

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
DASU HYDROPOWER STAGE I PROJECT
APPROVED ON JUNE 10, 2014
TO
ISLAMIC REPUBLIC OF PAKISTAN

ENERGY & EXTRACTIVES

SOUTH ASIA

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BASIC DATA

Product Information

Project ID P121507	Financing Instrument Investment Project Financing
Original EA Category Full Assessment (A)	Current EA Category Full Assessment (A)
Approval Date 10-Jun-2014	Current Closing Date 31-May-2024

Organizations

Borrower Islamic Republic of Pakistan	Responsible Agency
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Project Development Objective (PDO)

Original PDO

The overall project development objective is to facilitate the expansion of electricity supply of hydro-power in Pakistan. The Project would also improve access to socio-economic services for local communities in the project area and build WAPDA’s capacity to prepare future hydropower projects. This would be achieved by installing a 2,160 MW hydropower plant on the main Indus River, which can be expanded to 4,320 MW in future at very low cost. The Project is a “high-risk-high reward” operation aimed at providing low cost non-carbon renewable energy.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IBRD-90760	31-Mar-2020	15-Oct-2020	30-Jun-2021	31-May-2024	700.00	3.95	696.05
IDA-54970	10-Jun-2014	25-Aug-2014	20-Nov-2014	31-May-2024	190.30	0	163.23
IDA-54980	10-Jun-2014	25-Aug-2014	20-Nov-2014	31-May-2024	398.10	299.82	56.13



Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

Project Status:

1. The Dasu Hydropower Stage I Project (DHP-I)'s progress towards achieving the PDO is rated Satisfactory. The overall implementation progress of the Project has improved; and major land acquisitions, procurement, and preparatory works are to a large extent complete. Water and Power Development Authority (WAPDA), the implementing agency for the hydropower project, has secured financing to cover construction costs for the next two years and processes to close the remaining financing gap are underway. Eleven major contracts with value of about US\$3 billion have been awarded. The National Transmission and Despatch Company (NTDC), the implementing agency for Dasu Transmission Line (DTL), has received and evaluated the proposals for 765 kilo-Volt (kV) transmission line and substation and contract award is expected by end-July 2022.
2. The cost of the Dasu Hydropower Project is estimated at US\$4.6 billion for Stage I with 2,160 megawatts (MW) capacity. The cost is around US\$6 billion for both Stage I and Stage II with total capacity of 4,320 MW. The Bank's financing for the Project is around US\$1.29 billion, which includes two IDA credits, IDA credit-54970 with Special Drawing Rights (SDR) 122.8 million and IDA credit-549890 with SDR 256.9 million, and IBRD loan-90760 of US\$700 million. Separately, the Project also includes IDA Guarantee support of US\$460 million, of which US\$210 million has been utilized for raising commercial financing of US\$350 million. WAPDA has also raised local currency financing in the amount of Pakistani Rupees 144 billion for the Project.
3. Utilization of the Bank's credit, loan, and guarantee will increase in FY23; and WAPDA will require additional financing for covering the total cost of the Project. In February 2022, several commercial financiers expressed interest to lend US\$400 million to the Project if IDA partial credit guarantee is available to reduce the risks. About 24 percent of the Bank's credit and loan financing available for the Project has been utilized. The Closing Date of the Project is May 31, 2024. Disbursement under DHP-I in the Fiscal Year (FY) 22 is around US\$23 million. A major redesign has been completed for relocation of Karakoram Highway, which enables the contractor to accelerate their works. All the land required for main works, at this stage, has been acquired by WAPDA. WAPDA and the main works contractor are targeting river diversion by October 15, 2022, which will result in acceleration of works on the dam.
4. There are no overdue audits for the Project.

Rationale for Restructuring:

5. This restructuring proposes to extend the deadline for utilization of funds for land acquisition and resettlement compensation (expenditure "Category 2" in the Financing Agreement for IDA credits-54980 and 54970) until May 31, 2024, as requested by the Economic Affairs Division (EAD), the Government of Pakistan, through their letter dated June 4, 2022. This would require an amendment to the Financing Agreement. Around SDR 71.63 is allocated under the Category 2. The current deadline for the Category 2 is June 30, 2022.



- 6. WAPDA has improved progress on land acquisition. As of May 20, 2022, WAPDA has disbursed around PKR 18.5 billion as compensation for land acquisition and around PKR 514 million as compensation for Enhanced Self-Managed Relocation (E-SMR). WAPDA is using the Category 2 to reconcile expenditures for land acquisition compensation and has documented around SDR 65.11 million. Compensations for land acquisition and E-SMR are ongoing and are expected to utilize all the amount allocated under the Category 2.
- 7. The proposed restructuring will allow WAPDA to utilize the Category 2 amount until the Closing Date of the IDA credit. The proposed restructuring will allow WAPDA to complete the documentation and record further disbursements from IDA-54980 under the Category 2. IDA credit 54980, which finances the Category 2, has the Closing Date of May 31, 2024.

II. DESCRIPTION OF PROPOSED CHANGES

- 8. The proposed restructuring will allow WAPDA to utilize the expenditure Category 2 in the Financing Agreement until May 31, 2024.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Other Change(s)	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Results Framework		✓
Components and Cost		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓



Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)

9. This restructuring proposes that expenditure “Category 2” in the Financing Agreement for IDA credits-54980 and 54970 is extended until May 31, 2024. The approval of the restructuring shall amend the table at Section IV A.2 of Schedule 2 to the Financing Agreement for IDA credits-54980 and 54970 as shown below:

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Category	Amount of Part A of the Credit Allocated (expressed in SDR)	Amount of Part B of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, consultants’ services, non-consulting services, Training and Workshops, and Incremental Operating Costs under Components A, C, D, E, F and G of Project	185,270,000	122,800,000	100%
(2) Land Acquisition & Resettlement Compensations under Component D	71,630,000	0	100% until May 31, 2024, and 0% thereafter



and E.1 of the Project			
TOTAL AMOUNT	256,900,000	122,800,000	

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