Early Warning System

ADB-55289-001

Islamic Republic of Pakistan: Enabling Asset Leasing as a Financing Approach for Schools

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Quick Facts

Countries	Pakistan
Financial Institutions	Asian Development Bank (ADB)
Status	Active
Bank Risk Rating	U
Voting Date	2021-12-08
Borrower	Islamic Republic of Pakistan
Sectors	Education and Health, Technical Cooperation
Investment Type(s)	Advisory Services
Investment Amount (USD)	$ 0.20 million

Project Description

According to ADB documents, the proposed technical assistance will support the preparation of a feasibility report to evaluate various education sector-focused asset leasing models for procuring school equipment, infrastructure-facilities, and services by public and private sector schools in Pakistan. The TA will also develop a program implementation plan and operations model with appropriate private sector participation.

PROJECT RATIONALE AND LINKAGE TO COUNTRY/REGIONAL STRATEGY

1. Pakistan has recorded significant improvements in overall school participation and educational attainment. However, it faces severe challenges in providing high-quality and adequate education to eligible children, with its primary gross enrolment ratio increasing from 49.1% in 1980 to 94.0% in 2019. Schools lack basic infrastructure-facilities and services, including electricity, toilets, and information and communication technology labs for students and teachers, creating an unfavourable learning and teaching environment. Schools also suffer from a high student to teacher ratio (number of students per teacher) and stands at 44 for primary schools across the country (footnote 3). Despite improvements made in existing schools and establishment of new schools, poor overall facilities and lack of basic facilities continue to remain as the primary reason for high student dropouts. Of the total school buildings in Pakistan, 55% have fallen into disrepair and are considered unsafe or of low quality. Only 52% of public schools have boundary walls, electricity, drinking water and toilets, while 11% of public schools have none of these.

2. Experiences, especially in the United Kingdom, have shown that asset leasing as a financing modality for procuring equipment by schools has several advantages. Asset leasing (i) leads to more efficient management of school finances; (ii) increases the affordability of schools in procuring higher standard of equipment with a lower upfront cost; (iii) reduces the burden of asset disposal beyond useful life, allowing for the latest technologies and replacement equipment to be paid for over the period the equipment is used.

3. In Pakistan, leasing is a licensed activity that is performed either by commercial banks or by non-banking finance companies (NBFCs) or Mudarabah. Although the leasing industry in Pakistan has a market value of approximately $206 million and has diversified to industrial machinery, automobiles, and computer hardware, it is still a relatively nascent industry. It lacks innovative products and is confined mostly to small and medium ticket leasing particularly involving vehicles and machinery. Its challenges include resource mobilization constraints relating mainly to the currently volatile interest rate scenario, squeezing of margins, and non-availability of long-term funds and difficulties in recoveries. The leasing of machinery and other industrial equipment has slowed down due to the COVID-19 induced recession.

IMPACT

Providing fair and equal opportunity to all children to receive a high quality of education.

Investment Description

- Asian Development Bank (ADB)

Contact Information

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Bank Documents

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