

Signing of Japanese ODA Loan Agreement with Pakistan: Supporting power sector reforms to stabilize people's lives and promote economic growth

On February 2, the Japan International Cooperation Agency (JICA) signed a loan agreement with the Government of Pakistan in Islamabad to provide a Japanese ODA loan of up to five billion yen for the Energy Sector Reform Program (II).

This program aims to stabilize the power supply in Pakistan and promote economic growth there through the promotion of power sector reforms. Falling under Development Policy Lending, this loan is being provided after confirming that the Government of Pakistan has completed certain actions established along the following three pillars: 1) managing tariffs and subsidies, 2) improving sector performance and opening markets to private participation, and 3) accountability and transparency. A loan signed in June 2014 was provided for the first stage of the program, and with this confirmation, the current loan will be provided for the second stage of the program. This program is being co-financed by the World Bank and the Asian Development Bank (ADB).

Due to an increase in economic activities and a rising population that is the sixth largest in the world at approximately 190 million people, Pakistan faces a serious power shortage, reaching more than 20 percent of the demand in recent years and resulting in some areas subject to load shedding averaging 10.5 hours per day. The inadequate supply of power needed for factory operations and commercial activities has led to a curtailment of private and foreign direct investment, hindering economic activities. If the power shortage can be solved, it is predicted that the gross domestic product would grow by two to three percent per year.

In addition to the rapid growth in the demand for power, major factors behind the power shortage and inadequate funds for supplying power include the lack of suitable power rates, uncollected fees from consumers, and transmission and distribution losses. Because of the inadequate power and funding, the power plants cannot operate fully, resulting in inadequate power. Although a portion of the inadequate funding is covered by government subsidies, that expenditure is a major pressure on the government's finances, and reforms to the power sector are priorities for Pakistan for both economic and fiscal reasons.

JICA has extended a variety of assistance to Pakistan's power sector, from infrastructure development such as power plants and transmission facilities to human resource development for strengthening operational and maintenance capacity. JICA also continues to provide technical support in Pakistan using Japanese expertise in formulating power sector development plans and promoting energy efficiency.

With progress in power sector reforms and the achievement of a sustainable, stable power supply with this support from Japan, it is expected that the lives of residents will stabilize and economic activities will receive a boost, making Pakistan even more attractive as a potential market given its large population of around 200 million people.



Signing ceremony

Reference

1. Terms and Amount of Loan

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
Energy Sector Reform Program (II)	5,000	Yen LIBOR + 10 bp	–	30	10	General untied

2. Executing Agency

Ministry of Finance, Revenue, Economic Affairs, Statistics and Privatization
Address: Block "Q" Pak. Secretariat, Islamabad, Pakistan

3. Planned Implementation Schedule

(1) Completion of program: February 2016 – with completion of the loan disbursement

(2) Consulting services:

No hiring of consultants is planned for this program.

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

No work in conjunction with bidding is planned for this program.

Related Links

› [World Bank support for the program](#)

› [ADB support for the program](#)