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A.I.D. Project No. 391-0473
Dollar Appropriation No. 72-117/81037
Budget Plan Code: QES7-87-27391-KG13
Project Agreement No. 87-13

SEVENTH AMENDATORY AGREEMENT

TO

PROJECT GRANT AGREEMENT

BETWEEN

THE PRESIDENT OF THE ISLAMIC REPUBLIC OF PAKISTAN

AND THE

UNITED STATES OF AMERICA

FOR

RURAL ELECTRIFICATION

Loan and Grant Agreements

FM/LMD (if Loan)

FM/PAFD

FM/CAD

GC/ANE

ANE/Desk

ANE/TR Officer

ANE/PD Officer & File

✓ PPC/CDIE/DI

DATED: July 31, 1987

(CONFORMED COPY)

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SEVENTH AMENDATORY AGREEMENT TO PROJECT GRANT AGREEMENT
FOR
RURAL ELECTRIFICATION

Dated: July 31, 1987

Between

The President of the Islamic Republic of Pakistan (hereinafter referred to as the "Cooperating Country")

and

The United States of America, acting through the Agency for International Development ("A.I.D.").

Article 1: Purpose of Amendment

This Seventh Amendatory Agreement to Project Grant Agreement No. 391-0473 dated September 25, 1982 is hereby entered into between the Parties above named to grant the Cooperating Country additional United States ("U.S.") Dollars under this Project, to add two new Conditions Precedent and their Terminal Dates, to replace Section 4.7 with a new Section 4.7, to add a Special Condition and to replace Annex 1 of the original Project Grant Agreement with a new Annex 1.

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Article 2: Financing

Section 3.1. of the original Project Grant Agreement is hereby deleted and the following substituted in its stead:

"Section 3.1. The Grant. To assist the Cooperating Country to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant to the Cooperating Country under the terms of this Agreement an additional Nine Million Seven Hundred Thousand United States ("U.S.") Dollars (\$9,700,000). The total Grant comprising the original Agreement, the First Amendatory Agreement, the Second Amendatory Agreement, the Third Amendatory Agreement, the Fourth Amendatory Agreement, the Fifth Amendatory Agreement, the Sixth Amendatory Agreement and this Seventh Amendatory Agreement, shall not exceed Fifty-One Million Two Hundred Thousand United States ("U.S.") Dollars (\$51,200,000) and United States owned Pakistani Rupees Twenty-Four Million (Rs. 24,000,000) ("Grant").

The Grant may be used to finance foreign exchange costs as defined in Section 7.1 of this Agreement and local currency costs as defined in Section 7.2 of this Agreement, of goods and services required for the Project."

Article 3: Conditios Precedent

The following new Sections 4.6A and 4.6B are hereby added after Section 4.6 as provided for in the original Project Grant Agreement:

"Section 4.6A: Conditions Precedent to Commitment

Except as A.I.D. may otherwise agree in writing, prior to the issuance by A.I.D. of documentation pursuant to which commitments will be made other than for Component IV (Guddu Expansion), the Grantee shall document, in form and substance satisfactory to A.I.D., achievement of the following requirements. Limitations on such further commitments shall however, not be applicable until the date established for compliance with that requirement has been reached:

(i) Completion of a GOP plan to rationalize electricity tariffs and to achieve energy efficiency and load management objectives;

(ii) Revision and approval by the GOP of the agreed Rural (Village) Electrification Master Plan;

(iii) Development, approval and reasonable progress by WAPDA in the implementation of an action plan for the rationalization of voltage levels and phase options utilized in power distribution system development, rehabilitation and expansion;

(iv) Development, GOP approval and reasonable progress by the GOP and WAPDA in the implementation of an action plan to improve the working of WAPDA, keeping in view the sound management of entrusted assets and the timely development and execution of economically and financially sound power system rehabilitation and expansion plans;

(v) Development, WAPDA and GOP approval, and reasonable progress by WAPDA in the implementation of a plan to reorganize, staff and equip the power generation and transmission wing of WAPDA consistent with the requirements of a large modern electric power utility;

(vi) Completion of the transfer within WAPDA of all functions relating to distribution to the new Power Distribution Wing and the establishment of the wing and subordinate units as effective cost, revenue and accountability centers based upon sound engineering, metering, management and economic criteria; and

(vii) Development of a proposal to separate or otherwise extend autonomy to the Power Distribution Wing of WAPDA.

Section 4.6B: Condition Precedent to Disbursement for WAPDA's Distribution Wing.

Except as A.I.D. may otherwise agree in writing, prior to the disbursement of funds under this Amendment for Power Distribution Activities, or to the issuance by A.I.D. of documentation pursuant to which such disbursements will be made, the Grantee will, in form and substance satisfactory to A.I.D., appoint a full time Managing Director for the Distribution Wing of WAPDA and full time General Managers in all functional areas of the Power Distribution Wing except for those areas that require outside recruitment. The organization so formed will be subject to periodic review by WAPDA and USAID to check its efficacy in the prevailing environment and to effect changes where required."

Article 4: Notification

Section 4.7 of the original Project Grant Agreement is hereby deleted and the following substituted in its stead:

"Section 4.7. Notification. When A.I.D. has determined that the Conditions Precedent specified in each of Sections 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.6A and 4.6B, have each been met, A.I.D. will promptly so notify the Grantee."

Article 5: Terminal Dates for Conditions Precedent

Section 4.8 of the original Project Grant Agreement is hereby modified to include the following:

"(g) If the conditions specified in Sections 4.6A(i) and 4.6A(ii) have each not been met by June 30, 1988, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Project Agreement Amendment by written notice to the Grantee;

(h) If the condition specified in Section 4.6A(iii) has not been met within 12 (twelve) months from the date of the signing of this Project Agreement Amendment, or such later date as A.I.D. may agree to in writing, A.I.D, at its option, may terminate this Agreement by written notice to the Grantee;

(i) If the conditions specified in Sections 4.6A(iv) and 4.6A(v) have each not been met within 18 (eighteen) months from the date of the signing of this Project Agreement Amendment, or such later date as A.I.D. may agree to in writing, A.I.D, at its option, may terminate this Agreement by written notice to the Grantee;

(j) If the conditions specified in Sections 4.6A(vi) and 4.6A(vii) have each not been met within 24 (twenty four) months from the date of the signing of this Project Agreement Amendment, or such later date as A.I.D. may agree to in writing, A.I.D, at its option, may terminate this Agreement by written notice to the Grantee;

(k) If the condition specified in Section 4.6B has not been met within a reasonable period of time from the date of the signing of this Project Agreement Amendment, A.I.D, at its option, may terminate this Agreement by written notice to the Grantee."

Article 6: Special Condition

A new Article 6A is hereby added after Article 6 as provided for in the original Project Grant Agreement.

"Article 6A: Except as A.I.D. may otherwise agree in writing, A.I.D. will only consider financing of GOP public sector power activities in Pakistan other than as heretofore provided for in this Project upon A.I.D. being satisfied that Conditions Precedent Section 4.6A and 4.6B as provided for in this Seventh Amendatory Agreement have been satisfied. This limitation shall, however, not be applicable until the date established for compliance with each Condition Precedent requirement has been reached. Furthermore, once funds have been initially obligated for any other new public sector power activity, failure thereafter to meet any of the Conditions Precedent of this Agreement at the specified time shall not affect subsequent incremental funding of such new activity."

Article 7: Annex 1 - Project Description

Annex 1 is hereby deleted and the attached Annex 1 substituted in its stead.

Article 8: Other Terms and Conditions

All other terms and conditions of the Project Grant Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Cooperating Country and the United States of America, each acting through its duly authorized representative, have caused this Seventh Amendatory Agreement to be signed in the names and delivered as of the day and the year first above written.

GOVERNMENT OF PAKISTAN

BY: _____

NAME: A. Ghafoor Mirza

TITLE: Joint Secretary

Economic Affairs Division

UNITED STATES OF AMERICA

BY: _____

NAME: Eugene S. Staples

TITLE: Mission Director

USAID/Pakistan

PROJECT DESCRIPTION

I. PROJECT GOAL AND PURPOSE

The goal of the Rural Electrification Project is to improve the quality of life of the rural poor. The purpose of the project is to assist the GOP to expand reliable electric service to Pakistan's rural population for productive and social uses, to improve the rural poor's access to that service and to assist the GOP to overcome a shortfall in electricity generating capacity.

II. PROJECT COMPONENTS

The project will consist of five interdependent components: (1) Institutional Improvement; (2) Distribution Function Training; (3) Energy Loss Reduction; (4) Power Generation; and (5) Rural Distribution System Expansion.

A. Component 1: Institutional Improvement

The objectives of this component are to assist WAPDA to: "(a) prepare a National Rural Electrification Master Plan; and, (b) strengthen its human and physical resources and management operations to implement the plan and to operate the resultant rural distribution system in an efficient and financially sound manner". To achieve these objectives, a total of approximately \$41,000,000 is provided over the life of project for technical assistance, training, commodities, and construction.

B. Component 2: Distribution Function Training

The objective of this component is to design and implement a comprehensive training program for distribution function officers and employees of WAPDA. Presently there are 80,000 such officers and employees. A total of approximately \$20,000,000 is provided over the life of project for technical assistance, training, commodities and construction.

C. Component 3: Energy Loss Reduction Program (ELR)

The objective of this component is to develop and initiate a comprehensive distribution system technical energy loss reduction program. The project is addressing this by developing technical skills and procedures for system analysis and by providing required equipment and data. A goal of the program is to reduce technical and administrative losses in WAPDA distribution system by 3 percent, from 19.6 percent to 16.6 percent. A total of approximately \$26,500,000 is provided over the life of project to fund technical assistance, training and commodities.

D. Component 4: Power Generation

This component of the Rural Electrification Project is designed to assist WAPDA reduce the demand-supply gap for power through the funding of the natural gas-fueled Guddu Combined Cycle Power Generation Project. A total of approximately \$160,500,000 will be provided over the life of project in support of technical assistance, training, and commodities to expand the power plant presently under construction by adding four gas turbines units, two of which are associated with combined cycle equipment.

E. Component 5: Rural Distribution System Expansion

In support of the GOP commitment to rural electrification, approximately \$52,000,000 is provided over the life of project for rural distribution system expansion. All activities under this component are to be carried out (1) in accordance with a GOP approved National Rural Electrification Master Plan developed under Component 1; and (2) with Component 1 through 4 having achieved the prerequisite institution building and system strengthening.

III. IMPLEMENTATION PLAN

A. Illustrative Implementation Schedule

Implementation of activities for project components 1, 2, 3 and 4 will continue under the cost plus fixed fee contract which is in place. This contract is due to expire in January 1989. In 1988, a new contract is scheduled to be negotiated to meet the technical assistance requirements presently provided under the existing contract. Implementation of activities under component 5 will commence only upon GOP approval of the National Rural Electrification Master Plan and adequate assurances being established that the prerequisite institution building and system strengthening have reached a satisfactory level to support rural expansion.

A. Commodities

Project commodities for all components are scheduled to be received by 1990. It is anticipated that the equipment for expansion of the Guddu Combined Cycle Power Generation Plant will be substantially identical to the one financed by ADB and USAID and currently in operation at Guddu. Therefore, it is expected that minimal time will be required to develop the engineering and technical requirements. These requirements will incorporate all the change orders or variations which were issued for the existing plant. A sole-source contract for the hardware is expected to be negotiated with General Electric, the only U.S. source for the needed commodity. Delivery of the combustion turbine units is expected to begin by the end of 1987 and commissioning of both gas units is, therefore planned for late 1988. The fabrication and commissioning of the heat recovery boilers and steam turbine-generator will require an additional seven months.

Additional computer requirements for the Power Distribution Wing Headquarter and field facilities are necessary to ensure increased efficiency of the Power Distribution Function. Minicomputers are expected to be installed and operational by mid 1988. Delivery and installation of microcomputers are expected to be completed by the end of 1988 and tied to the renovation/upgrading of the facilities housing them. Office equipment, such as typewriters, photocopiers and desk calculators are scheduled to be procured in late 1987 and mid 1988 for immediate installation upon completion of facility renovation.

Mapping of feeder lines will provide the essential data base necessary for the rehabilitation and expansion planning of the electricity distribution system. Private sector firms in Pakistan, selected through the competitive process, will be awarded contracts to produce the feeder maps while inhouse mapping capability is developed in the Distribution Wing. The data collection/mapping is planned to commence in September 1987.

B. Technical Assistance

Technical assistance will continue to be provided to WAPDA to sustain the present levels of effort in institutional improvement, training and energy loss reduction. A later determination will be made as to whether the technical assistance will be procured by host country or AID direct procedures.

A/E services for the Guddu component will be required for the design review, implementation, monitoring and general overseeing of the project. Negotiations with the top A/E bidder (selected from pre-qualified bidders) in this direct AID contract will take place in 1987, followed by contract award.

IV. ADMINISTRATIVE AND MONITORING ARRANGEMENTS

A. A.I.D. Responsibilities

A.I.D. will be responsible for: (a) authorizing fixed amount reimbursement activities, and conducting inspections and certifications necessary for reimbursements; (b) arranging for short-term and long-term training in the United States, and; (d) providing sufficient staff to participate in the scheduled project evaluations and to liaise with GOP/WAPDA staff in the implementation of this project. AID and the GOP shall determine if commodity and/or technical assistance procurements are to be undertaken by host country or direct contracting. If host country contracting is determined to be appropriate, AID will assist WAPDA as appropriate.

B. GOP/WAPDA Responsibilities

Direct GOP responsibility for implementing the project will rest with WAPDA. This will include procurement of commodities as mutually agreed between the parties, and contracting with technical consultants as similarly agreed between the parties.

The Managing Director, Power Distribution wing, or his designee, will have the overall responsibility for the Institutional Improvement, Distribution Function Training, Distribution System Energy Loss Reduction and Rural Distribution System Expansion components of the project.

The responsibility for the Power Generation Component will be with the Managing Director, Generation and Transmission or a WAPDA designee.

The two Managing Directors or the WAPDA designees will be responsible for: (a) all aspects of the implementation of the component assigned; (b) the timely coordination of the activities of their component(s) with other officers and administrative units of WAPDA and the GOP; (c) providing adequate counterparts to work with consultants; (d) liaising on a day-to-day basis with USAID Program Managers and Representatives of the Technical Assistance Team(s); (e) assisting with the scheduling of and participating in project evaluations; (f) procuring or assisting in procuring commodities to be financed under this project as may be mutually agreed between the parties.

The Ministry of Water and Power will monitor the overall implementation of the project and review of progress and problems periodically with USAID.

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SUMMARY OF PROJECT COSTS BY EXPENSE CATEGORY & SOURCE OF FUNDING 1/
(in 000s)

ILLUSTRATIVE

Annex 1 (Project Grant Agreement, Amendment 7)
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EXPENSE CATEGORY	CUMULATIVE FY 82, 83, 84, 85, 86 & 87 To Date						LIFE OF PROJECT FUNDING 2/					
	AID Dollars/Rupees						AID Dollars/Rupees					
	Loan 5/ \$	Grant \$	Total 3/ \$	US Rupees Rs	GOP Rupees Rs	Other Donors 6/ \$	Loan 5/ \$	Grant \$	TOTAL 3/ \$	US Rupees Rs	GOP Rupees Rs	Other Donors 6/ \$
1. TECHNICAL ASSISTANCE												
A. Short Term	-	4,305	4,305	4,837	-	-	-	5,838	5,838	4,837	-	5,000
B. Long Term	-	24,711	24,711	-	-	-	-	44,292	44,292	-	-	-
2. TRAINING												
A. i. US Short Term	-	3,899	3,899	18,458	-	-	-	3,899	3,899	18,458	-	-
A. ii. US Long Term	-	821	821	705	145	-	-	821	821	705	426	-
B. In-Country	-	-	-	-	23,676	-	-	-	-	-	71,014	-
3. COMMODITIES												
A. Vehicles	-	200	200	-	-	-	-	268	268	-	-	-
B. Others	117,810	10,064	127,874	-	63,208	140,900	108,957	79,051	188,008	-	413,140	167,426
4. OTHER COSTS												
A. Construction	-	7,200	7,200	-	728,603	-	-	8,501	8,501	-	1,972,506	-
B. Operating Costs	-	-	-	-	234,238	-	-	-	-	-	234,238	-
C. FAR 4/	31,490	-	31,490	-	-	-	46,493	-	46,493	-	-	-
SUB-TOTAL	149,300	51,200	200,500	24,000	1,049,870	140,900	155,450	142,670	298,120	24,000	2,691,324	172,426
5. INFLATION							1,755	7,651	9,406			
6. CONTINGENCY							8,095	24,379	32,474		150,420	
TOTAL	149,300	51,200	200,500	24,000	1,049,870	140,900	165,300	174,700	340,000	24,000	2,841,744	172,426

- 1/ Either party may unilaterally, with written notice to the other, adjust line items in this budget to a maximum of 15% per line item, provided, however, that the total obligated amount as shown in the budget is not exceeded.
- 2/ Subject to the availability of funds to A.I.D. for this purpose, and to the mutual agreement of the parties to proceed at the time of each subsequent increment.
- 3/ Does not include \$ 15 million provisionally allocated under the Agricultural Commodities and Equipment Project (391-0468) to import transformers, capacitors, meters and other equipment to connect irrigation tubewell pumps and other rural customers under this Project, subject to the availability of funds to A.I.D. for this purpose.
- 4/ Payment under Fixed Amount Reimbursement System for Energy Loss Reduction & Rural System Expansion Components.
- 5/ A.I.D. Loan Funds are provided under separate Agreement.
- 6/ The ADB is expected to provide \$ 140.9 million to cover the balance of the foreign exchange costs of the Guddu Combined Cycle Gas Turbine Power Generation Project.