

JBIC Signs Japanese ODA Loans with Pakistan

--Strongly Supporting Rural Poverty Reduction and Economic Infrastructure as Underpinnings for Economic Growth--

1. Japan Bank for International Cooperation (JBIC; Governor: Koji Tanami) signed on May 3 Japanese ODA loan agreements totaling up to 47,943 million yen for four projects with the Government of the Islamic Republic of Pakistan. The total of ODA loans extended to Pakistan in FY2007 has more than doubled from the figure for FY2006 of 23,157 million yen.
2. This is in response to the generally fair and transparent general elections of Pakistan's lower house held in February 2008, which were taken by the Government of Japan as attesting to democracy taking root in the country. It is also based on the policy of the Government of Japan, which values the importance of supporting the stable development of a country which aims to remain a moderate and modern Islamic state.
3. Pakistan has recorded strong growth in recent years, sustaining a high 7.0% average growth rate since FY2002. However, about one-third of its population is still living under poverty line. [1] To achieve the Millennium Development Goals (MDGs), especially in terms of the poverty reduction target, the Government of Pakistan has prepared the Poverty Reduction Strategy Paper (PRSP). [2] It also prepared a medium-term development framework for 2005-2010 to reinforce its efforts to accelerate growth and reduce poverty.
4. Given these circumstances, the recently signed ODA loans will support rural development in the areas where many people are living in poverty, and economic infrastructure development for accelerating growth and increasing employment as well as income opportunities. By bringing direct benefits to these poor people, the goal is to reduce poverty, which is said to be one factor which may lead to terrorism.

(1) Pro-Poor Rural Development

In Pakistan, the agricultural sector accounts for a quarter of its GDP and employs 40% of the labor force. Agricultural development is important as much for poverty reduction as for economic growth. In particular, in a country where 80% of the farmland is irrigated, it is important to increase agricultural productivity in Punjab, a province which boasts of the largest area of irrigated land and accounts for about 80% of the total domestic wheat and cotton production. A Japanese ODA loan for the **Punjab Irrigation System Improvement Project** will therefore support the rehabilitation and upgrading of irrigation systems and water resources management facilities; improvement in irrigation services; and establishment and development of farmers' organizations in this province. By supporting stable supplies of irrigation water and self-motivated operations and maintenance by farmers' organizations, the project will make more efficient use of water resources and increase agricultural productivity as well as incomes of small predominantly poor farming households owning less than five hectares of land.

In Sindh Province located in southern Pakistan, the percentage of population living in poverty in rural areas is higher than the national average. Thus there is a need to accelerate economic growth and poverty reduction in rural areas. A very low percentage of rural roads connecting villages to major roads (national highways and provincial roads) or nearby cities and markets have been paved with the surface in an inferior condition, causing losses of time in people's movements and freight transport. These factors are posing an obstacle to raising income in rural areas. Therefore, the **Rural Roads Construction Project (II) (Sindh)** aims to raise living standards of rural areas, poverty reduction and mitigating regional disparities by developing paved roads in the rural areas of Sindh Province. It will improve transport in rural areas and thereby improve access to educational and health facilities in the neighboring cities.

(2) Economic Infrastructure Development

In the power sector, a Japanese ODA loan will support the **Punjab Transmission Lines and Grid Stations Project (I)** where transmission and substation facilities will be expanded and improved in northeastern province of Punjab. Punjab has the country's largest economy and consumes 70% of its domestic electric power. In this project, transmission and substation facilities will be expanded and upgraded to support a stable supply of power in this province. The project will thereby contribute to boosting economic activity in agriculture and industry, the province's two key industries.

In the transport sector, an ODA loan for the **East-West Road Improvement Project (N-70) (I)** will support improvement in the National Highway No.70 (N-70), as it will improve the accessibility between the eastern and western regions of the national land and contribute to regional economic development. N-70 connects Quetta, the provincial capital of Balochistan, with Multan, a principal city in southern Punjab as a major road route connecting the eastern and western regions. At present, however, some of the mountainous sections are narrow with steep curves, hindering the traffic of large vehicles and forcing them to detour to other routes. Since the project is to draw on Japanese road and bridge construction technologies and knowhow for works involved in widening roads, straightening curves and minimizing the blocking of traffic, Special Terms for Economic Partnership (STEP) will be applied to the Japanese ODA loan that finances this project.

(Click here for details.)

(Click here for map.)

[1] The government defines people living under poverty line as the population with a daily calorie intake of less than 2,350 for adults (18 years or older).

[2] The 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	Amount (Mil. Yen)	Interest Rate (% per annum)		Repayment Period/ Grace Period(Years)	Procurement
		Project Work	Consulting Service		
East-West Road Improvement Project (N-70) (I)	15,492	0.2*	0.01	40/10*	Tied
Punjab Transmission Lines and Grid Stations Project (I)	11,943	1.2	-	30/10	General Untied
Punjab Irrigation System Improvement Project	11,382	1.2	0.01	30/10	
Rural Roads Construction Project (II) (Sindh)	9,126	1.2	0.01	30/10	
Total	47,943				

* Special Terms for Economic Partnership (STEP) are applied to this loan, since the project will draw on advanced Japanese technology and knowhow and promote "development assistance with a distinct Japanese profile" through technology transfer to a developing country.

(1) East-West Road Improvement Project (N-70) (I)

(a) Project Background and Necessity

In Pakistan, road routes account for about 90% of both passenger and goods transportation. As the number of automobiles registered is continuing to surge in recent years, roads are expected to continue to play a major transportation role in Pakistan.

National Highway No.70 (N-70) is one of the major routes crossing the country east to west, as it links Quetta, the capital of Balochistan Province, and Multan, a major city in southern Punjab Province. However, part of N-70 goes through mountainous areas that make the passage narrow, steep and sharply curbing. That inevitably causes frequent accidents of trucks rolling over and landslides, creating dangerous traffic spots. To bypass them, trailers and large busses must take alternative routes such as other national highways even though it makes their travel 200km longer.

Pakistan has been enhancing its major highways, focusing on the north-south link of N-5 connecting its largest city Karachi with its capital Islamabad and other northern major cities, as well as on N-55, or the Indus Highway [1]. Now, the Government of Pakistan is developing the east-west corridor crossing these north-south routes and linking the eastern and western sides of Indus River: on the eastern side, centered around Punjab Province, agriculture and industries prosper; and on the western side, consisting of Balochistan Province and North-West Frontier Province, economic development falls behind other areas. The government is developing the entire line of N-70 with assistance of the Asian Development Bank (ADB) for some sections. The mountainous areas in question, however, are left undeveloped due to technical difficulties of working on these land configurations. In order for N-70 to serve as the shortest and highly safe east-west cross way, it is crucial to enhance the sections that run through the mountainous area. N-70 is also seen as a major route of international logistics linking India, Afghanistan and Central Asia.

(b) Project Objectives and Outline

The project aims at: improving the section of about 34km of N-70, the part running through mountainous areas; eliminating traffic bottlenecks; thereby enhancing mutual access between Balochistan and Punjab Provinces and further contributing to the development of the regional economy.

The project will apply the Special Terms for Economic Partnership (STEP), in that Japan's road and bridge construction technologies and knowhow will be used for expanding the road width and enhancing the linear shapes in the highly steep mountainous areas, while keeping traffic blockage to the minimum levels.

The proceeds of the loan will be used for the construction work and consulting services, etc.

Project Executing Agency

National Highway Authority

Address: 27, Mauve Area, G-9/1, Islamabad, Pakistan

TEL: +92-51-9261052

FAX: +92-51-9260346

(2) Punjab Transmission Lines and Grid Stations Project (I)

(a) Project Background and Necessity

Punjab, located in the northeastern area of the country, is the province with the greatest economic scale in the country, having about 60% of the country's whole population (1998). The province capital Lahore has been the center of industries, offering the base for many foreign companies, including Japanese companies. The city also sees a surge of power consumption in its agricultural sector, which includes the production of wheat, cotton, etc. and the processing of agricultural products.

The province's power consumption accounts for about 70% of the country's total (2006), and is expected to surge further, with the annual average rate topping 7% in a decade from 2005 to 2015, the fastest projected pace among all provinces in Pakistan.

To cope with such foreseen hike of power demand, Pakistan is planning to develop new power resources. However, the country's base power is largely generated by thermal power plants in central and southern regions, which are remote from Punjab Province. Many grid stations are facing overloaded situation which results instability to deliver power to the end users. Further foreseen surge of demand is feared to cause more frequent blackouts and destabilize power voltage, eventually affecting economic activities as a whole. Enhancement of transmission systems thus represents an imminent task.

(b) Project Objectives and Outline

This project aims to improve the reliability and quality of power supply in Punjab Province, which is anticipated to be overloaded within a few years, through constructing new grid stations and associated transmission lines. The project will thus allow for a stable power supply, in order to cope with a fast increase of power demand, thereby contributing to the region's economic development and enhancement of its living standards.

The proceeds of the loan will be used for the procurement and installation of transformers and related equipment.

Project Executing Agency

National Transmission and Dispatch Company Ltd.

Address: WAPDA House, Lahore, Pakistan

TEL: +92-42-9202229, FAX: +92-42-9202053

(3) Punjab Irrigation System Improvement Project

(a) Project Background and Necessity

In Pakistan, agriculture, such as the production of wheat, cotton, rice and sugar cane is a mainstay of the economy, representing a quarter of the country's gross domestic product (GDP), 40% of the workforce and about half of the export revenue, serving as a major resource for gaining foreign currencies. Pakistan's population, which was 155.4 million in 2005, is projected to reach up to 221.0 million by 2025. Against this backdrop, enhancing productivity is an imminent task for Pakistan's agriculture, in addition to procuring foreign currencies, in order to secure a sufficient demand and supply balance of food. The agricultural sector is also a key to eliminating poverty in rural areas by absorbing employment and thereby eliminating poverty in rural areas.

Much of the country's territory is dry, with annual rainfalls of 500mm or below, making irrigation necessary for about 80% of its cultivated lands. Punjab, having the largest areas of irrigated lands among all provinces, produces about 80% of wheat and cotton in the country. As such, Punjab Province requires more efficient use of its water resources through stable supply of irrigation water and voluntary irrigation management by farmers' organizations. The province must thereby enhance its agricultural productivity and raise the income of small-scale farmers owning lands of 5 hectares or smaller, many of who are impoverished.

To these ends, the Province's Irrigation and Power Department launched plans to reform the irrigation sector in 2005, enhancing its efforts toward the policy goals of: improving the maintenance and management system of irrigation facilities; enhancing the transparency of water distribution in the province; improving the irrigation services for farmers; and raising the water use efficiency and productivity of farming fields.

(b) Project Objectives and Outline

This project mainly focuses on tertiary water ways, which channel water to the final path to each farming field, playing highly a beneficial role for farmers. The project will cover the Districts of Bahawalpur, Dera Ghazi Khan and Faisalabad in Punjab Province. The project aims at: reforming irrigation facilities; improving irrigation services; and supporting the start up and growth of farmers' organizations, in order to achieve efficient water use through such organizations' voluntary commitment to the facilities' maintenance and management and to realize poverty alleviation through a surge in agricultural productivity.

To support the start-up and growth of farmers' organizations, efforts will be made for the smooth transition of authorities over water channels, in order to allow for the smooth functioning of farmers' organizations, which will engage in the maintenance and management of irrigation and related facilities. To these ends, the project will offer training programs for farmers to learn about: the roles of farmers' organizations in irrigation facility management; technologies necessary for maintenance and management; fair supply and allotment of irrigation water, etc. In cooperation with the Japan International Cooperation Agency, the project plans furthermore to promote the spread of water-saving farming methods, while water is increasingly seen as a precious "resources" worldwide. Specifically, the plan is to develop various technologies for water-saving farming methods and promote already developed technologies. The project will also support efforts to preserve and manage underground water, aiming to prevent excessive pumping which can lower the underground water levels and cause salt pollution.

The proceeds of the loan will be used for the construction of irrigation facilities; support for the start up and growth of farmers' organizations, support for the management and preservation of underground water, consulting services, etc.

Project Executing Agency

Irrigation and Power Department, the Government of Punjab

Address: Irrigation and Power Department Building, Near Old Anarkali, Civil Secretariat, Government of Punjab, Lahore, Pakistan

TEL: 92-42-9212117, FAX: 92-42-9212116

(4) Rural Roads Construction Project (II), (Sindh)

(a) Project Background and Necessity

Sindh Province, which covers Pakistan's largest city Karachi, shows a higher poverty rate in its rural areas than the national average, calling for the stepping up of rural economic growth and poverty reduction. Rural roads, which link rural communities with main roads (national and provincial roads), neighboring cities and markets, show a far lower rate of pavement than national and provincial roads. Bad road surfaces are causing losses of time when travelling.

The Sindh Vision 2015, the Province's own development policies, stresses the need to enhance rural roads, targeting the enhancement mutual access between cities such as Karachi and rural areas. Therefore this project's realization is much anticipated.

(b) Project Objectives and Outline

This project aims at developing paved roads in rural areas of Sindh Province, which are located alongside N-5 and N-55 on both sides of Indus River in southern Pakistan for improving transport conditions, thereby contributing to poverty reduction and mitigating regional disparities through improvement of access to neighboring cities and quality of life in the rural areas. Developing the rural roads will help improve market access for agricultural products and allow for the supply of such products as value-added processed items, further contributing to raising income levels. In addition it will also facilitate access to schools, medical and other social facilities and enhance convenience of life.

The proceeds of the loan will be used for the construction work, support for enhancing project management capabilities and consulting services, etc.

Project Executing Agency

Works and Services Department, the Government of Sindh

Address: Works and Services Department, 3rd Floor, New Sindh Secretariat No.1, Karachi, Pakistan

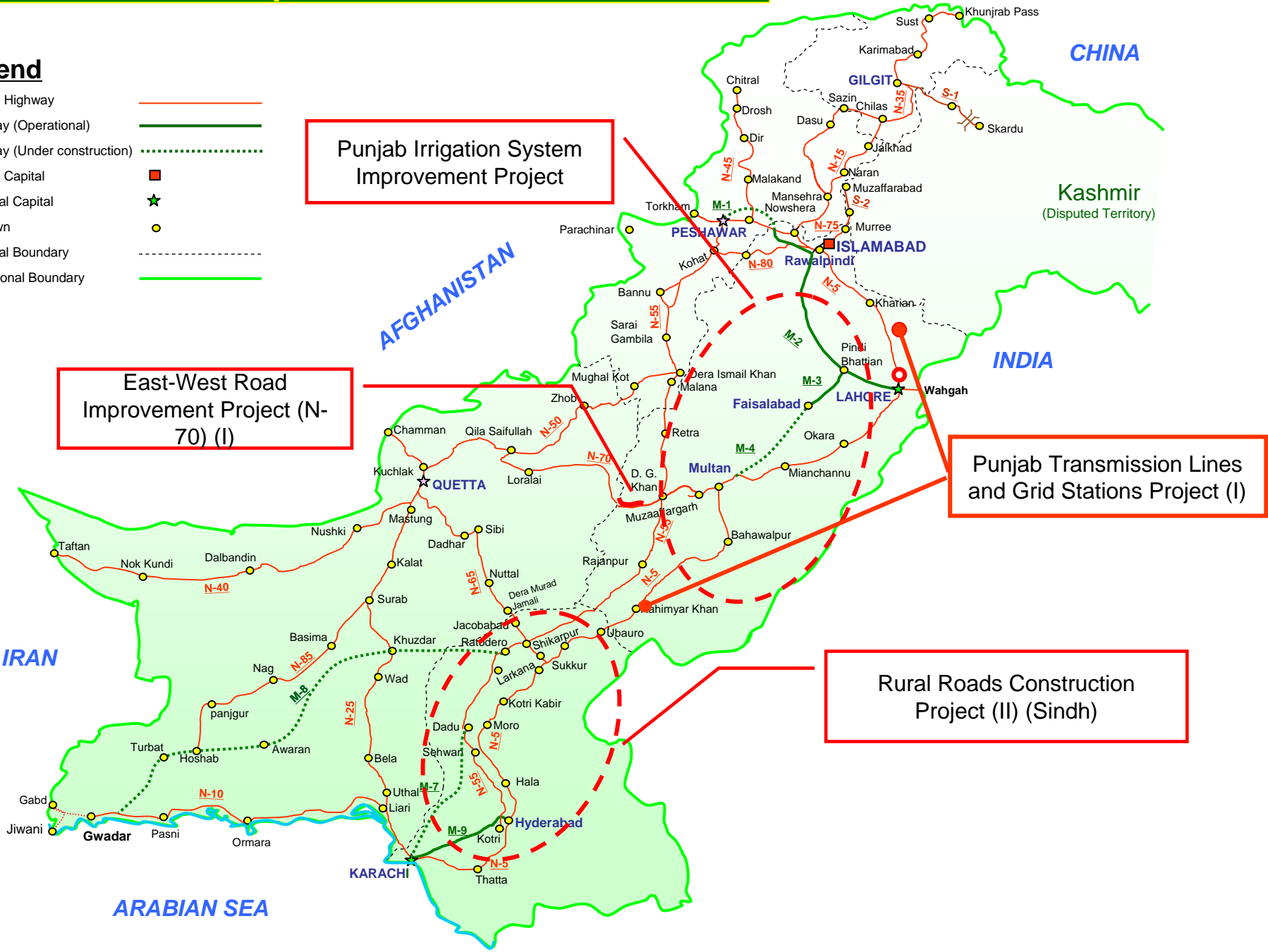
TEL: 92-21-9212992, FAX: 92-21-9212994

[1] JBIC has offered seven Japanese ODA loans (total 79.6 billion yen) for the Indus Highway construction project, which includes the construction of Kohat Tunnel. JBIC thereby has been supporting about 80% of the highway's total length of 1,200km.

Map of Pakistan

Legend

- National Highway
- Motorway (Operational)
- Motorway (Under construction)
- National Capital
- Provincial Capital
- City/Town
- Provincial Boundary
- International Boundary



Punjab Irrigation System Improvement Project

East-West Road Improvement Project (N-70) (I)

Punjab Transmission Lines and Grid Stations Project (I)

Rural Roads Construction Project (II) (Sindh)