

JBIC Signs ODA Loan with Islamic Republic of Pakistan -To Continue Support for Construction of Country's First Modern Tunnel-

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed on February 4 in Islamabad a loan agreement totaling 3,149 million yen with the Government of the Islamic Republic of Pakistan for the Kohat Tunnel Construction Project (III) which is being implemented by the National Highway Authority.
2. JBIC provided two ODA loans for the project in the past, Phase I (5,437 million yen) in November 1994 and Phase II (4,032 million yen) in July 2001. The present loan is the third and last of a series of ODA loans provided for this project and will finance civil works and procurement of materials, equipment, etc. for the construction of Pakistan's first modern road tunnel (length: 1,885m) and the approach road (length: 28.17km).
3. JBIC places priority in its financial assistance to Pakistan on increasing access to social and economic services in rural areas and provincial cities where people living in poverty are concentrated. The North-West Frontier Province, where this project is being undertaken, is located in the northernmost area of the country and borders Afghanistan. It is characterized by a high poverty rate in Pakistan. One reason for this is that the province is lagging behind in economic development due to underdeveloped road networks.
4. By building an alternative route to the Kohat pass, which poses a bottleneck to the Indus Highway, a major national road, the project aims at increasing traffic flow and expanding the role of the Indus Highway as a trunk road. It will thereby stimulate social and economic development in the North-West Frontier Province where the poverty rate is high and ultimately contribute to the balanced economic development in Pakistan.
5. After Pakistan conducted an underground nuclear test in May 1998, the Government of Japan suspended ODA loans in adherence to the principles of the ODA Charter. The economic sanction was lifted in October 26, 2001 in view of cooperative efforts by the Government of Pakistan to combat terrorist activities in the wake of the terrorist attacks in the United States on September 11, 2001. Previously, as the Kohat Tunnel Construction Project had been a continuing project since the provision of an ODA loan for Phase I, JBIC extended an ODA loan for Phase II in July 2001 during the economic sanctions as a continuing project not covered by the sanctions.

(See Appendix for details.)

Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period /Grace Period (Year)	Procurement
Kohat Tunnel Construction Project (III)	3,149	1.8	30/10	General Untied

1. Description of the Project

Kohat Tunnel Construction Project (III)

(1) Background and Necessity of the Project

Roads are the most important mode of transportation in Pakistan, but road density in the country remains at 0.26km/km², much lower than 0.49km/km² in neighboring India and 0.48km/km² in Sri Lanka as of June 2002. Furthermore, Pakistan's road networks have been developed mainly on the eastern bank of the Indus. This is one reason for the lagging development in the regions on the western bank, especially in the North-West Frontier Province. Since 1989, JBIC has extended ODA loans totaling 47,508 million yen to the Indus Highway Project (I), (II) and (IIB) for the construction of the Indus Highway (National Highway 55) connecting Karachi, the port city in the south, and Peshawar in the north along the western bank of the Indus. However, the section of the highway around the Kohat pass, which crosses the Khigana Mountain (altitude: 1,100m) lying between Peshawar and Kohat, 65 kilometers to the south, is yet to be repaired because the steep terrain has made it difficult to widen and improve the road.

The steep terrain (maximum ascent of 8%) and sharp curves (minimum radius of 12m) continue for 9.2 kilometers on the present route of the Kohat pass. In addition, large vehicles must make a long detour since the road is too narrow (6m). Even vehicles able to use this route must travel at a slow speed. There are also problems of safety because guardrails are not adequately in place despite the fact that the road runs along the edge of precipitous cliffs.

The Kohat pass poses a bottleneck to the Indus Highway as a trunk road, impeding economic development in the North-West Frontier Province. Therefore, road improvement is an urgent task.

(2) Objective and Brief Description of the Project

The project consists of constructing a new tunnel (length: 1,885m, width: 7.3m) and an approach road (length: 28.17km, width: 7.3m) as an alternative route to the Kohat pass, situated between Peshawar and Kohat in the North-West Frontier Province of Pakistan. The new route will enable the passage of large vehicles, alleviate traffic congestion, improve traffic safety, and reduce mileage and travel time. The project will increase the role of the Indus Highway as a trunk road, thereby stimulating social and economic development in the poverty-concentrated North-West Frontier Province and promoting a balanced economic development of Pakistan.

JBIC agreed to extend 5,437 million yen for Phase I of the project in November 1994, and 4,032 million yen for Phase II in July 2001. The present loan will be applied to Phase III (the last phase.)

The executing agency is the National Highway Authority (NHA) (Address: 27 Mauve Area, G-9/1, Islamabad, Pakistan; Tel: +92-51-9260566; Fax: +92-51-9260414).