

JBIC Provides ODA Loan for Islamic Republic of Pakistan

--Supporting the Promotion of Economic Growth--

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed on December 15 two loan agreements totaling up to 23,157 million yen with the Government of the Islamic Republic of Pakistan for the "Indus Highway Construction Project (III)" and the "Dadu-Khuzdar Transmission System Project".
2. Following former Prime Minister Koizumi's visit to Pakistan in April 30, 2005, JBIC resumed new lending to Pakistan, which had been under suspension due to the country's 1998 nuclear tests. During his visit, former Prime Minister Koizumi announced that Japan would resume ODA lending, recognizing Pakistan's key role in the fight against terrorism and appreciating its efforts to establish a modern and democratic Islamic country.
3. Pakistan has enjoyed strong economic growth in recent years. In fiscal year 2005, real GDP growth stood at 6.6%, despite the damage caused by the earthquake that struck northern Pakistan in October that year. Pakistan, however, is still classified as a low-income country, recording a gross national income (GNI) per capita of US\$690 in 2005. The Government of Pakistan has prepared a 10-year plan as well as Poverty Reduction Strategy Paper (PRSP)[1] toward the achievement of the UN Millennium Development Goals, and has made efforts to accelerate economic growth as well as poverty reduction in the country. Infrastructure development plays a key role in achieving both sustained economic growth and poverty reduction. The newly signed ODA loans will support the transport and power sectors, which provide a sound basis for industrial growth, thereby contributing to the country's economic growth.
4. Highlights of the ODA loans are as follows:
 - (1) Support for both domestic and international trade through the development of a major transport corridor
The Indus Highway is one of the key transport routes that form a north-south linkage in Pakistan. JBIC has extended loans to support the development of the Indus Highway, including the construction of the Kohat tunnel, contributing about 65% of the total 1,200-km length. The new loan will finance the construction of an additional two-lane carriageway (approximately 200 km in length) in central and northern Sindh, thereby facilitating domestic and international trade and promoting economic growth in the project area.
 - (2) Support for economic growth through a stable power supply
JBIC has given priority to assisting such fields that promote balanced regional socio-economic development. The Dadu-Khuzdar Transmission System Project aims to provide a stable power grid system in Pakistan to alleviate the problem of extensive power outages, thereby helping the country create a sound basis for economic growth.

(Click here for details)

[1] Poverty Reduction Strategic Paper (PRSP) is a poverty-focused development strategy prepared primarily by a developing country government through a participatory process involving a wide range of actors, including donor agencies, NGOs, and the private sector.

1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period/ Grace Period(Years)	Procurement
Indus Highway Construction Project (III)	19,455	1.3	30/10	General Untied
Dadu-Khuzdar Transmission System Project	3,702	1.3	30/10	General Untied
Total	23,157			

Project Outline

(1) Indus Highway Construction Project (III)

The Project aims to promote domestic and international trade as well as accelerate economic development in the areas along the Indus Highway through construction of an additional two-lane carriageway between Sehwan and Ratodero (approximately 200 km in length) in central and northern Sindh.

The Indus Highway (National Highway No. 55), linking Karachi and Peshawar on the western bank of the Indus River, is one of the key transport routes that form a north-south linkage in Pakistan. The Indus Highway reduces the travel distance between Karachi and Peshawar by 500 km, compared with National Highway No. 5 which runs along the eastern bank of the Indus River.

JBIC has extended loans to support the development of the Indus Highway (six loans totaling 60.1 billion yen), including the construction of the Kohat tunnel, contributing about 65% of the 1,200-km total length. The remaining road sections have been funded by the Government of Pakistan and the Asian Development Bank, and construction work is underway. This project will enable the completion of the entire route of the Indus Highway. It is expected that the highway will increase traffic between Karachi and Peshawar as well as with adjoining countries like Afghanistan. Improved access from rural villages in Sindh to large cities such as Karachi is also expected to contribute to social and economic development in the province's local communities.

The funds from the loan will be applied to civil works and consulting services.

The executing agency is the National Highway Authority.

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(2) Dadu-Khuzdar Transmission System Project

The Project aims to meet rapidly increasing power demand in Balochistan through the installation of a new transmission line from Dadu, Sindh to Khuzdar, Balochistan. In the agricultural sector of Balochistan, electric power consumption per user is 4.6 times greater than the national average, as power is used primarily to pump groundwater. Power demand also has been increasing in other sectors that cater to the cotton and mineral industries as well as cold storage facilities for crops.

Electric power is currently supplied to Balochistan mainly through a single transmission line that extends from Guddu in neighboring Punjab Province to northern Balochistan (part of which was constructed with an ODA loan provided in 1989 for the Second 220KV Guddu-Sibbi-Quetta Transmission Project). Under the current setup, it is difficult to meet the growing power demand. In particular, power outages of approximately eight hours a day are routine in central Balochistan, hindering the development of agriculture and other industries.

The Project will ensure an adequate and stable supply of electric power to Balochistan, providing a basis for industrial development and contributing to the region's social and economic development.

The executing agency is National Transmission and Dispatch Company Ltd.

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