

Signing of the Japanese ODA Loan Agreement with the Islamic Republic of Pakistan

The First Japanese ODA loan Project Based on the Pakistan Donors Conference

1. On March 31, the Japan International Cooperation Agency (JICA) (Ogata Sadako, President) signed a Japanese ODA loan agreement with the government of the Islamic Republic of Pakistan in Islamabad, the capital of the Islamic Republic of Pakistan, with up to 23 billion yen for the "National Transmission Lines and Grid Stations Strengthening Project". This is the first Japanese ODA loan project based on the Pakistan Donors Conference hosted by Japan in April 2009, where a maximum of \$1 billion in aid was pledged over the next two years.

2. This project will newly construct and expand high-voltage (500kV and 220kV) substations (4 sites) and related transmission lines (approximately 428 km) in Punjab and Sindh provinces that are home to approximately four-fifths of the country's total population. Providing a reliable and efficient power supply will improve the serious power shortage and contribute to economic development and improvement of living standards of local residents in the concerned area. The loan funds will be allocated to the civil works and equipment procurement costs related to the new construction and expansion of substations and related transmission lines. The operations and maintenance of the newly constructed and expanded substations and related transmission lines in this project will be implemented by employees trained at the training institution that will be strengthened under JICA technical cooperation.

3. Power supply in Pakistan has been unable to keep up with power demand the annual 7% growth rate for the past decade, and demand-supply gap is reportedly one-fourth of this demand or 4,500MW to 5,000MW, causing nation-wide power cut for around 10 hours per day. Due to the frequent power cut, machinery at factories must frequently stop operations leading to stagnated production activities; and even in the country's key industry, agriculture, the use of refrigeration facilities for agricultural products and the operations of electric-pump operated irrigation facilities have been impeded, which in turn has negatively impacted the economy. One of the causes of this power shortage is the high losses incurred due to lagging development of transmission and distribution facilities. Pakistan's power transmission and distribution loss ratio is 21.6% and markedly high, in contrast to Japan, which is 5%, and Sri Lanka, which is 15%. The purpose of this project is to reduce these losses, which is equivalent to the power consumption of about 2.05 million people.

4. Pakistan achieved an economic growth of about 6.5% annually for five consecutive years until Fiscal Year 2007/2008 (July 2007 to June 2008). In 2008, the country's foreign currency reserves rapidly fell and domestic prices due to the sharp increase in international food and fuel prices as well as foreign capital outflow caused by the global financial crisis. To improve this economic situation, the government of Pakistan has pursued an economic stabilization program under IMF assistance, but the FY2008/2009 economic growth rate dropped to 2%.

5. After the 9.11 terrorist attacks in 2001, the international community has continued to fight the terrorists, but antigovernment forces continue to remain in hiding along the Afghanistan and Pakistani borders, and continually threaten public security both in Pakistan and in the region. After April 2009, the Pakistani government forces have been conducting military operations in the border regions that produced numerous internally displaced persons. The country plays an important role in the international community's fight against terrorism. It is vital that Pakistan achieves economic and political stability as a modern and moderate Islamic nation in order to achieve peace and stability in the Pakistan-Afghanistan region as well as in the international community that includes Japan.

6. In view of these conditions, Japan's new strategy addressing the threat of terrorism is (1) assisting for economic growth (energy including electricity, infrastructure development), for macroeconomic reform (co-financing with the World Bank), and for improvement of people's livelihood in poverty reduction sector (health, basic education, rural development), and (2) assisting for improvement of people's livelihood in regions such as North West Frontier Province (NWFP) and Federally Administrated Tribal Areas (FATA). In view of this policy, following this project that contributes to the country's economic growth, JICA will employ an integrated approach taking advantage of three schemes of assistance, technical cooperation, loan assistance (yen-loans), and grant aid, to actively support Pakistan.

(Reference)

[Project Map \(PDF/133KB\)](#)



signing ceremony

Reference

1. Term and Amount of Loan

| Project Name | Amount (Mil. Yen) | Interest Rate (% per annum) | Repayment Period (years) | Grace Period (years) | Procurement Condition |
|---|-------------------|-----------------------------|--------------------------|----------------------|-----------------------|
| National Transmission Lines and Grid Stations Strengthening Project | 23,300 | 1.2 | 30 | 10 | Untied |

2. Executing Agency

National Transmission and Despatch Company Ltd.

Address: WAPDA House, Lahore, Pakistan

Tel: +92-42-9202229

Fax: +92-42-9202053

3. Planned Implementation Schedule

(1) Completion of project: July 2013 (the project will be completed when the facilities begin operations)

(2) Issuing of letters of invitation for consulting services: Not included in the scope of the loan

(3) Tender announcement of initial procurement package for international competitive bidding on project construction:

Procurement package title: 8 packages (each package for each substation and transmission line)

Release date: October 2010 (8 packages would be announced at the same time)

Pakistan Project Map

National Transmission Lines and Grid Stations Strengthening Project



Gujrat 220kV substation with related transmission lines

Lahore 500kV substation with related transmission lines

Chishtian 220kV substation with related transmission lines

Shikarpur 500kV substation with related transmission lines