

Country Assistance Policy for the Islamic Republic of Pakistan
(Provisional Translation)

April 2012

1. Rationale for Assistance

Pakistan, being the sixth most populated country in the world with its 184.8 million people, possesses geopolitical significance in view of its geographical location serving as a meeting point between Asia and the Middle East. Besides this, it is one of the countries which are crucial to the success or failure of the fight against terrorism, as it is adjacent to Afghanistan.

In addition, one-fourth of the Pakistani population lives below the poverty line (daily income of US\$1.25) and the country has large development needs. Pakistan has been facing the vulnerability of economic infrastructure such as electricity and security issues including terrorism. Its economy has not been necessarily stable either. It is indispensable to address these challenges not only to achieve stability and sustainable development in Pakistan but also to contribute towards the peace and stability of the international community.

Japan started its economic cooperation for Pakistan in 1954 and has built good bilateral relations for many years. In April 2009, Japan held the Pakistan Donors Conference and the Meeting of the Friends of Democratic Pakistan in Tokyo, which was attended by donors and countries having good relation with Pakistan, to show solid support by the international society for Pakistan's efforts in various challenges including economic reforms and counterterrorism. Japan's assistance to Pakistan is of great significance in helping this country develop as a "moderate and modern Muslim state" which has abundant workforce and potential as an economic market as well as importance for peace and stability of the international community.

2. Basic Policy of Assistance (uppermost goal): Building of a stable and sustainable society through economic growth

It is expected that Pakistan, in 2050, will be the fourth most populated country in the world after India, China and the United States. In order to demonstrate its full potential, it is indispensable for Pakistan to build a stable and sustainable society through achieving private sector-led economic growth while maintaining stable economic condition. In order to achieve the goal given above, Japan has set the following three priority areas including the improvement of economic infrastructure.

3. Priority Areas (intermediate goal)

(1) Improvement of economic infrastructure

Improvement of vulnerable economic infrastructure is indispensable for economic growth of Pakistan. In particular, Japan intends to extend its assistance to establish an efficient and sustainable electricity supply system because chronic shortage of electricity has inhibited social stabilization in Pakistan. In addition, Japan will also provide assistance for transportation infrastructure which will contribute to improving the connectivity with the neighboring countries; poverty reduction and improvement in

productivity of the agricultural sector which accounts for a large portion of the working population; and strengthening the industrial sector including increasing competitiveness of the manufacturing industries, export promotion and improvement of the investment climate. It will pay considerable attention to the necessity for regional economic centres including Karachi to lead Pakistan's economic development. Through such assistance, Japan will make its efforts to strengthen the bilateral economic relations.

(2) Ensuring human security and improvement of social infrastructure

In order to improve the low level of education indicators such as literacy and school enrollment ratio, Japan will extend assistance to Pakistan in the field of basic education by improving opportunities for education and providing secure environment for schools as well as upgrading the quality of education. Japan especially intends to provide assistance in the field of technical education that will generate employment opportunities and hence results in the emergence of the middle class as a core driving force for economic growth. In addition, assistance will be carried out to contribute to improving the poor conditions of water and sanitation especially in the urban areas; improving health services in the communities including programmes for eradication of polio¹; and strengthening capabilities of disaster management to respond to frequent natural disasters.

(3) Balanced and stable regional development including the border region

Japan will provide assistance for Pakistan's efforts in counterterrorism and stabilization of the border region with Afghanistan to improve security situations. In the light of the security situation in the border region, Japan may consider collaborating with international organizations in order to properly deliver its assistance to the areas and segment of the population with development needs. In addition, it will make efforts to implement assistance that will contribute to trade and economic cooperation with Pakistan's neighboring countries in order to achieve stability of the entire South Asia region. Furthermore, Japan's assistance will be carried out in various sectors in underdeveloped regions in order to avoid social unrest caused by regional disparities.

4. Points to be considered

It is necessary for Japan to consider the security situation in Pakistan as well as measures Pakistan takes for disarmament and non-proliferation.

¹ Pakistan is one of the polio-endemic countries in the world. The Government of Japan aims at eradicating poliomyelitis in Pakistan by various assistance programmes including the provision of a concessional yen loan (from August 2011 to June 2013) in collaboration with the Bill & Melinda Gates Foundation.