

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

— Supporting Early Recovery and Reconstruction from the Largest Flood Disaster since the Birth of Pakistan —

1. On January 21, the Japan International Cooperation Agency (JICA) signed a Japanese ODA loan agreement with the government of the Islamic Republic of Pakistan in its capital Islamabad, with up to 5 billion yen for the "Emergency Import Support Loan". This will address early restoration from the flood disaster which has brought serious damages throughout the country for recent several months. Another Japanese ODA loan agreement with up to 14.7 billion yen for "Khyber Pakhtunkhwa Emergency Rural Road Rehabilitation Project" will be signed soon on the basis of the exchange of notes signed between the government of Japan and the government of the Islamic Republic of Pakistan on January 21, 2011. In total, Japanese ODA loans of 19.7 billion yen will be extended to flood disaster restoration activities in Pakistan.



Signing Ceremony

2. Pakistan experienced extraordinary rainfall from July 22, 2010, mainly hitting the northern area. During July 28 to August 3, 2010, the torrential rainfall of 3,462mm, which is double that of annual rainfall in Tokyo, was received in Khyber Pakhtunkhwa province, where the usual annual rainfall is 962mm. The heavy rain continued intermittently till September, 2010 and led to the worst floods since the birth of Pakistan covering over 20 percent of the country (160,000 square km) along the Indus River basin. The floods have affected more than 20 million people (12 percent of Pakistan's population) with 2,060 deaths and 3,112 injured. As a result of the floods, 1.9 million homes have been destroyed, various kinds of infrastructures including roads and irrigation facilities have been seriously damaged, and widespread agricultural lands have been inundated.

3. As a leading bilateral donor for Pakistan, JICA participated in the Damage and Needs Assessment (DNA) for the 2010 Pakistan floods, which was led by the World Bank and the Asian Development Bank. According to the DNA, while the total damages are estimated at more than 10 billion US dollars (around 820 billion yen), the medium and long-term reconstruction cost is estimated at about 8.9 billion US dollars (around 730 billion yen). The international community's support has been strongly requested to assist such reconstruction activities. As a result of donor coordination, JICA is going to support emergency import financing for immediate relief, recovery and reconstruction, as well as rehabilitation works of the road sector which JICA has continuously supported in the past.

4. The government of Pakistan has pursued an economic stabilization program under IMF assistance after facing economic crisis in 2008. Due to the recent floods, Pakistan is facing slowdown of economic growth, increasing inflationary pressure, and deterioration of fiscal balance and external balance. The stabilization of the balance of payments is imperative for Pakistan, where the rise of imports like foods and fuel and the decrease of exports like agriculture, textile and apparel products have become evident. The "Emergency Import Support Loan," which is to be utilized for import financing for goods essential to the immediate relief, recovery and reconstruction, will contribute to the stabilization of the balance of payments under the framework of international cooperation led by IMF.

5. After the 9.11 terrorist attacks in 2001, the international community has continued to 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. After April 2009, the Pakistani government forces have been conducting military operations against anti-government armed insurgents in the border regions, such as Khyber Pakhtunkhwa province, that produced numerous internally displaced persons. The recent floods have a substantial impact on the returning of the internally displaced persons and the reconstruction from the past conflict. Through the "Khyber Pakhtunkhwa Emergency Rural Road Rehabilitation Project," JICA will address the recovery and reconstruction of flood damaged roads and bridges in Khyber Pakhtunkhwa province located in the border regions, contributing to recovery of severed lifeline, prompt restoration of economic and social activities, and reducing poverty in the region.

6. Japan's new strategy addressing the threat of terrorism is (1) assisting Pakistan for economic growth (energy and infrastructure development), for macroeconomic reform (co-financing with the World Bank), and for the improvement of people's livelihood in the poverty reduction sector (health, basic education, rural development), and (2) assisting Pakistan for improvement of people's livelihood in regions such as Khyber Pakhtunkhwa province and the Federally Administrated Tribal Areas (FATA). Although the recent floods pose a new challenge to Pakistan, Japan is willing to strongly support the recovery and reconstruction efforts of the government of Pakistan together with the rest of the international community. In view of this policy, following the aforementioned flood-related loans, JICA will employ an integrated approach taking advantage of three schemes of assistance, technical cooperation, loan assistance (ODA loans), and grant aid, to actively support Pakistan.

Reference

1. Terms and Amounts of Loan

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Deferment period (years)	Procurement
		Project	Consulting services			
Emergency Import Support Loan	5,000	0.01*	—	40*	10*	Untied

* Preferential Terms "MIRA" applicable for disaster recovery projects

2. Project Summaries

Emergency Import Support Loan

Executing Agency

Ministry of Finance
Address: Q Block, Pakistan Secretariat, Islamabad, Pakistan
Phone: +92-51-9202212, FAX: +92-51-9205295

Planned Implementation Schedule

- (i) Completion of project: January 2011 (with completion of the loan process)
- (ii) Issuing of letters of invitation for consulting services: No hiring of consultants is planned for this project
- (iii) Tender announcement of initial procurement package for international competitive bidding on project construction: Not applicable