

Pakistan : Balakot Hydropower Development Project

1. Project Information

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|-----------------------------------|--|-----------------------|--|
| Project ID: | P000339 | Instrument ID: | L0339A |
| Member: | Pakistan | Region: | Southern Asia |
| Sector: | Energy | Sub-sector: | Renewable energy generation-hydropower |
| Instrument type: | <input checked="" type="checkbox"/> Loan:250.00 US Dollar million <input type="checkbox"/> Guarantee | Lead Co-financier(s): | Asian Development Bank |
| ES category: | A | Borrowing Entity: | Ministry of Finance, Pakistan |
| Implementing Entity: | Government of Khyber Pakhtunkhwa | | |
| Project Team Leader: | Hongliang Yang | | |
| Responsible DG: | Gregory Liu | | |
| Responsible Department: | INF2 | | |
| Project Team Members: | Christopher Damandl, Project Counsel; Aditi Khosla, Alternate Counsel; Rui Xiang, OSD - Financial Management Specialist; Pedro Ferraz, OSD - Environment Specialist; Rabindra Shah, OSD - Procurement Specialist; Emil Zalinyan, Team Member; Siyang Wang, Project admin | | |
| Completed Site Visits by AIIB: | Nov, 2021 Loan Inception Mission, virtually attended by Hongliang Yang, Georgi, Pedro, Emil, Shone, Rabindra, Mengmeng and Rui Xiang during 15-25 November 2021. Sep, 2022 Lead co-financier and consultant, virtually attended by Bank. | | |
| Planned Site Visits by AIIB: | Jul, 2023 Project consultant | | |
| Current Red Flags Assigned: | 0 | | |
| Current Monitoring Regime: | Regular Monitoring | | |
| Previous Red Flags Assigned: | 0 | | |
| Previous Red Flags Assigned Date: | 2022/12 | | |

2. Project Summary and Objectives

The Project is to enhance energy security and promote renewable energy by developing a 300 MW run-of-river hydro power plant in Khyber Pakhtunkhwa (KPK) province, Pakistan. Upon completion, the Project will (i) improve energy security by increasing the clean energy share in the country's energy mix currently dominated by thermal power generation, (ii) boost provincial economy and promote revenue generating investments in the hydro abundant province of KPK, and (iii) build capacity and awareness on climate change impacts, adaptation and mitigation measures. The Project also includes training and livelihood skill development activities for local communities, particularly women, in the surrounding areas and promotion of gender mainstreaming.

The Energy and Power Department (EPD), the government of KPK, and PEDO will be the implementation entities, which will be responsible for procurement and project implementation. A dedicated project management unit (PMU), established by PEDO, will be responsible for the daily implementation activities of the Project, with support from the project management consultant (PMC) engaged. The Project will be implemented in a period of 7 years, including testing and commissioning.

3. Key Dates

| | | | |
|----------------|---------------|------------------------|---------------|
| Approval: | Jul. 15, 2021 | Signing: | Sep. 27, 2021 |
| Effective: | Oct. 25, 2021 | Restructured (if any): | |
| Orig. Closing: | Sep. 30, 2028 | Rev. Closing (if any): | |

4. Disbursement Summary (USD million)

| | | | |
|-------------------|--------|---|--------------------|
| Contract Awarded: | | Cancellation (if any): | 0.00 |
| Disbursed: | 5.82 | Most recent disbursement (amount/date): | 1.69/May. 24, 2023 |
| Undisbursed: | 244.18 | Disbursement Ratio (%) ¹ : | 2.33 |

5. Project Implementation Update

The PMU office has been established at the project site. There are no changes in the planned project implementation structure and function as appraised, except for the expansion of the Environment and Health Security Unit to cover social safeguards and gender as agreed during the mission. The project director, two deputy directors, and three assistant directors are on board.

EPC contractor: China Gezhouba Group Co., (CGGC) and Ghulam Rasool and Company (GRC) JV. EPC contractors have established offices in Islamabad and the project site.

Project management consultant (PMC): a joint venture of DOLSAR Engineering Inc. Co. (Turkey)/lead firm, and local firms, including AGES Consultants, BAK Consulting Engineers, CivTech Associates, Electra Consultants, and Techno Legal Consultants (Pvt.) Limited.

The project is in the early construction stage. Except a few chapters (e.g., 2D/3D dynamic analysis of the dam), the basic design review process was completed by the end of February 2023. Detailed design has started, and some submissions have been made by the EPC to PMC. Construction activities for temporary works are ongoing and those for project permanent components have not started yet. Land acquisition, engineering design and preparation of various environmental and social safeguard reports are in progress.

| Components | Physical Progress | Environmental & Social Compliance | Procurement |
|------------|-------------------|-----------------------------------|-------------|
|------------|-------------------|-----------------------------------|-------------|

¹ Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

Financial Management:

Audited Project Financial Statement (APFS). PEDO reconfirmed to submit APFS to AIIB within 6 months and ADB within 1 year after every fiscal year (FY) ending on 30 June. The first APFS covering from loan effectiveness (7 July 2021) to FY 2022 are due in December 2022 for AIIB and in June 2023 for ADB.

Audited Entity Financial Statement (AEFS). PEDO will submit their AEFS, including the compliance certificate on the financial covenants in the ADB Loan Agreement (Schedule 4, paras 19 and 20) and ADB Project Agreement (Schedule, paras 18 and 19), within 6 months from the end of the FY to AIIB, and 12 months from the end of the FY to ADB. The first AEFS for FY 2022 is due to AIIB in December 2022, and due to ADB in June 2023.

Financial management action plan. A financial management specialist will be appointed in the PMU to assist EPD and PEDO in implementing the financial management action plan in the PAM.

6. Status of the Grievance Redress Mechanism (GRM)

As per the document submitted by the client and shared by the co-financier, the GRM and Grievance Redress Committee have been established and functioning at village level and project levels for project implementation.

7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)

The project implementation is ongoing. It is still too early to measure the designed results indicators.

Remarks:
