavily on irrigation, which covers 76% of the total cropped area, and 90% of agriculture output is produced from irrigated area. The Indus Basin Irrigation System is the largest integrated irrigation network in the world, which covers 80% of total irrigated area. This system, however, with its inefficiency in irrigation and lack of proper drainage systems, causes the raise of underground water level, and brings damages from salinity and water logging on agricultural farms.

In consideration of this critical situation, the Government of Pakistan has tried to implement a program to improve drainage facilities since 1960s. However, due to a lack of sufficient operation and maintenance system, the level of underground water has raised, and most of drainage facilities became obsolete and inefficient ( some of them did not function at present ). If appropriate measures will not be taken on this stage, deterioration of drainage system in Pakistan may cause a serious decrease of cropped area and agricultural outputs.

The Government of Pakistan, in view of this situation, puts its high priority on improvement of operation and maintenance system of irrigation and drainage, and reduction of salinity and water logging in the Eighth Five Year Plan. Since 1993, the Government, with the help of the World Bank, has undertaken the Environmental Impact Assessment which clarifies damages caused by salinity and water logging, and has drawn up the basic plan titled " the National Drainage Program" which includes drastic reforms of operation and maintenance organizations for irrigation and drainage. The Plan aims to build sufficient drainage networks in the existing Indus Basin Irrigation System over the period of 25 years from 1993 to 2018.

The Project forms the first phase of the National Drainage Program, and is provided for the purpose of Institutional Reform, Drainage Sector Planning and Research, and improvement of irrigation and drainage facilities. The total amount of the project is 785 million dollars. The World Bank and the Asian Development Bank ( ADB ) co-finance the project in cooperation with OECF.

OECF financing components of this project are :

1. Improvement of off-farm drainage facilities in Punjab  
( rehabilitation, remodeling and expansion of surface drainage networks for 4,139 km and 530 tube wells )
2. Improvement of on-farm drainage facilities in Punjab  
( expansion of surface drainage networks for 30,000 acres and tile drainage networks for 3,000 acres, and lining of 750 watercourses. )
3. Construction of Indus River Right Bank Outfall Drain in Sindh  
( remodeling of existing drains for 110 km )
4. Training Services  
( in-service training, invitation of expertise, and overseas training )

The amount of loan is allocated to Civil Works, procurement of materials and equipment, and Training Services.

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