

**OFFICIAL
DOCUMENTS**

**CREDIT NUMBER 5498-PK
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Project Agreement

(Dasu Hydropower Stage I Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

NATIONAL TRANSMISSION AND DESPATCH COMPANY, LTD.

Dated *August 25*, 2014

PROJECT AGREEMENT

AGREEMENT dated August 25, 2014, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the NATIONAL TRANSMISSION AND DESPATCH COMPANY, LTD. (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between the ISLAMIC REPUBLIC OF PAKISTAN (“Recipient) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out Component D of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Parts of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out [its Respective Part of] the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity’s Representative is NTDC’s Managing Director.
- 4.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI)	+1-202-477-6391

4.03. The Project Implementing Entity's Address is:

WAPDA House
Sharah-e-Quaid-e-Azam
Lahore
Pakistan

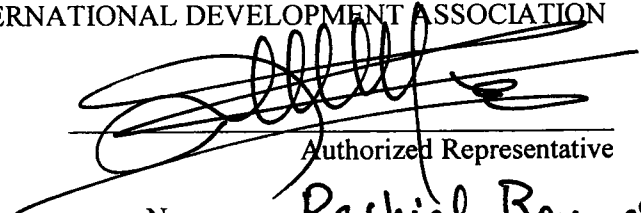
Facsimile:

+92-42-9202053

AGREED at _____, as of the
day and year first above written.

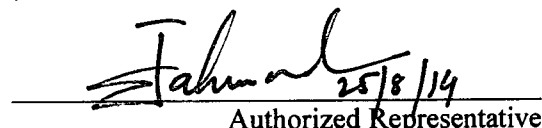
INTERNATIONAL DEVELOPMENT ASSOCIATION

By


Authorized Representative
Name: Rachid Benmessaud
Title: Country Director - Pakistan

NATIONAL TRANSMISSION AND DESPATCH
COMPANY, LTD.

By


Authorized Representative
Name: Tahir Mahmood
Title: Managing Director - NTDC

SCHEDULE

Execution of the Project Implementing Entity's Respective Part of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Project Implementing Entity shall:
 - (a) maintain throughout the period of Project implementation, a project management unit ("N-PMU"), (i) headed by a project director assisted by competent staff, all with experience and qualifications, in numbers and under terms of reference acceptable to the Association; and (ii) provided with such powers, financial resources, functions and competencies, acceptable to the Association, as shall be required for it to carry out the day-to-day implementation of the activities under Project Implementing Entity's Respective Parts of Project; and
 - (b) engage by no later than six (6) months after the Effective Date, and thereafter maintain throughout the period of Project implementation, the services of a design and construction supervision consulting firm (the "D&CS Consultant"), with qualifications and experience and under terms of reference acceptable to the Association, in order to assist the N-PMU with the carrying out of the detailed designs, preparation of safeguard document and commencement of preparatory works for the construction of the Dasu-Islamabad transmission line (Component D of the Project).
2. The Project Implementing Entity shall: (a) make its best efforts to minimize, and/or avoid, the turn-over of staff and consultants provided for in paragraph 1 above, other than on grounds of staff's/consultants' non-performance; and (ii) ensure any appointments/contracts thereof is for a minimum tenure of three years.

B. Anti-Corruption

The Project Implementing Entity shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Project Documents

1. The Project Implementing Entity shall:

- (a) implement its Respective Parts of the Project in accordance with the GAAP; provided however that in the event of conflict between the provisions of said plan, on the one hand, and those of this Agreement, on the other hand, the provisions of the latter shall prevail; and
 - (b) refrain from amending, suspending, waiving, and/or voiding any provision of the GAAP, whether in whole or in part, without the agreement of the Association.
2. The Project Implementing Entity shall:
- (a) by no later than one (1) month after the Effective Date, prepare and adopt standard operating procedures for the payment of compensations (“Standard Procedures for Compensation Payments”) to Displaced Persons on account of land takings and their involuntary resettlement, in a manner and substance satisfactory to the Association; and
 - (b) thereafter apply such Standard Procedures for Compensation Payments for the defrayment of any amounts due for Land Acquisition & Resettlement Compensations to any Displaced Persons pursuant to the LARF and the RAP to be prepared under Section I.E.2.(a) of this Schedule.

D. Annual Work Plans and Budgets.

The Project Implementing Entity shall:

- (a) furnish to the Recipient and the Association for approval as soon as available, but in any case not later than October 31 of each year, the annual work plan and budget for its Respective Parts of the Project, covering the activities proposed for the subsequent year of Project implementation; which plan and budget shall be of such scope and detail as the Association shall have reasonably requested, except for the annual work plan and budget for the Project for the first year of Project implementation, which shall be furnished no later than one (1) month after the Effective Date; and
- (b) thereafter ensure that its Respective Parts of the Project are carried out in accordance with such plan and budget as agreed with the Association.

E. Safeguards

1. The Project Implementing Entity shall:

- (a) carry out the Project in accordance with the EARF, the LARF, and the EIA, N-EMP, SIA, RAP prepared and/or to be prepared pursuant to paragraph 2 of this sub-section in accordance with the objectives, policies, procedures, time schedules, compensation arrangements and other provisions set forth in the EARF and LARF (together, the “Safeguard Documents”), in each case, in a manner and substance satisfactory to the Association; and
 - (b) refrain from taking any action which would prevent or interfere with the implementation of the Safeguard Documents, including any amendment, suspension, waiver, and/or voidance of any provision of the Safeguard Documents, whether in whole or in part, without the prior written concurrence of the Association.
- 2. The Project Implementing Entity shall refrain from inviting any bids or undertaking any preparatory works under its Respective Parts of the Project, until and unless:
 - (a) the proposed construction/upgrading activities have been screened by the N-PMU, in accordance with the guidelines, standards and procedures set forth in the LARF and EARF; and the N-PMU has produced the respective RAP and/or N-EMP as required for such activity pursuant to the LARF and EARF;
 - (b) the Association has reviewed the respective EIA, N-EMP, SIA and RAP, as applicable to said activities, and has found them to be acceptable; and
 - (c) the foregoing Safeguard Documents have been publicly disclosed by the Project Implementing Entity, in local language(s), at the relevant Project’s sites and the Association’s Infoshop, at least one hundred and twenty (120) days prior to the award of the contract for the related works.
- 3. The Project Implementing Entity shall ensure that, prior to commencing any civil works under its Respective Parts of the Project:
 - (a) all necessary governmental permits and clearances for such civil works shall have been obtained from the competent governmental authority/ies;
 - (b) all pre-construction stage conditions imposed by the governmental authority/ies under such permit(s) or clearance(s) shall have been complied with/fulfilled; and
 - (c) all resettlement measures set forth in the applicable RAP in relation to the specific civil work, shall have been fully executed, including the full payment for Land Acquisition & Resettlement Compensations prior to

displacement and/or the provision of relocation assistance to all Displaced Persons.

4. The Project Implementing Entity shall ensure that each contract for civil works under the Project include the obligation of the relevant contractor to comply with the relevant Safeguard Documents applicable to such civil works commissioned/awarded pursuant to said contract.
5. The Project Implementing Entity shall
 - (a) maintain monitoring and evaluation protocols and record keeping procedures acceptable to the Association and adequate to enable the Recipient and the Association to supervise and assess, on an on-going basis, the implementation of/compliance with the Safeguards Documents, as well as the achievement of the objectives thereof; and
 - (b) furnish to the Association, throughout the period of Project implementation quarterly reports prepared by the N-PMU, with the assistance of the D&CS Consultant, on the physical and financial progress of Project activities, the general compliance with the Safeguard Documents, including Land Acquisition and Resettlement Compensations paid, the social and environmental impact of Project activities, and the results of the mitigation or benefit-enhancing measures applied thereto, during the period preceding the date of each such report.
6. The Project Implementing Entity shall:
 - (a) maintain throughout the period of Project implementation, an updated list of the Displaced Persons on account of implementation of its Respective Parts of the Project, providing for the persons' identity, their entitled amounts and payments received for Land Acquisition & Resettlement Compensations; which list shall be disclosed, and freely and publicly accessible, on the Project Implementing Entity's website;
 - (b) establish, by no later than six (6) months after the Effective Date, and thereafter maintain and operate throughout the period of Project implementation, a grievance redressal mechanism comprised of four-tier on-site grievance redress committees at village, union council, district and project-levels, in order to receive and process any stakeholders' complaints arising out of, or related to, the implementation of the Project Implementing Entity's Respective Parts of the Project; which mechanism/committees shall be vested with functions and competencies, and be subject to processing guidelines and procedures, acceptable to the Association. To this end, the Project Implementing Entity will, by the

above referred deadline, prepare and disclosed on the Project sites a grievance redress plan, in local language, detailing the composition of the foregoing committees, their tasks and responsibilities at various levels, and the procedures and timelines for the processing of any complaints; and

- (c) ensure that any complaints made through existing complaints handling systems can, at the request of the complainant, be transferred to, addressed under, and reported as part of, the grievance redressal mechanism established hereunder.
7. In the event of any conflict between the provisions of any of the Safeguard Documents, on the one hand, and the provisions of this Agreement and/or the Financing Agreement, on the other hand, the provisions of this Agreement and/or the Financing Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

- 1. The Project Implementing Entity shall monitor and evaluate the progress of its Respective Parts of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Recipient not later fifteen (15) days after the end of the period covered by such report.
- 2. The Project Implementing Entity shall: (a) prepare the Project execution/completion report referred to in Section 4.08 (c) of the General Conditions; and (b) furnish it to the Recipient and the Association not later than six (6) months after the Closing Date.
- 3. The Project Implementing Entity shall participate in the reviews referred to in Section II.A.2 of Schedule 2 to the Financing Agreement, and thereafter take all measures required to ensure the efficient completion of the Project Implementing Entity's Respective Parts of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the Recipient and the Association.

B. Financial Management

- 1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to

reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Parts of the Project.

Section III. Procurement

1. All goods, works, consultants' services and non-consulting services required for the Project Implementing Entity's Respective Part of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.
2. The Project Implementing Entity shall establish by no later than six (6) months after the Effective Date, and thereafter maintain throughout the period of implementation of the Project:
 - (a) a fully operational procurement documentation and record keeping system, in a manner and substance acceptable to the Association, including a freely and publicly accessible database, showing the procurement plans and procurement notices, invitations to bid, bidding documents and requests for proposals, as well as the procurement status of various contracts, including short lists of consultants, contract awards and the complaints received and the actions taken in respect thereof. The Project Implementing Entity shall update such details on a monthly basis throughout the period of implementation of the Project; and
 - (b) a system for the handling of procurement complaints, in a manner and substance acceptable to the Association, which system shall include, *inter alia*: (i) a second tier appeal system; (ii) a complaint database with an interface (link) to the management information systems, providing free and public access for the submission of electronic claims; and (iii) a standard protocol with appropriate triggers for carrying out investigation. Notwithstanding the foregoing, for any procurement done through International Competitive Bidding, the Association's complaint redress mechanism under the Procurement Guidelines shall apply.