

Early Warning System

FMO-60899

K-ELECTRIC LIMITED

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Quick Facts

Countries	Pakistan
Financial Institutions	Netherlands Development Finance Company (FMO)
Status	Approved
Bank Risk Rating	A
Voting Date	2022-04-01
Borrower	K-Electric Limited
Sectors	Energy
Investment Type(s)	Loan
Investment Amount (USD)	$ 65.35 million
Loan Amount (USD)	$ 65.35 million

Project Description

According to FMO, the funds will be exclusively used towards transmission and distribution capital expenditures, with a specific view to 1) reduce (technical and non-technical) network losses, 2) improve safety, 3) increase the number of new connections, 4) allow better integration of renewable power to the grid, and 5) allow more electricity to be imported from the national grid.

Within the past decade, there had been an increase in the demand-supply gap within Pakistan. However, following the introduction of new generation plants and entrance of Independent Power Producers, sustained investment in the transmission and distribution sector is required to channel the energy to demand centers. Since its privatization, KE has been working actively to develop its generation capacity alongside its downstream network to serve the Karachi area which is growing at a rapid pace. FMO and Proparco's financing will support these efforts by allowing K-Electric to import more electricity from the national grid via development of new grids and transmission lines. Furthermore, the funding will be used to upgrade and refurbish existing transmission lines, allowing for a better integration of renewables power (wind, solar) in the K-Electric grid. In addition, a significant portion of the facility will be used to improve the distribution network. More specifically, the funds will be used to improve safety and make K-Electric's distribution infrastructure more resistant to extreme weather and monsoons; to reduce electricity losses; and to support K-Electric's investment in new connections in the face of Karachi's continuous urbanization and influx of new residents and businesses.

ENVIRONMENTAL AND SOCIAL RATIONALE

The Company has a clear commitment, supported by its top management, to perform according to Good International Industry Practices, to address key environmental, health & safety (both in terms of the workforce and the community) and social risks, and to improve the sustainability of its operations. With this financing, FMO supports KE in their wish to become a leading organization in terms of these matters, as documented in a comprehensive environmental & social action plan. We have categorized this transaction E&S category A based on the high intrinsic risk of KE's activities. IFC Performance Standards (PS) 1 - 6 are triggered. PS 7 and 8 are not triggered as KE's activities are not impacting indigenous peoples or cultural heritage.

Investment Description

- Netherlands Development Finance Company (FMO)

Private Actors Description

K-Electric is the only vertically-integrated private power utility provider serving over 3 million residential and commercial clients in Karachi, Pakistan's largest city. Active in generation, transmission, and distribution, the company generated 19,487GWh in the past financial year and a transmission and distribution network spanning across over 6600 square kilometers.

Contact Information

No contact information provided at the time of disclosure.

ACCESS TO INFORMATION

As part of FMO's ex-ante disclosure (disclosure of transactions before contracting), you can send requests or questions for additional information to: disclosure@fmo.nl

ACCOUNTABILITY MECHANISM OF FMO

Communities who believe they will be negatively affected by a project funded by the Dutch Development Bank (FMO) may be able to file a complaint with the Independent Complaints Mechanism, which is the joint independent accountability mechanism of the Dutch Development Bank (FMO) and the German Investment Corporation (KfW). A complaint can be filed in writing, by email, post, or online. The complaint can be filed in English or any other language of the complainant. The Independent Complaints Mechanism is comprised of a three-member Independent Expert Panel and it can provide either problem-solving, compliance review or both, in either order. Additional information about this accountability mechanism, including a guide and template for filing a complaint, can be found at: https://www.fmo.nl/independent-complaints-mechanism