

**OFFICIAL
DOCUMENTS**

**CREDIT NUMBER 5498-PK
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Project Agreement

(Dasu Hydropower Stage I Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

WATER AND POWER DEVELOPMENT AUTHORITY

Dated *August 25*, 2014

PROJECT AGREEMENT

AGREEMENT dated August 25, 2014, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the WATER AND POWER DEVELOPMENT AUTHORITY (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between the ISLAMIC REPUBLIC OF PAKISTAN (“Recipient”) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out Components A, B, C, E, F and G of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Parts of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity’s Representative is the Member (Water) of WAPDA.
- 4.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI)	1-202-477-6391

4.03. The Project Implementing Entity's Address is:

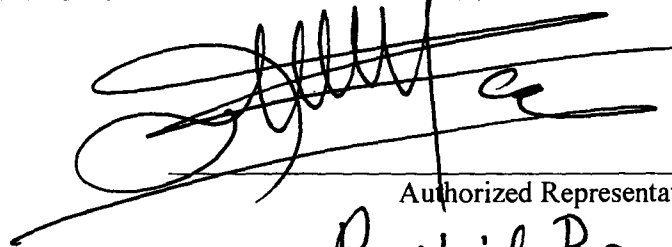
WAPDA House
Sharah-e-Quaid-e-Azam
Lahore
Pakistan

Facsimile:
92-42-636-9349

AGREED at _____, as of the day and year first
above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

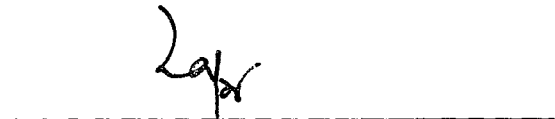


Authorized Representative

Name: Rachid Benmessaguel
Title: Country Director - Pakistan

WATER AND POWER DEVELOPMENT AUTHORITY

By



Authorized Representative

Name: ZAFAR MAHMOOD
Title: Chairman - WAPDA

SCHEDULE

Execution of the Project Implementing Entity's Respective Part of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Project Implementing Entity shall:
 - (a) maintain throughout the period of Project implementation, a project management unit ("PMU"): (i) headed by a project director assisted by competent staff, all with experience and qualifications, in numbers and under terms of reference acceptable to the Association, covering the areas of (A) engineering, mechanical and electrical works; (B) procurement, financial management and administration; (C) environment and social management; and (C) grievance redressal; and (ii) provided with such powers, financial resources, functions and competencies, acceptable to the Association, as shall be required for it to carry out the day-to-day implementation of the activities under Project Implementing Entity's Respective Parts of Project (except sub-component E.3 of the Project which shall be implemented by GMRC), including inter-institutional coordination, procurement, financial management and monitoring, external communications and reporting activities, and implementation of/insuring compliance with the Safeguards Documents;
 - (b) maintain throughout the period of Project implementation, an international panel of experts (the "International Panel of Experts"), with qualifications and experience satisfactory to the Association, and under terms of reference acceptable to the Association, to be responsible for reviewing, and providing advice to the Project Implementing Entity and its PMU on matters related to safety and critical technical aspects of the design and construction works of the main dam structure, hydraulic infrastructure and appurtenant structures of the Dasu dam, the areas surrounding the reservoir and downstream. The International Panel of Experts shall meet whenever requested and, at least, twice a year. Upon completion of the Dasu Hydropower infrastructure WAPDA shall carry out periodic safety inspection with the participation of international experts.. ;
 - (c) maintain throughout the period of Project implementation, the services of a supervision consulting firm (the "CS Consultant"), with qualifications and experience and under terms of reference acceptable to the Association, in order to assist the PMU with the management and supervision of construction contracts including: (i) serving as *engineer* for construction supervision; (ii) certifying contractors' performance/delivery of contract obligations and carry out quality control thereof, including contractors' implementation of/compliance with the Safeguard Documents; and (iii) overseeing payments to service providers and/or Project contractors;

- (d) engage by no later than six (6) months after the Effective Date, and thereafter maintain throughout the period of Project implementation, the services of a project management support and monitoring and evaluation consulting firm (the “PM&E Consultant”), with qualifications and experience and under terms of reference acceptable to the Association, in order to assist the PMU with Project management and monitoring activities, including support to WAPDA’s performance as contractual *employer*.
- 2. Notwithstanding the provisions of paragraph 1(a) above, the Project Implementing Entity shall, by no later than three (3) months after the Effective Date:
 - (a) finalized its social and environmental work plan, consistent with the Safeguards Documents, in a manner and substance satisfactory to the Association; and
 - (b) have strengthened the PMU’s social and environmental management unit with adequately staffed in numbers and with qualifications as agreed with the Association, as required for the unit to properly perform its duties under the foregoing work plan, the ESMP and/or the SRMP.
 - 3. The Project Implementing Entity shall: (a) make its best efforts to minimize, and/or avoid, the turn-over of staff and consultants provided for in paragraph 1 above, other than on grounds of staff’s/consultants’ non-performance; and (ii) ensure any appointments/contracts thereof is for a minimum tenure of three years.

B. Anti-Corruption

The Project Implementing Entity shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Project Documents

- 1. The Project Implementing Entity shall
 - (a) implement its Respective Parts of the Project in accordance with the GAAP; provided however that in the event of conflict between the provisions of said plan, on the one hand, and those of this Agreement, on the other hand, the provisions of the latter shall prevail; and
 - (b) refrain from amending, suspending, waiving, and/or voiding any provision of the GAAP, whether in whole or in part, without the agreement of the Association.
- 2. The Project Implementing Entity shall:
 - (a) by no later than one (1) month after the Effective Date, prepare and adopt standard operating procedures for the payment of compensations (“Standard Procedures for Compensation Payments”) to Displaced Persons on account of land takings and their involuntary resettlement, in a manner and substance satisfactory to the Association; and

- (b) thereafter apply such Standard Procedures for Compensation Payments for the defrayment of any amounts due for Land Acquisition & Resettlement Compensations to any Displaced Persons pursuant to the SRMP and Section I.E.2(c) of this Schedule.

D. Annual Work Plans and Budgets.

The Project Implementing Entity shall:

- (a) furnish to the Recipient and the Association for approval as soon as available, but in any case not later than October 31 of each year, the annual work plan and budget for its Respective Parts of the Project, covering the activities proposed for the subsequent year of Project implementation; which plan and budget shall be of such scope and detail as the Association shall have reasonably requested, except for the annual work plan and budget for the Project for the first year of Project implementation, which shall be furnished no later than one (1) month after the Effective Date; and
- (b) thereafter ensure that its Respective Parts of the Project are carried out in accordance with such plan and budget as agreed with the Association.

E. Safeguards

1. The Project Implementing Entity shall carry out its Respective Parts of the Project in accordance with the SRMP and the ESMP; and shall refrain from taking any action which would prevent or interfere with the implementation of any of the Safeguard Documents, including any amendment, suspension, waiver, and/or avoidance of any provision of the Safeguard Documents, whether in whole or in part, without the prior written concurrence of the Association.
2. The Project Implementing Entity shall ensure that, prior to commencing any civil works under its Respective Parts of the Project:
 - (a) all necessary governmental permits and clearances for such civil works shall have been obtained from the competent governmental authority/ies;
 - (b) all pre-construction stage conditions imposed by the governmental authority/ies under such permit(s) or clearance(s) shall have been complied with/fulfilled; and
 - (c) all resettlement measures set forth in the applicable SRMP in relation to the specific civil work, shall have been fully executed, including the full payment for Land Acquisition & Resettlement Compensations prior to displacement and/or the provision of relocation assistance to all Displaced Persons.
3. The Project Implementing Entity shall ensure that each contract for civil works under the Project include the obligation of the relevant contractor to comply with the relevant Safeguard Documents applicable to such civil works commissioned/awarded pursuant to said contract.

4. The Project Implementing Entity shall ensure that:
 - (a) the terms of reference for any consultants' services in respect of any activity under sub-Components G.2 and G.3 of the Project shall be satisfactory to the Association following its review thereof, and, to that end, such terms of reference shall: (i) be prepared in accordance with the EMP; and incorporate applicable international performance, technical, environmental and social standards set forth in the Association's Safeguards Policies then in force, as applied to the advice conveyed through such technical assistance; and
 - (b) the activities under sub-Components G.2 and G.3 of the Project are implemented as per the terms of references agreed with the Association.
5. The Project Implementing Entity shall
 - (a) maintain monitoring and evaluation protocols and record keeping procedures acceptable to the Association and adequate to enable the Recipient and the Association to supervise and assess, on an on-going basis, the implementation of/compliance with the Safeguards Documents, as well as the achievement of the objectives thereof; and
 - (b) furnish to the Association, throughout the period of Project implementation quarterly reports prepared by the PMU's environmental and social management unit, with the assistance of the PM&E Consultant and the CS Consultant, on the physical and financial progress of Project activities, the general compliance with the Safeguard Documents, including Land Acquisition and Resettlement Compensations paid, the social and environmental impact of Project activities, and the results of the mitigation or benefit-enhancing measures applied thereto, during the period preceding the date of each such report.
6. The Project Implementing Entity shall:
 - (a) maintain throughout the period of Project implementation, an updated list of the Displaced Persons on account of implementation of its Respective Parts of the Project, providing for the persons' identity, their entitled amounts and payments received for Land Acquisition & Resettlement Compensations; which list shall be disclosed, and freely and publicly accessible, on the Project Implementing Entity's website;
 - (b) establish, by no later than one (1) month after the Effective Date, and thereafter maintain and operate throughout the period of Project implementation, a grievance redressal mechanism comprised of four-tier on-site grievance redress committees at village, union council, district and project-levels, in order to receive an process any stakeholders' complaints arising out of, or related to, the implementation of the Project Implementing Entity's Respective Parts of the Project; which mechanism/committees shall be vested with functions and competencies, and be subject to processing guidelines and procedures, acceptable to the Association. To this end, the Project Implementing Entity will, by the

above referred deadline, prepare and disclosed on the Project sites a grievance redress plan, in local language, detailing the composition of the foregoing committees, their tasks and responsibilities at various levels, and the procedures and timelines for the processing of any complaints; and

- (c) ensure that any complaints made through existing complaints handling systems can, at the request of the complainant, be transferred to, addressed under, and reported as part of, the grievance redressal mechanism established hereunder.

7. The Project Implementing Entity shall:

- (a) by no later than twelve (12) months prior to the impoundment of the reservoir of Dasu Hydropower:

- (i) prepare, a detailed Emergency Preparedness Plan for the operation of the Dasu Hydropower's main dam and generation facilities;
- (ii) submit the foregoing Emergency Preparedness Plan for review and comment to the International Panel of Experts and the Association; and
- (iii) thereafter adjust and adopt such Emergency Preparedness Plan as per the International Panel of Experts' and the Association's comments and suggestions, in a manner and substance satisfactory to the Association; and

- (b) by no later than six (6) months prior to the impoundment of the reservoir of Dasu Hydropower:

- (i) prepare, a detailed O&M Plan for the operation of the Dasu Hydropower's main dam and generation facilities;
- (ii) submit the foregoing O&M Plan for review and comment to the International Panel of Experts and the Association; and
- (iii) thereafter adjust and adopt such O&M Plan as per the International Panel of Experts' and the Association's comments and suggestions, in a manner and substance satisfactory to the Association.

8. In the event of any conflict between the provisions of any of the Safeguard Documents, on the one hand, and the provisions of this Agreement and/or the Financing Agreement, on the other hand, the provisions of this Agreement and/or the Financing Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of its Respective Parts of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Recipient not later fifteen (15) days after the end of the period covered by such Project Report.
2. The Project Implementing Entity shall: (a) prepare the Project execution/completion report referred to in Section 4.08 (c) of the General Conditions; and (b) furnish it to the Recipient and the Association not later than six (6) months after the Closing Date.
3. The Project Implementing Entity shall participate in the reviews referred to in Section II.A.2 of Schedule 2 to the Financing Agreement, and thereafter take all measures required to ensure the efficient completion of the Project Implementing Entity's Respective Parts of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the Recipient and the Association.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the Recipient and the Association, not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter in form and substance satisfactory to the Association.
3. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

1. All goods, works, consultants' services and non-consulting services required for the Project Implementing Entity's Respective Part of the Project and to be financed out of the

proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

2. The Project Implementing Entity shall establish by no later than six (6) months after the Effective Date, and thereafter maintain throughout the period of implementation of the Project:
 - (a) a fully operational procurement documentation and record keeping system, in a manner and substance acceptable to the Association, including a freely and publicly accessible database, showing the procurement plans and procurement notices, invitations to bid, bidding documents and requests for proposals, as well as the procurement status of various contracts, including short lists of consultants, contract awards and the complaints received and the actions taken in respect thereof. The Project Implementing Entity shall update such details on a monthly basis throughout the period of implementation of the Project; and
 - (b) a system for the handling of procurement complaints, in a manner and substance acceptable to the Association, which system shall include, *inter alia*: (i) a second tier appeal system; (ii) a complaint database with an interface (link) to the management information systems, providing free and public access for the submission of electronic claims; and (iii) a standard protocol with appropriate triggers for carrying out investigation. Notwithstanding the foregoing, for any procurement done through International Competitive Bidding, the Association's complaint redress mechanism under the Procurement Guidelines shall apply.