

 Early Warning System

AIIB-0005

Pakistan: Tarbela 5 Hydropower Extension Project



Quick Facts

Countries	Pakistan
Financial Institutions	Asian Infrastructure Investment Bank (AIIB), World Bank (WB)
Status	Approved
Bank Risk Rating	A
Voting Date	2016-09-27
Borrower	Islamic Republic of Pakistan
Sectors	Hydropower
Investment Type(s)	Loan
Investment Amount (USD)	\$ 300.00 million
Project Cost (USD)	\$ 823.50 million



Project Description

This project will finance the installation of a power house at the fifth tunnel (Tunnel 5) of the Tarbela Dam, and construction of a transmission line to connect the power to the national grid. The World Bank is co-financing in the form of an Additional Financing for the existing WB-financed Tarbela Fourth Extension Hydropower Project. Built in the 1970s, the Tarbela Dam is one of the largest earth-fill dam constructions in the world.

This project will consist of:

- (1) the installation of a power house at the fifth tunnel (Tunnel 5) of the Tarbela Dam and
- (2) the construction of a transmission line to connect the power to the national grid. The project will add capacity of 2,820 megawatts with annual electricity generation of 4,800 gigawatt-hours.

The Tarbela Dam is located on the Indus River, upstream of the Ghazi Barotha Hydropower Project, which AIIB documents note “had issues related to resettlement and land acquisition.” The power generation element of the Project (construction of power house and modification of the existing Tunnel 5) will be implemented on the left bank of the Indus River, in an area concentrated around the inlet and outlet of Tunnel 5 of the Tarbela Dam. The proposed transmission line will be about 50 km long and will be connected to a new Islamabad West Grid Station.

The World Bank is the lead co-financier and as such, its environmental and social safeguard policies will apply to this project.

The project implementation period is January 2017 to March 2022.



Early Warning System Project Analysis

APPLICABLE SOCIAL & ENVIRONMENTAL STANDARDS

At the time of disclosure, little information was provided by the AIIB on the applicable social and environmental standards and impacts for the project. The sole document made available by AIIB – the Project Summary – does not state which World Bank policies will be triggered by this project. The Early Warning System team has contacted the project team leader to request additional documentation.

Based on the available Project Summary, we believe at a minimum that the following World Bank environmental and social safeguards may be triggered:

- **Environmental Assessment OP/BP 4.01** – likely triggered. According to World Bank policies, Category A projects require a full environmental and social assessment, which will include public consultation and disclosure.
- **Involuntary Resettlement OP/BP 4.12** – likely triggered. Documents indicate that the Islamabad West Grid Station will require land acquisition of about 200 acres of land, which may impact 150 households.
- **Safety of Dams OP/BP 4.37** – likely triggered because the project involves construction works related to a large dam.

OUR RISK ASSESSMENT

Based on available project documents, this project may pose potential risks to the following human rights:

· RIGHT TO ADEQUATE HOUSING

The project poses impacts on the right to adequate housing. According to AIIB Project Summary, the Islamabad West Grid Station will impact 150 households. The social impacts largely include loss of agricultural land with associated loss of income and livelihoods. To address these impacts, a Social Impact Assessment (SIA) was commissioned, but was not made available on the AIIB website. In addition, the transmission line, which will span over 52km and will have impacts were not detailed in AIIB project documents at the time of writing. Finally, the project may involve legacy issues related to the Tarbela Dam project, which had issues related to resettlement and land acquisition. In addition, there are social legacy issues related to resettlement and land acquisition from the Tarbela Dam project in the 1970s, which are being addressed under [Tarbela Fourth Hydropower Project] and will continue to be addressed by the Resettlement Commission, which was used previously to address resettlement and land acquisition cases under the 1970s Tarbela Dam project, “will be reconstituted and financed under the [World Bank’s] Additional Financing to continue work on remaining legacy issues.”

· RIGHT TO LIVELIHOODS

This project poses impacts on the right to livelihood. As noted above, according to the AIIB Project Summary, the Islamabad Grid Station will impact 150 households through loss of agricultural land and loss of income and livelihoods. In addition, the AIIB Project Summary notes that the transmission line construction will require land acquisition, though details of the impacts was not available at the time of writing. Socio-economic surveys were carried out to gauge the impacts on communities where transmission towers may be erected. The Project Summary states that “80 percent of the people who own the tower locations include disturbance to crops at the time of construction, and clearing of vegetation under the alignment.”

· RIGHT TO FOOD

As noted above, the project will have impacts such as loss of agricultural land. Moreover, in relation to the construction of the transmission line, the locations are farmers and construction may result in a disturbance to crops. To the extent that affected communities also rely on agriculture for food, food may be impacted by the project.

· LABOR RIGHTS

The AIIB Project Summary states that “[h]ealth hazards to labor will be managed through comprehensive training and provision of protective equipment during the construction phase will be carefully built, or existing sites will be upgraded, to ensure that living conditions are healthy and safe.”



Investment Description

Terms of AIIB loan: A sovereign backed loan of US\$300 million with a maturity of 20 years including a grace period of 6 years at the Bank's standard interest rate for sovereign guaranteed loans. Repayment is on a non-level basis with a corresponding weighted average maturity of 14.9 years. The fixed rate is therefore determined as six month LIBOR plus 1.15%.

World Bank Co-financing: World Bank Sovereign Backed Loan of US\$390 million with a maturity of 20 years. Including a grace period of 6 years. The interest rate spread will be LIBOR with the WB variable spread.

- Asian Infrastructure Investment Bank (AIIB)
- World Bank (WB)



Contact Information

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ACCOUNTABILITY MECHANISM OF AIIB

In addition, the AIIB has a Project-affected People's Mechanism. According to AIIB's policies, "people who believe they have been or are likely to be adversely affected by a failure of the Bank to implement the ESP may also submit complaints to the Bank's oversight mechanism in accordance with the policies and procedures to be established by the Bank for such mechanism." However, at the time of writing, the exact scope and function of its Project-affected People's Mechanism are yet to be finalized.



Bank Documents

- [Project Document](#)
- [Project Summary](#)



Other Related Projects

- WB-P157372 Additional Financing to PK: Tarbela 4th Extension Hydropower Project
- WB-P115893 Tarbela Fourth Extension Hydropower Project