

PROJECT AGREEMENT

(Power Distribution Enhancement Investment Program – Project 2)

between

ASIAN DEVELOPMENT BANK

and

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
GUJRANWALA ELECTRIC POWER COMPANY LIMITED
HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED
ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED
LAHORE ELECTRIC SUPPLY COMPANY LIMITED
MULTAN ELECTRIC POWER COMPANY LIMITED
PESHAWAR ELECTRIC SUPPLY COMPANY LIMITED

AND

QUETTA ELECTRIC SUPPLY COMPANY LIMITED

DATED 28 JANUARY 2011

PROJECT AGREEMENT

PROJECT AGREEMENT dated 28 January 2011 between ASIAN DEVELOPMENT BANK ("ADB") on the one part and FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED ("FESCO"), GUJRANWALA ELECTRIC POWER COMPANY LIMITED ("GEPCO"), HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED ("HESCO"), ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED ("IESCO"), LAHORE ELECTRIC SUPPLY COMPANY LIMITED ("LESCO"), MULTAN ELECTRIC POWER COMPANY LIMITED ("MEPCO"), PESHAWAR ELECTRIC SUPPLY COMPANY LIMITED ("PESCO"), and QUETTA ELECTRIC SUPPLY COMPANY LIMITED ("QESCO") on the other part.

WHEREAS

(A) by a Loan Agreement of even date herewith between ADB and the Islamic Republic of Pakistan ("Borrower"), ADB has agreed to make to the Borrower a loan of two hundred forty-two million Dollars (\$242,000,000) on the terms and conditions set forth in the Loan Agreement, but only on the condition that the proceeds of the Loan be made available to FESCO, GEPCO, HESCO, IESCO, LESCO, MEPCO, PESCO, and QESCO ("DISCO", individually and collectively), and that each of the DISCO agrees to undertake certain obligations towards ADB as hereinafter set forth; and

(B) Each DISCO, in consideration of ADB entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth herein;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Definitions

Section 1.01. Wherever used in this Project Agreement, unless the context otherwise requires, the several terms defined in the Loan Agreement and in the Loan Regulations (as so defined in the Loan Agreement) have the respective meanings set forth therein, except for the purposes of this Project Agreement, the term "Project" means the subprojects to be carried out by the respective DISCO.

ARTICLE II

Particular Covenants

Section 2.01. (a) Each DISCO shall carry out the Project with due diligence and efficiency, and in conformity with sound applicable technical, financial, business, and development practices.

(b) In the carrying out of the Project and operation of the Project facilities, each DISCO shall perform all obligations set forth in the Loan Agreement to the extent that they are applicable to the DISCO.

Section 2.02. Each DISCO shall make available, promptly as needed, the funds, facilities, services, equipment, land and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 2.03. (a) In the carrying out of the Project, each DISCO shall employ competent and qualified contractors and consultants, acceptable to ADB, to an extent and upon terms and conditions satisfactory to ADB.

(b) Except as ADB may otherwise agree, the DISCO shall procure items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to the Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 2.04. Each DISCO shall carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. Each DISCO shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 2.05. (a) Each DISCO shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, each DISCO undertakes to insure, or cause to be insured, the Goods to be imported against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such Goods.

Section 2.06. Each DISCO shall maintain records and accounts adequate to identify the items of expenditure financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial condition.

Section 2.07. (a) ADB and each DISCO shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) Each DISCO through PEPCO shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of its obligations under this Project Agreement or the Relending Agreement, or the accomplishment of the purposes of the Loan.

(c) ADB and each DISCO shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, the DISCO and the Loan.

Section 2.08. (a) Each DISCO through PEPCO shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loans and the expenditure of the proceeds thereof; (ii) the items of expenditure financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial condition of the DISCO; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, each DISCO through PEPCO shall furnish to ADB quarterly reports on the execution of the Project and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the quarter under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following period.

(c) Promptly after physical completion of the Project, but in any event not later than 3 months thereafter or such later date as ADB may agree for this purpose, each DISCO shall prepare and furnish through PEPCO to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by the DISCO of its obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 2.09. (a) Each DISCO shall (i) maintain separate accounts for the Project and for its overall operations; (ii) have such accounts and related financial statements (balance sheet, statement of income and expenses, and related statements) audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; and (iii) furnish to ADB, promptly after their preparation but in any event not later than 6 months after the close of the fiscal year to which they relate, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the proceeds of the Loan, compliance with the financial covenants of the Loan Agreement and the Project Agreement and the management letter from the auditors to the DISCO), all in the English language. Each DISCO shall furnish through PEPCO to ADB such further information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) Each DISCO shall enable ADB, upon ADB's request, to discuss the DISCO's financial statements and its financial affairs from time to time with the auditors appointed by the DISCO pursuant to Section 2.09(a) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the DISCO unless the DISCO shall otherwise agree.

Section 2.10. Each DISCO shall enable ADB's representatives to inspect the Project, the Goods and Works, all other plants, sites, properties and equipment of the DISCO and any relevant records and documents.

Section 2.11. (a) Each DISCO shall, promptly as required, take all action within its powers to maintain its corporate existence, to carry on its operations, and to acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Project or in the conduct of its business.

(b) Each DISCO shall at all times conduct its business in accordance with applicable technical, financial, business, and development practices, and under the supervision of competent and experienced management and personnel.

(c) Each DISCO shall at all times operate and maintain its plants, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound administrative, financial, electrical transmission, engineering, environmental, and maintenance and operational practices.

Section 2.12. Except as ADB may otherwise agree, each DISCO shall not sell, lease or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice its ability to perform satisfactorily any of its obligations under this Project Agreement.

Section 2.13. Except as ADB may otherwise agree, each DISCO shall apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of the Loan Agreement and this Project Agreement, and shall ensure that all items of expenditures financed out of the proceeds of the Loan are used exclusively in the carrying out of the Project.

Section 2.14. Except as ADB may otherwise agree, each DISCO shall duly perform all its obligations under the Relending Agreement, and shall not take, or concur in, any action which would have the effect of assigning, amending, abrogating or waiving any rights or obligations of the parties under the Relending Agreement.

Section 2.15. Each DISCO shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its charter or license and shall afford ADB an adequate opportunity to comment on such proposal prior to taking any action thereon.

ARTICLE III

Effective Date; Termination

Section 3.01. This Project Agreement shall come into force and effect on the date on which the Loan Agreement shall come into force and effect. ADB shall promptly notify the DISCO of such date.

Section 3.02. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Loan Agreement.

ARTICLE IV**Miscellaneous**

Section 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, telex, facsimile or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For ADB

Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2428.

For FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED

Chief Executive Officer
West Canal Road, Abdullah Pur,
Faisalabad, Pakistan

Facsimile Number:

9241 922-0233.

For GUJRANWALA ELECTRIC POWER COMPANY LIMITED

Chief Executive Officer
Gujranwala Electric Power Company
565-A, Model Town, GT Road
Gujranwala, Pakistan

Facsimile Number:

92 55 9200122.

For HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED

Chief Executive Officer
Hyderabad Electric Supply Company
Wapda Office complex, Hussainabad
Hyderabad, Pakistan

Facsimile Number:

92 22 9260361.

For ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

Chief Executive Officer
Islamabad Electric Supply Company
Islamabad, Pakistan

Facsimile Number:

92 51 9252893.

For LAHORE ELECTRIC SUPPLY COMPANY LIMITED

Chief Executive Officer
Lahore Electric Supply Company
22-A, Queens Road
Lahore, Pakistan

Facsimile Number:

92 42 99204803.

For MULTAN ELECTRIC POWER COMPANY LIMITED

Chief Executive Officer
Multan Electric Power Company
MEPCO Complex, Khanewal Road
Multan, Pakistan

Facsimile Numbers:

92 61 9210333
92 61 9210350.

For PESHAWAR ELECTRIC SUPPLY COMPANY LIMITED

Chief Executive Officer
Peshawar electric Supply Company
WAPDA House, Sakhi Chesma, Shami Road
Peshawar, Pakistan

Facsimile Numbers:

92 91 9212024
92 91 9212335.

For QUETTA ELECTRIC SUPPLY COMPANY LIMITED

Chief Executive Officer
Quetta Electric Supply Company
Zarghoon Road
Quetta, Pakistan


Facsimile Numbers:

92 81 9202211
92 81 2836554.


Section 4.02. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

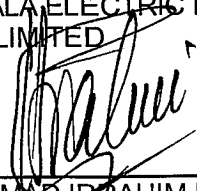
ASIAN DEVELOPMENT BANK

By 
RUNE STROEM
Country Director
Pakistan Resident Mission

FAISALABAD ELECTRIC SUPPLY
COMPANY LIMITED


By 
TARIQ MAHMOOD CHATTA
Chief Executive Officer

GUJRANWALA ELECTRIC POWER
COMPANY LIMITED

By 


MUHAMMAD IBRAHIM MAJOKA
Chief Executive Officer

HYDERABAD ELECTRIC SUPPLY
COMPANY LIMITED

By 

MUZAFFAR ALI ABBASI
Chief Executive Officer

ISLAMABAD ELECTRIC SUPPLY
COMPANY LIMITED

By 

DAVID PERVAIZ
Chief Executive Officer

LAHORE ELECTRIC SUPPLY
COMPANY LIMITED

By 

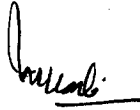
SALEEM AKHTAR
Chief Executive Officer

MULTAN ELECTRIC POWER
COMPANY LIMITED

By 


GHUFTAR ANJUM
Chief Executive Officer

PESHAWAR ELECTRIC SUPPLY
COMPANY LIMITED

By 

MUHAMMAD WALLI
Chief Executive Officer

QUETTA ELECTRIC SUPPLY
COMPANY LIMITED

By 

MUHAMMAD SHAFIQUE
Chief Executive Officer

SCHEDULE

Execution of Project; Financial Matters

Implementation Arrangements

1. Each DISCO shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the FAM. Any subsequent change to the FAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the FAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Land Acquisition and Resettlement

2. Each DISCO shall ensure that (a) all compensation, relocation, land acquisition and resettlement activities and livelihood rehabilitation programs under any of its Subprojects are promptly and efficiently carried out in accordance with all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement, the Involuntary Resettlement Safeguards, the LARF, the respective LARP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report; (b) no land is acquired for the purposes of any of its Subprojects based on the emergency acquisition provisions of the Borrower's Land Acquisition Act (1894), as amended from time to time; (c) sufficient funds are made available, as necessary, for the efficient and timely implementation of activities specified in the respective LARP; (d) no notice is issued to a contractor for commencement of Works under any of its Subprojects, until all compensation and other entitlements have been paid to displaced persons in accordance with the respective LARP; and (e) the implementation of the LARP is monitored and evaluated internally and externally.

Environment

3. Each DISCO shall ensure that (a) each of its Subprojects is carried out in accordance with all applicable laws and regulations of the Borrower relating to environment, health, and safety, the Environmental Safeguards, the EARF, and all environmental measures and requirements set forth in the respective IEE and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report; (b) all mitigation and monitoring measures identified in the respective EMP are incorporated into detailed design of the respective Subproject; and (c) the implementation of the EMP is monitored and evaluated internally and externally.

Safeguards Monitoring and Reporting

4. Each DISCO shall (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission; (b) if any unanticipated environmental and/or social risks and impacts arise during Project implementation that were not considered in the respective IEE, EMP and LARP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and (c) report any actual or potential breach of compliance with the measures set forth in the respective IEE, EMP and LARP promptly after becoming aware of the breach.

Safeguards Provisions of Bidding Documents and Contracts

5. Each DISCO shall ensure that all bidding documents and contracts for Works contain provisions that require contractors to: (a) comply with the measures and requirements relevant to the contractor set forth in the respective IEE, EMP and LARP, and any corrective or preventative actions set out in the Safeguards Monitoring Reports; (b) make available a budget for all such measures and requirements; (c) provide the Borrower and the DISCO with copy to ADB, with a written notice of any unanticipated environmental risks or impacts that arise during construction or implementation of the Project that were not considered in the respective IEE, EMP and LARP; (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; (e) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-Project condition upon the completion of construction; and (f) abstain from the use of child labor.

Labor

6. Each DISCO shall ensure that the all Works contracts follow all applicable labor laws of the Borrower and that these further incorporate provisions requiring the contractors to: (a) use their best efforts to employ women living in the vicinity of the Project Area; (b) not differentiate between men and women's wages or benefits for work of equal value; (c) disseminate information at worksites on the risks of sexually transmitted diseases and human immunodeficiency virus/acquired immunodeficiency syndrome for those employed during construction; and (d) take measures to protect workers from potential exposure to sexually transmitted diseases.

Counterpart Funding

7. Except as ADB may otherwise agree, each DISCO shall ensure the availability and timely release of counterpart funding for the timely implementation of the Project.

DISCO's Financial Performance

8. Each DISCO shall maintain the debt-service coverage ratio of at least 1.2 times from 2011 onward and a self financing ratio of at least 20% for each fiscal year from 2011 onward.

Governance and Anticorruption

9. Each DISCO shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

10. Each DISCO shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.