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DOCUMENTS**

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**CREDIT NUMBER 5498-PK**

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# **Financing Agreement**

**(Dasu Hydropower Stage I Project)**

**between**

**ISLAMIC REPUBLIC OF PAKISTAN**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

Dated *August 25*, 2014

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## FINANCING AGREEMENT

AGREEMENT dated August 25, 2014, entered into between the ISLAMIC REPUBLIC OF PAKISTAN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

### WHEREAS:

(A) the Recipient intends to facilitate the expansion of electricity supply of hydro-power through the development at Dasu on the Indus River of a 2,160 MW hydropower plant ("Stage I"), which can be expanded to 4,320 MW in the future ("Stage II", and collectively with Stage I, "Dasu Hydropower");

(B) the Recipient intends to proceed first with the construction of Stage I, described as the Project in Schedule 1 to this Agreement, including construction of the main dam and installation of six generation unit of 360 MW each, the required transmission infrastructure, and the associated social and environmental mitigation measures described herein;

(C) the Project will be carried out in the Recipient's territory primarily by the Water and Power Development Authority, and by National Transmission and Despatch Company Ltd. for the purpose of the required transmission infrastructure, (each as further defined in the Appendix to this Agreement and collectively the "Project Implementing Entities");

(D) the Recipient, having satisfied itself as to the feasibility and priority of Dasu Hydropower, (i) has requested the Association to assist in the financing of part of the Project and (ii) intends to obtain financing from other financiers to achieve completion of the Project; and

(E) the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit provided for in Article II of this Agreement to the Recipient upon the terms and conditions set forth in this Agreement and in the Project Agreements of even date herewith between the Association and each Project Implementing Entity ("Project Agreements").

The Recipient and the Association hereby agree as follows:

### ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

## **ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in two portions, as follows, to assist in financing the project described in Schedule 1 to this Agreement (“Project”):
- (a) an amount equivalent to two hundred fifty six million nine hundred thousand Special Drawing Rights (SDR 256,900,000) (“Portion A of the Credit”); and
  - (b) an amount equivalent to one hundred twenty two million eight hundred thousand Special Drawing Rights (SDR 122,800,000) (“Portion B of the Credit”).
- (Portion A of the Credit and Portion B of the Credit collectively referred to as variously the “Credit” or the “Financing”)
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%)
- 2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal:
- (a) to one and a quarter percent (1.25%) per annum for amounts withdrawn out of Portion A of the Credit; and
  - (b) one and two fifths of one percent (1.40%) per annum for amounts withdrawn out of Portion B of the Credit.

- 2.06. The Payment Dates are June 1 and December 1 in each year.
- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is Dollar.

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause the Project Implementing Entities to carry out their Respective Parts of the Project in accordance with the provisions of Article IV of the General Conditions and the Respective Project Agreements.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following, namely, that either of the Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the any of the Project Implementing Entities to perform any of their obligations under their Respective Project Agreements.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.

### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Recipient and the Project Implementing Entities have executed the corresponding Subsidiary Agreements.
- 5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Agreements have been duly authorized or ratified by the Recipient

and the Project Implementing Entities and are legally binding upon the Recipient and the Project Implementing Entities in accordance with their terms.

- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

#### **ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is the Secretary, Additional Secretary, Joint Secretary, Deputy Secretary, or Section Officer of the Economic Affairs Division of the Recipient's Ministry of Finance, Revenue, Economic Affairs, Statistics and Privatization.
- 6.02. The Recipient's Address is:

The Secretary to the Government of Pakistan  
Economic Affairs Division  
Ministry of Finance, Revenue, Economic Affairs,  
Statistics and Privatization  
Islamabad  
Pakistan

Facsimile:

(92-51) 9202417

- 6.03. The Association's Address is:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable:

Telex:

Facsimile:

INDEVAS  
Washington, D.C.

248423 (MCI)

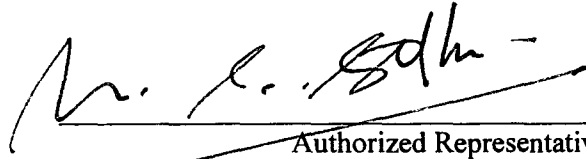
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AGREED at  
above written.

, as of the day and year first

ISLAMIC REPUBLIC OF PAKISTAN

By

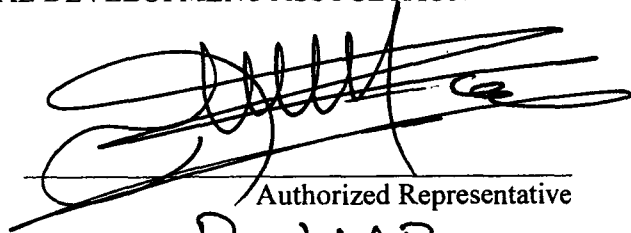
  
Authorized Representative

Name: Muhammad Salim Sethi

Title: Secretary - EAD - Govt Pakistan

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

  
Authorized Representative

Name: Rachid Benmessaguel

Title: Country Director - Pakistan

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to facilitate the expansion of electricity supply of hydro-power in Pakistan.

The Project consists of the following parts:

#### Component A: Construction of the Main Hydraulic Structure on the Indus River

Constructing the main dam structure on the Indus River, located in Upper Kohistan District, about 8km from Dasu (latitude N35° 19' 6.61", longitude E73° 11' 41.33"), including spillway, low level outlets and sluicing tunnels, along with control gates and equipment.

#### Component B: Power Generation Facilities

1. Constructing Dasu Hydropower generation facilities, including: (a) excavation of power house cavern; (b) construction of power house, including loading bay and control bay; (c) construction of headrace tunnels 1 & 2 along with power intake, gate shafts, pressure tunnel and trifurcation for installation of penstocks; (d) construction of tailrace tunnels 1 & 2, along with surge chamber and all mechanical equipment to connect to draft tube and tailrace control structure; (e) construction of all intakes (including those for headrace and tailrace tunnels 3 & 4) with their respective control gates; and (f) construction of underground substation; and
2. (a) Procuring and installing in the above constructed facilities, six (6) hydropower generation units of about 360 MW each for a total combined capacity of about 2,160 MW, to be connected to headrace and tailrace tunnels 1 & 2; and (b) procuring and installing all electromechanical equipment required to connect said units to the underground substation and to the transmission line above ground.

#### Component C: Preparatory and Permanent Works

Carrying out preparatory civil works, including: (1) the construction of access roads to Project facilities, works sites, quarries, batching plants, offices, resettlement sites, etc.; (2) the relocation of approximately 62 km of the KKH; (3) the construction of a 132 kV transmission line from Dubair to Dasu; and (4) the construction of offices residences and colonies for staff.

Component D: Transmission Line

1. Constructing a double circuit 500kv transmission line from Dasu to Islamabad (via Mansehra), to evacuate power from Stage I of Dasu Hydropower.
2. (a) Preparing detailed designs and final alignment of the 500kv Dasu-Islamabad transmission line, as well as social and environmental management plans therefore; (b) carrying out associated construction supervision and project management activities; and (c) capacity building for NTDC as agreed with the Association.
3. Implementing, monitoring and evaluating the social and environmental management plans required for Component D, including the Safeguards Documents for NTDC's Respective Parts of the Project providing for Land Acquisition and Resettlement Compensations to Displaced Persons.

Component E: Implementation of Social and Environmental Management Plans and Glacial Sediment River Monitoring

1. Implementing the Social and Resettlement Management Plan covering the dam construction site, the reservoir area, preparatory works, KKH relocation, and other ancillary facilities including Land Acquisition and Resettlement Compensations to Displaced Persons, livelihood development activities to affected population, public health interventions, mitigation activities to address fishery impacts, and mechanisms on benefit-sharing to support local development.
2. Carrying out environmental mitigation activities covering WAPDA's Respective Parts of the Project, including tree plantation, slope stabilization and watershed management along the Dasu dam reservoir area and the relocated section of KKH, enhancement of aquatic life upstream and downstream of Dasu dam, and protection of physical cultural property, as well as any other mitigation measures, as needed, set forth in the ESMP but not covered under the construction contracts.
3. Monitoring the Indus River's sediment, watershed, river flows, and infrastructure.

Component F: Construction Supervision and Monitoring and Evaluation of Project Impacts and Social and Environmental Management Plans

1. Carrying out construction supervision and implementation support activities for the Project.
2. Engaging independent consultants for project management assistance, in order to:  
(a) monitor and evaluate the implementation of Project activities, including



supervising the implementation of/compliance with the Social and Resettlement Management Plan and the Environmental and Social Management Plan, assessing positive and negative impacts, and proposing remedial actions or corrective/mitigations measures to address any issues/impacts observed; and (b) provide management support to WAPDA for Project implementation and contract management.

Component G: Project Management Support, Capacity Building of WAPDA, Technical Assistance and Training and Future Project Preparation and Strategic Studies.

1. Strengthening the institutional capacity of WAPDA for the implementation of Project management activities, including the establishment and operation of the PMU.
2. (a) Providing support to WAPDA for the performance of its institutional functions, including: (i) enhancing WAPDA's capacity in planning and programming, engineering, operation and maintenance of dams, financial management, procurement, and management of environmental and social issues; (ii) providing technical assistance and training in designing dams, river works, hydraulics and associated structures; (iii) improving contract management/administration, operations and management planning, preparation of assets management plan, financial management, monitoring and supervision; (iv) implementation of the GAAP; (v) coordination and maintenance of the International Panel of Experts to review the quality of design and construction works and determine any safety enhancement required in the construction, operation and maintenance of dams; and (b) strengthening WAPDA's capacity to devise strategies to become a financially autonomous entity.
3. Carrying out strategic studies to address technical, financial management, social and environmental issues related to the preparation of pilots or future investment projects to be identified jointly with the Association.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. Institutional Arrangements**

1. The Recipient, through MWP, shall provide policy and strategic direction to WAPDA and NTDC for the carrying out of the Project.
2. The Recipient shall maintain throughout the period of Project implementation, a project steering committee ("PSC"), chaired by the Secretary of MWP, comprised of the Recipient's Secretaries of Planning, Finance, Economic Affairs Division; the Chairman of WAPDA; the Managing Directors of NTDC and the National Highway Authority, the Chief Secretary and Additional Chief Secretary (Development) of KPK; the Commissioner of Hazara Division, the Deputy Commissioner of Upper Kohistan District; and the PMU's Project Director, who shall serve as the PSC's secretary; which committee shall provide planning and strategic guidance for Project implementation, as well as facilitate inter-agency coordination.
3. The Recipient shall: (a) take all actions, including ensuring the provision of funds, facilities, services, and other resources, necessary or appropriate for the carrying out of the Project by the Project Implementing Entities; and (b) ensure that the Project is completed in a manner consistent with the requirements of this Agreement, irrespective of the sources of the financing.

##### **B. Subsidiary Agreements**

1. To facilitate WAPDA's carrying out of Components A, B, C, E, F and G of the Project, the Recipient shall make the proceeds of the Credit available to WAPDA under a subsidiary agreement between the Recipient and WAPDA, under terms and conditions acceptable to the Association (the "WAPDA Subsidiary Agreement"), which shall include the following:
  - (a) the right of WAPDA to withdraw the proceeds of the Credit on behalf of the Recipient. The proceeds so withdrawn shall be considered to be withdrawn by the Recipient;
  - (b) the obligation of WAPDA to: (i) pay to the Recipient an amount equal to the Commitment Charge determined by the Association pursuant to Section 2.03 of this Agreement and Section 3.01 of the General Conditions on the pro-rata portion of Credit on-lent under the WAPDA Subsidiary Agreement; (ii) repay the proceeds of the Credit withdrawn under the WAPDA Subsidiary Agreement over the period applicable to

the Recipient pursuant to Section 2.07 of, and Schedule 3 to, this Agreement; (ii) repay the proceeds of the Credit in Pakistani Rupees; and (iv) pay an interest on the principal amount of the Credit withdrawn and outstanding from time to time at the rate agreed between the Recipient, WAPDA and the Association as per the re-lending policies of the Recipient;

- (c) the Recipient's and WAPDA's understandings and arrangements for the flow of funds, including disbursement protocols, supporting evidence and any reporting requirements therefor; and
- (d) the Recipient's right to suspend or terminate WAPDA Subsidiary Agreement, and/or accelerate the recovery of any outstanding amounts withdrawn thereunder, upon: (i) the WAPDA's failure to perform its obligations under the WAPDA Subsidiary Agreement, and/or WAPDA Project Agreement; or (ii) the Association's exercising any of the remedies under Article VI of the General Conditions, and/or the Procurement Guidelines, the Consultants Guidelines and/or the Anti-corruption Guidelines.

2. To facilitate the carrying out of Component D of the Project, the Recipient shall make the proceeds of the Credit available to NTDC under a tripartite subsidiary agreement between the Recipient, NTDC and WAPDA, under terms and conditions acceptable to the Association (the "NTDC Subsidiary Agreement"), which shall include the following:

- (i) WAPDA's appointment (by NTDC) as administrator of the proceeds of the Credit on-lent to NTDC, including WAPDA's right to withdraw the proceeds of the Credit on behalf of the Recipient and NTDC. The proceeds so withdrawn shall be considered to be withdrawn by the Recipient and NTDC;
- (ii) the obligation of NTDC to: (A) pay to the Recipient an amount equal to the Commitment Charge determined by the Association pursuant to Section 2.03 of this Agreement and Section 3.01 of the General Conditions on the pro-rata portion of the Credit on-lent under the NTDC Subsidiary Agreement; (B) repay the proceeds of the Credit withdrawn under the NTDC Subsidiary Agreement over the period applicable to the Recipient pursuant to Section 2.07 of, and Schedule 3 to, this Agreement; (C) repay the proceeds of the Credit in Pakistani Rupees; and (D) pay an interest on the principal amount of the Credit withdrawn and outstanding from time to time at the rate agreed between the Recipient, NTDC and the Association as per the re-lending policies of the Recipient;

- (iii) the Recipient's, WAPDA's and NTDC's understandings and arrangements for the flow of funds, including disbursement protocols, supporting evidence and any reporting requirements therefor; and
  - (iv) the Recipient's right to suspend or terminate NTDC Subsidiary Agreement, and/or accelerate the recovery of any outstanding amounts withdrawn thereunder, upon: (A) the NTDC's and/or WAPDA's failure to perform their obligations under the NTDC Subsidiary Agreement, and/or NTDC Project Agreement, as the case may be; or (B) the Association's exercising any of the remedies under Article VI of the General Conditions, the Procurement Guidelines, the Consultants Guidelines and/or the Anti-corruption Guidelines
2. The Recipient shall exercise its rights under the Subsidiary Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Credit. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreements or any of its provisions, nor consent to any assignment, amendment, abrogation or waiver by any of the Project Implementing Entities.

**C. Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines, and the GAAP.

**D. Safeguards.**

- 1. The Recipient shall cause the Project Implementing Entities to carry out all Project activities with due regard to health-safety, social, cultural and environmental principles, practices and standards reflected in the Safeguard Documents and the recommendations of the International Panel of Experts, and in each case irrespective of the source of financing for the particularly Project activity.
- 2. The Recipient shall ensure, and cause the Project Implementing Entities to ensure, that prior to commencing any civil works under the Project that require land taking and the resettlement of Displaced Persons, all resettlement measures set forth in the applicable Safeguard Documents shall have been fully executed, including the full payment of compensation prior to displacement and/or the provision of relocation assistance to all Displaced Persons, as per the entitlements provided in the applicable Safeguard Documents.
- 3. The Recipient shall ensure, and cause WAPDA to ensure, that activities carried out under Components G.2 and G.3 of the Project are implemented in accordance with terms of reference satisfactory to the Association, which are prepared in

accordance with the EsMP and incorporate applicable international performance, technical, environmental and social standards set forth in the Association's Safeguards Policies then in force.

## **Section II. Project Monitoring, Reporting and Evaluation**

### **A. Project Reports**

1. The Recipient shall cause the Project Implementing Entities to monitor and evaluate the progress of their Respective Parts of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than fifteen (15) days after the end of the period covered by such report.
2. Notwithstanding paragraph 1 above, the Recipient shall:
  - (a) carry out jointly with the Association and the Project Implementing Entities:
    - (i) semi-annual reviews of the progress made in the implementation of the Project as measured against the agreed performance indicators set forth in Section II.A.1, in order to provide guidance to the Project Implementing Entities for the adoption of any improvement/corrective measures, as need, to enhance Project performance and attain its development objectives;
    - (ii) by not later than each of October 31, 2016 and October 31, 2019, or such other dates as may be agreed with the Association, two midterm reviews to assess the status of Project implementation. Each such review shall include an assessment of: (A) overall progress in implementation including procurement activities and disbursement ratios; (B) results of monitoring and evaluation activities; (C) actual social and environmental impact of Project activities, compliance with/implementation of the Safeguards Document and/or any other social and environmental mitigation measures required; and (D) appropriateness of implementation arrangements; and
  - (b) cause the Project Implementing Entities to take all measures required to ensure the efficient completion of the Project and the achievement of its development objectives, taking into due consideration the recommendations made by the Association during each such review process.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause the Project Implementing Entities to prepare and furnish to the Association not later than forty five (45) days after the end of each calendar quarter, interim financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.
4. The Recipient shall cause NTDC or such other entity acceptable to the Association as may be the central power purchasing agency responsible for the procurement of power on behalf of power distribution companies to maintain in the Escrow Account, throughout the period of Project implementation, a minimum balance of reserves equivalent to a period of billing by WAPDA to said entity (not to exceed two (2) months) for such purpose as shall be agreed with the Association. To this end, the Recipient shall ensure the availability of funds for the capitalization of the Escrow Account.

**Section III. Procurement**

**A. General**

1. **Goods, Works and Non-consulting Services.** All goods, works, consulting services and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of

particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods, Works and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule; (b) Shopping; (c) Direct Contracting; and (d) Community participation procedures which have been found acceptable to the Association.

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

**D. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of Part A of the Credit Allocated (expressed in SDR)</b>	<b>Amount of Part B of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, works, consultants' services, non-consulting services, Training and Workshops, and Incremental Operating Costs under Components A, C, D, E, F and G of Project	185,270,000	122,800,000	100%
(2) Land Acquisition & Resettlement Compensations under Component D and E.1 of the Project	71,630,000	0	100% until the date 24 months after the effectiveness of this Agreement, and 0% thereafter
<b>TOTAL AMOUNT</b>	256,900,000	122,800,000	



**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR73,000,000 may be made for payments made prior to this date but on or after November 1, 2013, for Eligible Expenditures: (i) under Category (1); and (ii) under Category (2) provided that the expenditure shall have been incurred using the applicable rate(s)/price(s) referred to in paragraph B.1(b)(ii) below; or
  - (b) under Category (2), until and unless:
    - (i) the Project Implementing Entities have prepared and approved the Standard Procedures for Compensation Payments provided for in Sections I.C.2 of the Schedule to their Respective Project Agreements, in a manner and substance satisfactory to the Association; and
    - (ii) the final rate(s)/price(s) to be paid to Displaced Persons on account of Land Acquisition & Resettlement Compensations have been: (A) determined in a manner and substance satisfactory to the Association; (B) formally endorsed by MOF and MWP; and (C) publicly disclosed in each Project Implementing Entity's websites.
2. Notwithstanding the provisions of paragraph 1(b) above, any payments for Land Acquisition & Resettlement Compensations: (a) for amounts equivalent to fifty thousand United States Dollars (USD50,000) or more (or any other amount that the Association may inform in writing from time to time) shall be subject to the prior review of the Association; and (b) made out of the proceeds of the Credit shall not exceed in aggregate one hundred eleven million United States Dollars (USD111,000,000).
3. The Closing Date is June 30, 2022.

## **ANNEX TO SCHEDULE 2**

### **National Competitive Bidding: Modifications to Procedures**

The procedures applicable to the procurement of goods and works under contracts awarded on the basis of National Competitive Bidding shall be those set out in Rules 5 and from 20 till 36 (a) of the Federal Public Procurement Rules (2004) (S.R.O. 432(I)/2004), with the modifications set out below, in order to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines, pursuant to paragraph 3.3 of said Guidelines. In the event of a conflict between the Recipient's procedures and the modifications set out below, the latter shall govern.

- (i) Invitations to bid shall be advertised in at least one (1) national newspaper with a wide circulation, at least thirty (30) days prior to the deadline for the submission of bids.
- (ii) Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
- (iii) Foreign bidders shall not be precluded from bidding, and no preference of any kind shall be given to national bidders in the bidding process.
- (iv) Bidding shall not be restricted to pre-registered firms.
- (v) Qualification criteria shall be stated in the bidding documents.
- (vi) Bids shall be opened in public, immediately after the deadline for the submission of bids.
- (vii) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior written agreement of the Association.
- (viii) Before rejecting all bids and soliciting new bids, the Association's prior written agreement shall be obtained.
- (ix) Bids for contracts for works shall be solicited and such contracts awarded on the basis of unit price.
- (x) Contracts shall not be awarded on the basis of nationally negotiated rates.
- (xi) Single bids shall also be considered for award.
- (xii) Contracts shall be awarded to the lowest evaluated and qualified bidder.

- (xiii) Post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidder.
- (xiv) Draft contracts shall be reviewed by the Association in accordance with prior review procedures.
- (xv) State-owned enterprises shall be eligible to bid only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Recipient.
- (xvi) A firm declared ineligible by the Association, based on a determination by the Association that the firm has engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for or executing an Association-financed contract, shall be ineligible to be awarded an Association-financed contract during the period of time determined by the Association.
- (xvii) The Association shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association, if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for or executing a contract financed by the Association.
- (xviii) Each contract financed from the proceeds of the Credit shall provide that the suppliers, contractors, and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Association. The deliberate and material violation by the supplier, contractor, or subcontractor of such provision may amount to an obstructive practice.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each June 1 and December 1:	
commencing December 1, 2019 to and including June 1, 2029	<b>1.65%</b>
commencing December 1, 2029 to and including June 1, 2039	<b>3.35%</b>

\* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

## APPENDIX

### Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
2. “Association’s Safeguards Policies” means the Association’s operational policies and procedures set forth in the Association’s Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60, or any successor thereof, as said manual is published under [www.WorldBank.org/opmanual](http://www.WorldBank.org/opmanual)
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
5. “CS Consultant” means the consulting firm referred to in Section I.A.1.(c) of the Schedule to WAPDA Project Agreement.
6. “Dasu” means the town of Dasu in KPK, the administrative headquarters for KPK’s Upper Kohistan District.
7. “Dasu Hydropower” means collectively the dam on the Indus River, and its hydropower generations facilities and equipment, including that portion to be built and/or installed under the Project and impounded area.
8. “Displaced Persons” means any persons who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction or access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons.
9. “Dubair” means the Recipient’s village of Dubair on the margins of the Indus River, in the Lower Kohistan District of KPK.
10. “D&CS Consultant” means the consulting firm referred to in Section I.A.1.(b) of the Schedule to NTDC Project Agreement.

11. “EARF” means the environmental assessment and review framework, prepared and adopted by NTDC in respect of the construction of the Dasu-Islamabad transmission line (Component D of the Project), and disclosed in the Association’s Infoshop on January 23, 2014, which framework sets forth the guiding principles, acceptable standards and procedures for: (a) the screening of activities under NTDC’s Respective Parts of the Project and the identification of any adverse or positive environmental impacts caused, or expected to be caused, on account of their implementation; and (b) the preparation of the prescribed EIA, and N-EMP; as such framework may be revised, updated or supplemented from time to time with the prior written concurrence of the Association.
12. “EIA” means environmental impact assessment to be carried out by NTDC pursuant to paragraph 2(a) of Section I.E. of Schedule 2 to NTDC Project Agreement, in accordance with the provisions of the EARF, in order to assess the likely positive and negative environmental impact of Project activities under NTDC’s Respective Parts of the Project; as such assessments may be revised, updated or supplemented from time to time with the prior written concurrence of the Association.
13. “Emergency Preparedness Plan” means the plan to be prepared by WAPDA pursuant to Section I.E.7(a) of the Schedule to the WAPDA Project Agreement setting forth the specific the roles of responsible parties when dam failure is considered imminent, or when expected operational flow release threatens downstream life, property, or economic operations that depend on river flow levels; such plan to include: (a) clear statements on the responsibility for dam operations decision making and for the related emergency communications; (b) maps outlining inundation levels for various emergency conditions; and (c) flood warning system characteristics; and procedures for evacuating threatened areas and mobilizing emergency forces and equipment.
14. “Environmental and Social Management Plan” and the acronym “ESMP” means, WAPDA’s plan as part of the environmental and social assessment report, disclosed in the Association’s Infoshop on January 23, 2014, setting out mitigation, enhancement, monitoring and institutional measures, including capacity building through training, required to: (i) eliminate adverse environmental impacts of activities to be implemented under WAPDA’s Respective Parts of the Project; (ii) offset them, or reduce them to acceptable levels; and/or (iii) enhance any positive impacts thereof;; as such plan may be revised, updated or supplemented from time to time with the prior written concurrence of the Association.
15. “Escrow Account” means the account established by NTDC pursuant to paragraph 4 of Section I.E. of Schedule 2 to the Loan Agreement entered between the Recipient and the Association on April 12, 2012, for the financing of “*Tarbela Fourth Extension Hydropower Project*” (Loan No. 8144-PK).

16. "GAAP" means the Project Implementing Entities' governance and accountability action plan, dated May 6, 2014 and acceptable to the Association, for purposes of the Project, which sets out the key actions to be undertaken by the Project Implementing Entities to strengthen governance, transparency and accountability under the Project; as such plan may be revised from time to time with the agreement of the Association.
17. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
18. "GRMC" means the WAPDA's Glacier Monitoring and Research Center established and operating pursuant to its Notification No. GM (P&D) 204-W/204-09 dated January 2, 2012.
19. "Hazara Division" means KPK's administrative division comprising the districts of Abbottabad, Battagram, Haripur, Mansehra, Kohistan and Torghar.
20. "Incremental Operating Costs" means the incremental expenses incurred by the Project Implementing Entities on account of the management, implementation, monitoring and/or evaluation of their Respective Parts of the Project, including, but no limited to: incremental staff salaries, per diem and allowances, office rent, office supplies, utilities, conveyance, travel and boarding/lodging allowances, operating and maintenance expenditures of office equipment and vehicles, bank charges, insurance, advertising, media projections, newspaper subscriptions, periodicals, and printing and stationary costs incurred for the purposes of Project activities; but excluding salaries, fees, honoraria, bonuses, and any other salary supplements of members of the Recipient's civil service or the Project Implementing Entities' regular staff.
21. "International Panel of Experts" means the panel of experts established by WADPA referred to in paragraph 1.(b) of Section I.A. of the Schedule to the WAPDA Project Agreement.
22. "Islamabad" means the Recipient's capital city.
23. "KKH" means the Karakoram Highway, identified as the Recipient's highway N-35.
24. "KPK" means the Borrower's Province of Khyber Pakhtunkwa.
25. "Land Acquisition & Resettlement Compensations" means the reasonable compensations and other assistance to be paid in cash to Displaced Persons pursuant to the SRMP and RAP, as agreed with the Association, on account of:  
(i) the taking of their land and/or their compulsory relocation or loss of shelter;

- (ii) their loss of assets or access to assets in connection with the above-referred land takings/relocations; (iii) the loss of income sources or means of livelihood, whether or not such person must move to another location; or (iv) the involuntary restriction or access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.
26. “LARF” means Land Acquisition Resettlement Framework prepared and adopted by NTDC in respect of the construction of the Dasu-Islamabad transmission line (Component D of the Project), and disclosed in the Association’s Infoshop on January 23, 2014, which framework: (i) sets out the policies and procedures for the acquisition of land and other assets, compensation, resettlement and rehabilitation of Displaced Persons, and for the preparation of the respective RAP required for Project activities, as said framework may be revised, updated or supplemented from time to time with the prior written concurrence of the Association.
27. “Mansehra” means the town of Manserha in KPK; the administrative headquarter for KPK’s District of Mansehra.
28. “MOF” means the Recipient’s Ministry of Finance, or any successor thereto.
29. “MWP” means the Recipient’s Ministry of Water and Power, or any successor thereto.
30. “National Highway Authority” means the Recipient’s National Highway Authority, constituted and existing under National Highway Authority Act, 1991 (Act No XI of 1991) as amended from time to time.
31. “N-EMP” means the environmental management plan to be prepared and adopted by NTDC pursuant to paragraph 2 of Section I.E of Schedule 2 to NTDC Project Agreement, in accordance with the outcomes of the SIA and the provisions of the EARF, setting out mitigation, enhancement, monitoring and institutional measures, including capacity building through training, required to: (i) eliminate adverse environmental impacts of activities to be implemented under NTDC’s Respective Parts of the Project; (ii) offset them, or reduce them to acceptable levels; and/or (iii) enhance any positive impacts thereof; as such plan may be revised, updated or supplemented from time to time with the prior written concurrence of the Association.
32. “NTDC” means the National Transmission and Dispatch Company Ltd., an electricity transmission, system operation and dispatch utility established and operating under Section 32 of the Companies Ordinance (1984) of the Islamic Republic of Pakistan and NEPRA’s license No. TL/01/2002, and registered with the Joint Registrar of Companies under certificate of incorporation No. L-09689, dated November 6, 1998.



33. "NTDC Project Agreement" means the Project Agreement between the Association and NTDC.
34. "NTDC Subsidiary Agreement" means the agreement referred to in Section I.B.2 of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to NTDC.
35. "N-PMU" means NTDC's project management units referred to in paragraph 1(a) of Section I.A to the Schedule to the NTDC Project Agreement.
36. "O&M Plan" means the operation and maintenance plan to be prepared by WAPDA pursuant to Section I.E.7(b) of the Schedule to the WAPDA Project Agreement setting forth the organizational structure, staffing, technical expertise, and training required; equipment and facilities needed to operate and maintain the Dasu Hydropower Project; the operations and maintenance procedures; and arrangements for funding such operation and maintenance, including long-term maintenance and safety inspections, including changes in the Project's infrastructure or the nature of the impounded material that may be expected over a period of years.
37. "Pakistan Rupees" means the lawful currency of the Borrower.
38. "PM&E Consultant" means the consulting firm to be hired by WAPDA pursuant to Section I.A.1(d) of the Schedule to the WAPDA Project Agreement.
39. "PMU" means WAPDA's project management unit referred to in paragraph 1(a) of Section I.A. of the Schedule to the WADPA Project Agreement.
40. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
41. "Procurement Plan" means the Recipient's procurement plan for the Project, dated May 5, 2014 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
42. "Project Implementing Entities" means, collectively WAPDA and NTDC; and "Project Implementing Entity" means either of them individually considered, as the context may determine.
43. "Project Implementing Entity's Legislation" means:
  - (a) in respect of WAPDA: the Water and Power Development Authority Act (1958), as amended to the date of this Agreement; and

- (b) in respect of NTDC: NTDC's Memorandum and Articles of Association, dated November 6, 1998, as amended to the date of this Agreement.
- 44. "PSC" means the Recipient's Project steering committee referred to in paragraph 2 of Section I.A. of Schedule 2 to the Financing Agreement.
- 45. "RAP" means the resettlement action plan to be prepared and adopted by NTDC pursuant to paragraph 2 of Section I.E of the Schedule to the NTDC Project Agreement, in accordance with the outcomes of the SIA and the provisions of the LARF; which plan: (i) identifies the Displaced Persons on account of implementation of NTDC's Respective Parts of the Project, (ii) sets forth the Displaced Persons' entitlement schedules, and the terms and conditions for providing them with resettlement assistance and/or compensation; and (iii) outlines the procedures to be applied in the identification, assessment and mitigation of potential Project related social impacts, including the protocols for consultation, processing of complaints and redressal of grievances, monitoring and reporting task; as such plans may be revised, updated or supplemented, from time to time, with the prior written concurrence of the Association.
- 46. "Respective Part of the Project means:
  - (a) in respect of WAPDA: Components A, B (not financed under this Credit), C, E, F, and G of the Project; and
  - (b) in respect of NTDC: Component D.
- 47. "Respective Project Agreements" means, collectively, the WAPDA Project Agreement and the NTDC Project Agreement.
- 48. "Safeguard Documents" means, collectively:
  - (a) WAPDA's ESMP and SRMP prepared on account of the implementation of its Respective Parts of the Project, as well as the Emergency Preparedness Plan and O&M Plan to be prepared for the subsequent operation of Dasu Hydropower; and
  - (b) the EARF, EIA N-EMP, LARF, SIA and RAP prepared and/or to be prepared by NTDC on account of the implementation of its Respective Parts of the Project.
- 49. "SIA" means the social screening to be carried out by NTDC pursuant to paragraph 2(a) of Section I.E. of Schedule 2 to NTDC Project Agreement, in accordance with the provisions of the LARF, in order to assess the likely social impact of Project activities; as such assessments may be revised, updated or

supplemented from time to time with the prior written concurrence of the Association.

50. “Social and Resettlement Management Plan” and the acronym “SRMP” means the Recipient’s livelihood assistance, resettlement and relocation plan prepared and adopted by WADPA in respect of the construction of Dasu Hydropower and relocation of the KKH, and disclosed in the Association’s Infoshop on January 23, 2014, which plan: (i) identifies the Displaced Persons on account of implementation of WAPDA’s Respective Parts of the Project, (ii) sets forth the Displaced Persons’ entitlement schedules, and the terms and conditions for providing them with resettlement assistance and/or compensation; and (iii) outlines the procedures to be applied in the identification, assessment and mitigation of potential Project related social impacts, including the protocols for consultation, processing of complaints and redressal of grievances, monitoring and reporting task; as such plans may be revised, updated or supplemented, from time to time, with the prior written concurrence of the Association.
51. “Stage I” means the first of the two-stage construction plans for Dasu Hydropower Project comprised of the two initial construction phases and described as the Project, in order for Dasu Hydropower Project to reach a generation capacity of 2,160 MW (i.e. construction of the main dam and installation of six generation unit of 360 MW each, including the associated social and environmental mitigations measures set forth in the applicable Safeguard Documents).
52. “Standard Procedures for Compensation Payments” means the procedures to be prepared and adopted by the Project Implementing Entities and acceptable to the Association for the payment of Land Acquisition & Resettlement Compensations due to Displaced Persons pursuant to the SRMP or the LARF, as the case may be, all in accordance with the provisions of as set forth in paragraphs 2 of Sections I.C of the Schedules to the Respective Project Agreements, as such procedures may be revised, updated or supplemented from time to time with the prior written concurrence of the Association.
53. “Subsidiary Agreements” means, collectively, the WAPDA Subsidiary Agreement and the NTDC Subsidiary Agreement.
54. “Training and Workshops” means the reasonable costs of training, workshops and conferences required for the Project and conducted in the territory of the Recipient and, subject to the Association’s prior approval, overseas, including training institutional and course fees, logistics expenses, rental of training facilities, purchase and publication of training materials, and travel and subsistence allowance for trainers and/or trainees.

- 55. "Upper Kohistan District" means the Upper Kohistan administrative district of KPK.
- 56. "WAPDA" means Water and Power Development Authority, established and existing under the Water and Power Development Authority Act (1958), as amended from time to time.
- 57. "WAPDA Project Agreement" means the Project Agreement between the Association and WAPDA.
- 58. "WAPDA Subsidiary Agreement" means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the WAPDA.

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions are as follows:

- 1. Section 3.02 is modified to read as follows:

*"Section 3.02. Service Charge and Interest Charge*

- (a) *Service Charge.* The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.
  - (b) *Interest Charge.* The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."
- 2. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".
- 3. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the remaining paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b).”

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.
5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).
6. Renumbered paragraph 77 (originally paragraph 76) in the Appendix (“Project Agreement”) is modified to read:

““Project Agreement’ means, the WAPDA Project Agreement or the NTDC Project Agreement individually considered. ‘Project Agreement’ includes the General Conditions as applied to said Project Agreement, and all appendices, schedules and agreements supplemental to said Project Agreement.”